SWIP / INVESTMENT FUNDS UK ICVC

Annual Short Report for the year ended 31 December 2013

SCOTTISH WIDOWS INVESTMENT PARTNERSHIP

PERFORM

SWIP INVESTMENT FUNDS UK ICVC

The Company

Scottish Widows Investment Partnership Investment Funds UK ICVC

Head Office:
33 Old Broad Street
London
EC2N 1HZ

Correspondence Address:
BNY Mellon House
Ingrave Road
Brentwood`
Essex
CM15 8TG

Incorporated in Great Britain under registered number IC000238. Authorised and regulated by the Financial Conduct Authority.

Authorised Corporate Director (ACD) and Authorised Fund Manager

SWIP Fund Management Limited

Head 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 Conduct Authority and a member of the Investment Management Association.

Investment Adviser

Scottish Widows Investment Partnership Limited

Head Office:
33 Old Broad Street
London
EC2N 1HZ

Correspondence Address:
Edinburgh One
60 Morrison Street
Edinburgh
EH3 8BE

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

Depositary

State Street Trustees Limited

Registered Office:
20 Churchill Place
Canary Wharf
London
E14 5HJ

Correspondence Address:
525 Ferry Road
Edinburgh
EH5 2AW

Authorised and regulated by the Financial Conduct Authority.

Registrar

The Bank of New York Mellon (International) Limited

Registered Office:
One Canada Square
London
E14 5AL

Correspondence Address:
BNY Mellon House
Ingrave Road
Brentwood
Essex
CM15 8TG

Independent Auditors

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

SWIP INVESTMENT FUNDS UK ICVC

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.

Prospectus Changes

During the year and up to the date of this report, changes were made to the Company and therefore the following changes were reflected in the Prospectus and/or Instrument of Incorporation of SWIP Investment Funds UK ICVC:

- References to UK Real Estate Fund have been removed following the completion of the termination on 28 February 2013;
- From 1 April 2013 the Company and the ACD are authorised and regulated by the UK Financial Conduct Authority (the "FCA"). As the end of the accounting period was after this date all references to the predecessor of the FCA, the UK Financial Services Authority (the "FSA"), have been replaced;
- Following FCA approval, with effect from 2 December 2013, the Company took on Protected Cell status and the Company's Prospectus and Instrument of Incorporation were amended accordingly. From this date the new segregated liability regime took effect and the sub-funds are regarded as a segregated portfolio of assets, with the assets of a sub-fund belonging exclusively to that sub-fund. The assets of a sub-fund shall not be used or made available to discharge (directly or indirectly) the liabilities of, or claims against, any other person or body, including the Company and any other sub-fund, and shall not be available for any such purpose. The conversion to Protected Cell status also means that sub-funds within the Company may invest in other sub-funds within the Company, subject to certain qualifications and the Prospectus has been updated to include this new investment power, however, this will not currently be utilised and will be reviewed on a case by case basis;
- Following the implementation of the Retail Distribution Review ("RDR") and the Investment Management Association's recommendations on share class conversions the Prospectus has been updated to differentiate between switches between sub-funds and conversions between share classes within a sub-fund;
- A number of share class changes have been made to close share classes, launch share classes and amend AMC rates on some share classes throughout the year, details can be found in the Long Report;
- The ACD of the Company has reviewed the disclosure wording across its range of Prospectuses to ensure this is consistent and accurately reflects the implication of dilution and its dilution policy for all its Funds. Accordingly the dilution wording in the Prospectus of the Company has been amended including the removal of the stated percentages, and repositioned. In addition, it is intended that a monthly flyer which shows the dilution swings and range of percentages historically, will be produced and made available on www.swip.com in compliance with the enhanced disclosures as recommended by the Investment Management Association;
- Recent regulatory changes require funds that indicate in their name, investment objectives or fund literature, through the use of descriptives such as "absolute return", "total return" or similar, an intention to deliver positive returns in all market conditions (and where there is no actual guarantee of return), require additional statements to be made to the investment objective of the fund. Accordingly, in accordance with the FCA requirements amendments have been made to the Absolute Return Bond Fund, Absolute Return Macro Fund and the SWIP UK Flexible Strategy Fund to reflect these changes. There is no change to the investment strategies of the Funds but the changes are merely considered to be a clarification of the existing strategy driven. In addition, following this review, alterations have been made to clarify where Funds are managed only to generate a combined return of capital and income, with no aim to generate a positive return in all market conditions, but where the term "total return" featured in their investment objective, the reference to "total return" has been amended accordingly in the following Funds:

  Corporate Bond Plus Fund; Defensive Gilt Fund; Gilt Plus Fund; Global Bond Plus Fund; High Yield Bond Fund; Sterling Bond Plus Fund; Sterling Credit Advantage Fund; and Sterling Index-Lined Bond Fund;
- The European Securities and Markets Authority (ESMA) published guidelines on ETFs and other UCITS issues on 17 December 2012 (ref: ESMA/2012/832) which came into effect on 18 February 2013. These guidelines introduce increased disclosure requirements for investors in UCITS schemes in relation to exposure obtained through financial derivative instruments and efficient portfolio management techniques and in the case of funds which are deemed for the purposes of the ESMA guidelines to be Index Tracking UCITS, further disclosure regarding the index being tracked by the fund and the fund's strategy along with measurement of tracking the particular index.

  The Guidelines provided that any annual accounting period which ends after the date of implementation of the guidelines must comply with the new disclosure requirements and in the case of Index Tracking Funds additional disclosures are required in both the interim and annual accounting period.

  In relation to Index Tracking UCITS, Investment Managers measure how well the fund matches or tracks their index by calculating Tracking Errors. The Tracking Error measures how consistently the fund follows its benchmark and is defined as being the volatility of differences in return between the fund and its benchmark. The Tracking Error number can be calculated in two ways – realised tracking error, also commonly referred to as "historical" or "ex-post", which measures deviation from the benchmark; and unrealised, or anticipated tracking error, also commonly referred to as "ex-ante" tracking error.

  Accordingly, disclosures appear in relation to the Foundation Growth Fund, which is deemed to be an Index Tracking UCITS for the purposes of the Guidelines, and required information on the Fund is included in the Performance Record section of this Report;
- The definition of US persons has been amended and reference to FATCA requirements added;
- Performance figures have been updated; and
- Directors' interests have been updated.

A copy of the Prospectus is available on request.

Important Information

On 18 November 2013 Lloyds Banking Group plc announced that it has agreed to sell its asset management business Scottish Widows Investment Partnership Group Limited to Aberdeen Asset Management PLC. The sale is expected to complete by the end of the first quarter of 2014, subject to obtaining the necessary regulatory and other consents.

SWIP ABSOLUTE RETURN BOND FUND

for the year ended 31 December 2013

Fund Profile

Investment Objective & Policy

The Fund aims to achieve a positive capital return, regardless of market conditions over rolling 12 month periods. There is no guarantee that a positive return will be achieved over any time period and capital may be at risk. Investors may not get back the full amount originally invested.

The physical assets (i.e. assets other than derivatives) in which the Fund invests (directly or indirectly) will predominantly consist of fixed interest securities (including government and supranational bonds, corporate bonds, non investment grade bonds and emerging markets debt), index linked securities, money market instruments, cash, near cash, and deposits. All or a substantial proportion of the physical assets of the Fund may at any time consist of cash, near cash, deposits and/or money market instruments.

In addition, permitted debt related derivative contracts (including futures, options, swaps (including single name and index based credit default swaps), forward currency contracts, contracts for difference and other derivatives) and techniques may be used to vary the total exposure to bond markets and express views on currencies, interest rates, sectors, individual securities and/or individual issuers in order to enhance capital return, limit downside volatility and/or preserve capital.

The Fund may take long and short positions in debt related markets, securities, groups of securities and indices through derivative contracts but total net derivatives exposure may not exceed the limits of the COLL Rules.

The Fund may also invest, at the investment adviser's discretion, in other transferable securities, other debt securities, other derivatives and forward contracts, and units in collective investment schemes (and use may also be made of stocklending, borrowing, hedging and other techniques permitted by the COLL Rules).

