Cazenove
Capital Management

CAZENOVE INVESTMENT FUND COMPANY

Interim short report
30th June 2013

Contents

* These, together with the Authorised Corporate Director's investment report for each sub-fund, collectively comprise the Authorised Corporate Director's report.

Introduction & general information

Introduction

I have pleasure in presenting the interim short report and financial statements for the Cazenove Investment Fund Company for the period ended 30 June 2013.

I hope you will find this report informative. In the following pages my colleagues have provided information on global economies, world markets and individual sub-fund performance.

Andrew Ross
Chairman

Cazenove Investment Fund Management Limited
On behalf of the Authorised Corporate Director
16 August 2013

General information

Cazenove Investment Fund Company

Cazenove Investment Fund Company ("CIFCo" or "the Company") is an umbrella company comprising a number of sub-funds which have their own investment objectives and policies. Its investment and borrowing powers and restrictions are prescribed by the Financial Conduct Authority's ("FCA") Collective Investment Schemes Sourcebook ("COLL") and the Open-Ended Investment Companies Regulations 2001 (as amended) ("the OEIC Regulations"). At 30 June 2013 CIFCo had the following sub-funds:

Cazenove Managed Portfolio Fund

Cazenove UK Opportunities Fund

Cazenove UK Smaller Companies Fund

Cazenove UK Corporate Bond Fund

Cazenove European Fund

Cazenove UK Growth and Income Fund

Cazenove UK Equity Income Fund

Cazenove Strategic Bond Fund

Cazenove European Income Fund

This document has been designed to show the individual results of all the sub-funds. The long form version of the report is available on written request to the Corporate Communications Department, Cazenove Investment Fund Management Limited, 12 Moorgate, London EC2R 6DA.

Pricing

Each sub-fund can have several share classes with different characteristics. As a consequence, each share class has a different price. There is a single price for buying, selling and switching shares in each share class of the sub-funds of CIFCo. This price is derived from the net asset value of each sub-fund attributable to the relevant share class.

Risk factors

Equities

Funds investing in equities tend to be more volatile than funds investing in bonds, but also offer greater potential for growth. The value of the underlying investments in the equity sub-funds may fluctuate quite dramatically in response to activities and results of individual companies, as well as in connection with general market and economic conditions.

Introduction & general information (continued)

Risk factors (continued)

Bonds

Funds investing partly or wholly in bonds will tend to be less volatile than pure equity funds, as bonds are generally considered to be more secure, usually include a condition to repay the original sum at a specified date in the future and normally provide a fixed level of revenue. However, the capital value of a bond fund and the level of its revenue will still fluctuate. Investments in higher yielding bonds issued by borrowers with lower credit ratings may result in a greater risk of default and have a negative impact on revenue and capital value. Revenue payments may constitute a return of capital in whole or in part. Revenue may be achieved by foregoing future capital growth.

Certain sub-funds may invest in debt securities which are rated below investment grade or which are unrated. Shareholders should note that these securities may have a higher degree of risk than debt securities of investment grade. Investments in debt securities below investment grade may result in a sub-fund having a greater risk of loss of principal and interest than investments in debt securities which are deemed to be investment grade or higher.

Fixed interest securities are particularly affected by trends in interest rates and inflation. If interest rates go up, the value of capital may fall, and vice versa. Inflation will also decrease the real value of capital.

The value of a fixed interest security will fall in the event of the default or reduced credit rating of the issuer. Generally, the higher the rate of interest, the higher the perceived credit risk of the issuer. High yield bonds with lower credit ratings (also known as sub-investment grade bonds) are potentially more risky (higher credit risk) than investment grade bonds. A sub-investment grade bond has a Standard & Poor's credit rating of below BBB or equivalent.

Currency exchange rates

Funds investing in overseas securities will be affected by currency fluctuations, in addition to usual stock market fluctuations. Currency fluctuations may adversely affect the value of a fund's investments and the revenue thereon and, depending on an investor's currency of reference, currency fluctuations may adversely affect the value of their investment in shares. A significant portion of a sub-fund's assets may be denominated in a currency other than the base currency of a sub-fund or class. There is the risk that the value of such assets and/or the value of any distributions from such assets may decrease if the underlying currency in which assets are traded falls relative to the base currency in which shares of the relevant sub-fund are valued and priced. Sub-funds are not required to hedge their foreign currency risk, although they may do so through foreign currency exchange contracts, forward contracts, currency options and other methods. To the extent that a sub-fund does not hedge its foreign currency risk or such hedging is incomplete or unsuccessful, the value of that sub-fund's assets and revenue could be adversely affected by currency exchange rate movements. There may also be circumstances in which a hedging transaction may reduce currency gains that would otherwise arise in the valuation of the sub-fund in circumstances where no such hedging transactions are undertaken.

Emerging markets

Funds investing in emerging markets around the world, which can be extremely volatile, involve a higher than average risk compared with funds covering established markets. For example, the systems and standards of trading, settlement, registration and custody of securities in these markets may not be as high as those of developed markets. In particular, some of the markets in which these funds may invest do not provide for settlement on a delivery versus payment basis and the risk in relation to such settlements has to be borne by the fund.

In addition, lack of liquidity and inefficiency in certain emerging stock markets and foreign exchanges may mean that securities are less marketable than in more developed markets, resulting in greater price fluctuation. Such markets can also experience significant currency volatility and, accordingly, the country may have exchange controls (types of controls that governments put in place to ban or restrict the amount of foreign or local currency that is allowed to be traded or purchased).

It should be remembered that the legal infrastructure and accounting, auditing and reporting standards in emerging markets may not provide the same degree of shareholder protection or information to investors as would generally apply internationally. In particular, valuation of assets, depreciation, exchange differences, deferred taxation, contingent liabilities and consolidation may be treated differently from international accounting standards.

Liquidity consideration

The ACD's ability to invest and to liquidate the assets of the sub-funds invested in smaller companies may, from time to time, be restricted by the liquidity of the market for smaller company securities.

Effect of preliminary charge

Where a preliminary charge is imposed, an investor who redeems their shares may not get back the amount originally invested (even if the value of the relevant investments has not fallen). The shares should therefore be viewed as a medium- to long-term investment.

Charges to capital

Where the Prospectus states that all or part of the ACD's fee and/or other charges in respect of a sub-fund and/or class may be charged against capital rather than revenue, this will

Introduction & general information (continued)

enhance revenue returns but may constrain future capital growth and/or result in an erosion of capital. Details of whether charges are made to capital or revenue for each sub-fund are detailed in Appendix 1 of the Prospectus.

Liabilities of the Company

The sub-funds are segregated portfolios of assets and, accordingly, the assets of each sub-fund belong exclusively to that sub-fund and shall not be used to discharge directly or indirectly the liabilities of, or claims against, any other person or body, including the Company, or any other sub-fund, and shall not be available for any such purpose. Subject to the above, each sub-fund will be charged with the liabilities, expenses, costs and charges attributable to that sub-fund and within each sub-fund charges will be allocated as far as possible according to the net asset value of that particular share class. Any assets, liabilities, expenses, costs or charges not attributable to a particular sub-fund may be allocated by the ACD in a manner which it believes is fair to the shareholders generally. This will normally be pro rata to the net asset value of the relevant sub-funds.

Shareholders are not liable for the debts of the Company. Shareholders are not liable to make any further payment to the Company after they have paid the purchase price of the shares.

Credit and settlement risk

Sub-funds will be exposed to credit risk on parties with whom they trade and may also bear the risk of settlement default. The ACD may instruct the Custodian to settle transactions on a delivery versus payment basis where the ACD believes that this form of settlement is appropriate. Shareholders should be aware, however, that this may result in a loss to the sub-fund if a transaction fails to settle and the Custodian will not be liable to the sub-fund or shareholders for such a loss.

Inflation risk

Inflation erodes the real value of investments and changes in the anticipated rate of inflation could lead to capital losses in the sub-fund's investments.

Political risks

The value of the sub-fund's assets may be affected by uncertainties, such as political developments, changes in government policies, taxation and currency repatriation and restrictions on foreign investment in some of the countries in which the sub-fund may invest.

Derivative instruments

Funds may employ certain derivative instruments and forward transactions for efficient portfolio management.

The Cazenove UK Corporate Bond Fund and the Cazenove Strategic Bond Fund may use derivative instruments and forward transactions for efficient portfolio management and to meet the investment objectives of those sub-funds. The use of derivative and forward transactions for investment purposes involves special risks which may:

- significantly raise the risk profile of the sub-fund;
- increase the volatility of the sub-fund when taking additional market or securities exposure;
- depend on the ability of the ACD to predict movements in the prices of securities;
- place some reliance on the imperfect correlation between instruments and the underlying securities; and
- involve investing in instruments not traded on exchanges and not standardised, which in turn may involve negotiations on transactions on an individual basis.

Volatility

The following generic risks are particularly relevant in terms of the use of derivatives and forward transactions in the Cazenove UK Corporate Bond Fund and the Cazenove Strategic Bond Fund:

- Market risk: the risk of loss due to adverse market movements in assets held by the sub-fund or changes in the anticipated or calculated volatility of these movements.
- Interest rate risk: the risk associated with changes in interest rates which will impact the market value of assets held in the sub-fund.
- Credit risk: the risk that issuers of bonds and other credit instruments default.
- Foreign exchange risk: investing in overseas securities will be affected by currency fluctuations, in addition to usual stock market fluctuations. Where an asset is held in a currency denomination other than Sterling, the assets value will be affected by changes in exchange rates between the United Kingdom and the currency of the country in which the security is held.

Taxation

Derivatives held in the Cazenove UK Corporate Bond Fund and the Cazenove Strategic Bond Fund will be accounted for and taxed in accordance with the Statement of Recommended Practice for Open-Ended Investment Companies. The way in which HM Revenue & Customs taxes derivatives held in collective investment schemes may change, which could adversely affect the tax paid by these sub-funds.

Director's report & Director's statement

Director's report

The Authorised Corporate Director ("ACD") presents its report and financial statements of the Company for the period ended 30 June 2013.

Authorised status

CIFCo is an investment company with variable capital under Regulation 12 of the OEIC Regulations, incorporated with limited liability in England and Wales and authorised by the FCA under Regulation 14 of the OEIC Regulations.

For information on the Company's ACD, Depositary, Independent Auditors, Administrator and Registrar please refer to page 37.

Incorporation and share capital

CIFCo is an investment company with variable capital incorporated with limited liability in England and Wales under number IC000030 and authorised by the FCA on 6 May 1999.

The maximum share capital of the Company is £500,000,000,000 and the minimum share capital is £100. The shares have no par value. The share capital of the Company at all times equals the net asset values of its sub-funds.

The base currency for the Company is United Kingdom Pounds Sterling ("Sterling"). The Company is of unlimited duration.

Significant events

On 18 February 2013 the Cazenove European Income Fund launched new A Income Hedged and X Income Hedged share classes.

On 8 May 2013 the Cazenove European Fund launched a new A Income share class and the Cazenove UK Equity Income Fund launched a new A Accumulation share class.

Cazenove Capital Holdings Limited ("Cazenove Capital") is the ultimate holding company of Cazenove Investment Fund Management Limited, the Manager of Cazenove Investment Fund Company prior to its acquisition by Schroders plc ("Schroders") on 2 July 2013.

On 25 March 2013, the boards of Schroders and Cazenove Capital announced that they had reached agreement on the terms of the recommended acquisition by Schroders of the entire issued and to be issued share capital of Cazenove Capital by way of Scheme of Arrangement.

All regulatory approvals were obtained, and the Royal Court of Jersey sanctioned the Scheme of Arrangement on 1 July 2013. The Scheme of Arrangement became effective on 2 July and an announcement was made on that date.

Principal activities

The Company's principal activity is to carry on business as an open-ended investment company. The Company is structured as an umbrella company and different sub-funds may be established by the ACD from time to time with the agreement of the Depositary and approval from the FCA.

The sub-funds are operated separately and the assets of each sub-fund are managed in accordance with the investment objective and policy applicable to that sub-fund.

Economic and market overview

The economic backdrop

After enjoying a liquidity-induced market rally since the financial crisis, the second quarter (Q2) of 2013 was a 'reality-check' for investors, owing to the Federal Reserve's increasingly explicit stance on Quantative Easing (QE) tapering. For bond investors, a spike in bond yields and disorderly exits from heavily-weighted positions are the worst nightmares; for equity investors, gradual withdrawal of QE leaves them to ponder where the next sugar-rush might come from; for commodity investors, the end of a commodity super-cycle is looming ever closer; and for currency investors, finding a contrarian view against dollar strength is proving difficult. Inevitably, the normalisation of ultra-loose monetary policy will be perceived as bad news for a period. Nonetheless, we believe this is part of a necessary transition against the backdrop of real economic recovery. The key is that the pace of QE will slow, but not halt, and that it will only happen when certain economic objectives are met (unemployment lower, inflation higher). Furthermore, interest rate hikes are not on the agenda until 2015 at the earliest. Hence, the monetary regime will remain loose, the only difference being that there are likely to be more widespread signs of growth in major developed economies. In one major sense, therefore, this can be seen as good news for equities.

In terms of growth, the US economy continues to deliver strong data in the housing market, a key area that the Federal Reserve has been aiming to reinvigorate. Pending home sales, existing home sales, home prices, building permits and the NAHB homebuilder confidence are all at multi-year highs. Despite the recent spike in mortgage rates, the housing market should continue to benefit from household formation as well as relatively good affordability. Crucially, this should have a positive secondary impact on the wider consumer economy. Helped by rising home prices and the associated wealth effect, consumer confidence and small business confidence rebounded in Q2. As a result, retail sales and job creation in the services sector held up well. The manufacturing sector was weaker during the period, with the ISM survey of activity briefly dipping below 50 in May before subsequently rebounding. We believe that manufacturing will gather momentum in the second half as domestic demand strengthens and as global trade improves.

