UK AND INCOME
INVESTMENT FUNDS ICVC

INTERIM SHORT REPORT FOR THE
SIX MONTH PERIOD ENDED 31 AUGUST 2016

SCOTTISH WIDOWS

SCOTTISH WIDOWS UK AND INCOME INVESTMENT FUNDS ICVC

The Company

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

Incorporated in Great Britain under registered number IC000165. Authorised and regulated by the Financial Conduct 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 Conduct Authority and a member of The Investment Association (previously the Investment Management Association)

Investment Adviser

Aberdeen Asset Investments Limited

Registered Office:

Bow Bells House
1 Bread Street
London
EC4M 9HH

Correspondence Address:

40 Princes Street
Edinburgh
EH2 2BY

Authorised and regulated by the Financial Conduct Authority and a member of The Investment Association (previously the Investment Management Association)

Depositary

State Street Trustees Limited

Registered Office:

20 Churchill Place
Canary Wharf
London
E14 5HJ

Correspondence Address:

525 Ferry Road
Edinburgh
EH5 2AW

Authorised and regulated by the Financial Conduct Authority.

Independent Auditors

PricewaterhouseCoopers LLP
Level 4, Atria One
144 Morrison Street
Edinburgh
EH3 8EX

SCOTTISH WIDOWS UK AND INCOME INVESTMENT FUNDS ICVC

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 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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Long reports are available on request. If you would like a copy, please telephone Client Services on 0345 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, the following changes were made to the Company and therefore the following changes were reflected in the Prospectus of Scottish Widows UK and Income Investment Funds ICVC:

- With effect from 18 March 2016, the Depositary section of the Prospectus of the Company was updated to include certain regulatory changes and amendments required under UCITS V. The amendments made related to the responsibility of the Depositary in respect of:
- the Depositary's functions;
- the Depositary's liability;
- the Depositary's ability to delegate;
- any conflict of interest that may exist; and
- a list has been included of the 3rd parties appointed by the Depositary.

The Depositary's fee has also been amended as a result of the additional responsibility

- With effect from 17 August 2016, we have revised the investment objective and policy of the UK Growth Fund and the UK Equity Income Fund (each a Fund) in order to clarify each Fund's investment strategy. The changes to the description of the investment objective and policy of the Funds are intended to give greater clarity to investors on how the Funds are managed.

UK Equity Income Fund

The investment objective of the Fund has been updated to make it clear that the Fund will invest predominantly in a portfolio of UK securities. The Fund seeks to deliver performance over the long term, before deduction of management fees, in excess of the FTSE All Share Index with a similar level of overall volatility.

The investment policy of the Fund now makes it clear that the Fund will seek to achieve its objective by investing predominantly in a portfolio of companies which are part of the FTSE All Share Index.

As part of this, the Investment Adviser will seek to identify companies that are forecast to provide higher than average dividend yields and to achieve long term capital growth. The Fund will then seek to hold more in these companies in comparison to the FTSE All Share Index. This means that, while the Fund will hold a large number of securities in common with the FTSE All Share Index, the weighting of any one security may be significantly different to the FTSE All Share Index.

The Fund is limited in the extent to which it can hold more (overweight) or less (underweight) in sectors relative to the Index, but it aims to be overweight in sectors which are expected to provide a higher than average dividend yield. The dividend yield is calculated by dividing the annual dividend paid in respect of a security by its share price.

UK Growth Fund

The investment objective of the Fund has been updated to make it clear that the Fund will invest in a portfolio of predominantly UK companies while seeking to deliver performance over the long term, before deduction of management fees, in excess of the FTSE All Share Index with a similar level of overall volatility.

The investment policy of the Fund now makes it clear that the Fund will seek to achieve its objective by investing predominantly in a portfolio of companies which are part of the FTSE All Share Index, which will involve investing in equities and may also involve investing in equity-linked securities being depositary receipts, warrants and preference shares. The updated policy also makes it clear that there is limited scope for the Fund to take positions away from the FTSE All Share Index, which means there are limitations on the extent to which the Fund's investment in various sectors may differ to the FTSE All Share Index. These limited positions can be more than is held in the FTSE All Share Index (overweight) or less than is held in the FTSE All Share Index (underweight).

We have also decided to reduce the annual management charge in respect of the Class A share class of the UK Growth Fund from 1.5% to 1.35% and increase the auditor's fee for the Funds following a review of pricing by the auditor of the Funds. All of the above changes to each Fund were implemented with effect from 17 August 2016.

- We have amended the investment and borrowing powers for the Corporate Bond Fund, High Income Bond Fund, High Reserve Fund and Strategic Income Fund (together the "Funds") to clarify that the Funds can invest in covered bonds. This will allow further flexibility for the Investment Adviser by enabling access to a wider range of assets in order to meet the investment objectives of the Funds. Please note that this will not change the strategies or the risk profiles of the Funds and there are no changes required to the investment objectives and policies of the Funds.

A copy of the Prospectus is available on request.

CORPORATE BOND FUND

for the six month period ended 31 August 2016

FUND PROFILE

Fund objectives and investment policy

This Fund aims to give either an income, while having regard to the capital value, or growth (when income is kept within the Fund). To do so by investing mainly in investment grade corporate bonds and other fixed interest securities issued by companies primarily in the UK and also Europe.

Investment grade bonds have achieved or exceeded a minimum credit rating awarded by a credit rating agency. Therefore they are considered lower risk than bonds with a lower credit rating. Credit ratings indicate the likelihood that an issuer will be able to make their payments.

Investors should aim to hold their investment in this Fund for the medium to long-term (at least five to ten years).

Any income received by the Fund in respect of accumulation shares is retained in the Fund and has the effect of increasing the share price. Any income received by the Fund in respect of Income shares will be paid out to you.

The Fund is allowed to use derivatives (contracts which have a value linked to the price of another asset) for the following reasons:

- To help reduce risk;
- To help reduce cost; and
- To help generate extra capital or income for the Fund with an acceptably low level of risk.

We calculate the value of this Fund at 8am daily on working days in the UK. Our dealing times are from 9am to 5pm each working day. Instructions received before 5pm will receive the next day's price.

Synthetic risk and reward profile

There are several different ways of measuring risk. The table below uses an industry standard measure of fund risk based on measuring a fund's volatility using its returns over the past five years. Volatility is generated by both rising and falling prices. Volatility doesn't tell you how much a fund has lost or gained; it indicates how volatile its returns were historically. The Fund's ranking may change over time and may not be a reliable indication of its future risk profile.

This is a separate measure to Scottish Widows' Investment Approaches (where we use our own methodology to take an overall look at funds' risks and aims and categorise our funds as Secure, Cautious, Balanced, Progressive, Adventurous or Specialist). You can read more about them at **www.scottishwidows.co.uk/investmentapproaches**

Typically lower rewards, lower risk ← → Typically higher rewards, higher risk

1	2	3	4	5	6	7

This Fund is ranked at 4* because it has experienced medium levels of volatility over the past 5 years.

*As disclosed in the key investor information document dated 2 August 2016.

INVESTMENT ADVISER'S REVIEW

The past six months have been volatile for corporate bond markets, with valuations affected by myriad factors. A constant theme has been concerns over slowing Chinese economic growth and its impact on global growth and commodity prices. Uncertainty over the timing and magnitude of rising US interest rates also kept market participants wary.

The European Central Bank's (ECB) announcement of further monetary easing and a corporate bond buying programme gave credit markets a boost. In the run-up to June's historic referendum on the UK's continued membership of the European Union (EU), bond markets performed strongly. A shift in momentum towards the 'Leave' campaign in the opinion polls fuelled demand for government bonds. But while corporate bonds were strong overall between April and June, nervousness ahead of the June referendum led to a degree of credit underperformance, with subordinated bonds from UK banks and insurers bearing the brunt.

Towards the end of June, corporate bonds recovered their poise from the vote to leave the EU, perhaps looking forward to further economic stimulation measures from global central banks. Market movements in July suggested a reassessment of the policy response to a likely sharp slowdown in the UK economy and the knock-on effects to developed markets' confidence around the world. This manifested itself in a strong rally from both government bond yields and credit spreads. August, too, was strong for corporate bonds, supported mostly by the Bank of England's (BoE) stimulus package, which involved an interest rate cut and renewed quantitative easing. Its new £70 billion bond buying-programme includes an undertaking to buy up to £10 billion of corporate bonds over 18 months.

Early on, the portfolio's higher beta positions were particularly beneficial, notably holdings in sub-investment grade assets, which were helped by improvements in commodity prices. Bonds issued by European institutions such as Enel were supported by the ECB action and also helped performance. As government bond yields moved up slightly, longer-dated holdings underperformed modestly.

Prior to the EU referendum, we closed the short duration position as a defensive strategy, keeping duration close to benchmark for the remainder of the review period. Following the UK vote to leave the EU, our holdings in utilities and particularly telecoms held up well, contributing to performance. However, holdings in banks and insurance sectors underperformed. Some subordinated bank paper was sold, both in advance of and following the UK referendum. We also reduced holdings in UK non-food retailers and real estate, which were relatively small-sized positions in the fund. Moving into July, the fund's continuing position in subordinated financials helped performance, especially in insurance. Allocations made to non-sterling credit earlier in the year meant it missed out on the quantum of the rally in sterling credit. We continued to reduce AT1 positions, as we have concerns about how the UK economy's growth path will pan out as the country negotiates its way out of the EU. Results

INVESTMENT ADVISER'S REVIEW (CONTINUED)

at the end of July from Lloyds and Barclays pointed to the inflation of risky non-sterling asset holdings affecting capital ratios. Also in July, we purchased a new deal from Heathrow (33 years) – the first from the group in sterling for a long while, and the first ever in that segment of the market for BBB risk. We topped up that holding in August, as the Heathrow bonds are likely to be eligible for BoE purchases.

In the aftermath of the EU referendum vote, the BoE's stimulus package provided a fillip for the UK corporate bond market. While credit spreads have tightened significantly in the aftermath, we believe value remains in the sector, and investors remain well-compensated for the risk of default. Spreads could tighten further when the corporate bond-buying programme gets under way.

Nevertheless, we are increasingly becoming cautious about the bonds we consider for investment. We will focus on fundamentals, while thinking about the world post-quantitative easing.

Aberdeen Asset Investments Limited
September 2016

Distribution

XD dates	Payment dates
31/03/16	15/05/16
30/04/16	15/06/16
31/05/16	15/07/16
30/06/16	15/08/16
31/07/16	15/09/16
31/08/16	15/10/16

Ongoing charges figure

	31/08/16 %	28/02/16 %
A Accumulation	1.12	1.11
A Income	1.12	1.11
B Accumulation	0.87	0.87
B Income	0.87	0.87
G Accumulation	1.12	1.11
G Income	1.12	1.11
W Accumulation (Gross)	0.12	0.12

The ongoing charges figure (OCF) is the total expenses paid by each share class in the period, annualised, against its average net asset value. It excludes the cost of buying or selling assets for the Fund (unless these assets are shares of another fund). The OCF can fluctuate as underlying costs change.

Details of investments

Investments	31/08/16 %	28/02/16 %
Corporate Bonds#	83.34	83.76
Government Bonds	5.29	2.15
Mortgage-Backed Securities#	5.05	6.34
Asset-Backed Securities	4.52	4.94
Net other assets	1.80	2.81
Total net assets	100.00	100.00

#Since the previous report the Industry Sector Classification headings have been updated by data providers. Comparative figures have been updated where appropriate.