Synthetic Risk and Reward Profile

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

Typically lower rewards, lower risks ← → **Typically higher rewards, higher risks**

1	2	3	4	5	6	7

The Fund is ranked at 4 because it has experienced medium levels of volatility over the past 5 years. The synthetic risk and reward indicator shown here is accurate as at 31 December 2013 and there has been no change to this ranking to date. The lowest category 1 does not mean a risk free investment.

Interest Rate Risk: Fluctuations in interest rates are likely to affect the value of the bonds and other fixed interest securities held by the Fund.

If long term interest rates rise, the value of your investment is likely to fall.

Credit Risk: There is a risk that the issuers of bonds may not be able to repay the money they have borrowed nor make any interest payments. This risk is greater than average where the Fund invests in a bond with a below investment grade credit rating.

Fund Profile (continued)

Synthetic Risk and Reward Profile (continued)

Currency Risk: The Fund may have holdings which are denominated in different currencies and may be affected by movements in exchange rates. Consequently, the value of the Fund's investment may rise or fall in line with exchange rates. This may also cause the value of any income generated to go up or down.

Absolute Return Risk: Due to its investment strategy the Fund may not move in line with market trends or fully benefit from a positive market environment.

Derivatives Risk: Derivative transactions will or may be used to a significant extent. At times, though, the use of these instruments could lead to considerable short term fluctuations in price. The impact to the Fund is greater where derivatives are used in an extensive or complex way. Value at risk (VaR) based techniques estimate the probability of portfolio losses based on statistical analysis of historical price trends and volatilities. Absolute VaR analysis for the Fund is produced on a daily basis.

The Fund's current VaR limit is 6%. The VaR measures of the Fund for the year ended 31 December 2013 were as follows:

Minimum VaR	1.30%
Maximum VaR	2.45%
Average VaR	1.69%

Market risk information is a relative estimate of risk rather than a precise and accurate number. The model is based on historical data and cannot take account of the fact that future market price movements, correlations between markets and level of market liquidity in conditions of market stress may bear no relation to historical patterns.

Investment Manager's Review

The year under review has been a challenging one for investors in bond markets. Government bond prices have moved lower – and yields moved higher – in the core economies of the UK, the US and Germany. Nevertheless, despite these challenges, the Fund produced a positive net return of 2.64%.

Throughout the early months of the review period, government bonds in the "core" economies of the UK, the US and Germany benefited from investors' concerns about growth, with political turmoil in the eurozone underlining the appeal of safe haven assets.

From January through to April, 10-year yields in the UK, US and Germany remained anchored at ultra-low levels, but the anchor worked loose in May. Comments by US Federal Reserve chairman Ben Bernanke that the central bank may start to "taper" its programme of asset purchases when economic data improved caused a dramatic reaction in the market. Government bond yields rose markedly throughout May and June as markets interpreted the comments as a prelude to possible aggressive monetary tightening.

Although mollifying words from Fed chairman Ben Bernanke in July calmed the market, investor sentiment continued to fluctuate with every economic data release, and yields continued to move steadily higher until the end of 2013. Towards year end, it was confirmed that tapering would finally begin in January.

Meanwhile, corporate bonds have outperformed government bonds. However, sovereign yields have risen sharply. This has been particularly pronounced in the US Treasury market, resulting in negative total returns for US investment grade credit. That said, the performances of individual bonds were mixed: whether bonds outperformed or underperformed tended to be determined by company-specific rather than sector-specific factors. But in general, the relative strength of corporate bonds has been influenced by the fact that investors continued to chase higher yields than are available via their government-issued counterparts.

The Fund looks to take advantage of investment opportunities from all the strategies available to the manager. These include the "core" portfolio of short-dated assets, as well as government bonds, corporate bonds and foreign exchange markets. During 2013, we have successfully derived positive returns from each strategy.

We reduced exposure to risk substantially in early April. Accordingly, the portfolio was well placed to weather the market's volatility during May and June. This volatility also presented an opportunity to cherry-pick various attractive opportunities. This included an increase in exposure to corporate bonds, as parts of the market began to represent good value following the sell-off.

We pared back exposure to corporate bonds to neutral during the second half of the year as credit spreads moved sharply tighter, moving to a negative position in late November as valuations became even more stretched. In September, we took profits on our short duration position in UK, US and German government bonds, moving long duration in the US on the back of valuation, carry and a lack of inflationary pressure. We also moved short UK Gilts against US Treasuries on the back of relative inflation expectations.

Looking ahead, with tapering finally having arrived and with bond yields rising, we are getting closer to "normal" market conditions. Years of easy monetary policy have had an effect on many assets, households and companies. While it is impossible to quantify the exact effect, it seems very unlikely that US equity markets (in particular) will deliver the same performance in 2014. Over the last thirty years, the build-up of debt through rate-cutting cycles has resulted in interest rate-tightening cycles peaking at progressively lower highs. US total debt to GDP is now over 240% GDP – a marked contrast with a ratio of less than 200% in 2004 at the beginning of the last tightening cycle.

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 ABSOLUTE RETURN BOND FUND

Distribution date

XD date	Payment date
01/01/14	28/02/14

Ongoing Charges Figure

	31/12/13 %	31/12/12 %
A Accumulation	1.13	1.14
A Income	1.13	1.14
B Accumulation	0.78	0.79
B Income	0.78	0.79
B Gross Accumulation	0.78	0.79
B Gross Income	0.78	0.79
C Accumulation	-	0.89
C Income	-	0.89
D Accumulation	0.63	0.64
D Income	0.63	0.64
P Income	0.78	0.79
X Accumulation	0.13	0.14

Share class C Accumulation was closed 27 November 2013.
Share class C Income was closed 27 November 2013.
The Ongoing Charges Figure (OCF) is the total expenses paid by each share class in the year against its average net asset value. The OCF can fluctuate as underlying costs change.

Details of investments

Investments	31/12/13 %	31/12/12 %
Sterling Denominated Bonds	53.57	45.38
Euro Denominated Bonds	15.37	26.57
US Dollar Denominated Bonds	9.99	4.34
Collective Investment Schemes	8.73	9.36
Brazilian Real Denominated Bonds	2.34	-
Australian Dollar Denominated Bonds	0.70	2.36
Polish Zloty Denominated Bonds	-	1.98
Derivatives	(2.68)	(0.24)
Net other assets	11.98	10.25
Total net assets	100.00	100.00

Summary of portfolio by credit ratings

Rating block	31/12/13 %	31/12/12 %
AAA	10.60	7.47
AA+	1.15	-
AA-	3.64	2.86
A+	5.41	9.62
A	7.80	9.88
A-	12.90	9.27
BBB+	9.98	10.15
BBB	11.62	8.56
BBB-	10.23	11.93
BB+	3.32	2.37
BB	0.66	1.39
BB-	0.48	1.63
B+	0.77	0.21
B	1.41	-
B-	-	0.99
CCC+	0.20	-
CCC	0.35	-
NR	1.45	4.30
Total bonds	81.97	80.63
Other	18.03	19.37
Total net assets	100.00	100.00

The credit ratings used in the above table have been supplied by Standard & Poor's, Moody's or Fitch Ratings.

Net asset value

	NAV per share 31/12/13 (p)	NAV per share 31/12/12 (p)	NAV percentage change %
A Accumulation	124.04	120.99	2.52
A Income	106.43	105.47	0.91
B Accumulation	126.69	123.24	2.80
B Income	107.04	106.04	0.94
B Gross Accumulation	123.46	119.47	3.34
B Gross Income	103.84	103.14	0.68
C Accumulation	-	105.15	(100.00)
C Income	-	103.92	(100.00)
D Accumulation	108.37	105.27	2.94
D Income	104.62	103.91	0.68
P Income	104.18	103.21	0.94
X Accumulation	131.68	127.41	3.35

Performance record

	01/01/13 to 31/12/13 %	01/01/12 to 31/12/12 %	01/01/11 to 31/12/11 %	01/01/10 to 31/12/10 %	01/01/09 to 31/12/09 %
Net Return#	2.64	7.63	0.54	1.63	5.75
Gross Return	3.96	9.43	2.67	3.28	7.26
Benchmark Return+	0.51	0.83	0.88	0.70	1.24

#Absolute Return Bond Fund A Accumulation share price movement in GBP at valuation point; Revenue (net of tax) reinvested and net of expenses; Source: Lipper.
Absolute Return Bond Fund in GBP at close of business; Revenue (gross of tax) reinvested and gross of expenses; Source: SWIP.
+3-month LIBOR in GBP at close of business; Revenue (gross of tax) reinvested and gross of expenses; Source: Datastream.
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.