Director's report & Director's statement (continued)

Back home in the UK, positive data continues to emerge on almost all fronts. The Purchasing Managers Index activity surveys suggest that manufacturing, services and construction are all expanding. GfK consumer confidence rose to the highest since Oct 2010 in June, which resonates with better employment and retail sales. With vacancies on a seemingly very solid upwards path (they are now at their highest level since late 2008), the outlook for employment for the remainder of 2013 remains positive. Slightly disappointingly, despite lower inflation, real wages will remain under pressure as a result of continuing slow growth in nominal wages. Nonetheless, we believe that growth will comfortably exceed the downbeat expectations that were evident at the start of 2013.

It is also worth mentioning that, retrospectively, the change in GDP in Q1 2012 has been revised up from a fall of 0.1%, quarter on quarter, to flat, thereby removing two consecutive quarters of negative growth. Officially, therefore, the double dip in 2012 has been expunged. The effect of the upward revision is mostly symbolic, but consistent with our view that UK GDP growth has been understated and that there will be more upward revisions to come.

The Eurozone also recorded better-than-expected conditions during the second quarter, albeit from a much weaker base. To illustrate, the region's PMI manufacturing survey shows activity at the highest level in 16 months, with the most prominent progress coming from peripheral economies such as Spain and Italy. Germany, on the other hand, experienced a moderate headwind as its export sector felt the impact of the Chinese slowdown. On a more positive note, labour market data remains favourable and continues to provide support for a reasonably resilient trend in household consumption. Given the improving economic signals from the Eurozone economy, expectations of further easing from the European Central Bank have moderated.

Japan showed a generally more positive picture in Q2, following the Bank of Japan's adoption of an aggressively easy monetary regime. Although it is still too early to conclude if the stimulus will succeed in the longer term, a broad-based improvement in economic data suggests that activity is gradually grinding higher. So far, the most positive impact of the easing in monetary policy has come through a weakening in the yen. In order to bring about more sustainable growth in the domestic economy and an end to deflation, Japan needs to implement structural reform which will take longer and will be a test of political will and patience.

In conjunction with other emerging economies, China found itself in a weaker part of the global economic landscape in the second quarter. Most data releases relating to the Chinese economy fell short of expectations, and it is increasingly apparent that China's growth will slow further in the second half of 2013, partly as a result of tighter credit conditions. In addition, currency appreciation and high wage inflation are reducing competitiveness in export markets. As a result, manufacturing is slowing and the outlook for employment is weakening. Despite the softer trend in the economy, the new Xi Jinping regime has emphasised macro-prudence and has indicated that it is less focused on growth. Rather, it would like to see further improvement in social equality. For the moment, therefore, it would not seem that a significant monetary easing is a prospect.

Financial markets

Equities

Developed-market equities generally outperformed in the second quarter, though they experienced varying degrees of correction after a strong first quarter. The Nikkei (+10.4%) topped the performance league table despite the sharp sell-off in late May. The S&P 500, FTSE 100 and DAX returned 2.9%, -1.9% and 2.1%, respectively, during the three months to end-June, with stronger gains in the early part of the period being given back as investors contemplated the prospect of QE tapering. Emerging markets suffered a dire Q2 on the back of Fed taper talk, faltering growth and fund outflows. In particular, the Shanghai Composite was hit hard (-9.8%) as a spike in interbank rates and disappointing economic data raised fundamental and speculative concerns.

Looking ahead, we continue to favour developed markets, in particular the Eurozone and the US, over developing markets. In the US, there is a genuine broad-based improvement which may give a further boost to risk appetite, so long as investors are able to divert their attention from QE. In the UK and the Eurozone, valuations look more attractive and there is potential for upside surprises if fundamentals continue to improve. Japanese equities are likely to experience further volatility, hence we would look for opportunities to exploit setbacks rather than chase the highs. Chinese equities will likely remain overshadowed by concerns over weak data, policy tightening and financial stability.

Fixed income

Following the Federal Reserve's warning that better growth prospects would necessitate the first tentative steps being taken towards policy normalisation, fixed income securities suffered across the board in the second quarter. On the back of rising US government bond yields, emerging market debt took most of the hit. While total returns for US treasuries were down 2.3% in Q2, emerging market bonds lost 5.3%. European markets were also impacted negatively, although to a lesser extent, with Bunds and Gilts down 1.9% and 3.9% in Q2. US and European high-yield debt, which we have favoured previously, proved comparatively resilient when compared to investment grade corporate credit and was an outperformer within the credit space.

Director's report & Director's statement (continued)

Given the negative outlook on bonds, core government markets and investment grade credit are likely to remain challenged. However, peripheral government debt markets, such as those in Spain and Italy could post upside surprises if further economic growth materialises and the threat of the Eurozone crisis recedes. For investors with greater risk appetite, a move lower in the quality spectrum is likely to offer better returns over the remainder of 2013, as spreads in that area still have room to fall and as the hunt for yield leaves fewer choices for income-focused investors.

Currencies

Interestingly, the prospect of QE tapering did not provide a boost to the dollar index, which was only up marginally (+0.2%) in Q2. Sterling was almost flat versus the dollar, while the euro gained 1.5% on the back of more green shoots emerging in the region. The yen traded within a wide range as volatility persisted, but it ended up losing 5.0% against the dollar. The Aussie dollar was the worst performing G10 currency, falling 12.3% against the dollar in Q2 alone. This can be attributed to falling commodity prices, the rate cut by the RBA in May and the weakening macro backdrop in China.

In the near term, the dollar is expected to continue to benefit from the improving fundamentals displayed by the US economy, as well as the expectation and possible reality of QE tapering. The outlook for the euro is likely to be positive, boosted by upside surprises from macro data and, hence, diminishing expectations of a rate cut by the ECB. The Japanese yen will likely be undermined further by the radical monetary easing which will remain in place for the next two years. Meanwhile, sterling is likely to remain neutrally positioned, despite strengthening economic data, with its relative safe-haven status beginning to provide less support.

Results

The results for each sub-fund are set out in detail in the relevant section of the report.

Carolyn Sims
Cazenove Investment Fund Management Limited

On behalf of the Authorised Corporate Director
16 August 2013

Directors' statement

This report was approved for publication on 16 August 2013.

Andrew Ross

Carolyn Sims

Directors of Cazenove Investment Fund Management Limited

Cazenove Managed Portfolio Fund

Authorised Corporate Director's investment report

Investment objective and policy

The Cazenove Managed Portfolio Fund's ("the Fund") investment objective is to deliver long term capital growth from a diversified portfolio of investments including equities, bonds, fixed interest, cash and any other permitted assets deemed appropriate to meet the investment objective. The Fund will seek to achieve a moderate income.

The Fund will invest both in the United Kingdom and in overseas markets.

The Fund will invest primarily through authorised unit trusts, open-ended investment companies, exchange-traded funds and other collective investment schemes. Where it is considered appropriate, the Fund may also invest in closed-ended funds, individual transferable securities, money market instruments, deposits and/or other securities and instruments in which the Fund may invest.

The Fund may seek investment diversification by obtaining exposure to alternative asset classes including hedge funds, private equity, property and commodities through investment in closed-ended funds and other securities and instruments in which the Fund may invest.

The Fund may utilise derivatives for efficient portfolio management purposes and may seek to protect capital through active asset allocation and the use of derivatives where appropriate.

Performance

The Fund returned 11.1% (B Accumulation share class) versus the benchmark return (composition shown on page 9) of 7.7%, over the six month period to 30 June 2013.

Equity markets across the board did very well over the first half of 2013. In particular, our skew towards depressed cyclical value stocks in US, UK and Europe benefitted the Fund considerably. Though we have been underweight US equities, our holdings in Legg Mason LMCM Opportunity Fund returned 38.9%. In Europe, Artemis European Growth Fund returned 17.3% and in the UK, Fidelity Special Situations Fund returned 16.7%. All of these were comfortably top quartile in their respective IMA peer groups.

Our generous overweight to Japan coming into the year, using GLG Japan CoreAlpha Fund, has produced particularly good returns. This was magnified by tactically holding the USD hedged share class of the fund during selective periods. Since December 31 2012 the USD hedged and non-hedged share classes have returned 47.6% and 30.2% respectively.

Though we remain underweight fixed income and cautious of the asset class, our holdings in M&G Optimal Income Fund and Invesco Perpetual Tactical Bond Fund returned 1.9% and 1.3% respectively. The cautious outlook of these funds and their relatively flexible investment mandates enabled both to produce top quartile returns within their IMA peer group.

Market review

Despite many headwinds, the year opened with a rally in equity markets across the board. US politicians managed to dampen uncertainty surrounding the fiscal cliff at the very last second, Italian elections remained inconclusive for an extended period and the severity of Cypriot bailout terms pushed the limits of what investors thought possible. However, it appears that Mario Draghi's (Chairman of the European Central Bank) "..do whatever it takes.." speech and the Federal Reserve's unlimited quantitative easing (QE) programme provided enough confidence to quell fears that may previously have consumed investors, for some time.

This opening move was lead by cyclically sensitive assets. In particular, those in areas of the market previously deemed more risky such as Europe, which had been trading on depressed valuations due to its non 'safe haven' status. By the start of quarter two however, the trend had moved a great deal in a short time frame and so investors began to feel a little jittery. Safe haven assets yet again began to outperform. In the classic style, this comprised core government bonds (German Bunds, US Treasuries and UK Gilts) and 'bond proxy' equities, i.e. defensive, dividend paying, staples and the like.

The second quarter introduced the inevitability at some point, when the US economy looks sufficiently stable in terms of employment and inflation, the Federal Reserve will slow and eventually cease QE. Initial 'tapering' mentions were met with distaste by the market, which spat up a chunk of recent gains. This shaped the perverse situation of good data points increasing the likelihood of tapering and hence being seen as a bad thing for market, and visa-versa.

The fastest money seems to be in emerging markets and Asia, which have underperformed all other regions since the tapering chat began. Compound this with softening Chinese demand – which we touch on in a moment – and you are left with the only negative year to date returns of major indices (Emerging markets and Asia).

Conversely, Japan has so far proven to be far stickier; the Tokyo Stock Price Index ends the first half posting 24.4%, a smidge above the S&P 500. President Abe set out clear plans at the tail end of 2012 to weaken the yen, increase interest rates and improve competitiveness. Thus far they seem to be intact. The Yen has depreciated 16% against US dollars year to date, though only a blip on the multi-decade horizon.

Soggy data points and signs of tightening credit conditions in China have been guiding equity indices lower. Commodity demand has slackened considerably and in response basic materials and miners, particularly in Asia and Australasia, have been a heavy drag. MSCI World Mining is down 21.7% relative to the MSCI World index, over the last six months.

Cazenove Managed Portfolio Fund (continued)

Portfolio activity

From early in the year, GLG UK Select Fund was reduced (and sold) in favour of a new position in Majedie UK Equity Fund, offering further exposure to selective areas of value in the UK market. The remaining position in Henderson US Growth Fund was also sold.

Towards the end of the first half 2013, Cazenove European Equity Fund was sold in favour of a new position in Invesco European Equity Fund, to take advantage of our favoured areas of depressed value. A proportion of the US dollar hedge on the Japanese position was sold, given the significant relative move in currencies since November.

A new holding in BlackRock Gold & General Fund was initiated in May. Though market movements may indicate that this was somewhat early, due to the depressed valuation (relative to recent history) and the hedge against market uncertainty that it provides, it remains a holding. Finally, in June, we sold out of our position in Jupiter Absolute Return Fund in favour of Morgan Stanley Diversified Alpha Plus Fund.

Outlook

The first half of this year has vindicated our longer term view and provided good returns in tandem. Market correlations have materially altered and it has now become more widely accepted that the perceived safe havens of old, operating on unsustainably high premiums, now pose material risk. As such we have broadly avoided these areas in favour of modest exposure to undervalued cyclical risk and ample cash balances.

Our belief is that government bonds remain one of the more risky areas of the market. Although yields on UK Gilts and US Treasuries have moved up rapidly from their lows, when we begin to factor in a more ‘normal’ economic backdrop, they still do not look attractive in our view.

In credit, particularly high yield, valuations have appeared stretched for some time and the flows of hot money point to a degree of complacency amongst investors that has quickly reversed. Spreads have obviously widened in recent weeks, but again, it remains difficult to generate substantial returns in credit from here in the near term.

Though the US has been leading equity markets, it seems that growing optimism has been increasingly priced into domestic facing shares. Markets have been reaching all-time highs and as such, our exposure here remains modest. To us, more probable opportunity exists in selective areas of value such as Europe & Japan, where consensus expectations are still down beat and upside potential is more plentiful.

The capitulation of commodity related areas, emerging markets and all things China related has been a feature of recent months and may present an opportunity at some stage, if not right now. Interestingly, some of the emerging market facing stocks in Europe, have not yet suffered to a comparable extent. These remain vulnerable in our eyes. In China and emerging markets we remain concentrated in domestic facing areas that will benefit from any further stabilisation in the Eurozone from here.

Over the first half of the year, our ability to not only protect on the downside, but also keep up with markets as and when they rise, has been very pleasing. We are conscious that to some our high cash balance suggests an over-all bearishness that means we should struggle should markets rally from here. However, our cash balance actually only reflects a bearishness on selective valuations - particularly in fixed interest. Indeed, we continue to be positive on a number of more cyclical areas of equity markets which given the skew of our portfolio, have benefited relative performance significantly.

From here, the optionality that cash provides to go and invest at more attractive levels puts us in a strong position as we head into the summer. On a risk reward basis, the wobbles of the second quarter should provide a number of attractive opportunities and we remain happy that our portfolio can provide investors with the requisite returns going forward.

Synthetic risk & reward indicator

The synthetic risk and reward indicator ranges from 1 to 7, with 1 being the lowest risk. The risk and reward indicator for the Fund is 5.