Net asset value

	NAV per share 31/08/16 (p)	NAV per share 28/02/16 (p)	NAV percentage change %
A Accumulation	318.67	273.91	16.34
A Income	133.91	116.54	14.90
B Accumulation	327.07	280.84	16.46
B Income	133.79	116.43	14.91
G Accumulation	125.65	108.00	16.34
G Income	113.11	98.43	14.91
W Accumulation (Gross)	127.45	108.65	17.30

Performance record

	29/02/16 to 31/08/16 %	01/03/15 to 28/02/16 %	01/03/14 to 28/02/15 %	01/03/13 to 28/02/14 %	29/02/12 to 28/02/13 %	01/03/11 to 28/02/12 %
Corporate Bond Fund A Accumulation	16.36	(4.76)	10.40	2.08	9.57	6.36
£ Corporate Bond Sector Average Return	13.11	(2.63)	9.65	3.04	9.87	6.91

Source: Lipper for Corporate Bond Fund and £ Corporate Bond Sector Average Return (funds which invest at least 80% of their assets in Sterling denominated (or hedged back to Sterling), triple BBB minus or above corporate bond securities (as measured by Standard & Poor's or an equivalent external rating agency). This excludes convertibles, preference shares and permanent interest bearing shares (PIBs)).

Basis: Net revenue reinvested and net 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.

CORPORATE BOND FUND (CONTINUED)

for the six month period ended 31 August 2016

Distribution

	First interim 31/03/16 (p)	Second interim 30/04/16 (p)	Third interim 31/05/16 (p)	Fourth interim 30/06/16 (p)	Fifth interim 31/07/16 (p)	Sixth interim 31/08/16 (p)
A Accumulation	0.7297	0.5631	0.6271	0.5875	0.5343	0.6196
A Income	0.3105	0.2390	0.2656	0.2483	0.2249	0.2610
B Accumulation	0.8017	0.6240	0.6950	0.6521	0.5965	0.6945
B Income	0.3324	0.2580	0.2868	0.2684	0.2450	0.2851
G Accumulation	0.2877	0.2220	0.2473	0.2317	0.2066	0.2484
G Income	0.2623	0.2019	0.2244	0.2098	0.1902	0.2204
W Accumulation (Gross)	0.4655	0.3698	0.4124	0.3901	0.3638	0.4208

Major holdings

	31/08/16 %		28/02/16 %
1. UK Treasury 4.5% 07/12/2042	1.70	Barclays Bank 10% 21/05/2021	1.49
2. Barclays Bank 10% 21/05/2021	1.35	UK Treasury 4.25% 07/12/2055	1.36
3. UK Treasury 1.75% 07/09/2022	1.14	Imperial Tobacco Finance 9% 17/02/2022	1.35
4. AT&T 4.25% 01/06/2043	1.03	Heathrow Funding 7.125% 14/02/2024	0.90
5. Enel Finance International 5.75% 14/09/2040	1.02	Bank of America 7% 31/07/2028	0.89

Number of holdings:307 Number of holdings: 299

Please note: negative figures are shown in brackets.

ENVIRONMENTAL INVESTOR FUND

for the six month period ended 31 August 2016

FUND PROFILE

Fund objectives and investment policy

To give long-term capital growth by investing primarily in UK companies which show a commitment to the protection and preservation of the natural environment. These companies are selected according to a broad range of negative environmental screening criteria.

Investors should aim to hold their investment in this Fund for the medium to long-term (at least five to ten years).

Any income received by the Fund is retained in the Fund and has the effect of increasing the share price.

The Fund is allowed to use derivatives (contracts which have a value linked to the price of another asset) for the following reasons:

- To help reduce risk;
- To help reduce cost; and
- To help generate extra capital or income for the Fund with an acceptably low level of risk.

We calculate the value of this Fund at 8am daily on working days in the UK. Our dealing times are from 9am to 5pm each working day. Instructions received before 5pm will receive the next day's price.

Synthetic risk and reward profile

There are several different ways of measuring risk. The table below uses an industry standard measure of fund risk based on measuring a fund's volatility using its returns over the past five years. Volatility is generated by both rising and falling prices. Volatility doesn't tell you how much a fund has lost or gained; it indicates how volatile its returns were historically. The Fund's ranking may change over time and may not be a reliable indication of its future risk profile.

This is a separate measure to Scottish Widows' Investment Approaches (where we use our own methodology to take an overall look at funds' risks and aims and categorise our funds as Secure, Cautious, Balanced, Progressive, Adventurous or Specialist). You can read more about them at **www.scottishwidows.co.uk/investmentapproaches**

Typically lower rewards, lower risk ← → Typically higher rewards, higher risk

1	2	3	4	5	6	7

This Fund is ranked at 5* because it has experienced medium to high levels of volatility over the past 5 years.

*As disclosed in the key investor information document dated 2 August 2016.

INVESTMENT ADVISER'S REVIEW

UK equities rose in the six months under review even as investors grappled with the aftermath of Britain's shock vote to exit the European Union (EU). At the start of the period, stockmarkets increased on the back of firmer energy prices, the European Central Bank's ultra-loose stimulus and better Chinese economic data. However, the referendum on EU membership resulted in a backlash. A sell-off reverberated across global financial markets; the sterling fell to a 30-year low against the US dollar and David Cameron stepped down as UK prime minister, all within 24 hours. Subsequently, stockmarkets recovered, albeit cautiously. Concerns over the health of Europe's banking sector were mitigated by relief from the rapid change in the UK's political leadership, with the appointment of Theresa May as Prime Minister. Towards the period end, some local benchmarks reached 14-month highs on the back of energy-sector gains. Oil and gas stocks increased on speculation that OPEC members would agree to freeze production, which in turn lifted the oil price. Investors were also cheered by the Bank of England's interest rate cut, which left the official lending rate at a new low of 0.25%.

In the six months under review, the fund rose by 14.06% in sterling terms, outperforming the benchmark.

At the stock level, contributing to relative return was the lack of exposure to both BT and Lloyds Banking groups. Not holding BT Group added to performance as the company has been facing heightened competition and some regulatory uncertainty. Lloyds Banking Group's shares suffered sharp falls in the aftermath of the Brexit vote because of its focus on the domestic UK market. Also benefiting the fund was Standard Chartered, which returned to profitability towards the end of the reporting period, largely because of reduced commodity exposure, better cost controls and lower impairment levels.

Conversely, detracting from performance was our lack of exposure to both HSBC and BP. HSBC benefited from improved sentiment towards emerging markets, while BP's shares also rebounded amid improving sentiment but it continues to face a tough trading environment. We do not hold BP in keeping with the fund's mandate. Lastly, Inmarsat also detracted as its shares suffered from a slower than expected take-up of its new aviation offering and some end market challenges in the maritime division.

The outlook for European economies, as well as for corporate earnings, remains one of gradually improving fundamentals though spare capacity in the labour market is high and inflationary pressures weak. As such, we expect central banks to remain accommodative to support the recovery. So far, Britain's decision to leave the EU has been primarily a political shock for the currency bloc, rather than an economic one. Stockmarkets are likely to remain volatile, particularly in light of heightened political risk. While our positioning has been rewarded with performance in the ensuing sell-off after the Brexit vote, it reflects long-held views and our bottom-up stock picking approach that favour diversified international exposure. Our investment process leads us to prefer companies that have sustainable business models, attractive structural growth opportunities and, importantly, sound balance sheets that should enable them to withstand the more challenging backdrop better than their peers. We continue our thorough due diligence and will look to take advantage of any short-term potential mispricing opportunities to buy good quality companies at attractive prices for the long term.

Aberdeen Asset Investments Limited
September 2016

for the six month period ended 31 August 2016

Ongoing charges figure

	31/08/16 %	28/02/16 %
A Accumulation	1.62	1.61
G Accumulation	1.62	1.61
X Accumulation	0.12	0.12

The ongoing charges figure (OCF) is the total expenses paid by each share class in the period, annualised, against its average net asset value. It excludes the cost of buying or selling assets for the Fund (unless these assets are shares of another fund). The OCF can fluctuate as underlying costs change.

Details of investments

Investments	31/08/16 %	28/02/16 %
Industrials	33.05	29.55
Consumer Services	15.28	15.44
Financials	13.00	13.08
Consumer Goods	9.58	11.99
Basic Materials	7.01	7.29
Technology	6.90	5.82
Health Care	4.98	5.52
Telecommunications	4.52	4.58
Utilities	4.30	5.42
Oil & Gas	-	0.00
Net other assets	1.38	1.31
Total net assets	100.00	100.00

Net asset value

	NAV per share 31/08/16 (p)	NAV per share 28/02/16 (p)	NAV percentage change %
A Accumulation	259.75	225.18	15.35
G Accumulation	145.96	126.54	15.35
X Accumulation	321.01	276.16	16.24

Performance record

	29/02/16 to 31/08/16 %	01/03/15 to 28/02/16 %	01/03/14 to 28/02/15 %	01/03/13 to 28/02/14 %	29/02/12 to 28/02/13 %	01/03/11 to 28/02/12 %
Environmental Investor Fund A Accumulation	14.06	(8.83)	1.65	21.88	15.74	(8.08)

Source: Lipper for Environmental Investor Fund. Basis: Net revenue reinvested and net 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.

Major holdings

	31/08/16 %		28/02/16 %
1. Prudential	4.30	Unilever	4.72
2. Unilever	4.03	Compass	4.33
3. Sage	3.99	Sage	3.58
4. Compass	3.91	Experian	3.51
5. Experian	3.81	Prudential	3.50

Number of holdings: 40 Number of holdings: 42

Please note: negative figures are shown in brackets.

ETHICAL FUND

for the six month period ended 31 August 2016

FUND PROFILE

Fund objectives and investment policy

To give long-term capital growth by investing primarily in UK companies that demonstrate ethical attributes and practices. These companies are selected according to a broad range of negative ethical screening criteria.

Investors should aim to hold their investment in this Fund for the medium to long-term (at least five to ten years).

Any income received by the Fund is retained in the Fund and has the effect of increasing the share price.

The Fund is allowed to use derivatives (contracts which have a value linked to the price of another asset) for the following reasons:

- To help reduce risk;
- To help reduce cost; and
- To help generate extra capital or income for the Fund with an acceptably low level of risk.

We calculate the value of this Fund at 8am daily on working days in the UK. Our dealing times are from 9am to 5pm each working day. Instructions received before 5pm will receive the next day's price.

Synthetic risk and reward profile

There are several different ways of measuring risk. The table below uses an industry standard measure of fund risk based on measuring a fund's volatility using its returns over the past five years. Volatility is generated by both rising and falling prices. Volatility doesn't tell you how much a fund has lost or gained; it indicates how volatile its returns were historically. The Fund's ranking may change over time and may not be a reliable indication of its future risk profile.

This is a separate measure to Scottish Widows' Investment Approaches (where we use our own methodology to take an overall look at funds' risks and aims and categorise our funds as Secure, Cautious, Balanced, Progressive, Adventurous or Specialist). You can read more about them at **www.scottishwidows.co.uk/investmentapproaches**

Typically lower rewards, lower risk ← → Typically higher rewards, higher risk

1	2	3	4	5	6	7

This Fund is ranked at 5* because it has experienced medium to high levels of volatility over the past 5 years.

