SWIP / CAPITAL TRUST

Annual Short Report for the year ended 25 July 2012

SCOTTISH WIDOWS INVESTMENT PARTNERSHIP

PERFORM

SWIP CAPITAL TRUST

Manager

SWIP Fund Management Limited

Registered Office:

33 Old Broad Street
London
EC2N 1HZ

Correspondence Address:

BNY Mellon House
Ingrave Road
Brentwood
Essex
CM15 8TG

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

Investment Adviser

Scottish Widows Investment Partnership Limited

Registered Office:

33 Old Broad Street
London
EC2N 1HZ

Correspondence Address:

Edinburgh One
60 Morrison Street
Edinburgh
EH3 8BE

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

Trustee

State Street Trustees Limited

Registered Office:

20 Churchill Place
Canary Wharf
London
E14 5HJ

Head Office:

525 Ferry Road
Edinburgh
EH5 2AW

Authorised and regulated by the Financial Services Authority.

Registrar (and Unit Dealing)

The Bank of New York Mellon (International) Limited

Registered Office:

One Canada Square
London
E14 5AL

Unit Dealing:

BNY Mellon House
Ingrave Road
Brentwood
Essex
CM15 8TG

Independent Auditors

PricewaterhouseCoopers LLP
Erskine House
68-73 Queen Street
Edinburgh
EH2 4NH

SWIP CAPITAL TRUST

Important Information

The Prospectus, which is available from the Manager free of charge, outlines how the Trust is managed and gives details of the types of assets in which the Trust may invest. During the year there have been no significant changes made to the Prospectus or the Trust Deed of SWIP Capital Trust. Full terms and conditions are available from the Manager.

- Following a recent review, with effect from 1 November 2011 the Trustee's fee has been reduced and amended to 0.0072% per annum of the value of the Trust;
- The range of custody charges has been amended to the current range of 0.0009% to 0.42575% per annum of the market value of the stock involved plus VAT (if any), and the range of transaction charges has been amended to the current range of £2.61 to £118.75;
- Following the implementation of the UCITS IV Directive Instrument 2011 on 1 July 2011, the Prospectus will be updated to reflect changes including details of the methodology used by the Trust when using derivatives to determine how its exposure to derivative transactions is calculated (governed by the commitment approach or the market risk of the Trust). As part of the recommended disclosure requirements in the Guidelines: Risk Measurement and the Calculation of Global Exposure and Counterparty Risk for UCITS (CESR/10-788) published by CESR, further details are disclosed in the Long Report.
- The Trust currently has claims against several European Governments over tax withheld from some of its investments. It should be noted that the share which the Trust has in these claims is not reflected in the net asset value of the Trust (which is standard UK accounting practice) as they are not guaranteed, may not become payable and may be subject to litigation. In the event that the Trust does receive any assets as a result of a successful pursuit of these claims, they will be paid as a windfall to those unitholders who remain in the Trust at the date of payment of the claim.

Long reports are available on request. If you would like a copy, please telephone us on **0800 33 66 00** or download the Financial Statements from the website **www.swip.com** which is a website maintained by SWIP Limited.

SWIP CAPITAL TRUST

Fund Profile

Investment Objective & Policy

The aim of this Trust is to provide investors with long-term capital growth. Income is regarded as of secondary importance.

Investment is made through a spread of UK and overseas companies with above average prospects for capital appreciation.

The Trust may also invest in depositary receipts and shares, other transferable securities, convertibles, warrants, money market instruments, deposits, cash and near cash, derivatives and collective investment schemes.

The Manager does not intend to use derivatives for any purpose other than the efficient portfolio management of the Trust, although it may, subject to obtaining and maintaining the requisite permissions from the FSA under the Financial Services and Markets Act 2000 and on giving not less than 60 days' notice to unitholders in the Trust, use derivatives in pursuit of its investment objective in the future. If derivatives are used for the purpose of meeting the investment objective of the Trust it is not intended that the use of derivatives would raise the risk profile.

It is intended that the Trust will be managed so as to ensure that units in the Trust constitute qualifying investments for the purposes of the various HM Revenue & Customs regulations governing Individual Savings Accounts as may be applied from time to time.