The Fund invests in funds that buy bonds that pay a high rate of interest. The companies that issue these bonds may have uncertain futures and so there is a greater risk that the bond holders will not be paid interest on the bond and/or that they may not get their initial investment back. The Fund invests in funds that hold alternative investments where it may be difficult to sell the underlying assets and/ or to get reliable information about the value of those assets. The Fund invests in funds that invest in stock markets of developing countries where share prices may fluctuate more markedly than in more developed economies and stock markets. The Fund’s risk profile is based on historical data and this may not be a reliable indicator of its future risk profile. The lowest risk category does not mean an investment is risk free. The risk category shown is not a target or a guarantee and may change over time.

Cazenove Managed Portfolio Fund (continued)

Fund facts

	Accounting date	Distribution payment date
Interim	30 June	31 August
Final	31 December	28 February

Performance record

	30.06.13	31.12.12	Capital return % change	Total return % change
FTSE All Share Index (£)*	3,289.71	3,093.41	6.35	8.50
FTSE All World Ex UK Index (£)*	405.47	356.18	13.84	15.51
FTSE A Govt. All Stocks Index (£)*	163.76	172.01	(4.80)	(3.08)
UK IPD Property Index (£)*	879.99	854.81	2.95	2.95
HFRI Fund of Funds Composite (£)^**	3,433.00	3,101.53	10.69	10.69
Goldman Sachs Commodity Index (£)^^	3,048.98	3,007.70	1.37	1.37
Benchmark (Calculated in-house) (£)***	-	-	-	7.69

* Source: DATASTREAM. Total return includes reinvested income; capital return excludes income. ^ Source: Website (www.hedgefundresearch.com). ^^ Source: Bloomberg. ** Due to the nature of the pricing of these investments, the indices are subject to change. *** Benchmark description: 50% FTSE All Share, 15% FTSE All World Ex UK, 10% FTSE A Govt. All Stock, 10% UK IPD, 10% HFRI, 5% GS Commodity.

	30.06.13 p	31.12.12 p	Share price % change	Total return % change (net of tax)
A Income****	166.84	150.03	11.20	11.27
A Accumulation****	209.36	188.16	11.27	11.27
B Accumulation****	198.76	178.85	11.13	11.13
X Accumulation****	217.23	194.98	11.41	11.41

**** Source: Lipper. Total return includes net income reinvested (mid-mid, basic tax); capital return excludes income.

Ongoing charges figure

An ongoing charges figure ("OCF") is shown which takes into account the management fee and all other operating expenses over the period and is expressed as a percentage of average daily assets over the same period (annualised). The OCF calculation includes a synthetic adjustment for the period to 30 June 2013 of 0.77% (31 December 2012: 0.80%) in respect of investments in other funds.

	30.06.13 %	31.12.12 %
A Income	1.91	1.95
A Accumulation	1.91	1.94
B Accumulation	2.16	2.21
X Accumulation	1.66	1.70

Net asset value record

	Net asset value per share 30.06.13 p	31.12.12 p
A Income	167.96	149.89
A Accumulation	211.06	188.10
B Accumulation	200.38	178.79
X Accumulation	218.99	194.92

Fund performance summary

Calendar year	Lowest price p	Highest price p	Distribution per share p
A Income			
2013*	149.89	174.37	0.2327
2012	134.03	150.66	0.5899
2011	126.59	142.91	1.0543
2010	122.54	139.69	0.7507
2009	98.55	126.69	0.6610
2008	101.51	149.30	4.2722
A Accumulation			
2013*	188.07	218.81	0.2913
2012	167.47	188.96	0.7399
2011	157.56	177.87	1.3133
2010	151.13	172.76	0.9113
2009	120.86	155.93	0.7574
2008	122.34	176.94	5.1297
B Accumulation			
2013*	178.76	207.78	0.0410
2012	159.43	179.62	0.3818
2011	150.28	169.70	0.8459
2010	144.68	165.03	0.5127
2009	115.91	149.30	0.5528
2008	117.31	169.97	4.9973
X Accumulation			
2013*	194.88	226.97	0.5703
2012	173.22	195.78	1.2164
2011	162.72	183.64	1.7935
2010	155.50	178.12	1.3427
2009	124.07	160.38	1.0833
2008	125.66	181.43	5.1136

* To 30 June 2013.

A Income and A Accumulation shares were first issued on 2 July 1999 at a price of 134.46p. X Accumulation shares were first issued on 22 February 2000 at a price of 154.46p. B Accumulation shares were first issued on 25 February 2002 at a price of 119.02p.

Cazenove Managed Portfolio Fund (continued)

Portfolio summary

	As at 30.06.13		As at 31.12.12	
	Market value £	Net assets %	Market value £	Net assets %
Equities	28,960,166	57.15	30,952,489	66.89
Alternatives	6,775,395	13.37	5,847,056	12.63
Fixed income	2,671,885	5.27	3,978,062	8.60
Net investment assets	**38,407,446**	**75.79**	**40,777,607**	**88.12**
Net other assets	**12,265,883**	**24.21**	**5,498,974**	**11.88**
Net assets attributable to shareholders	**50,673,329**	**100.00**	**46,276,581**	**100.00**

Top ten holdings

As at 30.06.13	Percentage of net assets %	As at 31.12.12	Percentage of net assets %
Fidelity Special Situations Fund (Accumulation)	7.68	Fidelity Special Situations Fund (Accumulation)	10.31
Majedie UK Equity Fund (X Income)	7.48	GLG Japan Core Alpha Fund (I Hedged USD)	7.92
Majedie Tortoise Fund (G Accumulation)	6.17	Cazenove European Equity (ex UK) Fund (EUR Income)	7.87
Findlay Park American Smaller Companies Fund (USD)	5.99	Findlay Park American Smaller Companies Fund (USD)	6.34
Investec UK Special Situations Fund (Income)	5.51	GLG UK Select Fund (C Accumulation)	5.39
Franklin Templeton UK Smaller Companies Fund (W Accumulation)	5.02	M&G Optimal Income Fund (I Income)	5.34
Invesco European Equity Fund (Z Accumulation)	4.96	Investec UK Special Situations Fund (Income)	5.25
Legg Mason LMCM Opportunity Fund (Premier USD Accumulation)	4.27	Franklin Templeton UK Mid Cap Fund (A Income)	5.04
Artemis European Growth Fund (Accumulation)	4.22	Jupiter Absolute Return Fund (Accumulation)	5.02
GLG Japan Core Alpha Professional Fund (D Distribution)	4.18	J O Hambro UK Opportunities Fund (Retail Income)	4.90

Cazenove UK Opportunities Fund

Authorised Corporate Director's investment report

Investment objective and policy

The Cazenove UK Opportunities Fund ("the Fund") aims to achieve an income return, together with long term capital growth, by investing in any economic sector of the UK market. The ACD invests predominantly in UK equities.

Performance

Over the six months ended 30 June 2013, the Fund returned 16.2% (B Accumulation share class) outperforming a rise in the benchmark FTSE All Share Index of 8.5% by 7.7%.

Market review

The FTSE All Share Index returned 8.5% with mid-250 stocks materially outperforming their peers. The FTSE 250 Index returned 11.5% whilst the FTSE 100 and FTSE Small Cap ex-IT indices returned 5.4% and 6.4%, respectively. The rally in the UK equity market over the last six months was a reflection of increasing confidence in the global economic upturn, particularly the recovery in the US. The UK market managed a record unbroken run of twelve consecutive positive months before the Federal Reserve (Fed) suggested it would begin to reduce the amount of monthly asset purchases in the not too distant future, which caused 'taper terror' to emerge in June. After its substantial re-rating, markets lacked the backing of sufficient earnings per share growth to withstand the potential withdrawal of some stimulus and markets fell substantially over the month.

Portfolio activity

We continued to tilt the portfolio towards good value cyclical stocks and away from relatively highly rated defensive assets. We began to reduce our exposure to consumer cyclicals, selling Marks and Spencer, which had seen a substantial rerating. We maintained our cyclical bias through the industrial style group adding positions in Alent and Smiths. We have also reduced our underweight position in the commodity cyclical space, adding a position in Rio Tinto now that the risk reward balance is more in our favour. We have maintained our exposure to financials, adding to positions in Ashmore and Aviva, which continue to show good potential to re-rate and selling out of Lloyds which had begun to trade at a premium to NAV. In defensives, we sold out of Tesco and highly rated Diageo, using the proceeds to invest in GlaxoSmithKline which had substantially underperformed other global defensive peers.

Outlook

The market's drop in June is frustrating but perhaps not wholly surprising given the re-rating of the past eighteen months - we are still waiting for a sustained upturn in end demand to drive market earnings forecasts higher. It is a moot point whether the market is confusing 'tapering' with 'tightening' but the effect of the Fed's language is the same - bond yields are moving up. We are at an inflexion point in the rate cycle and the Fed has given financial markets a clear sign that monetary conditions are unlikely to loosen further in the US unless economic growth disappoints. With US house price inflation now rising at 15% year on year the Fed is right to signal that free money will not go on for ever and to seek to curb speculative excesses before it is too late. The balancing act the Fed needs to pull off is to do so without de-railing the improvement in broader market demand that rising household wealth and real disposable income growth generates. At a modest stretch, the Fed's commentary may be interpreted as an upgrade to growth expectations (in our January note we suggested that the surprise for the market this year might be better growth and an earlier turn in the US rate cycle). US 10 year bond yields rose from 2.16% to 2.48% (closing off an intra-month high of 2.59%) as the market adjusted to these implications of the Fed's suggestion that they might begin to taper asset purchases. The fiercest sell off was in the MBS market (of which the Fed now has a significant market share). 30 year fixed mortgage rates rose to 4%, which in absolute terms looks a big move but in relation to US 10 year bond yields is actually less dramatic and the spread is only back to pre-bubble levels of 2004, suggesting that the US private sector debt market is now starting to adjust to a more normal setting where prices are driven by real supply and demand. If the latter picks up the velocity of money should increase, which would encourage the market to take a more confident view on the corporate profit cycle.

The question for investors now is where do bond yields settle? If US nominal GDP growth this year reaches 3% then current bond yields are still giving a negative real return so borrowing costs are still very accommodative. Markets often like to test the boundaries and may push yields to 3% to see if the Fed blinks, which may see a period of higher volatility. However at the time of writing yields seem to have stabilised. A steady rise in yields is compatible with a rising equity market at this stage of the cycle. The implication of this turn in the rate cycle for our portfolio construction is that usually a steepening yield curve is a precursor of economic recovery and therefore

Cazenove UK Opportunities Fund (continued)

outperformance from cyclical stocks. It is difficult to gauge how much of a disconnect quantitative easing (QE) has created between asset prices and the real economic cycle. However, the relative rating of growth defensive stocks still looks high for this stage of the business cycle. If we are moving into a more sustained expansion phase then earnings for cyclicals can still move higher and operational gearing could surprise on the upside given the cost cutting of the past four years and current low input costs. At the time of writing we have had positive manufacturing Institute of Supply Management data from the US (which saw a return to expansion of 50.9 driven encouragingly by a rise in new orders to 51.9), from the UK where the PMI rose to 52.5, a two year high from peripheral European PMI's where both Italy and Spain surprised to the upside with Spain at 50 on the cusp of expansion and Japan moving further into expansion at 52.3. The remaining current account surplus nations continued to feel the strain with the German PMI stable at 48.6 but China still decelerating at 48.2.

We should not omit to mention the arrival of Mark Carney at the Bank of England and much has been written about his use of communication as a monetary policy tool. The seeming success of Bernanke's tapering talk and Draghi's 'whatever it takes' speech suggest that a move away from the secrecy historically associated with the Bank of England could be a step forward. An opening up of the debate amongst Monetary Policy Committee members might also help reduce the perception of dictatorial leadership created by his predecessor. The latest UK services sector PMI was higher than expected at 56.9, the highest since March 2011. This will in part be driven by government funded initiatives like the 'Help to Buy' scheme and bank polls reveal strong rises in both mortgage and unsecured lending. Whilst this should lessen the chance of more QE at the Bank of England policy vote, the UK still needs to see stronger lending to/demand from smaller businesses to create a platform for more sustained economic growth.

Synthetic risk & reward indicator

The synthetic risk and reward indicator ranges from 1 to 7, with 1 being the lowest risk. The risk and reward indicator for the Fund is 6.

The Fund will invest in medium and smaller sized companies and it may have a more concentrated portfolio of shares than is usual in most funds. This Fund's share price may fluctuate more than funds that invest entirely in larger sized companies and/or those which hold a larger number of investments. Investments in shares and/or bonds is subject to normal market fluctuations. The Fund's risk profile is based on historical data and this may not be a reliable indicator of its future risk profile. The lowest risk category does not mean an investment is risk free. The risk category shown is not a target or a guarantee and may change over time.

Cazenove UK Opportunities Fund (continued)

Fund facts

	Accounting date	Distribution payment date
Interim	30 June	31 August
Final	31 December	28 February

Performance record

	30.06.13	31.12.12	Capital return % change	Total return % change
FTSE All Share Index (£)*	3,289.71	3,093.41	6.35	8.50

* Source: DATASTREAM. Total return includes reinvested income; capital return excludes income.

	30.06.13 p	31.12.12 p	Share price % change	Total return % change (net of tax)
A Income**	285.47	246.96	15.59	16.49
A Accumulation**	373.16	320.25	16.52	16.52
B Accumulation**	344.41	296.31	16.23	16.23
X Income**	381.30	329.85	15.60	16.63
X Accumulation**	390.82	334.98	16.67	16.67

** Source: Lipper. Total return includes net income reinvested (mid-mid, basic tax); capital return excludes income.

Ongoing charges figure

An ongoing charges figure ("OCF") is shown which takes into account the management fee and all other operating expenses over the period and is expressed as a percentage of average daily assets over the same period (annualised).

