

Santander Investment Income Unit Trust (formerly Santander Balanced Portfolio Income Unit Trust)

Final Short Report for the year
ended 25 March 2013



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Fund Facts

The Manager of the Scheme is Santander Asset Management UK Limited (formerly Santander Unit Trust Managers UK Limited) with the immediate holding company being Santander Asset Management UK Holdings Limited.

Investment Objective

The objective of the Scheme is to achieve a stable and high level of regular income with the potential for capital growth.

Investment Policy and Strategy

The Scheme will invest primarily in low and medium risk corporate bonds. In addition, the Scheme may invest in a wide range of other fixed interest investments including gilts, other government stocks, convertibles and preference shares both in the UK and internationally.

During the period under review the Manager monitored the investment activities of the appointed investment adviser to ensure consistent application of investment techniques, processes and compliance with the terms of their Investment Management Agreement.

Derivatives were used during this review period for the purpose of efficient portfolio management. The Scheme holds no derivatives which could impact the value of the Scheme significantly. We did not utilise the Scheme's borrowing facility other than to facilitate timely settlement of stock purchases.

Significant Changes During the Period

With effect from 1 June 2012, the Manager of the Scheme changed from Santander Unit Trust Managers UK Limited to Santander Asset Management UK Limited, in order to simplify the structure of our business.

As part of a directive from the Investment Management Association (IMA), with effect from 19 September 2012, Santander Asset Management UK changed the names of some of their funds in order to better reflect the aims and definitions in the name of each fund and to ensure that the names used across all their fund ranges are consistent. Furthermore, building on Santander's commitment to Treating Customers Fairly, the new names will define the sector of the fund and will allow customers to make like-for-like comparisons between funds in the market place. As a result, the Scheme name changed from Santander Balanced Portfolio Income Unit Trust to Santander Investment Income Unit Trust.

Please be assured that these changes will not have any impact on the way the Scheme is operated.

Investment Adviser

Santander Asset Management UK Limited

The Manager is of the opinion it is appropriate to continue to adopt the going concern basis in the preparation of the accounts as the assets of the Scheme consist predominantly of securities which are readily realisable and, accordingly, the Scheme has adequate financial resources to continue in operational existence for the foreseeable future. Further, appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of these accounts and applicable accounting standards have been followed.

More information about the activities and performance of the Scheme for this and previous periods can be obtained from the manager.

The Long Form report and accounts are available on request.

If you have any questions regarding your investment with us, would like further information or would like to obtain a copy of the Long Form Report and Accounts, please call **0845 6000 181**. Our lines are open 8am to 6pm Monday to Friday and 8am to 4pm on Saturday. Calls may be recorded or monitored.

Fund Profile

Portfolio of Investments

Spread of investments* Disclosed by rating	% of total net assets as at 25/03/13	% of total net assets as at 25/03/12
AAA to AA	21.59	35.55
AA- to A+	7.07	8.41
A to A-	30.81	27.94
BBB+ to BBB	18.29	21.32
below BBB to unrated	19.65	2.30
Total fixed interest securities	97.41	95.52
Forward currency trades (net)	(0.06)	–
Net other assets	2.65	4.48
Total net assets	100.00	100.00

Major Holdings

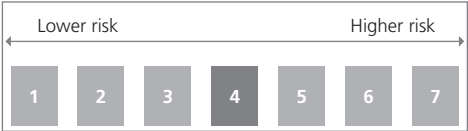
The top 10 holdings at the end of this period and the previous period are shown below.