Risk Profile

The Risk and Reward Indicator ranges from 1 to 7 and demonstrates where the Trust ranks in terms of its potential risk and reward. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Trust. The Trust's ranking was 6 as at 27 June 2012 (Key Investor Information Document).

The Trust has this ranking because the value of the underlying investments are subject to price fluctuations. The lowest category 1 does not mean a risk-free investment.

Currency Risk: The Trust may have holdings which are denominated in different currencies and may be affected by movements in exchange rates. Consequently, the value of your investment may rise or fall in line with exchange rates.

Derivatives Risk: The use of derivatives has the potential to increase a Trust's risk profile and could result in increased price volatility. Volatility describes how much the Trust has gone up or down in the past.

Operational Risk: Investments in emerging markets may involve a higher element of risk due to less well regulated markets and political and economic instability.

Investment Manager's Review

The eurozone's sovereign-debt crisis has continued to dominate sentiment, dictating the ebb and flow of equity markets, at least on this side of the Atlantic. Share prices have been volatile and stock markets suffered losses during the summer and autumn months of 2011. The current calendar year got off to a buoyant start amid growing confidence that the actions of European policymakers would help rescue the region from economic disaster. However, in the last few months, fresh concerns about the state of the Greek and Spanish economies awoke investors' fears, prompting further market weakness.

Looking in a bit more detail at the various markets in which the Trust invests, the standout performer has been the US. Tentative signs that the economy is starting to turn the corner gave investors some cause for encouragement. Corporate results have stood up reasonably well in the face of the challenging economic environment, which has boosted investor sentiment.

In the UK, where the largest proportion of the Trust's assets are invested, the market ended the year close to its starting point. It was a volatile year, with indices pulled in both directions by events on either side of the Atlantic. Worries over the eurozone's sovereign-debt crisis weighed on sentiment, although indications that the US' economic recovery was gaining momentum also boosted investors' appetite for stocks in early 2012.

As 2012 progressed, the eurozone's problems began to weigh on sentiment once more. Fears escalated that Greece might leave the euro. Problems in Spain's banking sector pushed yields on Spanish government bonds higher and share prices across the UK banking sector fell in sympathy. As a result, banks were one of the weakest sectors of the UK market over the year. Mining stocks also struggled as fears of a hard landing in the Chinese economy sent metal prices lower. Amid a dismal run of economic data, defensive stocks – those whose fortunes are less dependent on the economic cycle – fared far better. Tobacco, beverage and pharmaceutical companies outperformed the broader market.

This was a somewhat disappointing period for the performance of the UK portion of the portfolio. It was driven, in part, by market volatility and by the market's reaction to SWIP's change in strategy for its equities business. As a result, share prices of a number of the Trust's holdings came under selling pressure unrelated to the long-term fundamentals underpinning those investments.

Perhaps unsurprisingly, holdings in European equities have suffered some of the worst losses. As a result, the Trust's holdings in Europe had a negative impact on performance. On the plus side, the latest EU summit was deemed a success. There were two key developments. First, leaders announced a series of measures to ease the pressure building on Spain and Italy. The most significant of these loosened the chains binding the fate of cash-strapped banks to weak sovereign borrowers. Second, tentative steps were made towards forming a banking union. Investors welcomed the ambition of the announcement and markets recouped some of their losses towards the end of the reporting period.

Elsewhere, stock selection within the UK portion of the portfolio also had a negative impact on performance. Our holdings in US stocks performed well, although the Trust's comparative lack of exposure to the US for much of the year hit returns.

Looking ahead, equity investors have two main worries: Europe and China. In Europe, the focus has shifted from the immediate threat of a financial crisis and onto a lack of economic growth. Given the single currency zone is the UK's largest export market, this represents a real challenge to UK companies. Fears are also growing that the economic climate in China has changed for the worse. A slowdown would have repercussions for global equity markets.

We anticipate that markets will continue to trade in a somewhat erratic way, driven partly by political and central bank decisions related to the management of the eurozone's debt/banking crisis, as well as perceptions of global economic and profit prospects. On balance, we think equities will outperform moderately, and we will continue to seek opportunities across all the regions. In this environment we think it is sensible to maintain our approach of buying into assets on weakness and selling into strength.

