


SCOTTISH WIDOWS

official pensions and investment provider



Scottish Widows Tracker and Specialist Investment Funds ICVC

Short Report
for the period ended
30 September 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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London
EC2N 1HZ

Business Address:

Edinburgh One
60 Morrison Street
Edinburgh
EH3 8BE

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

Depository

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 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 of Scottish Widows Tracker and Specialist Investment Funds ICVC.

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 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.

American Smaller Companies Fund for the period ended 30 September 2011

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

Conditions in US equity markets have been tough to say the least over the last six months. Smaller companies underperformed their larger relatives with the S&P 600 Index dropping 20.0% in dollar terms. The Fund outperformed its benchmark.

Early in the reporting period, uninspiring economic data did little to dispel investors' nerves. A report revealed that only 54,000 jobs were created in May, significantly less than analysts had forecast. After the end of the second quarter, the figure was revised down to just 25,000.

The political impasse over the US debt limit (the amount the government can borrow to help finance its operations) also added to the gloom. In early August, an agreement was finally reached in order to spare the US from default. The deal temporarily raises the debt ceiling and creates a process that aims to substantially lower the country's deficits over the next ten years.

But the political deadlock that preceded the agreement was not entirely free of repercussions. After considering the situation, Standard & Poor's made a contentious move to downgrade the US's hallowed AAA credit rating by one notch, helping send equity markets into a rapid decline.

The Federal Reserve unveiled "Operation Twist". This involves selling \$400 billion of Treasuries with maturities of three years or less, buying an equal amount of securities in a six-to-30-year maturity range. By doing this, the central bank aims to drive down long-term interest rates and encourage more mortgage lending. This tactic was last tried in the early 1960s – when the dance craze 'the Twist' was popular, hence the name. The central bank's accompanying statement made reference to "significant downside risks" facing the US economy.

Over the reporting period, some of our least economically sensitive holdings were among the top performers. TreeHouse Foods, a private-label food manufacturer, was one such example. Intuitive Surgical, a maker of advanced surgical systems, also had a positive influence on returns.

In contrast, Interpublic, the advertising group, had a negative influence on performance over the third quarter. The share price fell sharply after the company reported second quarter earnings and revenue that fell short of analysts' expectations.

Another US recession is by no means a certainty, although investors have begun to position their portfolios as though such an outcome is inevitable. There are risks to such a strategy, however. A sharp decline in the oil price would probably provide a significant amount of relief for consumers.

Investing for profit in such a thorny environment is not a straightforward task, but there are tactics that can help. We are using our bottom-up stock-picking skills to seek strong companies with good prospects, regardless of the economic environment. Additionally, the market turbulence has presented us with an opportunity to begin to rebuild positions in technology stocks. These offer good value following a sharp sell-off this year. Our view that the global IT infrastructure needs rebuilding remains unchanged.

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)

TER

	30/09/11	31/03/11
	%	%
A Accumulation	1.66	1.65
B Accumulation	1.40	1.40
X Accumulation	0.16	0.15

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

Details of investments

Investments	30/09/11	31/03/11
	%	%
Consumer Goods	21.99	9.19
Consumer Services	18.34	15.54
Financials	14.05	15.73
Technology	12.91	24.38
Health Care	11.56	8.15
Industrials	10.96	11.74
Oil & Gas	3.28	5.89
Basic Materials	0.98	3.54
Derivatives	-	0.09
Net other assets	5.93	5.75
Total net assets	100.00	100.00

Net asset value

	NAV per share	NAV per share	NAV percentage change
	30/09/11	31/03/11	
	(p)	(p)	%
A Accumulation	931.09	1100.40	(15.39)
B Accumulation	952.95	1124.86	(15.28)
X Accumulation	1064.70	1248.93	(14.75)

Performance record

	01/04/11	01/04/10	01/04/09	01/04/08	01/04/07	01/04/06
	30/09/11	31/03/11	31/03/10	31/03/09	31/03/08	31/03/07
	%	%	%	%	%	%
American Smaller Companies Fund						
A Accumulation	(15.40)	23.65	32.72	(8.11)	(1.51)	(12.70)
North American Smaller Companies Sector Average						
Return	(18.42)	20.08	49.93	(11.27)	(9.27)	(9.15)
S&P 600 Index	(17.64)	18.54	54.96	(14.11)	(11.78)	(6.88)

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.

Top five holdings

	30/09/11		31/03/11
	%		%
1. TreeHouse Foods	5.22	Tempur-Pedic International	4.46
2. Harley-Davidson	4.64	Acme Packet	3.84
3. IHS	4.24	Skyworks Solutions	3.29
4. LKQ	4.24	CapitalSource	3.07
5. Lithia Motors	3.49	Signature Bank	3.05

Number of holdings: 48

Number of holdings: 56

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

Global emerging market equities fell heavily in the period under review, a reflection of the investor risk aversion that has dogged the global economy throughout much of 2011.

Much of the blame can be laid at the door of sovereign debt concerns, partly in the US but primarily in the peripheral European nations. Other contributory factors have been higher inflation expectations and tough monetary policy actions from central banks. Many have been forced to raise interest rates repeatedly to stem the threat of inflation. Latterly, the strengthening of the US dollar and the precipitous decline in commodity prices also weighed down shares in many of the emerging markets.

Overall, the performance of emerging markets indices all but mirrored that of global indices during the review period, questioning the frequently-cited assertion that emerging markets had "decoupled" from their developed market counterparts.

