



GLG UK INCOME FUND

Manager's Annual Short Report
Year 1 March 2013 to 28 February 2014



ANNUAL REPORT

Fund Manager

John White

Investment Objective

The objective of the sub-fund is to achieve a level of income above the FTSE All-Share Index together with some capital growth through investing, directly or indirectly, primarily in UK equities or in equities of companies which derive a substantial part of their revenues from activities in the UK.

Investment Policy

To achieve the objective, the sub-fund will be invested primarily in stocks, American Depositary Receipts (ADRs) and other equity linked instruments including (without limitation) exchange traded or "over the counter" financial derivative instruments such as stock options, equity swaps and contracts for differences. The sub-fund may also invest in transferable money market securities (including certificates of deposit, commercial paper and bankers acceptances), fixed and floating rate government and corporate bonds, bonds convertible into common stock, preferred shares and other fixed income investments. The sub-fund may also hold ancillary liquid assets such as time deposits and may use currency transactions, including forward currency contracts, currency swaps and foreign currencies to alter the exposure characteristics of the transferable securities held by the sub-fund.

Risk Profile

The sub-fund may invest in derivatives, which may increase volatility of the sub-fund producing negative returns. Specifically derivatives in Over-The-Counter (OTC) markets can have uncertain values due to liquidity and volatility. The sub-fund primarily invests in the UK. This approach may reduce diversification and potentially increase the sub-fund's risk profile.

Risk and Reward Profile

The sub-fund's Synthetic Risk and Reward Indicator (SRRI) is 6 on a scale of 1(lower) to 7(higher) as it invests mainly in Contracts for Differences. Please see our Key Investor Information Document (KIID) for further information.

Fund Manager Comments

Manager's Review

GLG UK Income Fund Retail Acc class has risen 19.20% v rise of 13.29% for the FTSE All Share Total Return.

After two years of rising markets and falling earnings, the forward multiple of 13x is no longer cheap in the context of history, but rather fair value. It is therefore with renewed emphasis that we feel earnings growth is required for attractive capital appreciation to be achieved in the year ahead. We are extremely hopeful of this transpiring, and concentrating on the disappointment of 2013, namely a lack of improvement in corporate spend, the lesson learnt is that balance sheet strength, which has been in place now for the best part of 3 years, is no guarantee of capital investment, is no guarantee of capital investment. However with numerous corporate surveys signalling an improvement in confidence we are hopeful of a material uplift this year. The stimulating effect of this on the economy should not be underestimated.

CTT, the Portuguese postal operator has been a strong performer rising 42% since its IPO in December. The shares yield 5.5%, and the company has a free cash flow yield of 9% and 25% of its market capitalisation in cash. The Financial Services business has seen significant growth in particular, helped by Portuguese government using to the network to sell treasury certificates to the public. The company has the distribution network to take advantage of the opportunities presented by the growth of ecommerce around the Iberian peninsula, together with significant cost cutting opportunities.

A tough year of losses and writedowns on contracts acquired with previously purchased companies left many people writing Maire Technimont as a basket case. Conservative new management targets left the business throwing off 20% of the market cap in cash annually with further potential upside from asset sales and an ongoing legal battle which could see Maire awarded 60% of the market cap in cash. As part of the restructuring Maire issued a very attractively priced convertible yielding 5.75%. Given the troubled history the wide implied credit spread within the convertible meant the gamma was very asymmetric up vs. down. Thus we believed the realised delta would be much nearer one if the shares rose and substantially less than one if they fell. This was as it transpired and the convertible quickly moved up 25% as the shares rose. We remain happy holders continuing to enjoy the income of the convert and, with the delta now near one, any further upside in the shares which we believe are still substantially undervalued.

Emerging market fears caused Aberdeen Asset Management to fall 22% since its peak at £5 in December. While we continue to view the 2015 story as an attractive one, based on the integration of the recent SWIP deal, we are also aware that at times such as these the short term can totally dominate. With material redemptions causing a reversal in estimates momentum we were quick to act and shielded the portfolio from some of the share price fall.

Given the uncertainty we have seen at the start of 2014, and the escalation of tension between Russia and Ukraine, the focus on finding companies with strong balance sheets and cashflow profiles who can weather the storm is key. By doing this, we are confident of being able to construct a portfolio with dividend growth and cash generation ahead of the market.

Fund Facts	
Accumulation Dates	31 October & 30 April
XD Dates	31 August & 28 February
Ongoing Charges Figure	as at 28.02.2014
Retail accumulation	1.72%
Retail income	1.72%
Professional accumulation	0.95%
Professional income	0.95%
Institutional accumulation	0.00%

The Ongoing Charges Figure (OCF) represents the annual operating expenses of the sub-fund expressed as a percentage of the average net assets for the year - it does not include initial charges. The OCF includes the ACD's periodic charge and all charges which are deducted directly from the sub-fund. The OCF is expressed as an annual percentage rate.