Investment markets and conditions can change rapidly and as such the views expressed should not be taken as statements of fact nor should reliance be placed on these views when making investment decisions.

SWIP CAPITAL TRUST

for the year ended 25 July 2012

Distribution

XD Date	Payment Date
26/07/12	25/09/12

Ongoing Charges Figure/Total Expense Ratio

	25/07/12 %	25/07/11 %
Income	1.63	1.63

The Ongoing Charges Figure (OCF) is calculated for the year ended 25 July 2012 and going forward replaces the Total Expense Ratio stated in the comparative. The OCF is the total expenses paid by the Trust in the year against its average net asset value.

The OCF can fluctuate as underlying costs change.

Net asset value

	NAV per unit 25/07/12 (p)	NAV per unit 25/07/11 (p)	NAV percentage change %
Income	278.43	313.52	(11.19)

Distribution

	Final 25/07/12 (p)
Income	3.1904

Top five holdings

25/07/12	%	25/07/11	%
1. Royal Dutch Shell 'B' Shares	3.20	Royal Dutch Shell 'B' Shares	3.73
2. HSBC	2.72	BP	3.01
3. BP	2.61	HSBC	2.77
4. Vodafone	2.61	Rio Tinto	2.43
5. GlaxoSmithKline	2.23	Vodafone	2.37

Number of holdings: 1,148 Number of holdings: 958

Details of investments

Investments	25/07/12 %	25/07/11 %
United Kingdom	41.67	43.60
United States	20.10	15.90
Netherlands	4.88	4.57
Japan	4.24	4.83
Switzerland	3.58	3.24
France	3.25	3.40
Germany	3.08	2.95
Australia	1.79	2.13
Guernsey, C.I.	1.67	1.24
Jersey, C.I.	1.64	1.77
Sweden	1.25	0.99
Hong Kong	1.08	1.05
Spain	0.98	1.50
South Korea	0.97	0.97
Brazil	0.88	1.02
China	0.77	0.79
Taiwan	0.69	0.70
Italy	0.63	0.79
India	0.49	0.85
Russia	0.45	0.57
South Africa	0.44	0.45
Mexico	0.39	0.33
Denmark	0.37	0.25
Singapore	0.37	0.41
Belgium	0.35	0.24
Finland	0.31	0.36
Ireland	0.29	0.56
Norway	0.28	0.27
Malaysia	0.24	0.21
Luxembourg	0.21	0.18
Indonesia	0.18	0.17
Bermuda	0.17	0.13
Isle of Man	0.16	0.04
Thailand	0.15	0.15
Virgin Islands, British	0.12	0.01
Portugal	0.11	0.14
Turkey	0.11	0.09
Austria	0.08	0.08
Poland	0.07	0.08
Philippines	0.05	0.06
Colombia	0.04	0.02
New Zealand	0.03	0.02
Czech Republic	0.02	0.03
Hungary	0.02	0.02
Gibraltar	0.01	-
Canada	-	0.09
Panama	-	0.05
Derivatives	(0.07)	0.07
Total other assets	1.41	2.63
Total net assets	100.00	100.00

Performance record

	26/07/11 to 25/07/12 %	26/07/10 to 25/07/11 %	26/07/09 to 25/07/10 %	26/07/08 to 25/07/09 %	26/07/07 to 25/07/08 %
SWIP Capital Trust	(9.66)	14.17	18.52	(12.81)	(14.06)
Flexible Investment Sector Average*	(6.17)	14.62	17.18	(10.51)	(12.69)

(Source: Lipper. Basis: bid to bid, net revenue reinvested and net of expenses.) Flexible Investment Sector: The funds in this sector are expected to have a range of different investments. However, the fund manager has significant flexibility over what to invest in. There is no minimum or maximum requirement for investment in company shares (equities) and there is scope for funds to have a high proportion of shares. The manager is accorded a significant degree of discretion over asset allocation and is allowed to invest up to 100% in equities at their discretion.

*As of 1 January 2012 the Active Managed Sector was renamed Flexible Investment Sector and as part of an industry wide harmonisation announced by the Investment Management Association (IMA) the sector definition has also been updated.

Please note: negative figures are shown in brackets.

Past performance is not a guide to future performance. The value of an investment and any revenue from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

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