In the six months to 30 September 2011, the Emerging Markets Fund returned -20.42%, slightly behind the MSCI Emerging Markets Large Cap Index return of -21.09%.

Daphne International was a stock that delivered strong positive returns for the Fund. The Hong Kong-listed company, which manufactures and sells shoes in China, has seen its profits more than double in the first half of 2011. Shares in Advanced Info Service, Thailand's largest mobile phone operator, rose after strong growth from non-voice services. China Mobile was another strong telecoms stock, which proved a defensive name given the high level of cash on its balance sheet.

In contrast, a number of Chinese stocks struggled. China Railway has been affected by a sharp cutback in infrastructure spending, and the fortunes of China National Building Material have dipped thanks to the country's moribund property market.

A long-term theme that has almost become received wisdom is that emerging markets are attractive. This has been severely tested of late. The recent sudden weakness in the Brazilian Real shows what happens when everyone heads for the small door marked "Exit" at the same time. This repatriation of emerging market investments still has some time to run. So, any individual stock investment case needs to be a robust one.

Another emerging market theme under consideration is the shadow banking system in China. While state banks have reduced their lending appetite, the shadow system which fuelled much of Chinese growth has ground to a halt. Many companies are finding that their customers, particularly in the SME (small and medium enterprises) sector, can no longer get the required scale of credit to fund their working capital. Additionally, the domestic property market is teetering, more so in the larger cities.

Caution is appropriate at the moment, but 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)

TER

	30/09/11	31/03/11
	%	%
A Accumulation	1.76	1.74
X Accumulation	0.26	0.24

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

Details of investments

Investments	30/09/11	31/03/11
	%	%
South Korea	14.21	13.74
Brazil	14.17	15.61
Taiwan	9.97	9.94
China	9.90	11.14
India	8.29	7.86
Russia	7.21	8.12
South Africa	7.09	6.66
Hong Kong	5.14	4.60
Mexico	4.63	5.26
Malaysia	3.05	2.74
Indonesia	2.62	2.16
Thailand	2.39	1.63
Turkey	1.54	2.37
Cayman Islands	1.41	1.25
Poland	1.24	-
Philippines	0.84	-
Peru	0.66	-
United States	0.60	0.52
Colombia	0.29	-
Hungary	0.22	0.42
Virgin Islands	0.18	0.14
Czech Republic	-	1.71
Bermuda	-	0.85
Net other assets	4.35	3.28
Total net assets	100.00	100.00

Net asset value

	NAV per share	NAV per share	NAV percentage change
	30/09/11	31/03/11	
	(p)	(p)	%
A Accumulation	126.01	158.92	(20.71)
X Accumulation	139.99	175.24	(20.12)

Performance record

	01/04/11	01/04/10	01/04/09	01/04/08	01/04/07	01/04/06
	30/09/11	31/03/11	31/03/10	31/03/09	31/03/08	31/03/07
	%	%	%	%	%	%
Emerging Markets Fund A						
Accumulation	(20.42)	7.59	68.01	(29.82)	13.01	2.22
Global Emerging Markets Sector						
Average Return	(19.99)	9.24	69.14	(27.33)	16.10	7.99
MSCI Emerging Markets Large Cap Index	(21.09)	13.29	71.55	(26.37)	20.05	7.03

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.

Top five holdings

	30/09/11		31/03/11
	%		%
1. Samsung Electronics	3.25	Petroleo Brasileiro ADR	3.86
2. Vale ADR	2.85	Samsung Electronics	3.15
3. China Mobile	2.79	Vale ADR	3.03
4. Petroleo Brasileiro ADR	2.53	Gazprom ADR (London Listing)	2.79
5. Taiwan Semiconductor	1.94	Taiwan Semiconductor	2.11

Number of holdings: 180

Number of holdings: 165

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

Throughout the past six months, government bond prices have continued to rise in the core nations of the US, Germany and the UK. The primary driving force has been risk aversion; this has continued to grow as the sovereign debt crisis threatened to come to a head. Greece continued to struggle, but a growing fear of contagion has brought the much larger economies of Italy and Spain under the spotlight.

US Treasuries and German Bunds benefited from the developments, which have encouraged "safe-haven" buying. This has exerted huge downward pressure on yields, the income return on investments. The yield on the benchmark ten-year Treasury fell from 3.45% to 1.93% and that of the ten-year Bund from 3.36% to 1.86%.

Meanwhile, yield spreads for peripheral European bonds over the German Bund remain at elevated levels. The European Central Bank moved to provide liquidity and stabilise the situation by buying the government debt of troubled markets. Latterly, this included Italian and Spanish bonds as yields began to escalate dramatically. The aim appeared to be to keep Italian and Spanish government bond yields at around 5%.

The International Bond Fund outperformed its benchmark, the JP Morgan Global Bonds ex Japan Index, in the six months to 30 September. The Fund returned 8.70% over the review period, while the benchmark Index returned 7.92%.

Throughout the review period, the Fund was long duration in government bonds from the US, core European nations and Japan – that is, it was positioned to take advantage of falling bond yields. In terms of market allocation, the Fund started the review period with less exposure than the benchmark in Japanese government bonds, while favouring Europe, primarily German Bunds. During the quarter the Fund moved underweight in Italian government bonds.

Outperformance was driven by a variety of contributory factors. The largest element was the overall long duration position in US Treasuries and core European government bonds as yields fell sharply and prices rose. However, curve positioning – owning bonds with maturities that outperformed the wider market - foreign currency trading and the avoidance of poorly-performing Italian bonds all played a part.