Summary			
Fund Performance - Share Price			
SHARE CLASS	NAV PER SHARE as at 28.02.2013	NAV PER SHARE as at 28.02.2014	% Change
Retail accumulation	144.30p	172.00p	19.20
Retail income	86.30p	98.88p	14.58
Professional accumulation	154.80p	185.80p	20.03
Professional income	91.02p	104.90p	15.25
Institutional accumulation	163.60p	197.80p	20.90

Source: Lipper, NAV prices, net income reinvested.

The price of shares may go down as well as up and you may not get back the amount originally invested. Past performance is not a guide to future performance.

Portfolio information			
TOP FIVE HOLDINGS as at 28.02.2013	%	TOP FIVE HOLDINGS as at 28.02.2014	%
Diageo	5.19	Nationwide Building Society	2.35
Aviva	4.98	Volkswagen non voting preference shares	2.19
Vodafone	3.87	bpost	1.84
Royal Dutch Shell 'A' shares	3.44	Summit Germany	1.63
BP	3.19	Schroders non-voting shares	1.27

TOP TEN SECTOR CLASSIFICATION OF INVESTMENTS: as at 28.02.2013	%	as at 28.02.2014	%
Mining	10.21	Oil & Gas Producers	12.82
Oil & Gas Producers	8.14	Financial Services	8.50
Travel & Leisure	6.20	Banks	7.92
Beverages	5.19	Non-Life Insurance	6.57
Life Insurance	4.98	Mining	6.39
Banks	3.99	Pharmaceuticals & Biotechnology	6.00
Mobile Telecommunications	3.87	Travel & Leisure	5.72
Support Services	3.21	Life Insurance	4.01
Gas, Water & Multiutilities	3.11	Media	3.22
Tobacco	2.66	Chemical	3.06

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Reports and Accounts

Copies of the long form Report and Financial Statements of the sub-fund are available free of charge from the Manager on request in writing to the registered address or by telephone on 0808 100 2543. They can also be found on www.glgpartners.com.

For more information about the activities and performance of the sub-fund during this and previous periods, please contact us at the address below or by telephone on 0808 100 2543.

Other Information

Retail shares require a minimum investment of £1,000,000.

Professional shares require a minimum investment of £500,000.

Institutional shares are only available to investors who enter into a separate agreement with GLG Partners UK Limited, GLG Partners International Limited or the ACD.

Depository

National Westminster Bank plc
Trustee & Depository Services
135 Bishopsgate
London EC2M 3UR

Authorised and regulated by the Financial Conduct Authority.

Auditor

Ernst & Young LLP
1 More London Place
London SE1 2AF

Contact Address of the Financial Conduct Authority.

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GLG Partners Investment Funds Limited:
Authorised and regulated by
The Financial Conduct Authority.
FCA Firm Reference
No. 185916

Share price history and revenue record

Calendar year	Share class	Highest price p	Lowest price p	Net revenue per share p
2009	Retail accumulation	114.2	71.04	4.0875
2010	Retail accumulation	132.7	106.0	5.3506
2011	Retail accumulation	137.1	106.0	2.7935
2012	Retail accumulation	136.2	115.8	4.7686
2013	Retail accumulation	164.7	140.0	5.9125
2014	Retail accumulation	172.0+	159.9+	2.0295++
2009	Retail income	76.07	48.25	2.8729
2010	Retail income	84.33	68.93	3.5332
2011	Retail income	87.16	65.85	1.7613
2012	Retail income	82.29	70.76	2.9366
2013	Retail income	94.64	82.08	3.5013
2014	Retail income	98.88+	91.88+	1.1709++
2009	Professional accumulation	120.2	74.32	4.4135
2010	Professional accumulation	140.6	111.9	5.5526
2011	Professional accumulation	145.4	112.8	3.0827
2012	Professional accumulation	146.0	123.7	5.0832
2013	Professional accumulation	177.6	150.3	6.3273
2014	Professional accumulation	185.8+	172.5+	2.1961++
2009	Professional income	78.63	49.59	2.9075
2010	Professional income	87.85	71.53	3.6434
2011	Professional income	90.88	68.84	1.9211
2012	Professional income	86.27	74.28	3.0859
2013	Professional income	100.3	86.60	3.6919
2014	Professional income	104.9+	97.43+	1.2414++
2009	Institutional accumulation	124.3	76.39	4.6656
2010	Institutional accumulation	146.0	115.9	5.3392
2011	Institutional accumulation	151.3	117.9	3.4772
2012	Institutional accumulation	154.1	130.0	5.5407
2013	Institutional accumulation	188.9	158.9	6.9591
2014	Institutional accumulation	197.8+	183.6+	2.4805++

+ to 28 February 2014

++ to 30 April 2014

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