*As disclosed in the key investor information document dated 2 August 2016.

INVESTMENT ADVISER'S REVIEW

UK equities rose in the six months under review even as investors grappled with the aftermath of Britain's shock vote to exit the European Union (EU). At the start of the period, stockmarkets increased on the back of firmer energy prices, the European Central Bank's ultra-loose stimulus and better Chinese economic data. However, the referendum on EU membership resulted in a backlash. A sell-off reverberated across global financial markets; the sterling fell to a 30-year low against the US dollar and David Cameron stepped down as UK prime minister, all within 24 hours. Subsequently, stockmarkets recovered, albeit cautiously. Concerns over the health of Europe's banking sector were mitigated by relief from the rapid change in the UK's political leadership, with the appointment of Theresa May as Prime Minister. Towards the period end, some local benchmarks reached 14-month highs on the back of energy-sector gains. Oil and gas stocks increased on speculation that OPEC members would agree to freeze production, which in turn lifted the oil price. Investors were also cheered by the Bank of England's interest rate cut, which left the official lending rate at a new low of 0.25%.

In the six months under review, the fund rose by 15.17% in sterling terms, outperforming the benchmark.

At the stock level, contributing to relative return was the lack of exposure to both BT and Lloyds Banking groups. Not holding BT Group added to performance as the company has been facing heightened competition and some regulatory uncertainty. Lloyds Banking Group's shares suffered sharp falls in the aftermath of the Brexit vote because of its focus on the domestic UK market. Also benefiting the fund was Standard Chartered, which returned to profitability towards the end of the reporting period, largely because of reduced commodity exposure, better cost controls and lower impairment levels.

Conversely, detracting from performance was Devro because of delays related to the company's two large plants in the US and China. A lack of exposure to both BP and British American Tobacco, which is in keeping with the fund's mandate, also proved costly. BP's shares rebounded amid improving sentiment but it continues to face a tough trading environment, whereas British American Tobacco's shares performed well during the period, reflecting investors' preference for defensive businesses amid heightened market volatility.

The outlook for European economies, as well as for corporate earnings, remains one of gradually improving fundamentals though spare capacity in the labour market is high and inflationary pressures weak. As such, we expect central banks to remain accommodative to support the recovery. So far, Britain's decision to leave the EU has been primarily a political shock for the currency bloc, rather than an economic one. Stockmarkets are likely to remain volatile, particularly in light of heightened political risk. While our positioning has been rewarded with performance in the ensuing sell-off after the Brexit vote, it reflects long-held views and our bottom-up stock picking approach that favour diversified international exposure. Our investment process leads us to prefer companies that have sustainable business models, attractive structural growth opportunities and, importantly, sound balance sheets that should enable them to withstand the more challenging backdrop better than their peers. We continue our thorough due diligence and will look to take advantage of any short-term potential mispricing opportunities to buy good quality companies at attractive prices for the long term.

Aberdeen Asset Investments Limited
September 2016

for the six month period ended 31 August 2016

Ongoing charges figure

	31/08/16 %	28/02/16 %
A Accumulation	1.63	1.62
B Accumulation	1.38	1.37
G Accumulation	1.63	1.62
X Accumulation	0.12	0.12

The ongoing charges figure (OCF) is the total expenses paid by each share class in the period, annualised, against its average net asset value. It excludes the cost of buying or selling assets for the Fund (unless these assets are shares of another fund). The OCF can fluctuate as underlying costs change.

Details of investments

Investments	31/08/16 %	28/02/16 %
Industrials	33.01	27.28
Consumer Services	20.02	20.96
Financials	16.42	16.85
Consumer Goods	7.74	11.07
Technology	7.36	6.33
Utilities	4.77	5.99
Basic Materials	4.33	4.62
Telecommunications	1.94	2.08
Health Care	1.85	2.41
Net other assets	2.56	2.41
Total net assets	100.00	100.00

Net asset value

	NAV per share 31/08/16 (p)	NAV per share 28/02/16 (p)	NAV percentage change %
A Accumulation	135.20	115.72	16.83
B Accumulation	140.17	119.82	16.98
G Accumulation	139.75	119.61	16.84
X Accumulation	166.33	141.28	17.73

Performance record

	29/02/16 to 31/08/16 %	01/03/15 to 28/02/16 %	01/03/14 to 28/02/15 %	01/03/13 to 28/02/14 %	29/02/12 to 28/02/13 %	01/03/11 to 28/02/12 %
Ethical Fund A Accumulation	15.17	(9.25)	(0.86)	19.85	11.75	(10.19)

Source: Lipper for Ethical Fund. Basis: Net revenue reinvested and net 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.

Major holdings

	31/08/16 %		28/02/16 %
1. Compass	4.43	Compass	4.92
2. Prudential	4.33	Berendsen	3.62
3. Sage	3.91	Sage	3.56
4. Experian	3.86	Experian	3.56
5. RPC	3.60	Devro	3.55

Number of holdings: 38 Number of holdings: 38

Please note: negative figures are shown in brackets.

GILT FUND

for the six month period ended 31 August 2016

FUND PROFILE

Fund objectives and investment policy

This Fund aims to give either an income, while having regard to the capital value, or growth (when income is kept within the Fund). To do so by investing primarily in UK Government and other fixed interest securities.

Investors should aim to hold their investment in this Fund for the medium to long-term (at least five to ten years).

Any income received by the Fund in respect of accumulation shares is retained in the Fund and has the effect of increasing the share price. Any income received by the Fund in respect of Income shares will be paid out to you.

The Fund is allowed to use derivatives (contracts which have a value linked to the price of another asset) for the following reasons:

- To help reduce risk;
- To help reduce cost; and
- To help generate extra capital or income for the Fund with an acceptably low level of risk.

We calculate the value of this Fund at 8am daily on working days in the UK. Our dealing times are from 9am to 5pm each working day. Instructions received before 5pm will receive the next day's price.

Synthetic risk and reward profile

There are several different ways of measuring risk. The table below uses an industry standard measure of fund risk based on measuring a fund's volatility using its returns over the past five years. Volatility is generated by both rising and falling prices. Volatility doesn't tell you how much a fund has lost or gained; it indicates how volatile its returns were historically. The Fund's ranking may change over time and may not be a reliable indication of its future risk profile.

This is a separate measure to Scottish Widows' Investment Approaches (where we use our own methodology to take an overall look at funds' risks and aims and categorise our funds as Secure, Cautious, Balanced, Progressive, Adventurous or Specialist). You can read more about them at www.scottishwidows.co.uk/investmentapproaches

Typically lower rewards, lower risk ← → Typically higher rewards, higher risk

1	2	3	4	5	6	7

This Fund is ranked at 4* because it has experienced medium levels of volatility over the past 5 years.

*As disclosed in the key investor information document dated 2 August 2016.

INVESTMENT ADVISER'S REVIEW

While markets were volatile at the beginning of 2016, they stabilised from mid-February thanks to central bank statements and actions.

Monetary policy was eased in March with a combination of a further expansion in quantitative easing (QE) from the European Central Bank (ECB) and a pushing back on interest rate hike expectations from the US Federal Open Markets Committee. Market sentiment changed in April; a recovery in the oil price improved the mood for investors, and core bond markets sold off while risk assets, including corporate bonds and equities, outperformed. In terms of UK domestic news, opinion polls showed the lead of the 'Remain' camp in the upcoming UK referendum on continuing membership of the European Union (EU) widening through May, and this was reflected in sterling strength.

As June wore on, opinion polls oscillated between a likely 'Leave' vote and a close 'Remain' victory, but as the 23 June vote date loomed, investors became seemingly complacent that the 'Remain' camp would prevail. When it finally became clear that 'Leave' had won, there was a surge in volatility throughout markets as investors abandoned higher-risk assets. The yield on UK 10-year government bonds finished the month just over 60 basis points lower, while sterling fell nearly 10% versus the dollar.

In July, a new Conservative Party leader was elected much more quickly than expected. EU leaders have signalled that there can be no negotiations on the UK's exit until Article 50 of the Lisbon Treaty is triggered. The Bank of England unexpectedly delayed taking action at the July Monetary Policy Committee meeting. Disappointing post-Brexit economic data further increased expectations of an interest rate cut at the August meeting. Accordingly, markets were pricing for a 0.25% deposit rate cut in August. In the event, the Bank of England's monetary policy meeting in August over-delivered relative to expectations. Interest rates were duly cut to 0.25%, but markets were surprised by a resumption of QE and a corporate bond buying programme. This was complemented with a Term Funding Scheme, created to help ease the transmission of the easing of conditions into the real economy.

Over the six-month review period, the 10-year Gilt yield moved from 1.40% to 0.64%.

Early strong performance by the Fund was due to an overweight in European periphery government bonds, which outperformed relative to UK gilts. The Fund's curve flattener position also made a positive contribution in March, as the long end of the yield curve outperformed the short end.

Although the portfolio was relatively well hedged going into the EU referendum, certain positions underperformed during the volatility at the end of June, when the result caused large swings in the market and a rally in UK government bonds. In particular, the curve flattener position was a large contributor to negative performance. The UK government bond curve steepened following the Brexit announcement because front-end bonds outperformed longer-maturity bonds as the market begin to price in cuts in interest rates (as opposed to interest rate hikes) at the front end of the curve.

During July the Fund added foreign currency exposure to the US dollar (essentially long US dollar and short sterling). This position was done to express our views on growth and monetary policy divergence between the UK & the US. The Fund retained its long-end inflation trade by being long 30-year breakevens – buying inflation-linked bonds and selling the corresponding nominal bond. We also maintained a cross-market trade into Australia. Both these positions underperformed in July.

We added a long duration position at the start of August, as we thought gilts appeared too cheap given the UK's outlook. The Fund benefited from this position, and we later took profits as gilts rallied after the Bank of England's policy actions.

GILT FUND (CONTINUED)

for the six month period ended 31 August 2016

INVESTMENT ADVISER'S REVIEW (CONTINUED)

In the aftermath of the UK's vote to leave the European Union, the Bank of England acted to stabilise markets. Governor Mark Carney cut the base rate by 0.25% and announced a resumption of QE. This will involve the purchase of £60 billion of gilts in the open market over six months, and ten-year yields moved sharply lower on the news. However, the perception is growing that the monetary toolkit of the world's policy makers is now close to fully exploited. This has led to an intensification of calls for fiscal stimulus in the UK; whether policy is meaningful enough in size and design to have a meaningful impact on growth remains to be seen.

Aberdeen Asset Investments Limited
September 2016

Distribution

XD dates	Payment dates
31/05/16	31/07/16
31/08/16	31/10/16

Ongoing charges figure

	31/08/16 %	28/02/16 %
A Accumulation	1.11	1.11
A Income	1.11	1.11
B Income	0.86	0.86
G Accumulation	1.11	1.11
G Income	1.12	1.11
W Accumulation (Gross)	0.11	0.11

The ongoing charges figure (OCF) is the total expenses paid by each share class in the period, annualised, against its average net asset value. It excludes the cost of buying or selling assets for the Fund (unless these assets are shares of another fund). The OCF can fluctuate as underlying costs change.