At the end of September, we were seeing an ebbing of confidence in the global economy. We do not expect a return to recession, but global growth looks likely to slow. Headline inflation in the major countries should ease markedly over the next few quarters as the food and energy components fall back and underlying inflation is likely to stabilise at close to current moderate levels. We now see official interest rates on hold in the US, UK until well into 2013. In the eurozone we expect that the interest rate will be moved back down to 1% in the coming months and will remain there until spring 2013. Central banks will continue to make extensive use of asset purchases and other means of supplying liquidity to financial markets.

On the basis that we expect persistently low interest rates, we expect only a moderate increase in ten-year yields. For US Treasuries we forecast 2.55% in 12 months time and for German Bunds 2.5%, while in Japan we forecast yields of 1.35%.

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
30/09/11	30/11/11

TER

	30/09/11	31/03/11
	%	%
A Accumulation	1.37	1.37
A Income	1.37	1.37
B Accumulation	1.12	1.12
B Income	1.12	1.12
C Income	0.87	0.87

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

Details of investments

Investments	30/09/11	31/03/11
	%	%
United States	48.00	45.16
France	12.89	9.91
Germany	9.16	14.89
United Kingdom	9.05	2.30
Italy	5.73	10.21
Netherlands	3.38	-
Spain	2.90	1.50
Canada	2.64	2.79
Belgium	2.54	5.59
Australia	1.14	1.12
Denmark	0.89	0.89
Sweden	0.69	4.39
Forward Currency Contracts	(0.02)	(0.01)
Net other assets	1.01	1.26
Total net assets	100.00	100.00

Net asset value

	NAV per share	NAV per share	NAV percentage change
	30/09/11	31/03/11	
	(p)	(p)	%
A Accumulation	207.27	190.71	8.68
A Income	129.52	119.77	8.14
B Accumulation	212.26	195.10	8.80
B Income	129.67	119.90	8.15
C Income	130.22	120.40	8.16

Distribution

	Interim
	30/09/11
	(p)
A Accumulation	1.0350
A Income	0.6500
B Accumulation	1.2615
B Income	0.7755
C Income	0.9030

Performance record

	01/04/11	01/04/10	01/04/09	01/04/08	01/04/07	01/04/06
	30/09/11	31/03/11	31/03/10	31/03/09	31/03/08	31/03/07
	%	%	%	%	%	%
International Bond Fund						
A Accumulation	8.70	(1.85)	(2.07)	30.85	13.29	(4.43)
Global Bonds						
Sector Average						
Return	0.16	2.05	15.37	10.10	6.51	(2.37)
JP Morgan Global Bonds Ex Japan Index						
Index	7.92	(0.41)	(0.63)	31.48	17.02	(2.79)

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

	30/09/11	31/03/11
	%	%
1. United States Treasury Note 2.125% 31/05/2015	9.48	United States Treasury Note 18.51% 15/08/2013
2. United States Treasury Note 3.75% 15/11/2018	8.81	Bundesschatzanweisungen 8.22% 10/06/2011
3. United States Treasury Note 2.125% 29/02/2016	7.39	Italy Buoni Poliennali Del Tesoro 5.75% 01/03/2019
4. France Government Bond 4% 25/04/2014	7.22	Belgium Government Bond 5.59% 28/03/2017
5. United States Treasury Note 1.75% 31/01/2014	5.98	United States Treasury Note 5.48% 30/09/2017

Number of holdings: 40

Number of holdings: 27

Summary of portfolio by credit ratings

	Total Net Assets	Total Net Assets
	30/09/11	31/03/11
	%	%
Rating block		
Investment grade (AAA to BBB-)	99.01	98.75
Total Bonds	99.01	98.75
Other	0.99	1.25
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 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

Global emerging market equities fell heavily in the period under review, a reflection of the investor risk aversion that has dogged the global economy throughout much of 2011.

Much of the blame can be laid at the door of sovereign debt concerns, partly in the US but primarily in the peripheral European nations. Other contributory factors have been higher inflation expectations and tough monetary policy actions from central banks. Many have been forced to raise interest rates repeatedly to stem the threat of inflation. Latterly, the strengthening of the US dollar and the precipitous decline in commodity prices also weighed on shares in many of the emerging markets.

Overall, the performance of emerging markets indices in general, and Latin America in particular, all but mirrored that of global indices during the review period. This suggests that investors have learned from the experience in 2008 and 2009. While emerging economies may be able to withstand a growth shock – there is still a respectable level of growth forecast for them this year and next – emerging and developed financial markets are inextricably linked. This is highlighted by the extremely high levels of correlation across asset classes, exacerbated by high levels of US dollar repatriation.

The region's two largest markets fell sharply, with most of the fall concentrated in the last three months of the review period. Share price falls were exacerbated by a sharp downturn in commodity prices.

The Latin America Fund slightly outperformed its benchmark Index in the six months to 30 September 2011. While the Fund delivered a return of -20.82%, the MSCI Latin America Index returned -24.25%.

There were positive returns for the Fund from two drinks companies – Brazil-based Cia de Bedidas das Americas, South America's largest brewery, and Mexico's Formento Economico Mexicano. Peruvian financial services group Credicorp also bolstered returns. In contrast, the absence from the portfolio of Index heavyweight Grupo Elektra, a Mexican financial and retail corporation, hampered returns.