Distribution rates

	Final 31/12/13 (p)
A Accumulation	0.8920
A Income	0.7711
B Accumulation	1.0870
B Income	0.9299
B Gross Accumulation	1.3333
B Gross Income	1.1278
C Accumulation	-
C Income	-
D Accumulation	0.9997
D Income	0.9759
P Income	0.8698
X Accumulation	1.4833

Top five holdings

		31/12/13 %		31/12/12 %
1.	SWIP Sterling Investment Cash Fund X Gross Acc	6.65	SWIP Currency Alpha Fund X Net Acc	3.91
2.	UK Treasury 0% 03/03/2014	4.65	SWIP European High Yield Bond Fund X Net Acc	3.64
3.	Brazil Notas do Tesouro Nacional Serie F 10% 01/01/2023	2.34	Spain Government Bond 2.3% 30/04/2013	3.05
4.	Monumental Global Funding 6% 30/01/2014	2.33	BNP Paribas Capital Trust 5.868% Perpetual	2.01
5.	SWIP Currency Alpha Fund X Net Acc	2.08	UK Treasury 4.25% 07/03/2036	2.00
	Number of holdings: 250		Number of holdings: 161	

SWIP ABSOLUTE RETURN MACRO FUND

for the year ended 31 December 2013

Fund Profile

Investment Objective & Policy

The Fund aims to achieve a positive capital return, regardless of market conditions, over rolling 3-year periods, through investment and disinvestment (directly and indirectly) in a diversified portfolio predominantly consisting of equities, fixed interest securities, alternative asset classes, money market instruments, cash, near cash, deposits, index linked securities and related derivative contracts. There is no guarantee that a positive return will be achieved over any time period and capital may be at risk. Investors may not get back the full amount originally invested.

The physical assets (i.e. assets other than derivatives) in which the Fund invests (directly or indirectly) will predominantly consist of fixed interest securities (including government and supranational bonds, corporate bonds, non-investment grade bonds and emerging markets debt), equities, index linked securities, money market instruments, cash, near cash, and deposits. The Fund will also gain indirect exposure to alternative asset classes (such as property, private equity, hedge funds, and permitted commodities) through investment in shares of funds, companies and other vehicles which invest in such assets. All or a substantial proportion of the physical assets of the Fund may at any time consist of cash, near cash, deposits and/or money market instruments.

In addition, permitted derivative contracts (including futures, options, swaps, forward currency contracts, contracts for difference and other derivatives) and techniques may be used to vary the total exposure to markets and express views on the direction of currencies, interest rates, sectors and/or individual securities in order to enhance capital return, limit downside volatility and/or preserve capital.

The Fund may take long and short positions in markets, securities and groups of securities through derivative contracts but total net derivatives exposure may not exceed the limits of the COLL Rules.

The Fund may also invest, at the investment adviser's discretion, in other transferable securities, other derivatives and forward contracts, and units in collective investment schemes (and use may also be made of stocklending, borrowing, hedging and other techniques permitted by the COLL Rules).

Synthetic Risk and Reward Profile

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

Typically lower rewards, lower risks ← → **Typically higher rewards, higher risks**

1	2	3	4	5	6	7

The Fund is ranked at 5 because it has experienced medium to high levels of volatility over the past 5 years. The synthetic risk and reward indicator shown here is accurate as at 31 December 2013 and there has been no change to this ranking to date. The lowest category 1 does not mean a risk-free investment.

Fund Profile (continued)

Synthetic Risk and Reward Profile (continued)

Interest Rate Risk: Fluctuations in interest rates are likely to affect the value of the bonds and other fixed-interest securities held by the Fund.

If long-term interest rates rise, the value of your investment is likely to fall.**Credit Risk:** There is a risk that the issuers of bonds may not be able to repay the money over rolling 3-year periods, they have borrowed nor make any interest payments. This risk is greater than average where the Fund invests in a bond with a below investment grade credit rating.

Currency Risk: The Fund may have holdings which are denominated in different currencies and may be affected by movements in exchange rates. Consequently, the value of the Fund's investment may rise or fall in line with exchange rates. This may also cause the value of any income generated to go up or down.

Absolute Return Risk: Due to its investment strategy the Fund may not move in line with market trends or fully benefit from a positive market environment.

Operational Market Risk: Some of the countries in which the Fund invests means there is a higher element of operational risk due to less well regulated markets and less developed political, economic and legal systems and the Fund may have problems or delays in getting its investments back.

Derivatives Risk: Derivative transactions will or may be used to a significant extent. At times, though, the use of these instruments could lead to considerable short term fluctuations in price. The impact to the Fund is greater where derivatives are used in an extensive or complex way.

Value at risk (VaR) based techniques estimate the probability of portfolio losses based on statistical analysis of historical price trends and volatilities. Absolute VaR analysis for the Fund is produced on a daily basis.

The Fund's current VaR limit is 8%. The VaR measures of the Fund for the year ended 31 December 2013 were as follows:

Minimum VaR	0.65%
Maximum VaR	3.42%
Average VaR	1.84%

Market risk information is a relative estimate of risk rather than a precise and accurate number. The model is based on historical data and cannot take account of the fact that future market price movements, correlations between markets and level of market liquidity in conditions of market stress may bear no relation to historical patterns.

Investment Manager's Review

The year under review has been positive for the world's stock markets, with share prices rising over the course of the last 12 months. Actions by central banks have given investors the confidence to move away from the safe havens of cash and government bonds in favour of assets that carry a slightly higher level of risk. Investors were also emboldened by signs of improvement in the economy.

The economic upturn has been bad news for government bond markets, many of which have struggled for most of the past year. Demand for the asset class had been supported thanks partly to a Bank of England bond-buying programme; asset purchases as part of its quantitative easing programme amounted to £375 billion. However, a flurry of comments from the US Federal Reserve, suggesting that it would curtail its own asset-purchase scheme, exacerbated volatility and drove US yields higher. "Core" government bond markets such as the UK and Germany followed suit.

From then on, markets were gripped by the timing of "tapering", as the programme came to be known. Every ebb and flow of economic data was minutely examined to ascertain its significance for the timing of tapering. Good news – strong employment data, for example – was taken as a sign that stimulus would be withdrawn, and that would send markets down. In contrast, bad news, such as an ailing housing market, was seen to indicate that quantitative easing would continue, and bond markets rose. Ultimately, in mid-December, the Fed announced that tapering would start in January 2014. UK Gilts and German Bund movements continued to mirror the upward moves in US Treasury yields, and the 10-year benchmark Gilt yield closed 2013 at 3.03%.

The last 12 months have been more rewarding for corporate bond investors. Asset purchases have driven down yields, resulting in investors migrating up the risk spectrum in a hunt for yield, and driving prices higher. High yield bonds have performed particularly well.

As far as performance is concerned it was a year of two halves. During the first half, the Fund suffered mainly at the hands of emerging market country and oil sector strategies, which we thought would add value as the global economy accelerated. While the macroeconomic improvement did indeed take place to a limited extent, the funding concerns that increasingly enveloped developing nations impacted these investments negatively and we exited them in the middle of the year.

From that point, performance began to improve in a steady fashion, as we rebuilt a moderate pro-equity stance, combined with a pro-cyclical regional and sectoral positions (by backing Japanese and European equities for example, as well as industrials), while simultaneously expressing a negative view of commodities by shorting the Australian and Canadian dollars against the US dollar.