Details of investments

Investments	31/08/16 %	28/02/16 %
Sterling Denominated Bonds	99.35	97.30
Euro Denominated Bonds	-	2.07
Derivatives	(0.54)	(0.23)
Net other assets	1.19	0.86
Total net assets	100.00	100.00

Net asset value

	NAV per share 31/08/16 (p)	NAV per share 28/02/16 (p)	NAV percentage change %
A Accumulation	283.74	255.18	11.19
A Income	218.10	196.78	10.83
B Income	218.10	196.77	10.84
G Accumulation	120.00	107.95	11.16
G Income	116.79	105.37	10.84
W Accumulation (Gross)	128.64	115.06	11.80

Distribution

	First interim 31/05/16 (p)	Second interim 31/08/16 (p)
A Accumulation	0.4142	0.3564
A Income	0.3193	0.2736
B Income	0.4220	0.3795
G Accumulation	0.1751	0.1432
G Income	0.1709	0.1460
W Accumulation (Gross)	0.5338	0.5116

Performance record

	29/02/16 to 31/08/16 %	01/03/15 to 28/02/16 %	01/03/14 to 28/02/15 %	01/03/13 to 28/02/14 %	29/02/12 to 28/02/13 %	01/03/11 to 28/02/12 %
Gilt Fund A Accumulation	11.25	2.61	10.00	(2.37)	0.61	14.31
UK Gilt Sector Average Return	13.74	3.93	12.73	(1.54)	1.44	16.29

Source: Lipper for Gilt Fund and UK Gilt Sector Average Return (funds which invest at least 95% of their assets in Sterling denominated (or hedged back to Sterling) government backed securities, with a rating the same or higher than that of the UK, with at least 80% invested in UK government securities (Gilts)).

Basis: Net revenue reinvested and net 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.

Major holdings

	31/08/16	%	28/02/16	%
1.	UK Treasury 2% 07/09/2025	8.09	UK Treasury 4% 07/09/2016	9.65
2.	UK Treasury 1.75% 22/07/2019	7.39	UK Treasury 4.25% 07/06/2032	8.83
3.	UK Treasury 1.25% 22/07/2018	7.35	UK Treasury 1.25% 22/07/2018	8.36
4.	UK Treasury 3.5% 22/01/2045	6.55	UK Treasury 1.75% 22/07/2019	8.24
5.	UK Treasury 3.25% 22/01/2044	5.54	UK Treasury 3.5% 22/01/2045	6.07
6.	UK Treasury 4.25% 07/06/2032	5.31	UK Treasury 3.25% 22/01/2044	5.91
7.	UK Treasury 1.75% 22/01/2017	5.29	UK Treasury 4.25% 07/12/2040	5.58
8.	UK Treasury 3.75% 07/09/2021	5.13	UK Treasury 3.75% 07/09/2021	5.31
	Number of holdings: 34		Number of holdings: 37	

Minimum requirement to show top 5 or all holdings in excess of 5% of the Fund's Net Asset Value.

Please note: negative figures are shown in brackets.

HIGH INCOME BOND FUND

for the six month period ended 31 August 2016

FUND PROFILE

Fund objectives and investment policy

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

Non-investment grade bonds have not been awarded the minimum rating required to meet the investment grade rating. Therefore they are considered higher risk than bonds with a higher credit rating. Credit ratings indicate the likelihood that an issuer will be able to make their payments.

Investors should aim to hold their investment in this Fund for the medium to long-term (at least five to ten years).

Any income received by the Fund in respect of accumulation shares is retained in the Fund and has the effect of increasing the share price. Any income received by the Fund in respect of Income shares will be paid out to you.

The Fund is allowed to use derivatives (contracts which have a value linked to the price of another asset) for the following reasons:

- To help reduce risk;
- To help reduce cost;
- To help generate extra capital or income for the Fund with an acceptably low level of risk; and
- To help manage the effect of fluctuations in exchange rates with Sterling.

We calculate the value of this Fund at 2pm daily on working days in the UK and the USA. Instructions received before 12pm will receive the price calculated on that day. Instructions received after 12pm will receive the price calculated on the next working day.

Synthetic risk and reward profile

There are several different ways of measuring risk. The table below uses an industry standard measure of fund risk based on measuring a fund's volatility using its returns over the past five years. Volatility is generated by both rising and falling prices. Volatility doesn't tell you how much a fund has lost or gained; it indicates how volatile its returns were historically. The Fund's ranking may change over time and may not be a reliable indication of its future risk profile.

This is a separate measure to Scottish Widows' Investment Approaches (where we use our own methodology to take an overall look at funds' risks and aims and categorise our funds as Secure, Cautious, Balanced, Progressive, Adventurous or Specialist). You can read more about them at **www.scottishwidows.co.uk/investmentapproaches**

Typically lower rewards, lower risk ← → Typically higher rewards, higher risk

1	2	3	4	5	6	7

This Fund is ranked at 3* because it has experienced low to medium levels of volatility over the past 5 years.

*As disclosed in the key investor information document dated 2 August 2016.

INVESTMENT ADVISER'S REVIEW

Global high yielding bonds performed strongly in the six months to 31 August. The primary factors affecting the asset class were an oil led-rebound in commodity prices, and dovish central bank policy from the US Federal Reserve and European Central Bank.

The high-yield market sustained its upturn through the end of the period, despite weathering another outbreak of volatility in response to the UK's generally unexpected vote to leave the European Union at the end of June. This accompanied a continued strengthening in the oil price, which recovered from below US$30 a barrel in January to around US$50 by the end of June. Further support came from central banks, with the Fed refraining from following up on its December 2015 interest-rate hike – the first for almost a decade – and the European Central Bank expanding its asset-purchase programme to include investment-grade corporate bonds. This had a positive knock-on effect in the high-yield market as investors anticipated a period of easier corporate finance and a wider-ranging hunt for yield.

August was the sixth consecutive month of positive total returns for 'risk assets' as the reporting period came to a close. Global high yield credit spreads rallied along with other risk assets during August's reach for yield, continuing the trend from June. This rally has resulted from further accommodative central bank policies and sustained declines in global sovereign yields (rising % into negative to more deeply negative yields territory), driving investors further out the credit curve and lower in quality for incremental yield.

The fund underperformed the benchmark over the period. The Fund's conservative position across the energy sector compared to the global high yield benchmark hurt returns in the first two months of the review period. The sector outperformed as commodity prices recovered. An underweight in metals and mining and a higher-than-benchmark allocation to cash also detracted from returns. From May onwards, performance was broadly in line with benchmark.

In terms of stock selection, there were strong individual performances from Sprint (wireless telecommunication), Sun Products (household cleaning products), and Tronox (chemicals).

We expect continued subdued growth punctuated by bouts of geopolitical uncertainty. Spreads in US are currently very tight, and in Europe they are even tighter. If one expects more supportive growth, or perhaps just a still supportive set of central banks, we think that these spreads are more than adequate. Unfortunately, the probability of more supportive growth would seem to have taken a step down following the Brexit vote, especially in the European economies. In the US, some of the economic indicators are encouraging, but we will be scrutinising employment patterns closely. Given the prevailing uncertainties and current valuations, we continue to take a more cautious stance than we have historically while still seeking to exploit what we believe are opportunities for potential above-market returns.

Aberdeen Asset Investments Limited
September 2016

HIGH INCOME BOND FUND (CONTINUED)

for the six month period ended 31 August 2016

Distribution

XD dates	Payment dates
31/03/16	15/05/16
30/04/16	15/06/16
31/05/16	15/07/16
30/06/16	15/08/16
31/07/16	15/09/16
31/08/16	15/10/16

Ongoing charges figure

	31/08/16 %	28/02/16 %
A Accumulation	1.63	1.62
A Income	1.63	1.62
X Accumulation	0.13	0.12

The ongoing charges figure (OCF) is the total expenses paid by each share class in the period, annualised, against its average net asset value. It excludes the cost of buying or selling assets for the Fund (unless these assets are shares of another fund). The OCF can fluctuate as underlying costs change.

Details of investments

Investments	31/08/16 %	28/02/16 %
US Dollar Dominated Bonds	79.68	76.05
Sterling Denominated Bonds	6.78	8.49
Euro Denominated Bonds	6.00	7.12
Derivatives	0.26	(2.58)
United States Equities	0.07	0.07
Net other assets	7.21	10.85
Total net assets	100.00	100.00

Net asset value

	NAV per share 31/08/16 (p)	NAV per share 28/02/16 (p)	NAV percentage change %
A Accumulation	219.29	196.66	11.51
A Income	89.63	82.33	8.87
X Accumulation	227.08	202.20	12.30

Performance record

	29/02/16 to 31/08/16 %	01/03/15 to 28/02/16 %	01/03/14 to 28/02/15 %	01/03/13 to 28/02/14 %	29/02/12 to 28/02/13 %	01/03/11 to 28/02/12 %
High Income Bond Fund A Accumulation	10.98	(9.99)	(0.54)	7.42	6.62	8.84
£ High Yield Sector Average Return	10.62	(5.56)	1.80	8.08	11.99	0.08

Source: Lipper for High Income Bond Fund and £ High Yield Sector Average Return (funds which invest at least 80% of their assets in Sterling denominated (or hedged back to Sterling) fixed interest securities and at least 50% of their assets in below BBB minus fixed interest securities (as measured by Standard & Poor's or an equivalent external rating agency), including convertibles, preference shares and permanent interest bearing shares (PIBs)).

Basis: Net revenue reinvested and net 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.

Major holdings

	31/08/16 %		28/02/16 %
1. CCO 5.75% 15/02/2026	1.39	HCA 5.875% 15/02/2026	1.26
2. HCA 5.875% 15/02/2026	1.11	CCOH Safari 5.75% 15/02/2026	1.26
3. KB Home 7% 15/12/2021	1.11	Inmarsat Finance 4.875% 15/05/2022	1.22
4. Post 5% 15/08/2026	1.01	International Lease Finance 6.25% 15/05/2019	1.18
5. First Data 5.375% 15/08/2023	1.00	KB Home 7% 15/12/2021	1.17

Number of holdings: 273 Number of holdings:258

Please note: negative figures are shown in brackets.

Distribution

	First interim 31/03/16 (p)	Second interim 30/04/16 (p)	Third interim 31/05/16 (p)	Fourth interim 30/06/16 (p)	Fifth interim 31/07/16 (p)	Sixth interim 31/08/16 (p)
A Accumulation	0.7828	0.7321	0.8081	1.0369	0.8310	0.8749
A Income	0.3279	0.3055	0.3361	0.4295	0.3425	0.3593
X Accumulation	0.8848	0.8233	0.9107	1.1436	0.9307	0.9887

HIGH RESERVE FUND

for the six month period ended 31 August 2016

FUND PROFILE

Fund objectives and investment policy

This Fund aims to give an income, and the potential for long-term capital growth, by investing mainly in shares and fixed interest securities in the UK, including Gilts and corporate bonds. The Fund may also invest in Europe.

Investors should aim to hold their investment in this Fund for the medium to long-term (at least five to ten years).

Any income received by the Fund in respect of accumulation shares is retained in the Fund and has the effect of increasing the share price. Any income received by the Fund in respect of Income shares will be paid out to you.

The Fund is allowed to use derivatives (contracts which have a value linked to the price of another asset) for the following reasons:

- To help reduce risk;
- To help reduce cost; and
- To help generate extra capital or income for the Fund with an acceptably low level of risk.

We calculate the value of this Fund at 8am daily on working days in the UK. Our dealing times are from 9am to 5pm each working day. Instructions received before 5pm will receive the next day's price.