As ever, 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)

TER

	30/09/11	31/03/11
	%	%
A Accumulation	1.81	1.78
B Accumulation	1.56	1.53
X Accumulation	0.31	0.28

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

Details of investments

Investments	30/09/11	31/03/11
	%	%
Brazil	63.19	65.43
Mexico	22.09	22.20
Chile	8.03	7.38
Colombia	2.75	2.18
Bermuda	0.91	1.32
Peru	0.87	0.73
United States	0.74	0.86
Net other assets/(liabilities)	1.42	(0.10)
Total net assets	100.00	100.00

Net asset value

	NAV per share 30/09/11 (p)	NAV per share 31/03/11 (p)	NAV percentage change %
A Accumulation	325.87	411.94	(20.89)
B Accumulation	331.74	418.84	(20.80)
X Accumulation	364.84	457.78	(20.30)

Please note: negative figures are shown in brackets.

Performance record

	01/04/11 30/09/11	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
	%	%	%	%	%	%
Latin American Fund A						
Accumulation	(20.82)	4.91	97.68	(31.86)	29.31	19.19
Specialist Sector						
Average Return	N/A	N/A	N/A	(24.65)	17.46	13.61
Equity Global						
Emerging Markets						
Latin American						
Sector Average						
Return	(23.88)	7.70	81.83	N/A	N/A	N/A
MSCI Latin						
American Index	(24.25)	7.94	86.94	(28.11)	37.99	16.35

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.

Top five holdings

	30/09/11		31/03/11
	%		%
1. Vale Preference 'A' Shares	8.89	Vale Preference 'A' Shares	8.81
2. America Movil ADR	7.14	Petroleo Brasileiro Preference Shares	8.52
3. Petroleo Brasileiro Preference Shares	6.89	America Movil ADR	6.79
4. Itau Unibanco Preference Shares	6.12	Itau Unibanco Preference Shares	6.63
5. Banco Bradesco Preference Shares	4.67	Banco Bradesco Preference Shares	4.31

Number of holdings: 70

Number of holdings: 71

Overseas Fixed Interest Tracker Fund for the period ended 30 September 2011

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 9.80% in the six months to 30 September 2011. Over the period, the Fund has tracked the JP Morgan Global Government Bond (excluding UK) Index. Sampling techniques are used to match country exposure and duration (the sensitivity of a bond to changes in interest rates).

Throughout the past six months, government bond prices have continued to rise in the core nations of the US, Germany and the UK. The primary driving force has been risk aversion; this has continued to grow as the unfolding sovereign debt crisis threatened to come to a head. Most market observers now appear to expect at least a partial default by troubled Greece. However, a growing fear of contagion has brought the much larger economies of Italy and Spain under the spotlight – a development that could threaten the survival of the euro.

US Treasuries, German Bunds and UK Gilts have all benefited from the developments, which have encouraged "safe-haven" buying. This has exerted huge downward pressure on yields, the income return on these investments. The yield on the benchmark ten-year Treasury fell from 3.45% to 1.93% and that of the ten-year Bund from 3.36% to 1.86%.

Yield spreads for peripheral European bonds over the German Bund remain at elevated levels. The European Central Bank moved to provide liquidity to troubled markets by buying Portuguese and Irish government bonds. However, yields on Italian and Spanish government debt soon began to escalate dramatically, prompting an extension to the buying programme to stabilise the situation. The aim appears to be to keep Italian and Spanish government bond yields at around 5%, a line that may be difficult to hold, particularly for Italy.

At the end of September, we were seeing an ebbing of confidence in the global economy – one which will to some extent be self-fulfilling. We do not expect a return to recession, but global growth looks likely to slow from last year's 5.1% to a range between 3.5% and 4%.

Headline inflation in the major countries should ease markedly over the next few quarters as the food and energy components fall back. Underlying inflation, which has picked up significantly from very low levels, is likely to stabilise at close to current moderate levels. We now see official interest rates on hold in the US, UK until well into 2013, with only modest increases over the rest of that year. In the eurozone we expect that the policy rate will be moved back down to 1% over the next few months and will remain there until spring 2013. Central banks will continue to make extensive use of asset purchases and other means of supplying liquidity to financial markets.

On the basis that we expect persistently low interest rates, we expect only a moderate increase in ten-year yields. For US Treasuries we forecast 2.55% in 12 months time and for German Bunds 2.5%.

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
30/06/11	31/08/11
30/09/11	30/11/11

TER

	30/09/11	31/03/11
	%	%
I Accumulation	0.64	0.64
I Income	0.64	0.64

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

Details of investments

Investments	30/09/11	31/03/11
	%	%
United States	34.61	32.95
Japan	34.25	32.89
France	9.47	11.27
Germany	5.20	5.03
Italy	4.62	7.77
Netherlands	3.35	-
Canada	1.98	2.11
Spain	1.97	1.11
Belgium	1.83	3.77
Australia	0.77	0.83
Denmark	0.63	0.74
Sweden	0.47	0.51
Net other assets	0.85	1.02
Total net assets	100.00	100.00

Net asset value

	NAV per share	NAV per share	NAV percentage change
	30/09/11	31/03/11	30/09/11
	(p)	(p)	%
I Accumulation	190.31	173.36	9.78
I Income	146.54	134.26	9.15

Distribution

	First interim	Second interim
	30/06/11	30/09/11
	(p)	(p)
I Accumulation	0.5387	0.5388
I Income	0.4215	0.4163

Please note: negative figures are shown in brackets.