SWIP ABSOLUTE RETURN MACRO FUND

Investment Manager's Review (continued)

Also featuring in the portfolio were a number of equity option strategies that were designed to produce returns in rising or falling markets, which helped cushion the Fund's performance during occasional equity market set-backs. Our basket of preferred high yielding UK equities also produced positive returns. Last, but not least fixed interest strategies also began to feature more prominently in the portfolio, through the introduction of high yield bond investments.

As a general feature throughout the year, the portfolio comprised a wide selection of diversified strategies with the aim of limiting significant net long or short exposure to the two main asset classes (equities and bonds).

Looking ahead, we continue to prefer "risk assets", such as equities, which is reflected in the portfolio. Although we prefer other asset classes to bonds, it would seem likely, given the changing global monetary landscape, that the year ahead will see further trading opportunities within the asset class.

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.

Distribution date

XD date	Payment date
01/01/14	28/02/14

Ongoing Charges Figure

	31/12/13 %	31/12/12 %
A Accumulation	1.84	1.78
B Accumulation	1.09	-
X Accumulation	0.34	0.28

Share class B Accumulation was launched 9 December 2013.

The Ongoing Charges Figure (OCF) is the total expenses paid by each share class in the year against its average net asset value. The OCF can fluctuate as underlying costs change.

Details of investments

Investments	31/12/13 %	31/12/12 %
Sterling Denominated Bonds	67.85	81.81
Equity Investments	8.30	4.29
Euro Denominated Bonds	7.03	-
Collective Investment Schemes	5.57	9.70
Derivatives	1.37	0.05
Net other assets	9.88	4.15
Total net assets	100.00	100.00

Summary of portfolio by credit ratings

Rating block	31/12/13 %	31/12/12 %
AAA	59.59	63.84
AA-	9.47	13.85
A+	-	4.12
BBB+	1.22	-
BBB	2.28	-
BB+	1.14	-
B+	1.18	-
Total bonds	74.88	81.81
Other	25.12	18.19
Total net assets	100.00	100.00

The credit ratings used in the above table have been supplied by Standard & Poor's, Moody's or Fitch Ratings.

Net asset value

	NAV per share 31/12/13 (p)	NAV per share 31/12/12 (p)	NAV percentage change %
A Accumulation	81.34	80.50	1.04
B Accumulation	100.21	-	-
X Accumulation	89.15	87.04	2.42

Performance record

	01/01/13 to 31/12/13 %	01/01/12 to 31/12/12 %	01/01/11 to 31/12/11 %	01/01/10 to 31/12/10 %	01/01/09 to 31/12/09 %
Net Return#	0.88	(0.57)	(13.44)	(6.09)	5.43
Gross Return	2.96	0.21	(11.63)	(0.67)	8.34
Benchmark Return+	0.51	0.83	0.88	0.70	1.24

#Absolute Return Macro Fund A Accumulation share price movement in GBP at valuation point; Revenue (net of tax) reinvested and net of expenses; Source: Lipper.

Absolute Return Macro Fund in GBP at close of business; Revenue (gross of tax) reinvested and gross of expenses; Source: SWIP.

+3-month LIBOR in GBP at close of business; Revenue (gross of tax) reinvested and gross of expenses; Source: Datastream.

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.

Distribution rates

	Final 31/12/13 (p)
A Accumulation	-
B Accumulation	-
X Accumulation	0.2335

Top five holdings

	31/12/13 %		31/12/12 %
1. UK Treasury 0% 13/01/2014	23.39	UK Treasury 0% 04/02/2013	20.68
2. UK Treasury 0% 24/02/2014	23.38	UK Treasury 0% 21/01/2013	9.65
3. UK Treasury 0% 17/03/2014	6.88	UK Treasury 0% 25/03/2013	9.64
4. UK Treasury 0% 03/02/2014	5.50	UK Treasury 0% 04/03/2013	7.59
5. Rabobank Nederland (FRN) 1.02463% 06/06/2014	4.13	UK Treasury 4.5% 07/03/2013	6.91

Number of holdings: 202

Number of holdings: 185

SWIP CORPORATE BOND PLUS FUND

for the year ended 31 December 2013

Fund Profile

Investment Objective & Policy

The aim of this Fund is to provide a combination of income and growth of capital by investing in a portfolio of predominantly bonds.

The Fund will predominantly invest in investment-grade sterling-denominated corporate bonds. The Fund may also invest in government bonds, non-sterling investment-grade bonds, sub-investment-grade bonds, convertible bonds and preference shares denominated in any currency.

The Fund may also invest in other transferable securities, money market instruments, deposits, cash and near cash, derivatives (for efficient portfolio management) and collective investment schemes, and may hold securities of any duration.

Synthetic Risk and Reward Profile

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

Typically lower rewards, lower risks ← → **Typically higher rewards, higher risks**

1	2	3	4	5	6	7

The Fund is ranked at 4 because it has experienced medium levels of volatility over the past 5 years. The synthetic risk and reward indicator shown here is accurate as at 31 December 2013 and there has been no change to this ranking to date. The lowest category 1 does not mean a risk-free investment.

Interest Rate Risk: Fluctuations in interest rates are likely to affect the value of the bonds and other fixed-interest securities held by the Fund.

If long-term interest rates rise, the value of your investment is likely to fall.

Credit Risk: There is a risk that the issuers of bonds may not be able to repay the money they have borrowed nor make any interest payments. This risk is greater than average where the Fund invests in a bond with a below investment grade credit rating.

Currency Risk: The Fund may have holdings which are denominated in different currencies and may be affected by movements in exchange rates. Consequently, the value of the Fund's investment may rise or fall in line with exchange rates. This may also cause the value of any income generated to go up or down.

Derivatives Risk: Derivatives may be used for efficient portfolio management only. At times, though, the use of these instruments could lead to considerable short term fluctuations in price. The impact to the Fund is greater where derivatives are used in an extensive or complex way.

Investment Manager's Review

The 12 months to 31 December have brought mixed fortunes for the corporate bond market. Over this period, returns from the Fund were ahead 1.41% on a net basis, while its benchmark, the iBoxx Non-Gilt ex-Sovereigns index rose by 1.57%.

Up until April prices of corporate bonds had moved steadily higher. Demand was buoyed both by investors' quest for higher yields than were available via government bonds and by a scarcity of new issuance relative to demand. And while the spread in yield over government bonds narrowed only marginally, total returns were nevertheless positive, thanks to a sharp downward movement in government bond yields.

But in May and June, returns deteriorated sharply. Government bond yields moved significantly higher, caused in the main by US Federal Reserve indications that it would scale back its accommodative monetary policy. After Fed chairman Ben Bernanke said he expected to "taper" its $85 billion-per-month bond buying programme when economic data improved, the market reacted dramatically, interpreting the comments as a prelude to aggressive monetary tightening.

Corporate bonds, both investment grade and high yield, outperformed government bonds in the latter part of 2013. In the third quarter, while government bonds moved higher, this was accompanied by a significant tightening of credit spreads, meaning overall returns were positive. That tightening was largely due to a rise in investor confidence following a series of better-than-expected economic data.

Sovereign yields continued to rise in the final three months of 2013. Yield spreads over government bonds narrowed considerably, but the rise in sovereign yields was such that overall returns from credit were only marginally positive. There were pockets of excellence; high-yielding bonds were strongly positive and higher beta instruments such as subordinated bank debt and corporate hybrids also delivered healthy returns.

Hybrid new issues have been a notable theme during 2013, as investors migrate along the risk curve in the search for yield. Hybrid bonds are an increasingly important part of the market. Our purchases in this area included the sterling tranche of an issue from energy group Electricitie de France, a sterling issue from Pennon, owners of South West Water, and a euro-denominated issue from Hutchison Whampoa. This latter purchase was funded by selling a Scottish & Southern Energy sterling hybrid.