	30.06.13 %	31.12.12 %
A Income	1.06	1.07
A Accumulation	1.06	1.07
B Accumulation	1.56	1.57
X Income	0.81	0.83
X Accumulation	0.81	0.82

Net asset value record

	Net asset value per share 30.06.13 p	31.12.12 p
A Income	281.33	244.58
A Accumulation	372.18	319.70
B Accumulation	343.50	295.80
X Income	375.32	326.29
X Accumulation	389.79	334.40

Fund performance summary

Calendar year	Lowest price p	Highest price p	Distribution per share p
A Income			
2013*	250.64	302.74	3.3929
2012	186.59	250.45	4.7872
2011	168.53	207.38	3.6116
2010	153.10	189.06	3.4019
2009	97.91	160.67	3.5787
2008	102.29	162.99	4.6563
A Accumulation			
2013*	327.84	395.73	4.4311
2012	240.67	324.78	6.1597
2011	213.41	262.60	4.2948
2010	188.29	235.79	4.2525
2009	117.21	195.87	4.3204
2008	120.35	188.01	5.5025
B Accumulation			
2013*	303.30	365.42	3.3087
2012	223.78	300.53	4.4278
2011	198.81	244.78	3.3373
2010	176.72	220.35	3.0089
2009	110.55	183.94	3.2843
2008	113.74	178.54	4.3319
X Income			
2013*	334.38	404.26	4.9765
2012	251.02	334.49	7.1538
2011	239.82	253.42	0.0225
X Accumulation			
2013*	342.93	414.35	5.1000
2012	251.10	339.68	7.2069
2011	222.44	273.63	5.9424
2010	195.49	245.35	4.9779
2009	121.38	203.30	4.9426
2008	124.48	194.07	6.1116

* To 30 June 2013.

A Income, A Accumulation and X Accumulation were first issued on 2 July 1999 at a price of 135.27p. B Accumulation shares were first issued on 25 February 2002 at a price of 110.56p. X Income shares were first issued on 1 December 2011 at a price of 250.64p.

Cazenove UK Opportunities Fund (continued)

Portfolio summary

	As at 30.06.13		As at 31.12.12	
	Market value £	Net assets %	Market value £	Net assets %
Consumer services	662,515,029	36.71	230,417,262	23.34
Financials	488,042,448	27.04	279,028,032	28.25
Industrials	262,833,277	14.57	272,169,680	27.55
Basic materials	127,146,340	7.04	14,947,080	1.51
Health care	125,998,612	6.98	35,887,060	3.64
Technology	69,350,228	3.84	37,522,285	3.80
Oil and gas	35,880,100	1.99	7,352,341	0.74
Consumer goods	1,667,411	0.09	71,144,900	7.20
Net investment assets	**1,773,433,445**	**98.26**	**948,468,640**	**96.03**
Net other assets	**31,403,645**	**1.74**	**39,167,303**	**3.97**
Net assets attributable to shareholders	**1,804,837,090**	**100.00**	**987,635,943**	**100.00**

Top ten holdings

As at 30.06.13	Percentage of net assets %	As at 31.12.12	Percentage of net assets %
GlaxoSmithKline	5.48	Barclays	4.16
Barclays	4.49	Lloyds Banking	3.88
Melrose	4.18	Aviva	3.64
Legal & General	3.91	GKN	3.61
Rio Tinto (GBP)	3.87	Diageo	3.59
Aviva	3.76	Legal & General	3.56
Reed Elsevier	3.35	Reed Elsevier	3.54
ITV	3.23	RSA Insurance	3.31
GKN	3.22	Babcock International	3.31
Ashmore	2.83	Howden Joinery	3.25

Cazenove UK Smaller Companies Fund

Authorised Corporate Director's investment report

Investment objective and policy

The Cazenove UK Smaller Companies Fund's ("the Fund") investment objective is to achieve long-term capital growth by investing primarily in UK smaller companies. The Fund will invest at least 80 per cent of its assets in UK listed companies that form the bottom 10 per cent by market capitalisation. The Fund may also invest in companies which are headquartered or have significant activities in the UK which are quoted on a stock exchange outside the UK.

The ACD seeks to invest in high quality smaller companies that are capable of producing shareholder value through above average growth in earnings and dividends over the medium-to long-term. The Fund should benefit from holding a broadly spread portfolio of such companies which will dilute the specific risk inherent in smaller company investment. The Fund will usually maintain a portfolio predominantly invested in equities. It is the intention of the ACD that transactions in derivative instruments may be entered into for efficient portfolio management purposes. Any transaction in derivatives would be undertaken on a covered basis. The borrowing powers permitted by the FCA Rules may be utilised from time to time.

Performance

Over the period to 30 June 2013, the Fund returned 17.7% (X Accumulation share class) against a rise in the benchmark of 15.3% (total return).

Market review

The first half of the year has been a strong one for the UK small cap market, albeit with much reduced momentum at the end of the period. To some extent the Fund lagged the market rally but performed strong as markets became more unsettled in Q2. This is very much the historical trend for the Fund and indeed in similar conditions we achieved much the same in 2012.

Portfolio activity

The performance for the period has been dominated by our largest position Xaar. While we have commented before on the growth potential for this stock the scale of upgrades this year has been astonishing with consensus earnings for Dec 2013 rising from 19 to 42p as the company is reaping dividends from the continued conversion of industrial printing applications from analogue to digital where it is the global market leader. The stock has also moved into the FTSE 250 index which historically has rerated this type of technology led manufacturer and hence we feel very comfortable retaining a significant position here. Our investment in software Initial Public Offering, Wandisco, from last year has performed very strongly as investor excitement about their capabilities managing big data has been given credibility by significant new customer wins. Other smaller winners have included Telford Homes, where a strong UK housing market and their London specialism has combined to generate significant earnings upgrades.

We have added a number of new positions in the period both in companies we have held before such as vertically integrated pork producer, Cranswick and antibody supplier Abcam, and also in new names such as motor dealer Vertu Motors. We backed the latter in a fundraising to acquire a Land Rover distributor in Leeds. The market for UK small cap, mid cap IPOs and fund raisings has been very buoyant this year and we have taken part in the IPO of car insurer Esure and cable management company HellermannTyton – both of which have made useful debuts. We exited long term winner, Elementis in the period as we felt that it was fully rated with a more challenging outlook this year. We also sold our position in online dating company, Cupid, early in the year – this proved timely as the company has had some internal compliance issues which have affected the price materially. We also sold our position in insurance software company Quindell – while this had been a great performer for us we feel that the pace of acquisition and deferred share issuance may yet cause some indigestion in the market.

Outlook

Overall this has been another respectable period for the Fund. In many respects our caution regarding whether management teams could deliver on their full year optimism after a poor first quarter has played out and generally forecasts have been rebased downwards 7% since the beginning of the year for small and mid caps caps overall (Peel Hunt data). While inevitable 'tapering' chat and Chinese credit issues may have spooked risky assets globally, many of the anecdotal indicators closer to home (the bricklayer short of bricks, the furniture shop selling more sofas) are a little more encouraging. Hence we enter the second half of the year with the Fund up c17% and no shortage of interesting opportunities passing through our doors but a little heat now out of the market – overall a reasonable place to be.

Synthetic risk & reward indicator

The synthetic risk and reward indicator ranges from 1 to 7, with 1 being the lowest risk. The risk and reward indicator for the Fund is 6.

The Fund invests in small companies which may be risky and may be difficult to sell with the result that the Fund's share prices may fluctuate more markedly than a fund that invests in larger companies. Investments in shares and/or bonds is subject to normal market fluctuations. The Fund's risk profile is based on historical data and this may not be a reliable indicator of its future risk profile. The lowest risk category does not mean an investment is risk free. The risk category shown is not a target or a guarantee and may change over time.

Cazenove UK Smaller Companies Fund (continued)

Fund facts

	Accounting date	Distribution payment date
Interim	30 June	31 August
Final	31 December	28 February

Performance record

	30.06.13	31.12.12	Capital return % change	Total return % change
FTSE Small Cap Index (excluding investment trusts) (£)*	3,250.13	2,862.91	13.53	15.27

* Source: DATASTREAM. Total return includes reinvested income; capital return excludes income.

	30.06.13 p	31.12.12 p	Share price % change	Total return % change (net of tax)
A Income**	239.15	203.62	17.45	17.55
A Accumulation**	263.18	223.87	17.56	17.56
B Accumulation**	246.76	210.41	17.28	17.28
X Income**	273.77	233.07	17.46	17.70
X Accumulation**	276.69	235.07	17.71	17.71

** Source: Lipper. Total return includes net income reinvested (mid-mid, basic tax); capital return excludes income.

Ongoing charges figure

An ongoing charges figure ("OCF") is shown which takes into account the management fee and all other operating expenses over the period and is expressed as a percentage of average daily assets over the same period (annualised).

	30.06.13 %	31.12.12 %
A Income	1.08	1.11
A Accumulation	1.08	1.11
B Accumulation	1.58	1.61
X Income	0.83	0.85
X Accumulation	0.83	0.86

Net asset value record

	Net asset value per share 30.06.13 p	31.12.12 p
A Income	236.00	201.27
A Accumulation	260.99	221.50
B Accumulation	244.70	208.20
X Income	269.81	230.12
X Accumulation	274.39	232.57

Fund performance summary

Calendar year	Lowest price p	Highest price p	Distribution per share p
A Income			
2013*	206.37	243.93	1.1595
2012	149.20	203.62	1.1494
2011	144.00	180.92	2.0794
2010	106.50	149.13	1.6183
2009	60.59	113.81	0.8874
2008	64.70	114.52	0.6807
A Accumulation			
2013*	227.10	268.43	1.2623
2012	163.11	223.87	1.2749
2011	156.72	196.88	2.2511
2010	113.49	160.25	1.7104
2009	64.00	120.88	0.8689
2008	68.18	120.21	0.6045
B Accumulation			
2013*	213.44	251.72	0.7432
2012	154.06	210.41	0.6289
2011	148.06	186.42	1.3676
2010	108.08	152.12	1.0353
2009	61.28	115.43	0.4561
2008	65.28	115.59	0.3622
X Income			
2013*	235.96	279.22	1.6863
2012	170.61	233.07	1.8854
2011	164.14	171.49	0.2331
X Accumulation			
2013*	238.47	282.20	1.6594
2012	170.85	235.07	1.7984
2011	164.14	205.97	2.7989
2010	118.40	167.43	2.1431
2009	66.52	125.89	1.2186
2008	70.70	124.47	1.0583

* To 30 June 2013. A Income, A Accumulation and X Accumulation shares were first issued on 2 July 1999 at a price of 59.98p. B Accumulation shares were first issued on 25 February 2002 at a price of 72.11p. X Income shares were first issued on 1 December 2011 at a price of 169.96p.

Cazenove UK Smaller Companies Fund (continued)

Portfolio summary

	As at 30.06.13		As at 31.12.12	
	Market value £	Net assets %	Market value £	Net assets %
Consumer services	239,491,076	37.65	70,148,213	21.95
Industrials	118,344,071	18.60	132,367,299	41.42
Financials	98,962,930	15.56	30,334,479	9.50
Technology	82,323,825	12.94	52,912,159	16.55
Consumer goods	37,229,463	5.85	4,342,809	1.36
Health care	22,144,233	3.48	6,719,441	2.10
Basic materials	9,953,894	1.56	13,766,180	4.30
Oil and gas	931,001	0.15	-	-
Net investment assets	**609,380,493**	**95.79**	**310,590,580**	**97.18**
Net other assets	**26,762,334**	**4.21**	**9,009,945**	**2.82**
Net assets attributable to shareholders	**636,142,827**	**100.00**	**319,600,525**	**100.00**

Top ten holdings

As at 30.06.13	Percentage of net assets %	As at 31.12.12	Percentage of net assets %
Xaar	3.96	Perform	3.79
Perform	3.33	Telford Homes	2.67
John Menzies	3.14	Vitec	2.63
Cranswick	2.73	Xaar	2.50
Esure	2.51	John Menzies	2.50
Hansteen	2.21	Low & Bonar	2.40
Telford Holmes	2.04	Renishaw	2.26
Pendragon	1.94	British Polythene Industries	2.25
Smart Metering Systems	1.94	Wandisco	2.23
Clinigen	1.92	Smart Metering Systems	2.19

Cazenove UK Corporate Bond Fund

Authorised Corporate Director's investment report

Investment objective and policy

The Cazenove UK Corporate Bond Fund ("the Fund") aims to achieve a high income return together with capital growth by investing primarily in fixed income instruments including bonds, notes of fixed and variable interest, preference shares, convertible and other securities issued by government, quasi-government, supranational, bank and corporate entities, and derivative instruments.

The Fund may use forward foreign currency exchange transactions, credit default swaps, interest rate and government bond futures, and other exchange traded and off exchange traded derivative contracts for the purposes of efficient portfolio management and/or meeting the investment objectives of the Fund. Such derivative contracts have the potential to significantly increase the Fund's risk profile.

The ACD employs a risk management process that seeks to control the volatility of Fund returns.

The Fund's net exposure to non-investment grade instruments, as determined by the ACD, may not exceed 20 per cent of net asset value.

Performance

The Fund returned approximately -0.7% (B Income share class) over the half year compared to the Bank of America Merrill Lynch Sterling Non Gilt Index return of -1.4%. This difference was primarily attributable to the Fund's relatively short duration compared to the benchmark.

Market review

The gilt market saw yields rise steadily through to mid-February as the lack of any real bad news from Europe and the extension to the US debt ceiling negotiation deadline boosted risk appetites. 10 year gilt yields rose from 1.8% at the end of 2012 to a high of 2.3% during this phase. However, there was a sharp turnaround at the end of February as US politicians bumbled their way into automatic budget cuts. More importantly, there was a surprise result in the Italian national elections with a huge anti-austerity vote leaving a hung parliament. Weak UK economic data and concerns over Cyprus helped push that yield down to 1.6% again in early April. Despite the heightened levels of uncertainty the investment grade corporate bond market saw its risk premium to gilts marginally tighter thanks to a massive boost in Quantitative Easing (QE) policies announced by the Bank of Japan.