Performance record

	01/04/11	01/04/10	01/04/09	01/04/08	01/04/07	01/04/06
	30/09/11	31/03/11	31/03/10	31/03/09	31/03/08	31/03/07
	%	%	%	%	%	%
Overseas Fixed Interest Tracker Fund I						
Accumulation	9.80	0.17	(0.63)	35.88	16.97	(6.00)
Global Bonds Sector Average Return	0.16	2.05	15.37	10.10	6.51	1.11
JP Morgan Global Government Bond (non UK) Traded Index						
Index	9.45	2.15	0.00	36.72	19.15	(5.12)

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

	30/09/11	31/03/11
	%	%
1. Japan Government Bond 1% 20/06/2013	9.22	14.65
2. Japan Government Bond 1.7% 20/03/2017	8.93	10.80
3. United States Treasury Note 2.125% 31/05/2015	7.11	10.18
4. United States Treasury Note 3.75% 15/11/2018	6.31	8.70
5. United States Treasury Note 2.125% 29/02/2016	5.32	7.32
		United States Treasury Note 4.25% 15/08/2013
		Japan Government Bond 1.7% 20/03/2017
		Japan Government Bond 1% 20/06/2013
		Japan Government Bond 2.1% 20/12/2026
		United States Treasury Note 1.875% 30/09/2017

Number of holdings: 35

Number of holdings: 24

Summary of portfolio by credit ratings

	Total Net Assets	Total Net Assets
	30/09/11	31/03/11
	%	%
Rating block		
Investment grade (AAA to BBB-)	99.15	98.98
Total bond	99.15	98.98
Other	0.85	1.02
Total net assets	100.00	100.00

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

FUND PROFILE

Fund Aims

To provide you with a return on your investment. 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 aims to closely match the FTSE All-Share Index. It does this by closely matching the weights of the largest shares in the Index that account for approximately 97% of the Index's market capitalisation. We also use selective sampling techniques to provide appropriate exposure to the remaining component of the Index. As the Fund is passively managed, portfolio management is focussed on managing significant changes to the Index – for example, by buying shares in companies around the time of their entry to the Index and selling shares in those that leave the Index. This most commonly occurs after the FTSE quarterly Index reviews.

Over the review period, the Fund performed broadly in line with the FTSE All-Share Index, which fell 11.85%. This was an exceptionally challenging period for equities as investors focused on the ongoing sovereign debt crisis in the eurozone. Politicians and policymakers struggled to reach a consensus over a second bail-out package for beleaguered Greece, while fears grew that the crisis would engulf the likes of Italy and Spain. Equity markets also pulled back sharply towards the end of the review period as economic data worsened rapidly, prompting many firms to downgrade their earnings forecasts.

The sluggish performance of the UK economy intensified focus on whether the Bank of England should undertake further quantitative easing (buying back government assets to increase the money supply). Shortly after the period under review, the Bank announced it would undertake an additional £75 billion of easing, with its governor, Mervyn King, warning that the country may be facing the worst financial crisis it has known. With the UK economy expanding by just 0.1% over the second quarter, hopes of a strong rebound in the third quarter have faded.

Looking ahead, as estimates of future economic growth continue to be lowered, corporate earnings forecasts for the remainder of 2011 and into 2012 appear to be optimistic. As a result, share prices may fall further if corporate profits prove disappointing. Markets are likely to remain volatile for the remainder of 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.

UK All Share Tracker Fund (continued)

Distribution

XD date	Payment date	
30/09/11	30/11/11	

TER

	30/09/11	31/03/11
	%	%
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 period, annualised, against its average net asset value. The TER can fluctuate as underlying costs change.

Details of investments

Investments	30/09/11	31/03/11
	%	%
Financials	23.28	20.21
Oil & Gas	16.20	15.65
Consumer Goods	12.28	9.74
Basic Materials	9.97	11.88
Consumer Services	8.73	8.20
Health Care	7.43	5.94
Industrials	6.49	6.44
Telecommunications	6.19	5.62
Utilities	4.02	3.24
Technology	1.73	1.50
Derivatives	0.03	0.48
Net other assets	3.65	11.10
Total net assets	100.00	100.00

Net asset value

	NAV per share	NAV per share	NAV percentage
	30/09/11	31/03/11	change
	(p)	(p)	%
I Accumulation	146.69	165.58	(11.41)
I Income	98.43	113.11	(12.98)

Distribution

	Interim
	30/09/11
	(p)
I Accumulation	2.6003
I Income	1.7756

Please note: negative figures are shown in brackets.

Performance record

	01/04/11	01/04/10	01/04/09	01/04/08	01/04/07	01/04/06
	30/09/11	31/03/11	31/03/10	31/03/09	31/03/08	31/03/07
	%	%	%	%	%	%
UK All Share Tracker Fund						
I Accumulation	(11.41)	8.58	58.25	(31.61)	(8.38)	10.09
UK All Companies Sector Average						
Return	(13.07)	11.35	50.94	(31.59)	(10.16)	10.32
FTSE All-Share Index						
Index	(11.85)	8.72	52.30	(29.33)	(7.74)	11.15

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

	30/09/11		31/03/11
	%		%
1. HSBC	5.39	HSBC	5.63
2. Vodafone	5.06	Vodafone	4.55
3. SWIP Sterling Liquidity Fund [†]	4.59	BP	4.21
4. BP	4.37	Royal Dutch Shell 'A' Shares	3.89
5. Royal Dutch Shell 'A' Shares	4.23	Rio Tinto	3.28

Number of holdings: 465

Number of holdings: 465

[†] Scottish Widows Investment Partnership (SWIP).