Early in the review period, we entered into a number of trades to reduce portfolio risk. These included the sale of HSBC lower Tier 2 debt. We took profits on a sterling holding in APT Pipelines, and sold bonds issued by GlaxoSmithKline to raise liquidity. Later, the Fund reduced its exposure to G4S, the security services company. We reduced our holding in Telecom Italia, as we believe the utility could be subject to a ratings downgrade in the coming months.

Recent trades included the sale of senior financial bonds including Goldman Sachs in favour of covered bonds from Abbey National, Commercial Bank of Australia and National Australia Bank. We participated in a new issue from DIRECTV, financed by the sale of AT&T. We bought Mitchells & Butlers, a securitisation of the cash flows from a public house estate.

The Fund benefited from being short duration in 2013 as core government bond yields moved higher. While the fundamentals do not necessarily justify meaningfully higher yields in the near term, a further improvement in developed economies should see rates move higher on a longer term view. We remain short duration – but now less aggressively following last year's sharp yield move. The shape of the yield curve influenced performance significantly in 2013 and is likely to remain an important factor this year. We expect curves to remain steep at the short-end and continue to flatten at the longer-end, driven by the shape of the gilt curve.

The Fund currently has an overweight position in high yield bonds, which continue to represent good value given the relatively low default rate. Looking ahead, we are looking to take advantage of attractive valuations following the recent sell-off and selectively adding risk in the coming months.

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 CORPORATE BOND PLUS FUND

Distribution dates

XD date	Payment date
01/10/13	30/11/13
01/01/14	28/02/14

Ongoing Charges Figure

	31/12/13 %	31/12/12 %
A Accumulation	1.12	1.12
A Income	1.12	1.12
C Accumulation	0.62	0.62
C Income	0.62	0.62
C Gross Accumulation	0.62	0.62
N Accumulation	-	0.87
N Income	-	0.87
P Income	0.62	0.62
P Gross Income	0.62	0.62
Q Income	0.62	0.62
Q Gross Income	0.62	0.62
X Accumulation	0.12	0.12

Share class N Accumulation was closed 27 November 2013.
Share class N Income was closed 27 November 2013.
The Ongoing Charges Figure (OCF) is the total expenses paid by each share class in the year against its average net asset value. The OCF can fluctuate as underlying costs change.

Details of investments

Investments	31/12/13 %	31/12/12 %
Sterling Denominated Bonds	87.35	90.41
Collective Investment Schemes	6.19	5.61
Euro Denominated Bonds	4.22	2.76
Derivatives	(0.01)	(0.14)
Net other assets	2.25	1.36
Total net assets	100.00	100.00

Summary of portfolio by credit ratings

Rating block	31/12/13 %	31/12/12 %
AAA	5.05	5.96
AA+	2.66	3.03
AA	1.00	1.47
AA-	1.93	1.70
A+	4.86	5.24
A	4.87	4.51
A-	24.15	29.13
BBB+	12.67	10.93
BBB	21.26	15.48
BBB-	6.81	9.87
BB+	4.72	4.06
BB	0.23	0.53
BB-	-	0.40
NR	1.36	0.86
Total bonds	91.57	93.17
Other	8.43	6.83
Total net assets	100.00	100.00

The credit ratings used in the above table have been supplied by Standard & Poor's, Moody's or Fitch Ratings.

Net asset value

	NAV per share 31/12/13 (p)	NAV per share 31/12/12 (p)	NAV percentage change %
A Accumulation	131.01	128.98	1.57
A Income	102.98	104.74	(1.68)
C Accumulation	148.48	145.59	1.99
C Income	106.33	108.15	(1.68)
C Gross Accumulation	166.05	161.36	2.91
N Accumulation	-	110.41	(100.00)
N Income	-	108.14	(100.00)
P Income	100.31	102.02	(1.68)
P Gross Income	103.37	105.13	(1.67)
Q Income	100.31	102.02	(1.68)
Q Gross Income	103.37	105.13	(1.67)
X Accumulation	160.73	157.05	2.34

Performance record

	01/01/13 to 31/12/13 %	01/01/12 to 31/12/12 %	01/01/11 to 31/12/11 %	01/01/10 to 31/12/10 %	01/01/09 to 31/12/09 %
Net Return#	1.41	15.73	3.66	7.92	15.67
Gross Return	3.35	18.36	6.07	9.03	19.11
Benchmark Return+	1.57	15.06	6.65	9.39	14.87

#Corporate Bond Plus Fund A Income share price movement in GBP at valuation point; Revenue (net of tax) reinvested and net of expenses; Source: Lipper.
Corporate Bond Plus Fund in GBP at close of business; Revenue (gross of tax) reinvested and gross of expenses; Source: SWIP.
+iBoxx Non-Gilt ex Sovereigns index in GBP at close of business; Revenue (gross of tax) reinvested and gross of expenses; Source: Rimes.
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.

Distribution rates

	Third interim 30/09/13 (p)	Final 31/12/13 (p)
A Accumulation	1.1093	1.0435
A Income	0.8845	0.8271
C Accumulation	1.4017	1.3395
C Income	1.0213	0.9676
C Gross Accumulation	1.9530	1.8602
N Accumulation	1.0100	-
N Income	0.9740	-
P Income	0.9658	0.9092
P Gross Income	1.2440	1.1709
Q Income	0.9658	0.9092
Q Gross Income	1.2440	1.1709
X Accumulation	1.6807	1.6066

Top five holdings

		31/12/13 %		31/12/12 %
1.	SWIP European High Yield Bond Fund X Net Acc	4.01	SWIP European High Yield Bond Fund X Net Acc	3.79
2.	SWIP Strategic Bond Fund X Net Acc	1.84	Citigroup 6.8% 25/06/2038	2.01
3.	Citigroup 6.8% 25/06/2038	1.67	HSBC 7% 07/04/2038	1.92
4.	GE Capital UK Funding 5.875% 18/01/2033	1.51	SWIP Strategic Bond Fund X Net Acc	1.82
5.	Merrill Lynch 7.75% 30/04/2018	1.43	GE Capital UK Funding 5.875% 18/01/2033	1.61

Number of holdings: 209

Number of holdings: 190

Fund Profile

Investment Objective & Policy

The aim of this Fund is to provide a combination of income and growth of capital by investing in a portfolio of predominantly bonds.

The Fund will predominantly invest in UK government bonds with a maturity of up to 5 years. The Fund may also invest in bonds of any maturity issued by the UK government and other sovereign, government, public and supra-national issuers, and investment grade corporate bonds of any maturity.

The Fund may also invest in other transferable securities, money market instruments, deposits, cash and near cash, derivatives (for efficient portfolio management) and collective investment schemes, and may hold securities of any duration.

Synthetic Risk and Reward Profile

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

Typically lower rewards, lower risks ← → **Typically higher rewards, higher risks**

1	2	3	4	5	6	7

The Fund is ranked at 2 because it has experienced low levels of volatility over the past 5 years. The synthetic risk and reward indicator shown here is accurate as at 31 December 2013 and there has been no change to this ranking to date. The lowest category 1 does not mean a risk-free investment.

Interest Rate Risk: Fluctuations in interest rates are likely to affect the value of the bonds and other fixed-interest securities held by the Fund.

If long-term interest rates rise, the value of your investment is likely to fall.

Credit Risk: There is a risk that the issuers of bonds may not be able to repay the money they have borrowed nor make any interest payments. This risk is greater than average where the Fund invests in a bond with a below investment grade credit rating.

Currency Risk: The Fund may have holdings which are denominated in different currencies and may be affected by movements in exchange rates. Consequently, the value of the Fund's investment may rise or fall in line with exchange rates. This may also cause the value of any income generated to go up or down.

Derivatives Risk: Derivatives may be used for efficient portfolio management only. At times, though, the use of these instruments could lead to considerable short term fluctuations in price. The impact to the Fund is greater where derivatives are used in an extensive or complex way.

Investment Manager's Review

The bulk of the Fund's assets are invested in short-dated UK government bonds. Over the twelve months under review, the Fund's benchmark, the FTSE Under 5-year Gilts index, produced a negative return of 0.55%. Over the same period, the Fund fell by 1.55% on a net basis.