However, uncertainty regarding the effectiveness of the Bank of Japan's huge QE policy and the announcement by the Federal Reserve of the potential "tapering" of its own QE program caused extreme volatility in the markets in the second quarter. On just one day The Nikkei 225 had a trading range of 9%. Extreme stresses in the Chinese money markets, essentially caused by the Central Bank restricting liquidity to banks, served only to heighten nervousness in all markets. 10 year gilt yields surged to 2.4% by the end of the period. While credit spreads also widened quite sharply they actually ended about 0.15% narrower over the half year.

Portfolio activity

The Fund switched longer in some less volatile bonds e.g. General Electric Capital. Holdings were reduced in a few more volatile/less liquid issues such as junior subordinated bank bonds (Abbey National Treasury Services 5.5% Notes 19/06/2014). We subscribed to new issues from Affinity Water, Kelda Finance, Anglian Water, Pennon and Bupa.

Duration was lengthened from 5.9 to 6.2 versus the benchmark's 7.9.

Outlook

Markets have become extremely skittish in the last few weeks as we suggested they might. Yields in general have now risen by a meaningful amount (e.g. 10 year gilt yields from a recent low of about 1.6% in May to over 2.5% most recently) and central bankers have understandably become concerned. In the US for example the average 30 year mortgage rate has risen from a recent low of 3.4% to a current 4.6% meaning mortgage payments for new buyers have risen by 30% or more. This has indeed prompted various central bankers to come out with calming comments and it seems likely there will be more of this in the near future. With emerging markets including China trading particularly poorly, the negative hit to confidence will come through in the next round of data and it feels like this move in yields will be at least partially unwound in the short term.

Synthetic risk & reward indicator

The synthetic risk and reward indicator ranges from 1 to 7, with 1 being the lowest risk. The risk and reward indicator for the Fund is 4.

The Fund buys bonds that pay a high rate of interest. The companies that issue these bonds may have uncertain futures and so there is a greater risk that the bond holders will not be paid interest on the bond and/or that they may not get their initial investment back. The Fund buys securities (known as derivatives) whose price is dependent upon or derived from one or more underlying assets. Such investments can significantly raise the Fund's risk profile and cause its share price to fluctuate. Since many derivatives have a borrowing component, changes in the value of the underlying shares or bonds can cause a loss to the Fund which is substantially greater than the amount invested in the derivative itself. The Fund's risk profile is based on historical data and this may not be a reliable indicator of its future risk profile. The lowest risk category does not mean an investment is risk free. The risk category shown is not a target or a guarantee and may change over time.

Cazenove UK Corporate Bond Fund (continued)

Fund facts

	Accounting date	Distribution payment date
Interim	N/A	31 May
Interim	30 June	31 August
Interim	N/A	30 November
Final	31 December	28 February

Performance record

	30.06.13	31.12.12	Capital return % change	Total return % change
Bank of America Merrill Lynch Sterling Non Gilt (£)*	293.80	297.84	(1.36)	(1.36)

* Source: DATASTREAM. Total return includes reinvested income; capital return excludes income.

	30.06.13 p	31.12.12 p	Share price % change	Total return % change (net of tax)
A Income**	57.07	58.52	(2.48)	(0.61)
A Accumulation**	108.16	108.83	(0.62)	(0.62)
B Income**	58.28	59.83	(2.59)	(0.72)
X Income**	109.67	112.33	(2.37)	(0.47)
X Accumulation**	113.49	114.04	(0.48)	(0.48)

** Source: Lipper. Total return includes net income reinvested (mid-mid, basic tax); capital return excludes income.

Ongoing charges figure

An ongoing charges figure ("OCF") is shown which takes into account the management fee and all other operating expenses over the period and is expressed as a percentage of average daily assets over the same period (annualised).

	30.06.13 %	31.12.12 %
A Income	0.85	0.86
A Accumulation	0.85	0.86
B Income	1.10	1.11
X Income	0.60	0.61
X Accumulation	0.60	0.61

Net asset value record

	Net asset value per share 30.06.13 p	31.12.12 p
A Income	56.07	57.62
A Accumulation	107.39	108.22
B Income	57.25	58.91
X Income	107.74	110.59
X Accumulation	112.67	113.41

Fund performance summary

Calendar year	Lowest price p	Highest price p	Distribution per share p
A Income			
2013*	56.42	59.86	1.1246
2012	53.83	58.54	2.3382
2011	53.03	56.27	2.4736
2010	52.31	57.33	2.4939
2009	46.94	53.71	2.2507
2008	47.02	55.19	2.5935
A Accumulation			
2013*	106.91	113.44	2.1228
2012	97.01	108.87	4.2837
2011	92.52	99.12	4.3316
2010	86.10	96.89	4.1845
2009	74.48	87.42	3.5967
2008	73.03	82.58	3.9476
B Income			
2013*	57.61	61.14	1.1507
2012	55.17	59.85	2.3944
2011	54.38	57.73	2.5377
2010	53.89	58.95	2.5697
2009	48.45	55.34	2.3325
2008	48.58	57.14	2.6890
X Income			
2013*	108.40	114.98	2.1658
2012	105.46	112.37	2.7878
X Accumulation			
2013*	112.18	118.98	2.2286
2012	101.40	114.08	4.4855
2011	96.48	103.50	4.5214
2010	89.55	100.90	4.3663
2009	77.28	90.91	3.7691
2008	75.70	85.38	4.1271

* To 30 June 2013.

A Income and A Accumulation shares were first issued on 2 July 1999 at a price of 57.66p. X Accumulation shares were first issued on 19 December 2000 at a price of 62.13p. B Income shares were first issued on 25 February 2002 at a price of 60.15p. X Income shares were first issued on 11 May 2012 at a price of 106.50p.

Cazenove UK Corporate Bond Fund (continued)

Portfolio summary

	As at 30.06.13		As at 31.12.12	
	Market value £	Net assets %	Market value £	Net assets %
United Kingdom corporate bonds	149,609,301	72.62	158,148,403	68.89
Overseas corporate bonds	43,194,130	20.97	41,887,832	18.25
United Kingdom government bonds	6,717,780	3.26	17,938,600	7.82
United Kingdom equities	106,860	0.05	106,860	0.05
Derivatives	(124,804)	(0.06)	(585,499)	(0.26)
Net investment assets	**199,503,267**	**96.84**	**217,496,196**	**94.75**
Net other assets	**6,507,938**	**3.16**	**12,055,787**	**5.25**
Net assets attributable to shareholders	**206,011,205**	**100.00**	**229,551,983**	**100.00**

Top ten holdings

As at 30.06.13	Percentage of net assets %	As at 31.12.12	Percentage of net assets %
Treasury 4.75% Stock 07/12/2038	2.26	Treasury 4.75% Stock 07/12/2038	3.90
Annington Finance No.4 0% Bonds 10/01/2023	2.08	Treasury 6% Stock 07/12/2028	3.10
Coventry Building Society 6% Senior Unsecured Notes 16/10/2019	1.92	Coventry Building Society 6% Senior Unsecured Notes 16/10/2019	1.80
Friends Provident 12% Guaranteed Subordinated Notes 21/05/2021	1.90	Friends Provident 12% Guaranteed Subordinated Notes 21/05/2021	1.80
RWE Finance 6.125% Guaranteed Medium Term Notes 06/07/2039	1.76	GE Capital UK Funding 5.625% Bonds 25/04/2019	1.72
Annington Finance No.4 0% Bonds 07/12/2022	1.71	RWE Finance 6.125% Guaranteed Medium Term Notes 06/07/2039	1.70
Iberdrola 7.375% European Medium Term Notes 29/01/2024	1.65	Annington Finance No.4 0% Bonds 07/12/2022	1.64
Royal London Finance 6.125% Perpetual Bonds	1.65	Nationwide Building Society 5.625% Medium Term Notes 09/09/2019	1.53
Nationwide Building Society 5.625% Medium Term Notes 09/09/2019	1.63	Iberdrola 7.375% European Medium Term Notes 29/01/2024	1.46
RSA Insurance 8.5% Cumulative Step-Up Perpetual Notes	1.51	Royal London Finance Variable Perpetual Bonds Notes 16/10/2019	1.41

Cazenove European Fund

Authorised Corporate Director's investment report

Investment objective and policy

The Cazenove European Fund's ("the Fund") investment objective is to achieve long term capital growth by investing in any or all European markets, excluding the UK, and any or all economic sectors.

The Fund aims to maximise the overall rate of return with capital growth as the primary goal. The ACD seeks to invest in a diversified list of companies. Industry groups exhibiting above average growth prospects, strong financial characteristics and proven management are emphasised. A stock selection process seeks to balance value and growth without imposing restrictions upon the size of market capitalisation. Additional diversification is provided by a flexible country allocation strategy.

Performance

Over the first half of 2013 the Fund (B Accumulation share class) returned 11.95% against the FSTE World Europe (ex UK) Index return of 15.51%.

Market review

The opening five months of the year were unusual in that they were led by defensive low beta shares. The reason for this was the re-rating of bond-like equities as bond yields fell around the world, volatility fell and investors turned increasingly to higher yielding equities to supplement the decreasing income from bonds. Concerns over sequestration held back growth expectations in the US, and Europe continued to struggle with recessionary conditions. On May 22 the world changed, however, when the US Federal Reserve signalled a tapering of their bond-buying activity was likely over the course of the next year, as it deemed US growth and job creation likely to be robust enough to need no further stimulus. Bonds fell sharply, all the bond-like equities fell too, the dollar rallied, commodities fell, and equity markets had their first negative month in June for over a year. Later in June, China also signalled a willingness to tighten credit in the "shadow banking" sector, which caused commodities to fall even further. The index gave up around half of its gains for the year to date in June.

Portfolio activity

We began the year with a value bias but increased it further over the first half of the year, as we increased weightings in financials via Unicredit and Mediolanum in Italy, and Ageas in Belgium, reflecting our view of rising yields which is positive for banks and insurers. We also moved overweight industrial cyclicals in the light of improving survey data from manufacturers, by adding engineers Sulzer and SKF, and car component supplier Valeo, as we expect global car production to rise in the second half. As a result of rising bond yields we sold growth stocks, like Remy Cointreau, and growth defensives like Sodexo, especially those with exposure to emerging markets, which have seen weaker demand growth. We also see value in Spain and Italy, as their economies try to escape recession, adding small holdings in Bankinter, Red Electrica Corporacion and Mediaset Espana Comunicacion in Spain, and SNAM and Azimut in Italy.

Outlook

We believe the process of adjusting to rising bond yields limits the expansion of equity market Price Earnings ratios, and so earnings growth needs to accelerate to keep equity markets moving up. The signs of US growth accelerating have justified the move up in real yields, but Europe risks remaining in recession if real yields rise too fast. We expect further support from the European Central Bank and Bank of England to help offset the pressure, and for growth to improve in Europe too. We therefore remain positive on European equities where valuations are attractive and earnings momentum should turn more positive, especially in southern Europe, in the second half of the year. We favour domestic plays over emerging market plays as a result.

Synthetic risk & reward indicator

The synthetic risk and reward indicator ranges from 1 to 7, with 1 being the lowest risk. The risk and reward indicator for the Fund is 6.

The Fund invests primarily in European shares. As such it may face increased risk because of currency movements. For example many of the shares bought for the Fund will be valued in euros so the value of your investment will fall if the value of sterling rises against the euro. Investments in shares and/or bonds is subject to normal market fluctuations. The Fund's risk profile is based on historical data and this may not be a reliable indicator of its future risk profile. The lowest risk category does not mean an investment is risk free. The risk category shown is not a target or a guarantee and may change over time.

Cazenove European Fund (continued)

Fund facts

	Accounting date	Distribution payment date
Interim	30 June	N/A
Final	31 December	28 February

Performance record

	30.06.13	31.12.12	Capital return % change	Total return % change
FTSE W Europe (Ex. UK) Index (£)*^	405.47	355.63	14.01	15.51

* Source: DATASTREAM. Total return includes reinvested income; capital return excludes income. ^ This relates to the FTSE World Index.

	30.06.13 p	31.12.12 p	Share price % change	Total return % change (net of tax)
A Income**	509.02	518.17†	(1.77)	(1.77)
A Accumulation**	509.01	453.53	12.23	12.23
B Accumulation**	483.79	432.14	11.95	11.95
X Income**	498.26	452.35	10.15	12.34
X Accumulation**	529.74	471.40	12.38	12.38

** Source: Lipper. Total return includes net income reinvested (mid-mid, basic tax); capital return excludes income. † As at 8 May 2013, the share class launch date.

Ongoing charges figure

An ongoing charges figure ("OCF") is shown which takes into account the management fee and all other operating expenses over the period and is expressed as a percentage of average daily assets over the same period (annualised).

	30.06.13 %	31.12.12 %
A Income	1.09	-
A Accumulation	1.09	1.10
B Accumulation	1.59	1.60
X Income	0.84	0.85
X Accumulation	0.84	0.85

Net asset value record

	Net asset value per share	
	30.06.13 p	31.12.12 p
A Income	507.24	-
A Accumulation	507.24	450.68
B Accumulation	482.11	429.43
X Income	496.53	440.56
X Accumulation	527.90	468.45

A Income shares were first issued on 8 May 2013 at a price of 518.17p.