Holding	% of total net assets as at 25/03/13	Holding	% of total net assets as at 25/03/12
Treasury 4% 2036	4.32	Treasury 4% 2036	3.37
KFW 6% 2028	3.23	KFW 6% 2028	3.20
European Investment Bank 6% 2028	3.22	Treasury 3.75% 2020	3.17
Treasury 2.75% 2015	3.09	Treasury 2.75% 2015	2.46
Treasury 3.75% 2020	3.01	European Investment Bank 6% 2028	2.39
European Investment Bank 5.5% 2025	2.61	European Investment Bank 5.5% 2025	1.95
Treasury 4.25% 2055	2.48	Treasury 4.25% 2055	1.91
Treasury 5% 2014	1.81	Wal-Mart Stores 5.625% 2034	1.63
GE Capital UK Funding 6.75% 2018	1.69	Treasury 5% 2014	1.47
Tesco Property Finance 2 6.0517% 2039	1.56	Treasury 2.25% 2014	1.46

Risk Profile

The main risks within the portfolio relate to changes in the prices of securities held. Other risks include risks from foreign exchange and risks of adverse effects from changes in interest rates. The Scheme does not borrow in the normal course of business and has no material exposure to unlisted securities. During the period under review the Scheme had exposure to fluctuations in foreign currency and interest rates. The Manager reviews policies for managing these risks regularly as part of the process for achieving the investment objective.

Risk and Reward Indicator



The risk and reward indicator shown above is based on historical data which may not be a reliable indication for the future risk profile of the Scheme.

The lowest risk and reward indicator does not mean risk free.

The risk and reward indicator shown is not guaranteed and may change over time.

Fund Performance

Performance Review

Percentage Price Change from 26 March 2012 to 25 March 2013	
Santander Investment Income Unit Trust	+9.47%
20% FT All Stocks/80% iBoxx £ Non Gilt	+10.78%

Source: Lipper – bid to bid, net revenue reinvested, after fees.
Past performance is not a guarantee of future returns. The value of investments and the revenue from them can go down as well as up and investors may not get back the amount originally invested.

The Santander Investment Income Unit Trust has provided a positive total return of 9.47% for the period under review. The Scheme marginally underperformed against the IMA £ Corporate Bond Sector which produced a 10.37% return and the composite benchmark (20% FT All Stocks and 80% iBoxx £ Non Gilt) which in turn delivered 10.78% over the same period.

Market Review

The beginning of the period under review saw bonds outperform equities. Deterioration in global growth momentum, together with the re-emergence of sovereign concerns in Europe, led to a decrease in investors’ risk appetite, which led to bonds delivering positive returns.

By the summer, there was a turnaround in investors’ risk appetite which helped all major equity markets deliver positive returns and outperform the fixed income sector. Equities were mainly supported by an increasingly accommodative policy environment especially in the US, China and Europe. Within fixed income

markets, returns were relatively subdued with government bond prices falling, whilst corporate bonds marginally outperformed.

Summer optimism was followed by end of year fears over a lack of an agreement in the US over the so called ‘fiscal cliff’, however in January, markets turned around again, after lawmakers in the US managed to avoid the worst case scenario. A month later, concerns about the Eurozone crisis resurged after Italy’s electorate rejected the austerity policies demanded by the European Central Bank and International Monetary Fund.

Towards the end of the period under review, events in Europe remained on the agenda, with a bailout dilemma in Cyprus causing volatility in markets, while weak manufacturing data, notably in Germany and the UK, reignited worries over growth prospects in the region as a whole. These factors triggered a ‘risk off’ environment at the end of the period under review, and, as a result, helped bond markets deliver positive returns. Regardless

Fund Performance

of the challenging backdrop, most equity markets, including the UK, also delivered positive returns, with US equities performing exceptionally well.

Investment Outlook

Looking ahead, we expect 'risk on/risk off' to be a theme that continues throughout 2013. The medium term growth environment remains fragile due to a number of reasons, including: weak economic data (particularly in the UK and Europe), the need for ongoing austerity measures and the risk of unpredictable politics,

all of which could potentially cause volatility in markets. Yet despite the challenging backdrop, our Fund Managers believe that equity markets can continue to make gains and remain optimistic due to the following factors: global macroeconomic momentum has improved, US economic indicators are showing resilience and monetary policy measures across the globe are likely to remain supportive. Within bond markets, we expect corporate credit spreads to remain stable, which should lead to corporate bonds delivering excess returns in relation to government bonds, albeit at lesser levels than in the past couple of years.