Synthetic risk and reward profile

There are several different ways of measuring risk. The table below uses an industry standard measure of fund risk based on measuring a fund's volatility using its returns over the past five years. Volatility is generated by both rising and falling prices. Volatility doesn't tell you how much a fund has lost or gained; it indicates how volatile its returns were historically. The Fund's ranking may change over time and may not be a reliable indication of its future risk profile.

This is a separate measure to Scottish Widows' Investment Approaches (where we use our own methodology to take an overall look at funds' risks and aims and categorise our funds as Secure, Cautious, Balanced, Progressive, Adventurous or Specialist). You can read more about them at **www.scottishwidows.co.uk/investmentapproaches**

Typically lower rewards, lower risk ← → Typically higher rewards, higher risk

1	2	3	4	5	6	7

This Fund is ranked at 5* because it has experienced medium to high levels of volatility over the past 5 years.

*As disclosed in the key investor information document dated 2 August 2016.

INVESTMENT ADVISER'S REVIEW

The Fund invests in a mix of equities and corporate bonds. The value of the Fund rose by 12.76% during the six months under review.

Looking first at equities, in the run-up to the June referendum on European Union membership, all eyes were on the UK. This led to some big share price movements as opinion polls swung between the 'Leave' and 'Remain' camps. The backlash after the Leave result was swift: the stock markets sold off; sterling fell to a 30-year low against the US dollar; and David Cameron announced that he would step down as prime minister.

Bank of England Governor Mark Carney issued an immediate statement, which provided some comfort, reminding investors of the robustness of the financial system and the central bank's ability to keep markets functioning. In August, the Bank's monetary policy committee moved to cut interest rates from 0.5% to a new all-time low of 0.25% as part of an economic stimulus package. This helped boost the market and share prices recovered, exceeding pre-referendum levels.

Corporate bonds performed very well over the six months. In part, this was related to the strong performance of government bonds, which were popular among investors in the run up to the EU referendum. Bonds, especially those issued by governments are often investors' asset class of choice during turbulent periods due to their perceived safety. This is because governments are seen as very reliable borrowers and relatively unlikely to miss payments to investors (or to "default").

Bonds received a further boost from the economic stimulus package announced by the Bank of England in August. As well as a cut in interest rates, the measures include a new £70 billion bond-buying programme and an undertaking to buy up to £10 billion of corporate bonds over 18 months.

Looking at the positioning of the Fund, it held a relatively high weighting in corporate bonds at the expense of equities. This was positive for performance given the outperformance of corporate bonds compared to equities.

However, the UK equity portion of the portfolio underperformed its benchmark, which meant the Fund didn't capture the UK equity market's full return. The relative performance of the corporate bond portfolio was more positive. This part of the Fund outperformed its benchmark, thereby enhancing returns to investors.

The UK is entering an uncertain period as negotiations to leave the European Union get underway. Further periods of stock market volatility are therefore likely. We believe the portfolio's current blend of corporate bonds and equities provides investors with the required level of income, while offering some exposure to equities.

Aberdeen Asset Investments Limited
September 2016

Distribution

XD dates	Payment dates
31/05/16	31/07/16
31/08/16	31/10/16

Ongoing charges figure

	31/08/16 %	28/02/16 %
A Accumulation	1.37	1.36
A Income	1.37	1.36

The ongoing charges figure (OCF) is the total expenses paid by each share class in the period, annualised, against its average net asset value. It excludes the cost of buying or selling assets for the Fund (unless these assets are shares of another fund). The OCF can fluctuate as underlying costs change.

Details of investments

Investments	31/08/16 %	28/02/16 %
Corporate Bonds	19.83	20.74
Financials	16.75	15.05
Consumer Services	12.87	11.80
Consumer Goods	12.17	12.64
Oil & Gas	7.21	7.46
Industrials	6.86	7.14
Health Care	5.54	7.74
Basic Materials	3.92	3.46
Telecommunications	3.86	4.47
Utilities	3.81	3.55
Government Bonds	2.58	1.13
Technology	1.79	1.52
Asset-Backed Securities	1.11	1.07
Mortgage-Backed Securities	0.75	1.03
Derivatives	(0.09)	-
Net other assets	1.04	1.20
Total net assets	100.00	100.00

Net asset value

	NAV per share 31/08/16 (p)	NAV per share 28/02/16 (p)	NAV percentage change %
A Accumulation	327.91	287.95	13.88
A Income	130.83	117.91	10.96

Performance record

	29/02/16 to 31/08/16 %	01/03/15 to 28/02/16 %	01/03/14 to 28/02/15 %	01/03/13 to 28/02/14 %	29/02/12 to 28/02/13 %	01/03/11 to 28/02/12 %
High Reserve Fund A Accumulation	12.76	(7.96)	4.65	12.84	8.57	(0.57)
UK Equity & Bond Income Sector Average Return	10.63	(3.93)	6.53	13.96	13.00	3.63

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

Basis: Net revenue reinvested and net 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

	First interim 31/05/16 (p)	Second interim 31/08/16 (p)
A Accumulation	4.2290	3.8500
A Income	1.7319	1.5546

Major holdings

	31/08/16 %		28/02/16 %
1. HSBC	4.86	GlaxoSmithKline	4.53
2. Royal Dutch Shell 'B' Shares	3.81	Royal Dutch Shell 'B'	4.43
3. GlaxoSmithKline	3.61	HSBC	4.33
4. British American Tobacco	2.98	British American Tobacco	3.43
5. BP	2.73	AstraZeneca	3.03
6.		Imperial Tobacco	3.03

Number of holdings: 277 Number of holdings: 258

Minimum requirement to show top 5 or all holdings in excess of 5% of the Fund's Net Asset Value.

Please note: negative figures are shown in brackets.

FUND PROFILE

Fund objectives and investment policy

This Fund aims to give long-term capital growth, normally by investing primarily in share of companies included in the Financial Times Stock Exchange 100 Index (FTSE 100 Index). The Fund may move away from the policy of being primarily invested in shares when market conditions indicate that a better return is expected to be achieved by being invested in cash, near cash and/or deposits and with or without options. To give a level of protection against major stock market falls through the use of a Safety Price. By 'Safety Price' we mean the lowest possible selling price which is guaranteed not to fall for a period of time, the 'Safety Period', normally 12 months. The Safety Price is set at 95% of the share price at the start of each Safety Period.

Important Notes

- If the share price of class A shares rises 10% above the share price at the start of the Safety Period, we will raise the Safety Price and start a new Safety Period.
- You can check the up-to-date Safety Price and end date for the Safety Period on our website at **www.scottishwidows.co.uk**

Investors should aim to hold their investment in this Fund for the medium to long-term (at least five to ten years).

Any income received by the Fund is retained in the Fund and has the effect of increasing the share price.

The Fund is allowed to use derivatives (contracts which have a value linked to the price of another asset) for the following reasons:

- To help reduce risk;
- To help reduce cost;
- To help generate extra capital or income for the Fund with an acceptably low level of risk.
- To help manage the effect of fluctuations in exchange rates with Sterling.

We calculate the value of this Fund at 8am daily on working days in the UK. Our dealing times are from 9am to 5pm each working day. Instructions received before 5pm will receive the next day's price.

Synthetic risk and reward profile

There are several different ways of measuring risk. The table below uses an industry standard measure of fund risk based on measuring a fund's volatility using its returns over the past five years. Volatility is generated by both rising and falling prices. Volatility doesn't tell you how much a fund has lost or gained; it indicates how volatile its returns were historically. The Fund's ranking may change over time and may not be a reliable indication of its future risk profile.

This is a separate measure to Scottish Widows' Investment Approaches (where we use our own methodology to take an overall look at funds' risks and aims and categorise our funds as Secure, Cautious, Balanced, Progressive, Adventurous or Specialist). You can read more about them **www.scottishwidows.co.uk/investmentapproaches**

Typically lower rewards, lower risk ← → Typically higher rewards, higher risk

1	2	3	4	5	6	7

This Fund is ranked at 3* because it has experienced low to medium levels of volatility over the past 5 years.

*As disclosed in the key investor information document dated 2 August 2016.

INVESTMENT ADVISER'S REVIEW

Despite Brexit-induced volatility in the middle of the reporting period, large cap UK equity markets made gains in sterling terms over the six months.

In the run-up to the June referendum, all eyes were on the UK as its voters decided whether the country should remain a member of the European Union (EU). This led to some big share price movements as opinion polls swung between the 'Leave' and 'Remain' camps. The backlash after the Leave result was swift: global stockmarkets sold off; sterling fell to a 30-year low against the US dollar; and David Cameron announced that he would step down as prime minister. Bank of England Governor Mark Carney issued an immediate statement, which provided some comfort, reminding investors of the robustness of the financial system and the central bank's ability to keep markets functioning. In August, the Bank's monetary policy committee moved to cut interest rates from 0.5% to a new all-time low of 0.25%.

Recent economic data has proved relatively strong. For example, a fall in the number of benefit claimants between June and July meant that unemployment remained at an 11-year low. However, economic surveys of business sentiment have fallen since the referendum. There are also growing worries about the housing market after the Royal Institute of Chartered Surveyors reported slowing housing-market activity in the wake of the Brexit vote.

At the end of August, 93.08% of the fund was invested in cash investments, while 6.92% was invested in call options. In the current climate, the cash and call strategy remains the most efficient way of meeting the fund's aim due to the prohibitive cost of protection via derivatives. A large proportion of the portfolio continues to be invested in cash-like investments, these provide the protection required but will significantly limit the extent of FTSE 100 exposure. The safety price for A-class shares was 35.90.

We are gradually getting more hard data on the UK economy's performance in the immediate aftermath of the EU referendum. As the dust has settled, some of the worst fears about the short-term impact on activity have not been realised and confidence has stabilised. However, huge uncertainties remain over the timing and nature of any Brexit deal, and its long-term implications for the UK economy. Thus the Bank of England has said that its views on the economy have not changed following its August stimulus package, and a further rate cut remains on the table before year-end. Equally, the Chancellor still looks set to unveil a modest "fiscal reset" in November's Autumn Statement.

Aberdeen Asset Investments Limited
September 2016

Ongoing charges figure

	31/08/16 %	28/02/16 %
A Accumulation	1.12	1.12
X Accumulation	0.12	0.12

The ongoing charges figure (OCF) is the total expenses paid by each share class in the period, annualised, against its average net asset value. It excludes the cost of buying or selling assets for the Fund (unless these assets are shares of another fund). The OCF can fluctuate as underlying costs change.

Details of investments

Investments	31/08/16 %	28/02/16 %
Short Term Deposit	82.03	96.26
Collective Investment Schemes	10.73	7.79
Options Contracts	7.29	3.29
Net other liabilities	(0.05)	(7.34)
Total net assets	100.00	100.00

Net asset value

	NAV per share 31/08/16 (p)	NAV per share 28/02/16 (p)	NAV percentage change %
A Accumulation	39.27	37.93	3.53
X Accumulation	44.33	42.68	3.87

Performance record

	29/02/16 to 31/08/16 %	01/03/15 to 28/02/16 %	01/03/14 to 28/02/15 %	01/03/13 to 28/02/14 %	29/02/12 to 28/02/13 %	01/03/11 to 28/02/12 %
SafetyPlus® Fund A Accumulation	3.72	(5.54)	(3.91)	3.35	0.70	(3.91)
Protected Sector Average Return	7.74	(5.95)	3.23	4.07	2.26	(3.57)

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

Basis: Net revenue reinvested and net 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.