Fund performance summary

Calendar year	Lowest price p	Highest price p	Distribution per share p
A Income			
2013*	484.41	538.40	-
A Accumulation			
2013*	460.24	538.39	-
2012	359.43	459.10	7.9778
2011	342.44	479.53	8.4637
2010	378.59	453.29	6.5225
2009	286.82	451.01	8.1319
2008	300.14	431.00	8.3659
B Accumulation			
2013*	438.49	511.97	-
2012	343.48	437.51	5.6858
2011	328.41	460.78	6.0973
2010	365.30	437.93	4.4935
2009	278.38	436.76	6.1607
2008	291.71	419.54	6.8863
X Income			
2013*	449.97	526.89	-
2012	357.97	457.87	8.9536
2011	354.79	496.34	9.7038
2010	391.04	466.49	7.0550
X Accumulation			
2013*	490.88	560.17	-
2012	373.06	477.16	9.3317
2011	349.32	488.68	9.8099
2010	391.03	467.87	7.6064
2009	295.32	464.99	9.5080
2008	308.80	443.03	9.1835

* To 30 June 2013. A Accumulation and X Accumulation shares were first issued on 2 July 1999 at a price of 241.21p. B Accumulation shares were first issued on 25 February 2002 at a price of 217.60p. X Income shares were first issued on 1 April 2010 at a price of 464.66p. A Income shares were first issued on 8 May 2013 at a price of 518.17p.

Cazenove European Fund (continued)

Portfolio summary

	As at 30.06.13		As at 31.12.12	
	Market value £	Net assets %	Market value £	Net assets %
France	255,281,115	28.04	255,214,291	30.51
Switzerland	201,458,159	22.12	174,456,217	20.86
Germany	195,343,892	21.45	232,816,278	27.83
Italy	64,981,454	7.16	47,396,674	5.67
Belgium	46,708,944	5.13	27,070,681	3.24
Spain	44,391,276	4.88	16,570,520	1.98
Sweden	29,237,025	3.22	22,109,343	2.64
Norway	22,416,977	2.46	29,607,873	3.54
Netherlands	16,367,251	1.80	17,819,882	2.13
Denmark	7,429,440	0.82	-	-
Luxembourg	4,073,574	0.45	-	-
United States of America	65	-	79	-
Net investment assets	**887,689,172**	**97.53**	**823,061,838**	**98.40**
Net other assets	**22,446,308**	**2.47**	**13,393,934**	**1.60**
Net assets attributable to shareholders	**910,135,480**	**100.00**	**836,455,772**	**100.00**

Top ten holdings

As at 30.06.13	Percentage of net assets %	As at 31.12.12	Percentage of net assets %
Roche	5.12	Roche	3.83
Total	4.27	Bayer	3.70
Deutsche Telekom	3.38	BNP Paribas	3.33
Credit Suisse	3.25	AXA	3.20
KBC Groep	3.00	SAP	3.19
BNP Paribas	2.81	LVMH Moet Hennessy Louis Vuitton	3.09
Zodiac Aerospace	2.80	Deutsche Telekom	2.73
Bayer	2.67	Sanofi	2.62
Henkel Ag & Co	2.47	BMW	2.54
AXA	2.42	Henkel Ag & Co	2.43

Cazenove UK Growth and Income Fund

Authorised Corporate Director's investment report

Investment objective and policy

The Cazenove UK Growth and Income Fund ("the Fund") aims to achieve long term capital and income growth through investment primarily in the United Kingdom. Investments will be made predominantly in UK equities, fixed interest and other securities.

Performance

The Fund returned +10.1% (X Accumulation share class) versus +8.5% for the FTSE All Share Index (close on close, Factset estimates). Key positive sector influences included overweights in the outperforming Financial Services, Media and Pharmaceuticals sectors and underweights in underperforming Industrial Metals, Banks and Technology Hardware. Strong stock contributions included overweights in outperforming 3i, Daily Mail & General Trust and IAG and underweights in underperforming BHP Billiton, Standard Chartered and Tullow Oil. Sector negatives included the overweights in underperforming Mining and Oil & Gas Producers and the underweights in outperforming Household Goods, Fixed Line Telecom and Mobile Telecom. Overweights in underperforming Anglo American, Rio Tinto and Glencore Xstrata were negatives as were underweights in outperforming BT, Vodafone and Rolls Royce.

Market review

The FTSE All Share returned +8.5% alongside +7.6% for the FTSE 100 and +13.2% and +15.3% for the FTSE 250 and Small Cap indices respectively. The best performing sectors were Automobiles (+24% relative), Fixed Line Telecom (+22%) and Household Goods (+18%). Metals (-59%), Mining (-31%) and Oil Services (-12%) were the weakest sectors.

Portfolio activity

During the period we pushed up exposure to Industrial Cyclicals where valuations were low and where later-cycle earnings upgrades looked possible. In this context, we established new holdings in Fenner, HellermanTyton and Morgan Advanced Materials. We also increased the Fund's Commodity Cyclicals weighting given what we consider to be generous discounts to underlying asset values. Consistent with this theme, we added to existing holdings in Cairn Energy, Glencore Xstrata, Hunting, Rio Tinto and Royal Dutch Shell. To a large extent, these moves were financed by the paring back of Consumer Cyclicals after strong outperformance. These included reductions of Daily Mail & General Trust 'A', Howden Joinery, Marks & Spencer and WPP. We also took profits in Financials during the period. 3i, Barclays, Jupiter Fund Management, London Stock Exchange, Lloyds Banking and Prudential were topsliced and we disposed completely of Hammerson and ICAP after good share-price rallies. Notwithstanding these themes, market price action and valuation anomalies provided opportunities across the portfolio. On the buy tack, we established new holdings in the Growth Defensives, Pearson and RPC, and in the Financials, Amlin, Ashmore, Aviva and newly floated Partnership Assurance. We also bought the Consumer Cyclical, Marstons, and added to a number of Value Defensives on depressed valuations such as GlaxoSmithKline, Go-Ahead and Imperial Tobacco. On the sell side of the ledger, we sold Babcock International where its valuation looked full and reduced Vodafone, BP and BG after each had delivered good performance following earlier weakness.

Outlook

The direction of global monetary policy is currently the key focus for investors after markets concluded that the US Federal Reserve would soon taper its quantitative easing asset purchase programme. This has increased market volatility and led to a reversal in many global consensus trades because markets now fear eventual policy tightening. Investors certainly have much to think about, not least developments in China and Europe, but we believe the outlook is positive for UK equities. The global economy is 'neither too hot nor too cold' while eventual policy normalisation is a necessary and inevitable element of the economy's emergence from the turbulence of recent years. Against this backdrop, UK equities look attractive on a 2014 PE of 11x and a dividend yield of 4.1%. This should allow the portfolio to make positive progress as should its overweight in cheaper cyclical stocks relative to fully valued defensive securities.

Synthetic risk & reward indicator

The synthetic risk and reward indicator ranges from 1 to 7, with 1 being the lowest risk. The risk and reward indicator for the Fund is 6.

Investments in shares and/or bonds is subject to normal market fluctuations. The Fund's risk profile is based on historical data and this may not be a reliable indicator of its future risk profile. The lowest risk category does not mean an investment is risk free. The risk category shown is not a target or a guarantee and may change over time.

Cazenove UK Growth and Income Fund (continued)

Fund facts

	Accounting date	Distribution payment date
Interim	30 June	31 August
Final	31 December	28 February

Performance record

	30.06.13	31.12.12	Capital return % change	Total return % change
FTSE All Share Index (£)*	3,289.71	3,093.41	6.35	8.50

* Source: DATASTREAM. Total return includes reinvested income; capital return excludes income.

	30.06.13 p	31.12.12 p	Share price % change	Total return % change (net of tax)
A Income**	175.36	161.64	8.49	9.97
A Accumulation**	246.10	223.72	10.00	10.00
B Income**	166.77	154.11	8.21	9.69
B Accumulation**	234.42	213.63	9.73	9.73
X Income**	180.22	165.91	8.63	10.11
X Accumulation**	253.18	229.87	10.14	10.14

** Source: Lipper. Total return includes net income reinvested (mid-mid, basic tax); capital return excludes income.

Ongoing charges figure

An ongoing charges figure ("OCF") is shown which takes into account the management fee and all other operating expenses over the period and is expressed as a percentage of average daily assets over the same period (annualised).

	30.06.13 %	31.12.12 %
A Income	1.08	1.09
A Accumulation	1.08	1.09
B Income	1.58	1.59
B Accumulation	1.58	1.59
X Income	0.83	0.84
X Accumulation	0.83	0.84

Net asset value record

	Net asset value per share 30.06.13 p	31.12.12 p
A Income	171.44	159.16
A Accumulation	245.48	223.37
B Income	163.04	151.74
B Accumulation	233.83	213.29
X Income	176.19	163.37
X Accumulation	252.54	229.50

Fund performance summary

Calendar year	Lowest price p	Highest price p	Distribution per share p
A Income			
2013*	163.32	189.24	3.4751
2012	139.56	163.40	5.3072
2011	133.01	169.05	5.3194
2010	131.33	165.89	4.5146
2009	94.77	149.06	4.7272
2008	103.00	172.80	6.4183
A Accumulation			
2013*	229.20	265.59	4.8771
2012	189.11	226.16	7.2566
2011	177.26	221.32	7.0219
2010	169.95	214.67	5.7545
2009	116.01	186.49	5.7885
2008	123.12	201.51	7.5220
B Income			
2013*	155.70	180.07	3.3086
2012	133.44	155.79	5.0734
2011	127.39	162.40	5.1016
2010	126.56	159.48	4.3481
2009	91.94	144.09	4.5725
2008	100.10	168.64	6.2493
B Accumulation			
2013*	218.85	253.11	4.6507
2012	181.11	215.96	6.9479
2011	170.10	213.03	6.7470
2010	164.09	206.79	5.5770
2009	112.70	180.61	5.6630
2008	119.81	196.79	7.3766
X Income			
2013*	167.64	194.44	3.5694
2012	143.04	167.71	5.4401
2011	136.09	172.70	5.4381
2010	133.97	169.41	4.6111
2009	96.34	151.80	4.8184
2008	104.61	175.15	6.5204
X Accumulation			
2013*	235.49	273.15	5.0147
2012	194.02	232.36	7.4458
2011	181.54	226.34	7.1852
2010	173.53	219.46	5.9146
2009	118.00	190.07	5.9598
2008	125.09	204.38	7.7004

* To 30 June 2013.

All share classes were first issued on 31 December 2002 at a price of 100.00p.

Cazenove UK Growth and Income Fund (continued)

Portfolio summary

	As at 30.06.13		As at 31.12.12	
	Market value £	Net assets %	Market value £	Net assets %
Financials	76,463,808	23.87	74,594,749	24.22
Consumer services	63,706,513	19.89	43,295,514	14.07
Oil and gas	53,464,021	16.69	56,309,834	18.28
Health care	38,577,318	12.04	36,096,040	11.73
Industrials	29,114,942	9.09	37,634,992	12.21
Basic materials	27,172,047	8.48	31,775,882	10.32
Technology	9,976,814	3.12	8,443,558	2.74
Telecommunications	8,152,126	2.55	11,759,104	3.82
Consumer goods	7,809,000	2.44	4,101,830	1.33
Net investment assets	**314,436,589**	**98.17**	**304,011,503**	**98.72**
Net other assets	**5,860,156**	**1.83**	**3,950,938**	**1.28**
Net assets attributable to shareholders	**320,296,745**	**100.00**	**307,962,441**	**100.00**

Top ten holdings

As at 30.06.13	Percentage of net assets %	As at 31.12.12	Percentage of net assets %
GlaxoSmithKline	5.71	BP	5.95
BP	4.89	GlaxoSmithKline	4.97
Royal Dutch Shell ‘B’	4.28	Royal Dutch Shell ‘B’	3.92
Rio Tinto	3.74	BG	3.83
HSBC	3.42	Vodafone	3.82
Barclays	3.18	Rio Tinto	3.69
AstraZeneca	3.16	HSBC	3.58
BG	3.10	AstraZeneca	3.55
Vodafone	2.54	Barclays	3.39
Imperial Tobacco	2.44	Anglo American	3.22

Cazenove UK Equity Income Fund

Authorised Corporate Director's investment report

Investment objective and policy

The UK Equity Income Fund ("the Fund") aims to provide a high level of income together with long term capital growth by investing predominantly in United Kingdom equities. Whilst the Fund will invest primarily in United Kingdom equities it may also invest in fixed interest securities, cash, deposits and money market instruments and in other markets.

Performance

The Fund returned +14.4% (B Income share class) against a rise in the FTSE All-Share benchmark of +8.5%. Performance benefited from overweight positions in the Travel & Leisure, Media and Financial Services sectors, and from the underweight positions in the Mining and Oil & Gas sectors. Negative impacts were delivered by the underweight positions in the Pharmaceuticals, Mobile Telecoms and Electricity sectors. At the stock level key contributors included easyJet, 3i and Intermediate Capital while holdings in Rio Tinto, Lonmin and Aviva held back performance.

Market review

The market delivered positive returns over the period with a particularly strong showing by Consumer Cyclicals stocks. The Leisure and Auto sectors were among the best performers over the six months, alongside the more defensive Fixed Line Telecoms sector. On the negative tack, Commodity Cyclicals such as Metals and Mining, underperformed in the period as did the Oil Services, Technology Hardware, Chemicals and Food & Drug Retail sectors.

Portfolio activity

The Fund benefitted from material inflows over the period resulting in significant additions to existing holdings in HSBC, Vodafone and Barclays amongst others and with new positions established in premium yield stocks GlaxoSmithKline, Centrica and BP. The latter was partly funded by exiting the position in BG and both Compass and Imperial Tobacco were also sold in the period. The portfolio retained its positive skew towards Consumer Cyclicals and Financials but reduced its position in Industrial Cyclicals with the exit of both GKN and Alent. The portfolio also maintained an allocation to strong dividend growth stocks with a new holding in Reed Elsevier and additions to BT.

Outlook

The direction of global monetary policy is currently the key focus for investors after markets concluded that the US Federal Reserve would soon taper its quantitative easing asset purchase programme. This has increased market volatility and led to a reversal in many global consensus trades because markets now fear eventual policy tightening. Investors certainly have much to think about, not least developments in China and Europe, but we believe the outlook is positive for UK equities. The global economy is 'neither too hot nor too cold' while eventual policy normalisation is a necessary and inevitable element of the economy's emergence from the turbulence of recent years. Against this backdrop, UK equities look attractive on a 2014 PE of 11x and a dividend yield of 4.1%. This should allow the portfolio to make positive progress as should its overweight in cheaper cyclical stocks relative to fully valued defensive securities.