Summary of Accounts

Accounting Dates	Distribution Payment Date
25 March/25 September	Monthly on 25th of the month

Distribution Statement

On 25 April 2013 a net distribution of 0.1896p per unit was paid to Retail income unit holders and a net distribution of 0.4975p per unit reinvested on behalf of Retail accumulation unit holders. The Institutional income unit class closed on 20 March 2013.

Ongoing Charges Figure (OCF)

With effect from 1 July 2012, UCITS Funds are required by the Committee of European Securities Regulators (CESR) to prepare and disclose an OCF.

The OCF will replace the Total Expenses Ratio (TER) in all subsequent reports, however, as prior period figures have not been calculated the TER will be retained as a comparative figure.

The OCF provides investors with a clearer picture of the total annual costs in running a Collective Investment Scheme. The OCF consists principally of the Manager's annual charge, but also includes the costs for other services paid in respect of trustee, custody, registrar, FCA, audit fees and transaction charges. Collectively these fees are known as other expenses.

Expense Type	2013	2012
Retail income		
Manager's periodic charge	1.00%	1.00%
Other expenses (excluding transaction charges)	0.08%	0.07%
Total expense ratio (TER)	1.08%	1.07%
Transaction charges	0.00%	–
Ongoing Charges Figure	1.08%	–
Retail accumulation		
Manager's periodic charge	1.00%	1.00%
Other expenses (excluding transaction charges)	0.08%	0.07%
Total expense ratio	1.08%	1.07%
Transaction charges	0.00%	–
Ongoing Charges Figure	1.08%	–
Institutional income		
Manager's periodic charge	0.50%	0.50%
Other expenses (excluding transaction charges)	0.08%	0.07%
Total expense ratio	0.58%	0.57%
Transaction charges	0.00%	–
Ongoing Charges Figure	0.58%	–

Summary of Accounts

Net Asset Values

Accounting Date	Unit Description	Net Value Per Unit (pence)	Number of Units in Issue	Net Asset Value
25 March 2011	Retail income	89.98	77,878,944	70,074,017
	Retail accumulation	120.8	5,819,990	7,031,677
	Institutional income	164.0	12,283,588	20,151,168
25 March 2012	Retail income	94.66	71,291,662	67,483,632
	Retail accumulation	130.8	5,247,828	6,866,103
	Institutional income	172.6	10,480,674	18,093,949
25 March 2013	Retail income	100.8	65,069,272	65,588,594
	Retail accumulation	143.0	4,782,486	6,840,467
	Institutional income***	n/a	n/a	n/a

Unit Price and Distribution

Calendar Year	Unit Description	Highest Unit Price (pence)	Lowest Unit Price (pence)	Distribution per Unit (pence)
2008	Retail income	95.33	81.09	3.5051
	Retail accumulation	113.5	100.0	4.2467
	Institutional income*	160.4	149.6	n/a
2009	Retail income	89.54	76.99	3.4915
	Retail accumulation	114.9	96.49	3.9895
	Institutional income	192.9	157.9	6.1365
2010	Retail income	94.71	87.55	3.0090
	Retail accumulation	125.0	113.3	4.3517
	Institutional income	195.1	162.8	9.1376
2011	Retail income	95.00	88.87	2.6445
	Retail accumulation	129.7	118.7	3.3514
	Institutional income	175.0	162.6	5.4579
2012	Retail income	101.6	94.28	2.8771
	Retail accumulation	143.0	129.3	3.8975
	Institutional income	190.6	159.6	9.5997
2013**	Retail income	101.4	98.71	0.5496
	Retail accumulation	143.7	139.7	1.2475
	Institutional income***	188.1	101.1	3.3500

* From 9 December 2008.

** To 25 March 2013.

*** The institutional income class closed on 20 March 2013.

Appointments

Manager, Registrar and Investment Adviser



Santander Asset Management UK Limited
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UK Limited)
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Authorised and regulated by the Financial
Conduct Authority

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Jeffrey Conrad Scott

Alan Mathewson (Resigned 11 September 2012)

Juan Alcaraz Lopez

Javier Marin Romano

Rami Aboukhair Hurtado

Robert David Askham

David William Stewart (appointed 15 June 2012)

Trustee



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