Portfolio holdings

	31/08/16	%	28/02/16	%
1.	Aberdeen Liquidity Fund (Lux) – Sterling Fund	10.73	Aberdeen Global Liquidity Sterling Fund Advisory	7.79
2.	NBAD 0.55% 21/11/2016	4.85	Sumitomo Mitsui Bank 0.6% 29/02/2016	5.16
3.	CIC 0.57% 05/10/2016	4.85	DNB Bank 0.66% 28/04/2016	4.69
4.	Nationwide Building Society 0.49% 03/11/2016	4.85	Credit Industriel 0.6% 04/04/2016	4.69
5.	DZ Bank 0.41% 30/11/2016	4.85	Natixis 1% 04/05/2016	4.69
6.	Natixis 0.57% 01/11/2016	4.84	BNP Paribas 0.61% 08/04/2016	4.69
7.	Qatar National Bank (London branch) 0.01% 18/11/2016	4.50	Standard Chartered Bank 0.6% 03/03/2016	4.69
8.	Credit Suisse 0.65% 19/09/2016	4.15	Sumitomo Mitsui Bank 0.01% 31/05/2016	4.69
9.	Lloyds Bank 0.51% 18/11/2016	4.15	Lloyds Bank 0.6% 16/03/2016	4.69
10.	ING Bank 0.58% 13/09/2016	4.15	KBS Bank 0.58% 08/03/2016	4.69
11.	Bank of America 0.565% 16/09/2016	4.15	Nationwide Building Society 0.61% 07/04/2016	4.69
12.	Standard Chartered Bank 0.62% 09/09/2016	4.15	Credit Agricole 0.58% 11/04/2016	4.69
13.	UBS 0.47% 30/11/2016	4.15	National Bank of Abu Dhabi 0.6% 20/04/2016	4.69
14.	Mizuho Bank 0.39% 30/11/2016	4.15	Nordea Bank 0.55% 04/04/2016	4.02
15.	La Banque Postale 0.34% 09/11/2016	4.15	DZ Bank 0.57% 18/04/2016	4.02
16.	Sumitomo Mitsui Banking 0.41% 30/11/2016	3.46	The Bank of Toyota Mitsubishi 0.57% 18/05/2016	4.02
17.	Rabobank International 0.69% 13/12/2016	2.77	Citibank 0.57% 09/05/2016	4.02
18.	Wells Fargo 0.7% 07/11/2016	2.77	Svenska Handelsbanken 0.56% 13/05/2016	4.02
19.	Sumitomo Mitsui Trust Bank 0.4% 11/11/2016	2.77	Bank of America 0.63% 16/06/2016	4.02
20.	Danske Bank 0.75% 18/10/2016	2.08	Quatar National Bank 0.01% 14/03/2016	4.02
21.	Sumitomo Mitsui Trust Bank 0.58% 07/11/2016	2.08	Mizuho Bank 0.6% 31/05/2016	2.68
22.	Credit Agricole 0.24% 12/09/2016	2.08	Sumitomo MitsuiTrust Bank 0.6% 07/03/2016	2.67
23.	PACCAR Financial Europe 0.001% 06/09/2016	2.08	Wells Fargo Bank International 0.55% 29/02/2016	2.67
24.			Macquarie Bank 0.01% 16/05/2016	2.01
25.			Credit Suisse 0.62% 17/05/2016	1.34

Number of holdings: 29 | Number of holdings: 30

Please note: negative figures are shown in brackets.

STRATEGIC INCOME FUND

for the six month period ended 31 August 2016

FUND PROFILE

Fund objectives and investment policy

This Fund aims to give either an income or growth (when income is kept within the Fund). To do so by investing primarily in the UK and European corporate bonds and other fixed interest securities, including government bonds. The majority of the Fund will be in investment grade securities, but a significant proportion will be in securities with a higher than average risk.

Investment grade bonds have achieved or exceeded a minimum credit rating awarded by a credit rating agency. Therefore they are considered lower risk than bonds with a lower credit rating. Credit ratings indicate the likelihood that an issuer will be able to make their payments.

Investors should aim to hold their investment in this Fund for the medium to long-term (at least five to ten years).

Any income received by the Fund in respect of accumulation shares is retained in the Fund and has the effect of increasing the share price. Any income received by the Fund in respect of Income shares will be paid out to you.

The Fund is allowed to use derivatives (contracts which have a value linked to the price of another asset) for the following reasons:

- To help reduce risk;
- To help reduce cost;
- To help generate extra capital or income for the Fund with an acceptably low level of risk; and
- To help manage the effect of fluctuations in exchange rates with Sterling.

We calculate the value of this Fund at 8am daily on working days in the UK. Our dealing times are from 9am to 5pm each working day. Instructions received before 5pm will receive the next day's price.

Synthetic risk and reward profile

There are several different ways of measuring risk. The table below uses an industry standard measure of fund risk based on measuring a fund's volatility using its returns over the past five years. Volatility is generated by both rising and falling prices. Volatility doesn't tell you how much a fund has lost or gained; it indicates how volatile its returns were historically. The Fund's ranking may change over time and may not be a reliable indication of its future risk profile.

This is a separate measure to Scottish Widows' Investment Approaches (where we use our own methodology to take an overall look at funds' risks and aims and categorise our funds as Secure, Cautious, Balanced, Progressive, Adventurous or Specialist). You can read more about them at **www.scottishwidows.co.uk/investmentapproaches**

Typically lower rewards, lower risk						Typically higher rewards, higher risk
1	2	3	4	5	6	7

This Fund is ranked at 4* because it has experienced medium levels of volatility over the past 5 years.

*As disclosed in the key investor information document dated 2 August 2016.

INVESTMENT ADVISER'S REVIEW

The past six months have been volatile for corporate bond markets, with valuations affected by myriad factors. A constant theme has been concerns over slowing Chinese economic growth and its impact on global growth and commodity prices. Uncertainty over the timing and magnitude of rising US interest rates also kept market participants wary.

The European Central Bank's (ECB) announcement of further monetary easing and a corporate bond buying programme gave credit markets a boost. In the run-up to June's historic referendum on the UK's continued membership of the European Union (EC), bond markets performed strongly. A shift in momentum towards the 'Leave' campaign in the opinion polls fuelled demand for government bonds. But while corporate bonds were strong overall between April and June, nervousness ahead of the June referendum led to a degree of credit underperformance, with subordinated bonds from UK banks and insurers bearing the brunt.

Towards the end of June, corporate bonds recovered their poise from the referendum vote, perhaps looking forward to further economic stimulation measures from global central banks. Market movements in July suggested a reassessment of the policy response to a likely sharp slowdown in the UK economy and the knock-on effects to developed markets' confidence around the world. This manifested itself in a strong rally from both government bond yields and credit spreads. August, too, was strong for corporate bonds, supported mostly by the Bank of England's (BoE) stimulus package. Its new £70 billion bond buying-programme includes an undertaking to buy up to £10 billion of corporate bonds over 18 months.

The Scottish Widows Strategic Income Fund comprises a portfolio of which roughly three-quarters is invested in investment grade corporate bonds with the remainder in European high-yielding bonds.

Early on, the investment grade portfolio's higher beta positions were particularly beneficial, notably holdings in sub-investment grade assets, which were helped by improvements in commodity prices. Bonds issued by European institutions such as Enel were supported by the ECB action and also helped performance. As government bond yields moved up slightly, longer-dated holdings underperformed modestly. Prior to the EU referendum, we closed the short duration position as a defensive strategy, keeping duration close to benchmark for the remainder of the review period. Following the UK vote to leave the EU, our holdings in utilities and particularly telecoms held up well, contributing to performance. However, holdings in banks and insurance sectors underperformed. Some subordinated bank paper was sold, both in advance of and following the UK referendum. We also reduced holdings in UK non-food retailers and real estate, which were relatively small-sized positions in the fund.

Moving into July, the fund's continuing position in subordinated financials helped performance, especially in insurance. Allocations made to non-sterling credit earlier in the year meant it missed out on the quantum of the rally in sterling credit. We continued to reduce AT1 positions, as we have concerns about how the UK economy's growth path will pan out as the country negotiates its way out of the EU. Results at the end of July from Lloyds and Barclays pointed to the inflation of risky non-sterling asset holdings affecting capital ratios.

The European high yield portfolio enjoyed a strong six months. Returns were driven by dovish central banks lifting all risk assets and a strong retracement in oil, energy and commodity

STRATEGIC INCOME FUND

for the six month period ended 31 August 2016

INVESTMENT ADVISER'S REVIEW (CONTINUED)

names. Whilst the fund is broadly underweight these sectors, it enjoyed good returns from the likes of BHP, Glencore and Befesa Zinc. Italian and UK insurers Generali and Phoenix, were also strong contributors whilst international door to door lender, IPF was the top performer in the period. One underperformer was Brighthouse, the UK's largest rent-to-own company that is struggling under a new regulatory regime. The fund remains positioned overweight single B names, reflecting our positive expectations for growth in Europe and a low default environment.

In the aftermath of the EU referendum vote, the BoE's stimulus package provided a fillip for the UK corporate bond market. While credit spreads have tightened significantly in the aftermath, we believe value remains in the sector, and investors remain well-compensated for the risk of default. Spreads could tighten further when the corporate bond-buying programme gets under way. Nevertheless, we are increasingly becoming cautious about the bonds we consider for investment. We will focus on fundamentals, while thinking about the world post-quantitative easing. The high yield portfolio remains positioned overweight single B names, reflecting our positive expectations for growth in Europe and a low default environment.

Aberdeen Asset Investments Limited
September 2016

Distribution

XD dates	Payment dates
31/03/16	15/05/16
30/04/16	15/06/16
31/05/16	15/07/16
30/06/16	15/08/16
31/07/16	15/09/16
31/08/16	15/10/16

Ongoing charges figure

	31/08/16 %	28/02/16 %
A Accumulation	1.38	1.37
A Income	1.38	1.37
W Accumulation (Gross)	0.13	0.13

The ongoing charges figure (OCF) is the total expenses paid by each share class in the period, annualised, against its average net asset value. It excludes the cost of buying or selling assets for the Fund (unless these assets are shares of another fund). The OCF can fluctuate as underlying costs change.

Details of investments

Investments	31/08/16 %	28/02/16 %
Sterling Denominated Bonds	75.05	74.15
Euro Denominated Bonds	19.86	21.59
US Dollar Denominated Bonds	2.79	3.30
Derivatives	(2.35)	(2.64)
Net other assets	4.65	3.60
Total net assets	100.00	100.00

Net asset value

	NAV per share 31/08/16 (p)	NAV per share 28/02/16 (p)	NAV percentage change %
A Accumulation	200.93	176.26	14.00
A Income	104.98	93.55	12.22
W Accumulation (Gross)	124.09	107.73	15.19

Major holdings

	31/08/16	%	28/02/16	%
1.	UK Treasury 4.5% 07/12/2042	2.21	UK Treasury 4.5% 07/12/2042	2.65
2.	UK Treasury 1.75% 07/09/2022	1.87	Lloyds Bank 13% Perpetual	1.60
3.	Lloyds Bank 13% Perpetual	1.45	GE Capital UK Funding 5.125% 24/05/2023	1.33
4.	Bank of America 7% 31/07/2028	1.29	Lloyds Bank 5.75% 09/07/2025	1.28
5.	Lloyds Bank 5.75% 09/07/2025	1.24	Bank of America 7% 31/07/2028	1.26
	Number of holdings: 355		Number of holdings: 349	

Please note: negative figures are shown in brackets.