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 the duration of the market (the sensitivity of a bond to changes in interest rates) and the shape of the yield curve (which shows the relationship between borrowing costs and time to maturity). 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 interest payments have been reinvested to maintain a close replication of the benchmark Index.

Government bond prices rose steadily as yields, the income return on these investments, charted a downward path throughout the six-month review period. Early on, a variety of factors weighed down the bond market. These included nervousness over Japan's nuclear crisis, a shaky start to the earnings season, and benign US inflationary data.

But as we moved into the summer of 2011, nervousness grew over the parlous financial state of peripheral European nations – particularly debt-ridden Greece. Yield spreads for peripheral European bonds over the German bund remained at elevated levels. During June, the cost of insuring against sovereign default by Greece, Portugal and Ireland – as measured by five-year credit-default swaps – reached record levels. Latterly, a growing fear of contagion has brought the much larger economies of Italy and Spain under the spotlight.

This has encouraged "safe-haven" buying, adding to downward pressure on yields in "core" government bond markets such as the US and Germany. Worsening global economic data has been also a driving force. In spite of its parlous government finances, markets have also deemed the UK to be core, and the yield on the benchmark ten-year Gilts has fallen from 3.40% to 2.43%.

Looking ahead, a return of confidence and spending power needs to be driven by employment growth, deriving from stronger growth elsewhere in the economy – most likely net exports and business investment. If the latter recovers strongly, as we forecast, this should feed through to a reasonable upturn in consumer spending. On this basis, we think GDP growth will move from a disappointing 1% this year to 1.8% and 2.4% in 2012 and 2013 respectively.

Consumer Prices Index (CPI) inflation edged back up to 4.5% in August. With hefty energy price rises feeding through, inflation will run at around 5% for a few months before starting to fall back quite sharply as falls in commodity prices feed through to food and petrol prices. We think CPI inflation will flatten off a little above the 2% target in 2013.

We now see UK interest rates on hold at 0.5% until well into 2013, and 1.25% by the end of that year. On the basis that we expect persistently low interest rates, we expect the ten-year Gilt yield to rise to 3.25% in 12 months' time.

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	
30/06/11	31/08/11	
30/09/11	30/11/11	

TER

	30/09/11	31/03/11
	%	%
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 period, annualised, against its average net asset value. The TER can fluctuate as underlying costs change

Details of investments

Investments	30/09/11	31/03/11
	%	%
Government Securities	99.58	99.51
Net other assets	0.42	0.49
Total net assets	100.00	100.00

Net asset value

	NAV per share	NAV per share	NAV percentage change
	30/09/11	31/03/11	%
	(p)	(p)	%
I Accumulation	192.98	176.26	9.49
I Income	114.83	106.12	8.21

Distribution

	First interim	Second Final
	30/06/11	30/09/11
	(p)	(p)
I Accumulation	1.0881	1.0857
I Income	0.6551	0.6497

Please note: negative figures are shown in brackets.

Performance record

	01/04/11	01/04/10	01/04/09	01/04/08	01/04/07	01/04/06
	30/09/11	31/03/11	31/03/10	31/03/09	31/03/08	31/03/07
	%	%	%	%	%	%
UK Fixed Interest Tracker Fund						
I Accumulation	9.41	4.75	(0.71)	9.28	6.16	(0.61)
UK Gilt Sector						
Average Return	9.64	4.33	(0.05)	8.84	5.18	(1.39)
FTSE A UK Gilts						
All Stocks Index	10.93	5.16	0.77	10.32	7.58	0.56

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

	30/09/11		31/03/11
	%		%
1. UK Treasury	4.18	UK Treasury	5.68
5% 07/09/2014		4.75% 07/03/2020	
2. UK Treasury	3.91	UK Treasury	4.56
4.75% 07/09/2015		5% 07/09/2014	
3. UK Treasury	3.82	UK Treasury	4.19
4.75% 07/03/2020		4.75% 07/09/2015	
4. UK Treasury	3.64	UK Treasury	4.07
4.5% 07/03/2013		4.5% 07/03/2013	
5. UK Treasury	3.62	UK Treasury	3.93
2.25% 07/03/2014		2.75% 22/01/2015	

Number of holdings: 39

Number of holdings: 38

Summary of portfolio by credit ratings

	Total Net Assets	Total Net Assets
	30/09/11	31/03/11
	%	%
Rating block		
Investment grade (AAA to BBB-)	99.58	99.51
Total bonds	99.58	99.51
Other	0.42	0.49
Total net assets	100.00	100.00

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

FUND PROFILE

Fund Aims

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

Specific Risk Profile

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

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

INVESTMENT MANAGER'S REVIEW

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

Portfolio activity during the review period reflected shifts in the yield (income return on an investment) and changes to the Index. New money and coupon payments (interest rate paid out to a bond holder) have been invested to maintain a full replication of the benchmark Index.

The UK Index-Linked Tracker Fund delivered a 9.69% return in the six months to 30 September 2011. The real yield (the return from the investment adjusted for inflation) fell over the review period from 0.53% to -0.28%.