Since the onset of the financial crisis, financial repression by the world's major central banks and worries about the financial crisis in the eurozone had propelled valuations of safe-haven assets to elevated levels compared to their long-term histories. That remained the case for the first three months of 2013, with UK Gilt yields anchored at near-record low levels.

But since the beginning of April, a combination of circumstances began to exert an adverse influence on Gilt performance. These included stronger-than-expected UK economic data and an inflation report that appeared to rule out more quantitative easing (QE). There was further upward pressure on yields as the market took fright over indications that the United States, the world's largest economy, was set to scale down its own QE programme. For most of the second half of 2013, government bond markets were heavily influenced by talk of "tapering". In recent years, the asset class has been supported globally by a massive programme of bond buying. When Ben Bernanke, outgoing chairman of the US Federal Reserve, indicated in early summer that the programme was to be scaled back, this served to put upward pressure on yields.

This established a pattern whereby any improvement in the economy prompted fears that the Fed would scale back its efforts, putting upward pressure on US Treasury yields. Any news suggesting tapering was less likely had the opposite effect. Government bond markets elsewhere in the world, including the UK, were heavily influenced by events in the US. In December, it was confirmed that tapering of bond purchases would commence in January 2014.

Another major influence on the UK Gilt market has been a marked improvement in UK economic data. This, too, has exerted an upward influence on Gilt yields. Over the 12 months to 31 December 2013, the yield on the benchmark 10-year Gilt rose from 1.81% to 3.03%.

Early in the review period, the Fund was overweight relative to benchmark in index-linked Gilts. As the asset class began to underperform conventional Gilts, we reduced the position.

We also held selective off-benchmark positions in overseas markets such as Italy and in a small position in corporate bonds. The latter position proved positive until the market sold off in May. In mid-June we moved the Fund to a short duration in response to the US Federal Reserve's comments on monetary policy. This made the portfolio less sensitive to the rise in yields, proving positive for performance as Gilt yields rose fairly steadily throughout the rest of 2013.

During the year, investments were made in selected overseas bond markets, on a currency hedged basis, on the expectation that gilts would underperform various other markets. Accordingly, the portfolio of the Fund was variously overweight in Australian and Italian government bonds against UK Gilts, and short sterling at different times against the US dollar and the Norwegian krone.

The manipulation of government bond yields by central banks had blunted the traditional link between the real economy and government bond prices. However, tapering has now been set in motion in the US. As we look towards normalisation elsewhere in the world, including the UK, investors should focus more on the fundamentals of growth and inflation when valuing assets, and less on the outlook for quantitative easing. Going forward, we continue to regard UK Gilts as expensive on most historic measures.

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 DEFENSIVE GILT FUND

Distribution dates

XD date	Payment date
01/10/13	30/11/13
01/01/14	28/02/14

Ongoing Charges Figure

	31/12/13 %	31/12/12 %
A Accumulation	1.11	1.11
A Income	1.11	1.11
C Accumulation	0.61	0.61
C Income	0.61	0.61
N Accumulation	0.86	0.86
N Income	-	0.86
P Income	0.61	0.61
P Gross Income	0.61	0.61
X Accumulation	0.11	0.11

Share class N Income was closed 27 November 2013.

The Ongoing Charges Figure (OCF) is the total expenses paid by each share class in the year against its average net asset value. The OCF can fluctuate as underlying costs change.

Details of investments

Investments	31/12/13 %	31/12/12 %
Sterling Denominated Bonds	95.91	94.02
Collective Investment Schemes	3.00	0.38
Japanese Yen Denominated Bonds	-	2.74
Forward Currency Contracts	0.06	0.14
Net other assets	1.03	2.72
Total net assets	100.00	100.00

Summary of portfolio by credit ratings

Rating block	31/12/13 %	31/12/12 %
AAA	91.21	88.18
AA+	0.38	0.35
AA-	-	3.17
A+	0.63	0.84
A	0.61	0.65
A-	0.82	1.05
BBB+	0.36	0.33
BBB	1.04	1.61
BBB-	0.60	-
BB+	0.26	-
NR	-	0.58
Total bonds	95.91	96.76
Other	4.09	3.24
Total net assets	100.00	100.00

The credit ratings used in the above table have been supplied by Standard & Poor's, Moody's or Fitch Ratings.

Net asset value

	NAV per share 31/12/13 (p)	NAV per share 31/12/12 (p)	NAV percentage change %
A Accumulation	126.78	128.82	(1.58)
A Income	114.46	116.30	(1.58)
C Accumulation	98.94	100.08	(1.14)
C Income	98.60	99.97	(1.37)
N Accumulation	98.60	99.94	(1.34)
N Income	-	99.93	(100.00)
P Income	114.49	116.08	(1.37)
P Gross Income	115.92	117.53	(1.37)
X Accumulation	143.85	144.93	(0.75)

Performance record

	01/01/13 to 31/12/13 %	01/01/12 to 31/12/12 %	01/01/11 to 31/12/11 %	01/01/10 to 31/12/10 %	01/01/09 to 31/12/09 %
Net Return#	(1.55)	1.12	2.91	3.74	4.62
Gross Return	(0.49)	2.18	3.71	5.11	6.09
Benchmark Return+	(0.55)	0.98	4.70	3.57	2.72

#Defensive Gilt Fund A Income share price movement in GBP at valuation point; Revenue (net of tax) reinvested and net of expenses; Source: Lipper.
Defensive Gilt Fund in GBP at close of business; Revenue (gross of tax) reinvested and gross of expenses; Source: SWIP.
+FTSE Under 5-year Gilts index in GBP at close of business; Revenue (gross of tax) reinvested and gross of expenses; Source: Rimes.

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.

Distribution rates

	Third interim 30/09/13 (p)	Final 31/12/13 (p)
A Accumulation	-	-
A Income	-	-
C Accumulation	0.0442	0.0754
C Income	0.0443	0.0688
N Accumulation	-	-
N Income	-	-
P Income	0.0490	0.0854
P Gross Income	0.0424	0.0860
X Accumulation	0.2131	0.2523

Top five holdings

		31/12/13 %		31/12/12 %
1.	UK Treasury 1% 07/09/2017	22.50	UK Treasury 1.75% 22/01/2017	25.82
2.	UK Treasury 2.25% 07/03/2014	19.84	UK Treasury 1% 07/09/2017	23.57
3.	UK Treasury 5% 07/09/2014	19.72	UK Treasury 4.5% 07/03/2013	14.13
4.	UK Treasury 1.25% 22/07/2018	15.29	UK Treasury 2.5% Index-Linked 26/07/2016	7.74
5.	UK Treasury 2% 22/01/2016	11.11	UK Treasury 2.5% Index-Linked 16/08/2013	6.58

Number of holdings: 26

Number of holdings: 33

SWIP FINANCIAL FUND

Fund Profile

Investment Objective & Policy

The aim of this Fund is to provide competitive long-term growth through direct and indirect investment principally in securities issued by UK and overseas financial institutions such as banking, insurance, financial services and property companies, and investment trusts.

The Fund may also invest in other transferable securities, money market instruments, deposits, cash and near cash, derivatives and collective investment schemes, and may hold securities of any duration.

It is not currently intended that derivatives will be used for any purpose other than the efficient portfolio management of the Fund, although derivatives may, subject to the ACD obtaining and maintaining the requisite permissions from the FCA under the Financial Services and Markets Act 2000 and on giving not less than 60 days' notice to shareholders in the Fund, use derivatives in pursuit of its investment objective as well as hedging in the future. If derivatives are used for the purpose of meeting the investment objective of the Fund as well as hedging it is not intended that the use of derivatives would raise the risk profile.

Synthetic Risk and Reward Profile

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

Typically lower rewards, lower risks ← → **Typically higher rewards, higher risks**

1	2	3	4	5	6	7

The Fund is ranked at 6 because it has experienced high levels of volatility over the past 5 years. The synthetic risk and reward indicator shown here is accurate as at 31 December 2013 and there has been no change to this ranking to date. The lowest category 1 does not mean a risk-free investment.