Performance record

	29/02/16 to 31/08/16 %	01/03/15 to 28/02/16 %	01/03/14 to 28/02/15 %	01/03/13 to 28/02/14 %	29/02/12 to 28/02/13 %	01/03/11 to 28/02/12 %
Strategic Income Fund A Accumulation	12.61	(3.92)	8.20	4.95	12.07	2.35
£ Strategic Bond Sector Average Return	9.23	(3.39)	6.32	4.24	9.65	5.31

Source: Lipper for Strategic Income Fund and £ Strategic Bond Sector Average Return (funds which invest at least 80% of their assets in Sterling denominated (or hedged back to Sterling) fixed interest securities. This includes convertibles, preference shares and permanent interest bearing shares (PIBs). At any point in time the asset allocation of these funds could theoretically place the fund in one of the other Fixed Interest sectors. The funds will remain in this sector on these occasions since it is the Manager's stated intention to retain the right to invest across the Sterling fixed interest credit risk spectrum).

Basis:Net revenue reinvested and net 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

	First interim 31/03/16 (p)	Second interim 30/04/16 (p)	Third interim 31/05/16 (p)	Fourth interim 30/06/16 (p)	Fifth interim 31/07/16 (p)	Sixth interim 31/08/16 (p)
A Accumulation	0.5596	0.4503	0.4889	0.5097	0.4534	0.5122
A Income	0.2971	0.2383	0.2581	0.2681	0.2382	0.2684
W Accumulation (Gross)	0.5178	0.4231	0.4623	0.4745	0.4261	0.4979

UK EQUITY INCOME FUND

for the six month period ended 31 August 2016

FUND PROFILE

Fund objectives and investment policy

This Fund aims to provide above average income, along with potential long term capital growth by investing predominantly in a portfolio of companies which are part of the FTSE All Share Index (the "Index"). The Fund seeks to deliver performance, before deduction of management fees, in excess of the Index with a similar level of overall volatility, over the long term.

Companies will be selected which have the potential to provide higher than average dividend yields† and to achieve long term capital growth. The Fund seeks to hold more in these companies in comparison to the Index. Therefore, while the Fund will invest in a large number of companies in common with the Index, the amount held in any one company may be significantly different to the Index.

The Fund is limited in the extent to which it can hold more (overweight) or less (underweight) in sectors†† relative to the Index, but it aims to hold more in sectors which are expected to provide a higher than average dividend yield.

† The dividend yield is calculated by dividing the annual dividend paid in respect of a share by its share price.

†† A sector is a business area, industry or economy which shares the same characteristics. Company shares are typically grouped into different sectors depending on the company's business, for example travel and leisure or telecommunications.

Investors should aim to hold their investment in this Fund for the medium to long-term (at least five to ten years).

Any income received by the Fund in respect of accumulation shares is retained in the Fund and has the effect of increasing the share price. Any income received by the Fund in respect of Income shares will be paid out to you.

The Fund is allowed to use derivatives (contracts which have a value linked to the price of another asset) for the following reasons:

- To help reduce risk;
- To help reduce cost; and
- To help generate extra capital or income for the Fund with an acceptably low level of risk.

We calculate the value of this Fund at 8am daily on working days in the UK. Our dealing times are from 9am to 5pm each working day. Instructions received before 5pm will receive the next day's price.

Synthetic risk and reward profile

There are several different ways of measuring risk. The table below uses an industry standard measure of fund risk based on measuring a fund's volatility using its returns over the past five years. Volatility is generated by both rising and falling prices. Volatility doesn't tell you how much a fund has lost or gained; it indicates how volatile its returns were historically. The Fund's ranking may change over time and may not be a reliable indication of its future risk profile.

This is a separate measure to Scottish Widows' Investment Approaches (where we use our own methodology to take an overall look at funds' risks and aims and categorise our funds as Secure, Cautious, Balanced, Progressive, Adventurous or Specialist). You can read more about them at **www.scottishwidows.co.uk/investmentapproaches**

Typically lower rewards, lower risk ← → Typically higher rewards, higher risk

1	2	3	4	5	6	7

This Fund is ranked at 5* because it has experienced medium to high levels of volatility over the past 5 years.

*As disclosed in the key investor information document dated 19 August 2016.

INVESTMENT ADVISER'S REVIEW

Despite Brexit-induced volatility in the middle of the reporting period, wider UK equity markets made gains in sterling terms over the six months. At the sector level, technology and basic materials were among the strongest performers. In contrast, telecoms and consumer services lagged behind.

In the run-up to the June referendum, all eyes were on the UK as its voters decided whether the country should remain a member of the European Union (EU). This led to some big share price movements as opinion polls swung between the 'Leave' and 'Remain' camps. The backlash after the Leave result was swift: global stockmarkets sold off; sterling fell to a 30-year low against the US dollar; and David Cameron announced that he would step down as prime minister. Bank of England Governor Mark Carney issued an immediate statement, which provided some comfort, reminding investors of the robustness of the financial system and the central bank's ability to keep markets functioning. In August, the Bank's monetary policy committee moved to cut interest rates from 0.5% to a new all-time low of 0.25%.

Recent economic data has proved relatively strong. For example, a fall in the number of benefit claimants between June and July meant that unemployment remained at an 11-year low. However, economic surveys of business sentiment have fallen since the referendum. There are also growing worries about the housing market after the Royal Institute of Chartered Surveyors reported slowing housing-market activity in the wake of the Brexit vote.

Over the period, the Fund benefited from an overweight (in comparison to the benchmark) position in BHP Billiton, the mining company. The sustained rise in metal prices helped to drive BHP's share price higher and the stock measured a positive score based on our measures of prudent management.

In contrast, the relatively underweight exposure to microchip designer ARM Holdings had a negative effect on returns. ARM's share price soared after it agreed to a takeover worth £24 billion by Softbank, the Japanese telecommunications provider. ARM Holdings had a negative score according to our trend metrics.

UK EQUITY INCOME (CONTINUED)

for the six month period ended 31 August 2016

INVESTMENT ADVISER'S REVIEW

We are gradually getting more hard data on the UK economy's performance in the immediate aftermath of the EU referendum. As the dust has settled, some of the worst fears about the short-term impact on activity have not been realised and confidence has stabilised. However, huge uncertainties remain over the timing and nature of any Brexit deal, and its long-term implications for the UK economy. Thus the Bank of England has said that its views on the economy have not changed following its August stimulus package, and a further rate cut remains on the table before year-end. Equally, the Chancellor still looks set to unveil a modest "fiscal reset" in November's Autumn Statement.

Aberdeen Asset Investments Limited
September 2016

Distribution

XD dates	Payment dates
31/08/16	31/10/16

Ongoing charges figure

	31/08/16 %	28/02/16 %
A Accumulation	1.37	1.36
A Income	1.37	1.36
B Income	1.12	1.11
C Income	0.61	0.61
X Accumulation	0.11	0.11

The ongoing charges figure (OCF) is the total expenses paid by each share class in the period, annualised, against its average net asset value. It excludes the cost of buying or selling assets for the Fund (unless these assets are shares of another fund). The OCF can fluctuate as underlying costs change.

Details of investments

Investments	31/08/16 %	28/02/16 %
Financials	24.43	20.14
Consumer Services	16.80	15.61
Consumer Goods	15.79	16.82
Oil & Gas	9.38	10.04
Industrials	8.97	9.78
Health Care	7.13	10.33
Basic Materials	5.14	5.24
Telecommunications	5.10	6.04
Utilities	4.93	4.70
Technology	2.30	2.02
Derivatives	(0.13)	(0.04)
Net other assets/(liabilities)	0.16	(0.68)
Total net assets	100.00	100.00

Net asset value

	NAV per share 31/08/16 (p)	NAV per share 28/02/16 (p)	NAV percentage change %
A Accumulation	4,230.53	3,732.24	13.35
A Income	711.21	644.59	10.34
B Income	740.62	670.38	10.48
C Income	791.75	714.82	10.76
X Accumulation	5,046.89	4,424.03	14.08

Performance record

	29/02/16 to 31/08/16 %	01/03/15 to 28/02/16 %	01/03/14 to 28/02/15 %	01/03/13 to 28/02/14 %	29/02/12 to 28/02/13 %	01/03/11 to 28/02/12 %
UK Equity Income Fund A Accumulation	11.82	(9.40)	2.95	15.51	7.85	(2.85)

Source: Lipper for UK Equity Income Fund. Basis: Net revenue reinvested and net 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 31/08/16 (p)
A Accumulation	112.6833
A Income	19.4634
B Income	20.2550
C Income	21.6245
X Accumulation	133.9935

Major holdings

	31/08/16 %		28/02/16 %
1. HSBC	6.30	GlaxoSmithKline	6.12
2. Royal Dutch Shell 'B' Shares	4.93	Royal Dutch Shell 'B'Shares	5.99
3. GlaxoSmithKline	4.68	HSBC	5.84
4. British American Tobacco	3.86	British American Tobacco	4.54
5. BP	3.54	AstraZeneca	4.16
Number of holdings:118		Number of holdings: 101	

Please note: negative figures are shown in brackets.

UK GROWTH FUND

for the six month period ended 31 August 2016

FUND PROFILE

Fund objectives and investment policy

This Fund aims to achieve long term capital growth by investing predominantly in a portfolio of companies which are part of the FTSE All Share Index (the "Index"). The Fund seeks to deliver performance, before deduction of management fees, in excess of the Index with a similar level of overall volatility, over the long term. The Fund may only take limited positions away from the Index. This means there are limitations on the extent to which the Fund's investment in various sectors† may differ to the Index. These limited positions can be more than is held in the Index (overweight) or less than is held in the Index (underweight).

† A sector is a business area, industry or economy which shares the same characteristics. Company shares are typically grouped into different sectors depending on the company's business, for example travel and leisure or telecommunications.

Investors should aim to hold their investment in this Fund for the medium to long-term (at least five to ten years).

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- To help reduce cost; and
- To help generate extra capital or income for the Fund with an acceptably low level of risk.

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Synthetic risk and reward profile

There are several different ways of measuring risk. The table below uses an industry standard measure of fund risk based on measuring a fund's volatility using its returns over the past five years. Volatility is generated by both rising and falling prices. Volatility doesn't tell you how much a fund has lost or gained; it indicates how volatile its returns were historically. The Fund's ranking may change over time and may not be a reliable indication of its future risk profile.

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Typically lower rewards, lower risk ← → Typically higher rewards, higher risk

1	2	3	4	5	6	7

This Fund is ranked at 5* because it has experienced medium to high levels of volatility over the past 5 years.

*As disclosed in the key investor information document dated 17 August 2016.

INVESTMENT ADVISER'S REVIEW

Despite Brexit-induced volatility in the middle of the reporting period, wider UK equity markets made gains in sterling terms over the six months. At the sector level, technology and basic materials were among the strongest performers. In contrast, telecoms and consumer services lagged behind.