The third quarter of this year has heralded a significant shift in the stance of monetary policy around the world, a response to economic weakness and stress in financial markets. The UK now looks set to keep interest rates very low for a sustained period. One question is the extent to which non-traditional policy measures will be used. At the August Monetary Policy Committee (MPC) meeting there were no dissidents calling for interest rate increases, and the minutes of the September meeting indicated growing support for another round of quantitative easing (increase to the supply of money), given the increased risks to economic activity and inflation. In the event, the MPC's early October meeting – just after the end of the review period – voted for another round of asset purchases totalling £75 billion over the next four months.

Consumer Prices Index (CPI) inflation edged back up to 4.5% in August. With hefty energy price rises feeding through, inflation will run at around 5% for a few months before starting to fall back quite sharply as falls in commodity prices feed through to food and petrol prices. We think CPI inflation will flatten off a little above the 2% target in 2013.

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	
30/06/11	31/08/11	
30/09/11	30/11/11	

TER

	30/09/11	31/03/11
	%	%
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 period, annualised, against its average net asset value. The TER can fluctuate as underlying costs change

Details of investments

Investments	30/09/11	31/03/11
	%	%
UK Index-Linked Gilts	99.85	99.89
Net other assets	0.15	0.11
Total net assets	100.00	100.00

Net asset value

	NAV per share	NAV per share	NAV percentage change
	30/09/11	31/03/11	
	(p)	(p)	%
I Accumulation	204.80	186.72	9.68
I Income	174.16	159.53	9.17

Distribution

	First interim	Second interim
	30/06/11	30/09/11
	(p)	(p)
I Accumulation	0.4693	0.4479
I Income	0.4009	0.3817

Please note: negative figures are shown in brackets.

Performance record

	01/04/11	01/04/10	01/04/09	01/04/08	01/04/07	01/04/06
	30/09/11	31/03/11	31/03/10	31/03/09	31/03/08	31/03/07
	%	%	%	%	%	%
UK Index-Linked Tracker Fund I						
Accumulation	9.69	6.69	8.83	(1.71)	11.90	2.17
UK Index-Linked Gilts Sector						
Average Return	10.98	6.72	10.17	(2.12)	11.76	1.83
FTSE Actuaries Government Securities Index-Linked						
All Stocks Index	10.67	6.53	10.27	(1.33)	13.10	3.01

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

	30/09/11		31/03/11
	%		%
1. UK Treasury 2.5% Index-Linked 26/07/2016	9.28	UK Treasury 2.5% Index-Linked 26/07/2016	9.43
2. UK Treasury 2.5% Index-Linked 16/04/2020	7.72	UK Treasury 2.5% Index-Linked 16/04/2020	8.10
3. UK Treasury 1.875% Index-Linked 22/11/2022	7.63	UK Treasury 2.5% Index-Linked 16/08/2013	7.92
4. UK Treasury 1.25% Index-Linked 22/11/2027	7.62	UK Treasury 2.5% Index-Linked 17/07/2024	7.35
5. UK Treasury 2.5% Index-Linked 17/07/2024	7.36	UK Treasury 1.25% Index-Linked 22/11/2027	6.79

Number of holdings: 17

Number of holdings: 17

Summary of portfolio by credit ratings

	Total Net Assets	Total Net Assets
	30/09/11	31/03/11
	%	%
Rating block		
Investment grade (AAA to BBB-)	99.85	99.89
Total bonds	99.85	99.89
Other	0.15	0.11
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 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

This was an exceptionally challenging period for equities as investors focused on the ongoing sovereign debt crisis in the eurozone. Politicians and policymakers struggled to reach a consensus over a second bail-out package for beleaguered Greece, while fears grew that the crisis would engulf the likes of Italy and Spain. Equity markets also fell sharply towards the end of the review period as economic data worsened rapidly, prompting many firms to downgrade their earnings forecasts. The performance of smaller companies during the review period fell broadly in line with their larger counterparts, with the Hoare Govett Smaller Companies Index falling nearly 12%.

The Fund outperformed its benchmark over this period, with one the largest positive contributions coming from Lancashire, a specialist insurer that benefited from a relatively benign hurricane season. Berkeley, a property group, also performed well in the wake its announcement that it planned to return £13 in cash to each shareholder over the next ten years. The largest negative contributions to performance came from Sthree, a staffing firm, and Ashtead, a tool hire group. Both companies' share prices fell amid short-term economic concerns.

Over the period, as the outlook for corporate earnings became less favourable, we sought to increase the amount of dividend yield (how much a company pays out in relation to its share price) in the portfolio. With this in mind, we established a new holding in William Hill and increased our exposure to BBA Aviation, Hansteen Holdings, Kcom, Provident Financial, and WH Smith. We also established a holding in Filtrona, taking encouragement from its new management team. Disposals included Halfords, Imagination Technologies, Misys and Ultra Electronics.

Looking ahead, the UK economy is struggling to make progress at the moment, with consumers squeezed by higher energy prices and increased taxes at a time of subdued growth in wages. Investors in smaller companies will be particularly hopeful of strong economic growth, as historically this has been favourable for the asset class. But with the large-capitalisation sector facing challenges of its own, there is no reason to assume smaller companies will not perform as well as their larger counterparts over the coming months.