Currency Risk: The Fund may have holdings which are denominated in different currencies and may be affected by movements in exchange rates. Consequently, the value of the Fund's investment may rise or fall in line with exchange rates. This may also cause the value of any income generated to go up or down.

Derivatives Risk: Derivatives may be used for efficient portfolio management only. At times, though, the use of these instruments could lead to considerable short term fluctuations in price. The impact to the Fund is greater where derivatives are used in an extensive or complex way.

Investment Manager's Review

Financial stocks produced strong returns over 2013, although they were slightly behind those of wider global equity markets. The Fund's net return of 23.33% was in line with the gross return of 23.37% from its benchmark, the FTSE World Financials index.

Uncertainty over future plans for US monetary policy was prevalent over the reporting period. It came to an end on 18 December, when the Federal Reserve announced plans to scale back quantitative easing in the US. Initially, monthly bond purchases will be lowered from $85 billion to $75 billion, with more moderate cuts to be implemented in the future, subject to a continuing improvement in economic data. Wall Street did well over the 12 months, with the S&P 500 index gaining 32.4% in dollar, total return terms.

European equities also turned a solid performance. Although forward-looking indicators have improved, unemployment remains a concern, while credit conditions are poor. Japanese equities were particularly impressive over 2013, with the broad-based Topix index returning 54.4% in yen, total return terms. Finally, UK equities made gains, although they were outperformed by the other developed markets. The UK economy grew at its fastest pace in three-and-half years in the third quarter of 2012. This momentum is expected to carry on through 2014. Many critics, however, have bemoaned the lopsided nature of the recovery, which appears to have been primarily driven by consumer spending.

At asset level, the Fund benefitted from the holding in American Express. The US-based credit card provider has continued to win market share on its native soil, as well as growing internationally. In addition the company has rolled out several new products. These factors combined to have a positive effect on the share price over the year.

KeyCorp, another of our US holdings, also had a positive effect on returns. The Ohio-based regional bank has a very strong balance sheet, with plenty of scope to cut costs. In addition, loan growth is improving as the US economy recovers.

Conversely, Rayonier disappointed over the reporting period. As an investment trust specialising in timber-related real estate, Rayonier has felt the benefits of the recovery in the US housing market. But the company's speciality chemicals business acted as a drag on performance, following concerns about a slower-than-expected increase in sales for some of its products. Concerns about overall industry capacity in the speciality chemicals sector also hurt investment sentiment. We have now sold out of this stock.

The Fund remains overweight in European (ex UK) and US banks, as we believe the majority of these have successfully recapitalised. This is particularly true of the US.

Over the last year, investors have become much more confident about developed country economic growth. Especially evident in Europe, this trend explains the large improvement in financial stocks as signs of recovery become more convincing.

We believe that economic growth can continue throughout 2014, but Europe remains in a fragile state. In addition, regulatory pressure on banks means that the capital requirements imposed by regulators will likely remain in the spotlight.

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 FINANCIAL FUND

Distribution date

XD date	Payment date
01/01/14	28/02/14

Ongoing Charges Figure

	31/12/13 %	31/12/12 %
A Income	1.64	1.67
B Income	0.89	-

Share class B Income was launched 9 December 2013.

The Ongoing Charges Figure (OCF) is the total expenses paid by each share class in the year against its average net asset value. The OCF can fluctuate as underlying costs change.

Details of investments

Investments	31/12/13 %	31/12/12 %
United States	34.17	38.10
United Kingdom	14.08	7.58
Japan	10.62	6.94
France	6.34	2.73
Netherlands	3.75	2.66
Canada	3.57	6.20
Mexico	3.46	6.03
Switzerland	3.40	3.73
Guernsey, C.I.	2.78	4.19
Belgium	2.71	-
Germany	2.58	8.16
Sweden	2.42	-
Hong Kong	2.30	2.03
Norway	2.11	-
Singapore	1.51	5.49
India	1.11	-
Australia	0.98	1.01
Brazil	0.45	1.52
Indonesia	-	2.70
Net other assets	1.66	0.93
Total net assets	100.00	100.00

Net asset value

	NAV per share 31/12/13 (p)	NAV per share 31/12/12 (p)	NAV percentage change %
A Income	2,438.92	1,990.67	22.52
B Income	102.35	-	-

Performance record

	01/01/13 to 31/12/13 %	01/01/12 to 31/12/12 %	01/01/11 to 31/12/11 %	01/01/10 to 31/12/10 %	01/01/09 to 31/12/09 %
Net Return[#]	23.33	13.88	(22.30)	13.46	28.89
Gross Return	25.35	16.26	(20.13)	14.29	29.08
Benchmark Return[+]	23.37	23.73	(17.13)	9.17	20.36

[#]Financial Fund A Income share price movement in GBP at valuation point; Revenue (net of tax) reinvested and net of expenses; Source: Lipper.
Financial Fund in GBP at close of business; Revenue (net of tax) reinvested and gross of expenses; Source: SWIP.
[+]FTSE World Financials index in GBP at close of business; Revenue (gross of tax) reinvested and gross of expenses; Source: Rimes.

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.

Distribution rates

	Final 31/12/13 (p)
A Income	-
B Income	-

Top five holdings

	31/12/13	%	31/12/12	%
1.	Wells Fargo	5.85	Wells Fargo	5.51
2.	Citigroup	5.73	Citigroup	4.88
3.	American Express	5.66	Allianz	4.12
4.	ORIX	3.94	American Express	4.06
5.	American International	3.83	Intact Financial	4.04

Number of holdings: 34

Number of holdings: 35

SWIP FOUNDATION GROWTH FUND

for the year ended 31 December 2013

Fund Profile

Investment Objective & Policy

The Fund aims to achieve long term capital growth and to produce a return that, before charges and expenses, matches the total return of the FTSE All-Share index.

The Fund will invest predominantly in equities.

The Fund may also invest in cash, near cash, deposits, other collective investment schemes and other transferable securities.

Synthetic Risk and Reward Profile

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

Typically lower rewards, lower risks ← → **Typically higher rewards, higher risks**

1	2	3	4	5	6	7

The Fund is ranked at 6 because it has experienced high levels of volatility since launch on 29 March 2010. The synthetic risk and reward indicator shown here is accurate as at 31 December 2013 and there has been no change to this ranking to date. The lowest category 1 does not mean a risk-free investment.

Derivatives Risk: Derivatives may be used for efficient portfolio management only. At times, though, the use of these instruments could lead to considerable short term fluctuations in price. The impact to the Fund is greater where derivatives are used in an extensive or complex way.

Investment Manager's Review

UK equity markets had a strong 2013. Traders were encouraged into riskier assets by the extraordinary policy actions of the world's central banks and the gradually improving economic climate. The US Federal Reserve (the Fed) has been particularly active, buying $85 billion-a-month of bonds and other securities. This programme is designed to keep long-term interest rates subdued, while flooding the market with liquidity. As a result of these measures, investors have been effectively forced to take on extra risk to deliver acceptable yield on their investments and equity markets have benefitted. This policy has been so influential that fears it could be curtailed – or "tapered" – created pockets of turbulence in the market throughout the review period. In December, the Fed eventually bit the bullet and announced it would reduce the programme by $10 billion per month, starting January 2014. Markets, however, were able to largely absorb the news.

In terms of the UK economic outlook, the Office for Budget Responsibility (OBR), the independent fiscal authority, has revised up its forecasts for UK economic growth (GDP) this year and next, to 1.4% (from 0.6%) and 2.4% (from 1.8%). Latest economic data support this view. The manufacturing sector continues its robust rebound, with the latest Markit/CIPS Manufacturing Purchasing Managers' index coming in at 57.3 for December (a reading above 50 indicates an industry in expansion mode). The news was similarly encouraging in the retail and construction sectors.

On a sector basis, the biggest positive contributors in 2013 were mobile telecoms (thanks to Vodafone's $130 billion deal with US partner Verizon), life insurance, pharmaceuticals & biotech, travel & leisure (on the back of the improving economic climate) and fixed telecoms. On the other side of the ledger, the biggest losers were mining, and oil & gas producers. These areas have been hit in part by a drop in demand from China and the shale gas revolution in the US. Traditional defensives such as tobacco and beverages also struggled as traders sought superior returns up the risk spectrum. Banks also had a tough year, although the conditions are improving.