Synthetic risk & reward indicator

The synthetic risk and reward indicator ranges from 1 to 7, with 1 being the lowest. The risk and reward indicator for the Fund is 6.

Investments in shares and/or bonds is subject to normal market fluctuations. The Fund's risk profile is based on historical data and this may not be a reliable indicator of its future risk profile. The lowest risk category does not mean an investment is risk free. The risk category shown is not a target or a guarantee and may change over time.

Cazenove UK Equity Income Fund (continued)

Fund facts

	Accounting date	Distribution payment date
Interim	30 June	31 August
Final	31 December	28 February

Performance record

	30.06.13	31.12.12	Capital return % change	Total return % change
FTSE All Share Index (£)*	3,289.71	3,093.41	6.35	8.50

* Source: DATASTREAM. Total return includes reinvested income; capital return excludes income.

	30.06.13 p	31.12.12 p	Share price % change	Total return % change (net of tax)
A Income**	152.93	135.84	12.58	14.62
A Accumulation**	152.93	155.60†	(1.72)	(1.72)
B Income**	146.76	130.67	12.31	14.35
X Income**	156.47	138.83	12.71	14.77
X Accumulation**	159.36	136.84	14.78	14.78

** Source: Lipper. Total return includes net income reinvested (mid-mid, basic tax); capital return excludes income. † As at 8 May 2013, the share class launch date.

Ongoing charges figure

An ongoing charges figure ("OCF") is shown which takes into account the management fee and all other operating expenses over the period and is expressed as a percentage of average daily assets over the same period (annualised).

	30.06.13 %	31.12.12 %
A Income	1.08	1.11
A Accumulation	1.08	-
B Income	1.58	1.62
X Income	0.83	0.86
X Accumulation	0.83	0.86

Net asset value record

	Net asset value per share 30.06.13 p	31.12.12 p
A Income	149.52	133.05
A Accumulation	152.78	-
B Income	143.46	127.99
X Income	153.02	135.96
X Accumulation	159.20	138.53

A Accumulation shares were first issued on 8 May 2013 at a price of 155.60p.

Fund performance summary

Calendar year	Lowest price p	Highest price p	Distribution per share p
A Income			
2013*	136.13	162.91	3.2522
2012	116.06	136.98	5.3156
2011	103.86	124.79	5.0221
2010	96.46	120.76	4.6527
2009	72.70	107.56	4.9468
2008	78.21	129.15	5.2322
A Accumulation			
2013*	147.46	162.92	3.2522
B Income			
2013*	130.95	156.42	3.1472
2012	112.19	131.77	5.1273
2011	100.60	121.02	4.8612
2010	93.93	117.33	4.5533
2009	71.29	105.07	4.8361
2008	76.81	127.38	5.1228
X Income			
2013*	139.12	166.65	3.2935
2012	118.29	139.99	5.4245
2011	105.76	126.96	5.0992
2010	98.00	122.68	4.6758
2009	73.59	109.11	5.0891
2008	79.12	130.33	5.3976
X Accumulation			
2013*	141.68	169.72	3.2935
2012	136.67	140.00	0.1464

* To 30 June 2013. A Income, B Income and X Income shares were first issued on 6 May 2005 at a price of 100.00p. X Accumulation shares were first issued on 3 December 2012 at a price of 136.84p. A Accumulation shares were first issued on 8 May 2013 at a price of 155.60p.

Cazenove UK Equity Income Fund (continued)

Portfolio summary

	As at 30.06.13		As at 31.12.12	
	Market value £	Net assets %	Market value £	Net assets %
Consumer services	124,782,700	31.89	35,455,585	20.88
Financials	93,998,926	24.02	45,950,970	27.05
Health care	33,880,000	8.66	5,817,000	3.43
Oil and gas	27,847,125	7.12	4,412,503	2.60
Industrials	26,245,820	6.71	21,488,146	12.67
Consumer goods	21,308,775	5.44	18,679,550	11.00
Basic materials	15,573,300	3.98	10,345,464	6.09
Telecommunications	14,088,750	3.60	12,535,250	7.38
Utilities	12,585,100	3.22	5,759,100	3.39
Technology	7,931,124	2.03	3,588,188	2.11
Net investment assets	**378,241,620**	**96.67**	**164,031,756**	**96.60**
Net other assets	**13,017,232**	**3.33**	**5,779,945**	**3.40**
Net assets attributable to shareholders	**391,258,852**	**100.00**	**169,811,701**	**100.00**

Top ten holdings

As at 30.06.13	Percentage of net assets %	As at 31.12.12	Percentage of net assets %
BP	5.88	HSBC	4.95
GlaxoSmithKline	5.48	Vodafone	4.73
HSBC	4.36	Rio Tinto	4.13
British American Tobacco	4.17	British American Tobacco	4.04
Vodafone	3.60	AstraZeneca	3.43
AstraZeneca	3.18	Barclays	2.93
Rio Tinto	3.09	Tesco	2.67
BT	2.85	BT	2.65
Barclays	2.84	BG	2.38
Centrica	2.39	Imperial Tobacco	2.37

Cazenove Strategic Bond Fund

Authorised Corporate Director's investment report

Investment objective and policy

The Cazenove Strategic Bond Fund ("the Fund") aims to generate a total return above Sterling cash interest rates, primarily through a flexible allocation to investment grade bonds, non-investment grade bonds and derivative instruments. The Fund may invest in rated and unrated securities including bonds, notes of fixed and variable interest, preference shares, equities, convertible and other securities issued by government, quasi-government, supranational, bank and corporate entities, and derivative instruments. The Fund may invest in cash, near cash and deposits without limitation.

The Fund may use forward foreign exchange transactions, futures, credit default swaps and other exchange traded and off-exchange traded derivative contracts for the purposes of efficient portfolio management and/or meeting the investment objectives of the Fund. Such derivative contracts have the potential to significantly increase the Fund's risk profile and may create leveraged exposure to the credit market. Investment in lower rated bonds or non-investment grade debt instruments may also expose the Fund to greater risk of default on individual securities than would normally be the case for a fund invested in higher grade fixed interest securities.

The ACD employs a risk management process that seeks to control the volatility of the Fund. Information about this process is available from the ACD.

Performance

The Cazenove Strategic Bond X class returned 0.20% during the six month period to 30 June 2013, compared to a return of 0.15% on three month UK Treasury Bills. One of the Fund's best performing sectors was utilities, in which First Hydro sits. The Welsh hydroelectric company offered to repurchase its own bonds for 135p, generating a capital gain for holders. We reduced our exposure to the company through this corporate action. Our worst performing sector was basic industries. The Fund lost 0.5% of NAV on New World Resources, which began the period as a 1.2% position. The Czech miner has achieved lower coking coal prices in 2013, as the European economy slowed. We hold the secured five year debt, which benefits from a relatively senior position in the capital structure.

Market review

UK and US Government bonds suffered their worst start to the year since 1994, as investors lowered forecasts for Quantitative Easing. Consequently, UK Gilts generated a total return of -3.3% in the first half.

The total return on the Merrill Lynch European High Yield Bond Index (BB-B) was +1.5% over the six months to 30 June 2013. The average credit spread on the index remained broadly stable, ending the half at G+453bp. Lower duration sectors, such as banks, outperformed the wider market. The basic industries sector underperformed after New World Resources announced poor Q1 results.

Portfolio activity

During the first half of 2013, we have added to existing positions in Ineos, Virgin Media and Kion. We established new positions in Zobele, Pennon, Arqiva and Equiniti Newco. The Fund's exposure to Infinis was extended from a maturity of 2014 to 2019.

Several bonds were redeemed or tendered including National Australia Bank and Volkswagen Financial Services.

Outlook

We remain constructive on European high yield credit spreads, but the arguments are finely balanced here. There are two supportive factors. Firstly, monetary policy is loose in Europe and expected to remain so for the next year. Secondly, valuations are still generally acceptable and in some cases attractive. The average BB credit spread has only recently passed through its long term average and remains well above the 2005-7 lows.

The counterargument is that non-investment grade debt is partially owned by tactical short term holders, or 'high yield tourists'. Monetary policy has hidden or delayed insolvencies and encouraged investors deep into single-B territory. A record number of European high yield bonds were sold during the period from January to June, over €48 billion, which can be considered an amber warning. The volume of issuance (a proxy for inflows) is well on course to beat the €54 billion for the whole of 2012.

Risk warning

The Fund has substantial exposure to non-investment grade instruments, which have historically experienced a much higher default rate than traditional corporate bonds. The Fund can also invest in derivative instruments which may create leverage, short positions and increase the volatility of returns. The Fund has flexibility to invest in convertible bonds.

Synthetic risk & reward indicator

The synthetic risk and reward indicator ranges from 1 to 7, with 1 being the lowest risk. The risk and reward indicator for the Fund is 5.

The Fund buys bonds that pay a high rate of interest. The companies that issue these bonds may have uncertain futures and so there is a greater risk that the bond holders will not be paid interest on the bond and/or that they may not get their initial investment back. The Fund buys securities (known as derivatives) whose price is dependent upon or derived from one or more underlying assets. Such investments can significantly raise the Fund's risk profile and cause its share price to fluctuate. Since many derivatives have a borrowing component, changes in the value of the underlying shares or bonds can cause a loss to the Fund which is substantially greater than the amount invested in the derivative itself.

Cazenove Strategic Bond Fund (continued)

The Fund's risk profile is based on historical data and this may not be a reliable indicator of its future risk profile. The lowest risk category does not mean an investment is risk free. The risk category shown is not a target or a guarantee and may change over time.

Fund facts

	Accounting date	Distribution payment date
Interim	30 June	31 August
Final	31 December	28 February

Performance record

	30.06.13	31.12.12	Total return % change
3 month UK Treasury Bills*	0.33	0.31	0.15

* Source: DMO (Debt Management Office). Total return has been calculated on the duration of the year.

	30.06.13 p	31.12.12 p	Share price % change	Total return % change (net of tax)
A Income**	98.58	100.87	(2.27)	0.08
A Accumulation**	139.41	139.30	0.08	0.08
B Income**	97.14	99.52	(2.39)	(0.05)
B Accumulation**	138.14	138.21	(0.05)	(0.05)
X Income**	100.41	102.61	(2.14)	0.20
X Accumulation**	142.11	141.82	0.20	0.20

** Source: Lipper. Total return includes net income reinvested (mid-mid, basic tax); capital return excludes income.

Ongoing charges figure

An ongoing charges figure ("OCF") is shown which takes into account the management fee and all other operating expenses over the period and is expressed as a percentage of average daily assets over the same period (annualised).

	30.06.13 %	31.12.12 %
A Income	0.83	0.83
A Accumulation	0.83	0.83
B Income	1.08	1.09
B Accumulation	1.08	1.09
X Income	0.58	0.58
X Accumulation	0.58	0.58

Net asset value record

	Net asset value per share 30.06.13 p	Net asset value per share 31.12.12 p
A Income	95.78	97.91
A Accumulation	138.76	138.49
B Income	94.38	96.60
B Accumulation	137.50	137.40
X Income	97.56	99.61
X Accumulation	141.44	140.99

Fund performance summary

Calendar year	Lowest price p	Highest price p	Distribution per share p
A Income			
2013*	98.27	101.07	2.3385
2012	92.00	100.87	4.6277
2011	91.43	101.55	4.5216
2010	95.99	102.05	4.7468
2009	79.81	99.45	4.7645
2008	80.38	97.93	5.7561
A Accumulation			
2013*	138.96	142.93	3.3090
2012	124.10	139.30	6.3184
2011	120.44	130.67	5.8858
2010	117.87	128.16	5.8895
2009	93.01	118.95	5.6025
2008	90.20	106.82	6.3603
B Income			
2013*	96.84	99.62	2.3054
2012	91.00	99.52	4.5702
2011	90.49	100.60	4.4782
2010	95.31	101.22	4.7117
2009	79.53	98.88	4.7510
2008	80.13	97.75	5.7643
B Accumulation			
2013*	137.72	141.68	3.2777
2012	123.43	138.21	6.2731
2011	119.87	130.17	5.8617
2010	117.81	127.84	5.8863
2009	93.16	118.90	5.6559
2008	90.37	107.11	6.4085
X Income			
2013*	100.02	102.91	2.3822
2012	93.36	102.61	4.7008
2011	92.72	102.88	4.5824
2010	97.04	103.24	4.8111
2009	80.37	100.40	4.8132
2008	80.93	98.47	5.8057
X Accumulation			
2013*	141.51	145.64	3.3742
2012	126.03	141.82	6.4243
2011	122.24	132.50	5.9702
2010	119.10	129.78	5.9633
2009	93.71	120.18	5.6842
2008	90.86	107.45	6.4260

* To 30 June 2013.

All share classes were first issued on 4 April 2006 at a price of 100.00p.