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)

TER

	30/09/11	31/03/11
	%	%
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 period, annualised, against its average net asset value. The TER can fluctuate as underlying costs change

Details of investments

Investments	30/09/11	31/03/11
	%	%
Consumer Services	24.02	24.08
Industrials	22.26	24.21
Financials	22.25	18.19
Technology	8.54	7.90
Consumer Goods	6.33	7.33
Oil & Gas	5.11	7.32
Basic Materials	3.64	5.06
Health Care	2.59	2.29
Telecommunications	2.13	1.42
Utilities	1.93	1.21
Net other assets	1.20	0.99
Total net assets	100.00	100.00

Net asset value

	NAV per share	NAV per share	NAV percentage change
	30/09/11	31/03/11	
	(p)	(p)	%
A Accumulation	176.47	196.80	(10.33)
B Accumulation	180.21	200.72	(10.22)
C Accumulation	188.07	208.95	(9.99)
X Accumulation	201.80	223.37	(9.66)

Please note: negative figures are shown in brackets.

Performance record

	01/04/11	01/04/10	01/04/09	01/04/08	01/04/07	01/04/06
	30/09/11	31/03/11	31/03/10	31/03/09	31/03/08	31/03/07
	%	%	%	%	%	%
UK Smaller Companies Fund						
A Accumulation	(10.34)	19.17	56.36	(39.56)	(23.34)	16.73
UK Smaller Companies Sector						
Average Return	(11.42)	28.98	58.22	(36.83)	(18.17)	16.68
Hoare Govett Smaller Companies ex-IT Index						
ex-IT Index	(11.78)	20.35	69.01	(33.34)	(18.97)	21.37

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

	30/09/11		31/03/11
	%		%
1. Lancashire	3.95	Ashtead	3.74
2. Berkeley	3.68	Restaurant	2.60
3. Ashtead	3.64	Sthree	2.54
4. Senior	2.88	Berkeley	2.38
5. Restaurant	2.75	Close Brothers	2.35

Number of holdings: 60

Number of holdings: 72

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 aims to closely match the FTSE 100 Index, holding appropriate weightings of shares in the UK's 100 largest companies by market capitalisation. As the Fund is passively managed, portfolio management is focussed on making changes to the Index – for example, by buying shares in companies around the time of their entry to their Index and selling shares in those that leave the Index. This most commonly occurs after the FTSE quarterly Index reviews.

Over the review period, the Fund performed broadly in line with the FTSE 100 Index, which fell 11.56%. This was an exceptionally challenging period for equities as investors focused on the ongoing sovereign debt crisis in the eurozone. Politicians and policymakers struggled to reach a consensus over a second bail-out package for beleaguered Greece, while fears grew that the crisis would engulf the likes of Italy and Spain. Equity markets also fell sharply towards the end of the review period as economic data worsened rapidly, prompting many firms to downgrade their earnings forecasts.

The sluggish performance of the UK economy intensified focus on whether the Bank of England should undertake further quantitative easing (buying back government assets to increase the money supply). Shortly after the period under review, the Bank announced it would undertake an additional £75 billion of easing, with its governor, Mervyn King, warning that the country may be facing the worst financial crisis it has known. With the UK economy expanding by just 0.1% over the second quarter, hopes of a strong rebound in the third quarter have faded.

Looking ahead, as estimates of future economic growth continue to be lowered, corporate earnings forecasts for the remainder of 2011 and into 2012 appear to be optimistic. As a result, share prices may fall further if corporate profits prove disappointing. Markets are likely to remain volatile for the remainder of 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.

UK Tracker Fund (continued)

Distribution

XD date	Payment date
30/09/11	30/11/11

TER

	30/09/11	31/03/11
	%	%
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 period, annualised, against its average net asset value. The TER can fluctuate as underlying costs change

Details of investments

Investments	30/09/11	31/03/11
	%	%
Financials	19.23	20.33
Oil & Gas	19.00	20.18
Consumer Goods	14.24	12.00
Basic Materials	11.25	14.60
Health Care	8.82	7.66
Consumer Services	8.29	8.20
Telecommunications	7.28	7.14
Industrials	4.72	4.54
Utilities	4.49	3.97
Technology	1.20	1.14
Derivatives	0.06	0.01
Net other assets	1.42	0.23
Total net assets	100.00	100.00

Net asset value

	NAV per share	NAV per share	NAV percentage change
	30/09/11	31/03/11	
	(p)	(p)	%
A Accumulation	187.65	211.77	(11.39)
A Income	130.87	149.93	(12.71)
B Accumulation	196.67	221.31	(11.13)
B Income	130.13	149.12	(12.73)
X Accumulation	205.95	231.29	(10.96)

Please note: negative figures are shown in brackets.

Performance record

	01/04/11	01/04/10	01/04/09	01/04/08	01/04/07	01/04/06
	30/09/11	31/03/11	31/03/10	31/03/09	31/03/08	31/03/07
	%	%	%	%	%	%

UK Tracker Fund

A Accumulation (11.39) 7.30 55.40 (31.52) (7.53) 7.40

UK All Companies

Sector Average

Return (13.07) 11.35 50.94 (31.59) (10.16) 2.04

FTSE 100 Index (11.56) 7.44 50.42 (28.17) (6.26) 9.32

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

	Interim
	30/09/11
	(p)
A Accumulation	2.8046
A Income	2.0009
B Accumulation	3.5414
B Income	2.3339
X Accumulation	4.1657

Top five holdings

	30/09/11		31/03/11
	%		%
1. HSBC	6.54	HSBC	7.47
2. Vodafone	6.14	Vodafone	6.04
3. BP	5.31	BP	5.60
4. Royal Dutch Shell 'A' Shares	5.12	Royal Dutch Shell 'A' Shares	5.17
5. GlaxoSmithKline	4.87	Rio Tinto	4.36

Number of holdings: 104

Number of holdings: 103



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