In the run-up to the June referendum, all eyes were on the UK as its voters decided whether the country should remain a member of the European Union (EU). This led to some big share price movements as opinion polls swung between the 'Leave' and 'Remain' camps. The backlash after the Leave result was swift: global stockmarkets sold off; sterling fell to a 30-year low against the US dollar; and David Cameron announced that he would step down as prime minister. Bank of England Governor Mark Carney issued an immediate statement, which provided some comfort, reminding investors of the robustness of the financial system and the central bank's ability to keep markets functioning. In August, the Bank's monetary policy committee moved to cut interest rates from 0.5% to a new all-time low of 0.25%.

Recent economic data has proved relatively strong. For example, a fall in the number of benefit claimants between June and July meant that unemployment remained at an 11-year low. However, economic surveys of business sentiment have fallen since the referendum. There are also growing worries about the housing market after the Royal Institute of Chartered Surveyors reported slowing housing-market activity in the wake of the Brexit vote.

Over the reporting period, the position in Easyjet had a negative influence on performance. Shares in the airline underperformed on fears that the Brexit vote would lead to lower demand for flights. Holdings in housebuilders Persimmon and Berkeley Group also suffered after the referendum, in response to fears of a slowdown in the domestic economy.

Conversely, the holdings in Experian, the credit ratings company; Shire, the pharmaceuticals business; and mining firms Glencore and Rio Tinto had a positive effect on returns over the period. Their significant exposure to non-sterling earnings was advantageous for their share prices, given that the currency weakened significantly in the aftermath of the vote.

We are gradually getting more hard data on the UK economy's performance in the immediate aftermath of the EU referendum. As the dust has settled, some of the worst fears about the short-term impact on activity have not been realised and confidence has stabilised. However, huge uncertainties remain over the timing and nature of any Brexit deal, and its long-term implications for the UK economy. Thus the Bank of England has said that its views on the economy have not changed following its August stimulus package, and a further rate cut remains on the table before year-end. Equally, the Chancellor still looks set to unveil a modest "fiscal reset" in November's Autumn Statement.

Aberdeen Asset Investments Limited
September 2016

Ongoing charges figure

	31/08/16 %	28/02/16 %
A Accumulation	1.60	1.61
B Accumulation	1.11	1.11
C Income	0.61	0.61
X Income	0.11	0.12

The ongoing charges figure (OCF) is the total expenses paid by each share class in the period, annualised, against its average net asset value. It excludes the cost of buying or selling assets for the Fund (unless these assets are shares of another fund). The OCF can fluctuate as underlying costs change.

Details of investments

Investments	31/08/16 %	28/02/16 %
Financials	23.35	24.64
Consumer Goods	18.64	19.16
Consumer Services	12.42	13.85
Oil & Gas	10.22	9.63
Industrials	9.50	9.92
Health Care	8.16	7.65
Basic Materials	6.78	5.62
Telecommunications	4.34	5.74
Utilities	3.65	3.20
Technology	2.27	1.73
Derivatives	0.17	0.05
Net other assets/(liabilities)	0.50	(1.19)
Total net assets	100.00	100.00

Net asset value

	NAV per share 31/08/16 (p)	NAV per share 28/02/16 (p)	NAV percentage change %
A Accumulation	164.06	144.89	13.23
B Accumulation	175.93	154.99	13.51
C Income	128.31	112.75	13.80
X Income	128.10	112.28	14.09

Performance record

	29/02/16 to 31/08/16 %	01/03/15 to 28/02/16 %	01/03/14 to 28/02/15 %	01/03/13 to 28/02/14 %	29/02/12 to 28/02/13 %	01/03/11 to 28/02/12 %
UK Growth Fund A Accumulation	11.79	(9.33)	1.91	12.90	10.69	(3.17)

Source: Lipper for UK Growth Fund. Basis: Net revenue reinvested and net 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 an can go down as well as up depending on investment performance and currency exchange rates.

Major holdings

	31/08/16	%	28/02/16	%
1.	HSBC	4.31	HSBC	3.97
2.	British American Tobacco	3.63	British American Tobacco	3.81
3.	Royal Dutch Shell 'B' Shares	3.43	Royal Dutch Shell 'B' Shares	3.38
4.	Royal Dutch Shell 'A' Shares	3.11	Vodafone	2.99
5.	BP	3.10	Reckitt Benckiser	2.83
	Number of holdings: 314		Number of holdings: 249	

Please note: negative figures are shown in brackets.

UK SELECT GROWTH FUND

for the six month period ended 31 August 2016

FUND PROFILE

Fund objectives and investment policy

This Fund aims to give long-term capital growth by investing in a limited portfolio of primarily UK company shares. Typically the Fund will be invested in 30 to 50 holdings.

Investors should aim to hold their investment in this Fund for the medium to long-term (at least five to ten years).

Any income received by the Fund is retained in the Fund and has the effect of increasing the share price.

The Fund is allowed to use derivatives (contracts which have a value linked to the price of another asset) for the following reasons:

- To help reduce risk;
- To help reduce cost; and
- To help generate extra capital or income for the Fund with an acceptably low level of risk.

We calculate the value of this Fund at 8am daily on working days in the UK. Our dealing times are from 9am to 5pm each working day. Instructions received before 5pm will receive the next day's price.

Synthetic risk and reward profile

There are several different ways of measuring risk. The table below uses an industry standard measure of fund risk based on measuring a fund's volatility using its returns over the past five years. Volatility is generated by both rising and falling prices. Volatility doesn't tell you how much a fund has lost or gained; it indicates how volatile its returns were historically. The Fund's ranking may change over time and may not be a reliable indication of its future risk profile.

This is a separate measure to Scottish Widows' Investment Approaches (where we use our own methodology to take an overall look at funds' risks and aims and categorise our funds as Secure, Cautious, Balanced, Progressive, Adventurous or Specialist). You can read more about them at **www.scottishwidows.co.uk/investmentapproaches**

Typically lower rewards, lower risk ← → Typically higher rewards, higher risk

1	2	3	4	5	6	7

This Fund is ranked at 5* because it has experienced medium to high levels of volatility over the past 5 years.

*As disclosed in the key investor information document dated 2 August 2016.

INVESTMENT ADVISER'S REVIEW

UK equities rose in the six months under review even as investors grappled with the aftermath of Britain's shock vote to exit the European Union (EU). At the start of the period, stockmarkets increased on the back of firmer energy prices, the European Central Bank's ultra-loose stimulus and better Chinese economic data. However, the referendum on EU membership resulted in a backlash. A sell-off reverberated across global financial markets; the sterling fell to a 30-year low against the US dollar and David Cameron stepped down as UK prime minister, all within 24 hours. Subsequently, stockmarkets recovered, albeit cautiously. Concerns over the health of Europe's banking sector were mitigated by relief from the rapid change in the UK's political leadership, with the appointment of Theresa May as Prime Minister. Towards the period end, some local benchmarks reached 14-month highs on the back of energy-sector gains. Oil and gas stocks increased on speculation that OPEC members would agree to freeze production, which in turn lifted the oil price. Investors were also cheered by the Bank of England's interest rate cut, which left the official lending rate at a new low of 0.25%.

In the six months under review, the fund rose by 15.31% in sterling terms, outperforming the benchmark.

At the stock level, contributing to relative return was Weir Group, as its shares rose in tandem with the broader energy sector. Also benefiting the fund was Standard Chartered, which returned to profitability towards the end of the reporting period, largely because of reduced commodity exposure, better cost controls and lower impairment levels. Not holding BT Group added to performance as the company has been facing heightened competition and some regulatory uncertainty.

Conversely, detracting from performance was Inmarsat, as its shares suffered from a slower than expected take-up of its new aviation offering and some end market challenges in the maritime division. Also costing the fund was Ultra Electronics, its shares derated on the back of muted organic growth. Lastly, Cobham detracted as trading is expected to remain subdued due to the challenging backdrop. We exited our position as we had grown increasingly wary of the highly-geared balance sheet following the acquisition of Aeroflex.

The outlook for European economies, as well as for corporate earnings, remains one of gradually improving fundamentals though spare capacity in the labour market is high and inflationary pressures weak. As such, we expect central banks to remain accommodative to support the recovery. So far, Britain's decision to leave the EU has been primarily a political shock for the currency bloc, rather than an economic one. Stockmarkets are likely to remain volatile, particularly in light of heightened political risk. While our positioning has been rewarded with performance in the ensuing sell-off after the Brexit vote, it reflects long-held views and our bottom-up stock picking approach that favour diversified international exposure. Our investment process leads us to prefer companies that have sustainable business models, attractive structural growth opportunities and, importantly, sound balance sheets that should enable them to withstand the more challenging backdrop better than their peers. We continue our thorough due diligence and will look to take advantage of any short-term potential mispricing opportunities to buy good quality companies at attractive prices for the long term.

Aberdeen Asset Investments Limited
September 2016

UK SELECT GROWTH FUND (CONTINUED)

for the six month period ended 31 August 2016

Ongoing charges figure

	31/08/16 %	28/02/16 %
A Accumulation	1.65	1.66
B Accumulation	1.40	1.41
C Accumulation	1.15	1.16
X Accumulation	0.12	0.14

The ongoing charges figure (OCF) is the total expenses paid by each share class in the period, annualised, against its average net asset value. It excludes the cost of buying or selling assets for the Fund (unless these assets are shares of another fund). The OCF can fluctuate as underlying costs change.

Details of investments

Investments	31/08/16 %	28/02/16 %
Industrials	24.43	20.69
Financials	16.66	15.64
Consumer Goods	13.12	15.93
Consumer Services	12.48	12.39
Basic Materials	8.44	7.70
Oil & Gas	6.55	8.18
Health Care	5.94	6.65
Technology	5.59	4.59
Telecommunications	4.35	4.29
Utilities	1.52	1.79
Net other assets	0.92	2.15
Total net assets	100.00	100.00

Net asset value

	NAV per share 31/08/16 (p)	NAV per share 28/02/16 (p)	NAV percentage change %
A Accumulation	1,761.87	1,504.83	17.08
B Accumulation	1,827.66	1,559.02	17.23
C Accumulation	1,890.65	1,610.71	17.38
X Accumulation	2,186.70	1,853.16	18.00

Performance record

	29/02/16 to 31/08/16 %	01/03/15 to 28/02/16 %	01/03/14 to 28/02/15 %	01/03/13 to 28/02/14 %	29/02/12 to 28/02/13 %	01/03/11 to 28/02/12 %
UK Select Growth Fund A Accumulation	15.31	(13.01)	(6.44)	9.21	5.35	(6.74)
UK All Companies Sector Average Return	10.66	(5.52)	3.69	19.28	14.36	1.06

Source: Lipper for UK Select Growth Fund and UK All Companies Sector Average Return (funds which invest at least 80% of their assets in UK equities which have a primary objective of achieving capital growth).

Basis: Net revenue reinvested and net 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 an can go down as well as up depending on investment performance and currency exchange rates.

Major holdings

	31/08/16 %		28/02/16 %
1. Prudential	4.02	Royal Dutch Shell 'B'	4.96
2. Unilever	3.99	Unilever	4.79
3. British American Tobacco	3.87	British American Tobacco	4.08
4. Compass	3.83	Compass	4.04
5. HBOS Smaller Companies Fund I Inc	3.73	HBOS Smaller Companies Fund I Inc	3.95

Number of holdings: 42 Number of holdings: 41

Please note: negative figures are shown in brackets.

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