Cazenove Strategic Bond Fund (continued)

Portfolio summary

	As at 30.06.13		As at 31.12.12	
	Market value £	Net assets %	Market value £	Net assets %
United Kingdom corporate bonds	347,997,911	53.94	352,490,703	51.59
Overseas debt securities	289,461,803	44.87	314,194,062	45.98
Derivatives	2,809,583	0.44	1,325,483	0.21
Overseas equities	528,461	0.08	500,126	0.07
United Kingdom equities	147,960	0.02	147,960	0.02
Net investment assets	**640,945,718**	**99.35**	**668,658,334**	**97.87**
Net other assets	**4,210,269**	**0.65**	**14,558,019**	**2.13**
Net assets attributable to shareholders	**645,155,987**	**100.00**	**683,216,353**	**100.00**

Top ten holdings

As at 30.06.13	Percentage of net assets %	As at 31.12.12	Percentage of net assets %
Prologis European Properties 5.875% Notes 23/10/2014	1.78	National Australia Bank Floating Rate Notes 12/11/2013	1.69
Crown Newco 7% Senior Notes 15/02/2018	1.67	Crown Newco 7% Senior Notes 15/02/2018	1.66
HSBC Floating Rate Notes 16/06/2014	1.67	Prologis European Properties 5.875% Notes 23/10/2014	1.64
Rabobank Nederland Floating Rate Notes 06/06/2014	1.61	HSBC Floating Rate Notes 16/06/2014	1.57
Sable International Finance 7.75% Senior Notes 15/02/2017	1.56	Daimler International Finance 2.125% 10/12/2013	1.56
Virgin Media Secured Finance 7% Notes 15/01/2018	1.55	Virgin Media Secured Finance 7% Notes 15/01/2018	1.53
RSA Insurance 8.5% Cumulative Step-Up Perpetual Notes	1.48	Rabobank Nederland Floating Rate Notes 06/06/2014	1.52
Abbey National Treasury Services Floating Rate Convertible Bonds 16/02/2015	1.48	RSA Insurance 8.5% Cumulative Step-Up Perpetual Notes	1.46
Elli Finance UK 8.75% Notes 15/06/2019	1.48	Sable International Finance 7.75% Senior Notes 15/02/2017	1.43
Nationwide Building Society Floating Rate Convertible Bonds 23/01/2015	1.47	Abbey National Treasury Services Floating Rate Convertible Bonds 16/02/2015	1.40

Cazenove European Income Fund

Authorised Corporate Director's investment report

Investment objective and policy

The European Income Fund ("the Fund") aims to provide high income with some long-term capital growth by investing predominantly in companies incorporated in a member state of the EEA or Switzerland or in companies which derive a predominant proportion of their revenues or profits from these countries or which are predominantly operating in them.

Investments will be made primarily in a concentrated portfolio of equities (typically between 30 and 50 holdings) of large or mid-sized companies which pay high dividend yields and which the ACD considers offer prospects for long-term growth. Investment may also be made in other equity-related transferable securities issued by these companies, such as preferred shares and convertible securities.

Whilst the Fund will invest primarily in equities it may also invest in fixed interest securities, cash, deposits and money market instruments.

The Fund may utilise derivatives for efficient portfolio management purposes and for hedging.

Performance

The Fund returned 14.9% (B Accumulation share class) for the period ended 30 June 2013, against the FTSE World Europe (ex UK) Index return of 10.9%, representing a first quartile performance among the peer group.

Market review

The market over the period was very much a game of two halves (or a half of two quarters if you will). The first quarter saw secure global growth stocks re-establish their leadership which had been in abeyance since Mr Draghi's (Chairman of the European Central Bank) now infamous "do whatever it takes" speech last summer. In essence, the party in value couldn't continue uninterrupted forever and we were due a pause. The second quarter, however, saw a complete reversal of fortunes, as the market adjusted to the first signs of green shoots in Europe and the notion of quantitative easing (QE) tapering hurt bond proxies.

Portfolio activity

Portfolio activity is commensurate with our view that Europe continues to offer good value, in cyclical stocks in particular. After the 40% rally in the general market since last summer it is fair to say the specific crisis discount that opened up has closed. However, some domestic deflationary defensives have continued to perform poorly and here too we see increasing value. The best companies on the other hand have attracted an excessive premium as market participants have been incredibly risk averse as a result of the Euro crisis and high levels of debt in the overall economy.

Our purchases fall broadly into two camps, cyclical stocks that remain depressed and domestic defensives that are pricing in continued deflation. In the former are companies such as Scania, ATresMedia, Valeo, Azimut and Wienerberger while in the latter sit purchases in France Telecom, Total, Fortum and Red Electrica. Sales on the other side of the ledger consist of businesses that have hit our target price or where the bottom up assessment of the companies has changed as market conditions deteriorated. The top five sales on this basis comprise Pirelli, Gjensidige Forsikring, BMW, Telenor and ENI which were all complete exits.

Outlook

We consider that European Equities have closed the specific valuation gap that opened up last summer as the Euro crisis reached a head. As such the 'crisis discount' has closed. However on longer term metrics such as price to book or Schiller PE, Europe remains outstandingly cheap, in risk stocks in particular. Conversely the very safest, secure growth stocks are overvalued on a medium term view: whilst great companies they are bond proxies. We find there is increasing value in large cap defensives and are shifting some exposure to later cycle businesses with depressed earnings. In this sense the most potent anti-consensual trade from here is that we experience something resembling a normal cycle. Our focus on sustainable value should serve us well in this environment, but we expect to underperform in 'risk off' markets. On a medium term basis, we expect returns somewhat in excess of the through cycle equity risk premium.

Synthetic risk & reward indicator

The synthetic risk and reward indicator Fund ranges from 1 to 7, with 1 being the lowest risk. The risk and reward indicator for the Fund is 6.

The Fund invests primarily in European shares. As such it may face increased risk because of currency movements. For example many of the shares bought for the Fund will be valued in euros so the value of your investment will fall if the value of sterling rises against the euro. The Fund's risk profile is based on historical data and this may not be a reliable indicator of its future risk profile. The lowest risk category does not mean an investment is risk free. The risk category shown is not a target or a guarantee and may change over time.

Cazenove European Income Fund (continued)

Fund facts

	Accounting date	Distribution payment date
Interim	N/A	31 May
Interim	30 June	31 August
Interim	N/A	30 November
Final	31 December	28 February

Performance record

	30.06.13	31.12.12	Capital return % change	Total return % change
FTSE W Europe (ex UK) Index (£) *	383.47	355.63	7.83	10.93

* Source: DATASTREAM. Total return includes reinvested income; capital return excludes income.

	30.06.13 p	31.12.12 p	Share price % change	Total return % change (net of tax)
A Income**	129.16	113.25	14.05	15.21
A Income Hedged**	130.62	125.15†	4.37	4.56
A Accumulation**	131.52	114.16	15.21	15.21
B Income**	128.42	112.86	13.79	14.93
B Accumulation**	131.81	114.68	14.94	14.94
X Income**	129.52	113.44	14.17	15.35
X Income Hedged**	130.88	125.39†	4.38	4.57
X Accumulation**	132.92	115.23	15.35	15.35

** Source: Lipper. Total return includes net income reinvested (mid-mid, basic tax); capital return excludes income. † As at 18 February 2013, the share class launch date.

Ongoing charges figure

An ongoing charges figure ("OCF") is shown which takes into account the management fee and all other operating expenses over the period and is expressed as a percentage of average daily assets over the same period (annualised).

	30.06.13 %	31.12.12 %
A Income	1.15	1.13
A Income Hedged	1.22	-
A Accumulation	1.15	1.14*
B Income	1.65	1.64
B Accumulation	1.65	1.64
X Income	0.90	0.91
X Income Hedged	0.96	-
X Accumulation	0.90	0.92

*The OCF information as at 31.12.12 was incorrect in the published Report and Accounts for the year ended 31 December 2012. In that Report the OCF was listed at 1.23%.

Net asset value record

	Net asset value per share 30.06.13 p	31.12.12 p
A Income	127.09	111.55
A Income Hedged	128.55	-
A Accumulation	130.94	113.39
B Income	126.35	111.19
B Accumulation	131.23	113.92
X Income	127.45	111.73
X Income Hedged	128.80	-
X Accumulation	132.34	114.45

A Income Hedged share classes were first issued on 18 February 2103 at a price of 125.15p. X Income Hedged share classes were first issued on 18 February 2013 at a price of 125.39p.

Fund performance summary

Calendar year	Lowest price p	Highest price p	Distribution per share p
A Income			
2013*	114.10	135.71	1.7496
2012	91.43	114.63	2.5104
A Income Hedged			
2013*	121.34	137.67	1.7324
A Accumulation			
2013*	114.16	138.19	1.7692
2012	101.62	115.55	0.5113
B Income			
2013*	113.72	134.99	1.7417
2012	91.33	114.25	2.4940
B Accumulation			
2013*	116.43	138.56	1.7539
2012	92.09	116.09	2.5379
X Income			
2013*	114.29	136.07	1.7464
2012	91.50	114.82	2.5216
X Income Hedged			
2013*	121.57	137.92	1.7324
X Accumulation			
2013*	116.99	139.64	1.7512
2012	92.23	116.63	2.5299

* To 30 June 2013. A Income, B Income, B Accumulation, X Income and X Accumulation share classes were first issued on 2 May 2012 at a price of 100.00p. A Accumulation shares were first issued on 31 August 2012 at a price of 102.78p. A Income Hedged shares were first issued on 18 February 2013 at a price of 125.15p. X Income Hedged shares were first issued on 18 February 2013 at a price of 125.39p.

Cazenove European Income Fund (continued)

Portfolio summary

	As at 30.06.13		As at 31.12.12	
	Market value £	Net assets %	Market value £	Net assets %
France	42,609,474	29.37	22,140,459	22.78
Switzerland	23,157,233	15.96	18,399,606	18.93
Spain	17,776,737	12.25	2,842,468	2.92
Belgium	14,841,388	10.23	6,482,053	6.67
Italy	13,676,770	9.43	15,055,092	15.49
Sweden	10,639,665	7.33	4,932,684	5.08
Germany	10,468,175	7.22	15,128,330	15.56
Austria	3,042,857	2.10	-	-
Netherlands	2,589,191	1.78	1,860,712	1.91
Norway	2,429,684	1.67	6,998,752	7.20
Finland	2,292,521	1.58	-	-
Derivatives	(97,995)	(0.07)	-	-
United Kingdom	-	-	1,824,767	1.88
Net investment assets	**143,425,700**	**98.85**	**95,664,923**	**98.42**
Net other assets	**1,675,426**	**1.15**	**1,532,520**	**1.58**
Net assets attributable to shareholders	**145,101,126**	**100.00**	**97,197,443**	**100.00**

Top ten holdings

As at 30.06.13	Percentage of net assets %	As at 31.12.12	Percentage of net assets %
Renault	4.49	AXA	4.82
AXA	4.56	Arkema	4.44
Total	4.35	ProSieben Preference	4.37
Atresmedia Corporacion De Medios De Comunicaion	4.32	Renault	3.84
France Telecom	3.95	Snam	3.70
Volvo ‘B’	3.79	Volvo ‘B’	3.69
Tessenderlo Chemie	3.46	RIETER	3.54
Scania ‘B’	3.54	Pirelli	3.38
Snam	3.35	GSW Immobilien	3.36
Grupo Catalana Occidente	3.31	BMW	3.33

Regulatory information and risk warnings

The contents of the Authorised Corporate Director's report are based upon sources of information believed to be reliable, however, save to the extent required by applicable law or regulations, no guarantee, warranty or representation (express or implied) is given as to its accuracy or completeness and Cazenove Investment Fund Management Limited, its directors, officers and employees do not accept any liability or responsibility in respect of the information or any recommendations expressed herein which, moreover, are subject to change without notice.

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Cazenove Investment Fund Management Limited can only promote its own products and services.

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Stamp duty reserve tax

The redemption of shares by a shareholder may result in CIFCo incurring a liability for stamp duty reserve tax ("SDRT"). The SDRT liability (if any) will be determined by reference to the nature of the relevant sub-fund's underlying investments and by the number of shares issued in the relevant sub-fund during the week in which the redemption occurs and in the following week.

The Authorised Corporate Director ("ACD") will, as permitted by the COLL and the Regulations, pay any liability for SDRT out of the capital property of the relevant sub-fund. The maximum amount of SDRT which will be due is 0.5% of the value of the shares redeemed.

The ACD may also, where it believes that it is in the overall best interests of shareholders to do so, impose an SDRT provision on large deals. The imposition of an SDRT provision will have the effect of increasing the cost of buying shares or reducing the proceeds on selling shares. The ACD does not at present intend to charge an SDRT provision on other transactions.

The amount of the SDRT provision will not exceed 0.5% of the value of the transaction before the imposition of the provision. If the ACD receives an SDRT provision in respect of any share bought or sold it shall, forthwith upon receipt of that SDRT provision, pay it to the Depositary to become part of the Company property.

Other information

Prospectus

The Prospectus for the Company has been prepared and is available from the ACD on request.

Report and Accounts

The long form version of the report is available on written request to the Corporate Communications Department, Cazenove Investment Fund Management, 12 Moorgate, London, EC2R 6DA.

The Company

Cazenove Investment Fund Company
12 Moorgate, London EC2R 6DA.

Authorised Corporate Director

Cazenove Investment Fund Management Limited
Registered office: 12 Moorgate, London EC2R 6DA.

The ACD is authorised and regulated by the Financial Conduct Authority (formerly Financial Services Authority).

Directors of Cazenove Investment Fund Management Limited

A J S Ross (Chairman)
P Harrison (appointed 16 July 2013)
R Jeffrey (resigned 2 July 2013)
R Minter-Kemp (resigned 2 July 2013)
C Sims
R Stoakley (appointed 18 July 2013)
J W J Turnbull (resigned 2 July 2013)
P Wallace (appointed 15 July 2013)

Depositary

J.P. Morgan Trustee and Depositary Company Limited
Chaseside, Bournemouth BH7 7DA.

The Depositary is authorised and regulated by the Financial Conduct Authority.

Independent Auditors

PricewaterhouseCoopers LLP
7 More London Riverside, London SE1 2RT.

Registrar

J.P. Morgan Europe Limited
1 Angel Court
London EC2R 7HJ.

The Registrar is authorised and regulated by the Financial Conduct Authority.

Administrator

J.P. Morgan Europe Limited
3 Lochside View, Edinburgh Park, Edinburgh EH12 9DH.

The Administrator is authorised and regulated by the Financial Conduct Authority.

For more information

Please telephone the Business Development Department at Cazenove Investment Fund Management Limited, on 020 3479 1000, or access the website at www.cazenovecapital.com.