The FTSE All-Share index was up 20.81% for the review period. The Fund slightly underperformed its benchmark, returning 20.65% on a gross basis. The factors which may impact the difference in performance are highlighted in the performance record.

In terms of activity, the Fund continued to track the FTSE All-Share index. We therefore periodically rebalanced its holdings in accordance with the changes made by index provider FTSE at its quarterly reviews.

Looking ahead, while equity markets have struggled to push meaningfully higher in recent months, they are still predominantly in economic-recovery mode. Indeed, latest surveys suggest the UK economy is gaining momentum. Corporate confidence is also strengthening, as surveys report an improving export outlook (helped by the EU finally exiting recession) and increasing investment intentions.

In general, we remain relatively upbeat about the prospects for UK markets. That said, the economic landscape remains fragile and susceptible to shocks. As such, clear communication from the world's central bankers will remain of primary importance into 2014.

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 FOUNDATION GROWTH FUND

Distribution date

XD date	Payment date
01/01/14	28/02/14

Ongoing Charges Figure

	31/12/13 %	31/12/12 %
A Accumulation	1.12	1.13
B Accumulation	0.09	0.10
B Income	0.09	0.10
C Accumulation	0.27*	0.63
C Income	0.27*	0.63
D Accumulation	0.37	0.38
D Income	-	0.38
K Accumulation	1.50	1.50
L Accumulation	0.22	0.23

Share class D Income was closed 27 November 2013.

The Ongoing Charges Figure (OCF) is the total expenses paid by each share class in the year against its average net asset value. The OCF can fluctuate as underlying costs change.

*ACD fee changed from 0.50% to 0.15% on 9 December 2013.

Details of investments

Investments	31/12/13 %	31/12/12 %
United Kingdom	89.09	91.53
Jersey, C.I.	4.86	4.05
Ireland	3.39	2.24
Guernsey, C.I.	0.74	0.72
Spain	0.37	0.17
Bermuda	0.32	0.32
Switzerland	0.16	-
Luxembourg	0.09	0.07
Isle of Man	0.07	0.06
Gibraltar	0.05	0.05
Canada	0.05	-
Cayman Islands	0.04	0.04
Singapore	0.01	-
Virgin Islands, British	0.01	0.01
Finland	-	0.01
Netherlands	-	0.03
Derivatives	0.14	-
Net other assets	0.61	0.70
Total net assets	100.00	100.00

Net asset value

	NAV per share 31/12/13 (p)	NAV per share 31/12/12 (p)	NAV percentage change %
A Accumulation	40.48	33.92	19.34
B Accumulation	136.96	113.60	20.56
B Income	127.84	109.68	16.56
C Accumulation	135.66	113.12	19.93
C Income	130.04	111.53	16.60
D Accumulation	136.23	113.28	20.26
D Income	-	111.54	(100.00)
K Accumulation	174.04	146.41	18.87
L Accumulation	123.19	102.32	20.40

Performance record

	01/01/13 to 31/12/13 %	01/01/12 to 31/12/12 %	01/01/11 to 31/12/11 %	29/03/10 to 31/12/10 %
Net Return[#]	19.36	11.61	(5.29)	7.49
Gross Return	20.65	12.22	(3.44)	6.97
Benchmark Return[+]	20.81	12.30	(3.46)	7.15
Realised Tracking Error[†]	0.11	n/a	n/a	n/a
Anticipated Tracking Error*	(0-0.5%)	n/a	n/a	n/a

[#]Foundation Growth Fund A Accumulation share price movement in GBP at valuation point; Revenue (net of tax) reinvested and net of expenses; Source: Lipper.
Foundation Growth Fund in GBP at close of business; Revenue (net of tax) reinvested and gross of expenses; Source: SWIP.
[+]FTSE All-Share index in GBP at close of business; Revenue (gross of tax) reinvested and gross of expenses; Source: Rimes.
[†]The Realised Tracking Error measures how consistently the Fund follows its benchmark and is defined as being the volatility of differences in returns between the Fund and its benchmark over a 3 year period to 31 December 2013.
*The Anticipated Tracking Error calculated using the performance of the Fund against the closing position of the Benchmark Index will be in the region of 0.0 -0.5%. Factors likely to affect the ability of the Fund in meeting this objective are transaction costs, small illiquid components, dividend reinvestment, rebalancing, Fund expenses, significant inflows/outflows and the cash management thereof.
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.

Distribution rates

	Final 31/12/13 (p)
A Accumulation	0.3417
B Accumulation	1.8419
B Income	1.7427
C Accumulation	1.4979
C Income	1.4505
D Accumulation	1.6476
D Income	-
K Accumulation	1.1455
L Accumulation	1.5869

Top five holdings

	31/12/13 %		31/12/12 %
1. HSBC	5.72	HSBC	6.56
2. Vodafone	5.32	BP	4.48
3. BP	4.16	Royal Dutch Shell 'A' Shares	4.37
4. Royal Dutch Shell 'A' Shares	3.81	Vodafone	4.22
5. GlaxoSmithKline	3.59	GlaxoSmithKline	3.63

Number of holdings: 575

Number of holdings: 574

SWIP GILT PLUS FUND

Fund Profile

Investment Objective & Policy

The aim of this Fund is to provide a combination of income and growth of capital by investing in a portfolio of predominantly bonds.

The Fund will predominantly invest in UK government bonds. The Fund may also invest in bonds of other sovereign, government, public and supra-national issuers, and investment grade corporate bonds.

The Fund may also invest in other transferable securities, money market instruments, deposits, cash and near cash, derivatives and collective investment schemes, and may hold securities of any duration.

It is not currently intended that derivatives will be used for any purpose other than the efficient portfolio management of the Fund, although derivatives may, subject to the ACD obtaining and maintaining the requisite permissions from the FCA under the Financial Services and Markets Act 2000 and on giving not less than 60 days' notice to shareholders in the Fund, use derivatives in pursuit of its investment objective as well as hedging in the future. If derivatives are used for the purpose of meeting the investment objective of the Fund as well as hedging it is not intended that the use of derivatives would raise the risk profile.

Synthetic Risk and Reward Profile

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

Typically lower rewards, lower risks ← → **Typically higher rewards, higher risks**

1	2	3	4	5	6	7

The Fund is ranked at 4 because it has experienced medium levels of volatility over the past 5 years. The synthetic risk and reward indicator shown here is accurate as at 31 December 2013 and there has been no change to this ranking to date. The lowest category 1 does not mean a risk-free investment.

Interest Rate Risk: Fluctuations in interest rates are likely to affect the value of the bonds and other fixed-interest securities held by the Fund. If long term interest rates rise, the value of your investment is likely to fall.

Credit Risk: There is a risk that the issuers of bonds may not be able to repay the money they have borrowed nor make any interest payments. This risk is greater than average where the Fund invests in a bond with a below investment grade credit rating.

Currency Risk: The Fund may have holdings which are denominated in different currencies and may be affected by movements in exchange rates. Consequently, the value of the Fund's investment may rise or fall in line with exchange rates. This may also cause the value of any income generated to go up or down.

Derivatives Risk: Derivatives may be used for efficient portfolio management only. At times, though, the use of these instruments could lead to considerable short term fluctuations in price. The impact to the Fund is greater where derivatives are used in an extensive or complex way.

Investment Manager's Review

During the 12-month review period the Fund fell 4.95% on a net basis. Over the same period the Fund's benchmark, the FTSE UK Gilts All Stocks index, declined by 3.94%.

Since the onset of the financial crisis, financial repression by the world's major central banks and worries about the financial crisis in the eurozone had propelled valuations of safe-haven assets to elevated levels compared to their long-term histories. That remained the case for the first three months of 2013, with UK Gilt yields anchored at near-record low levels.

But since the beginning of April, a combination of circumstances began to exert an adverse influence on Gilt performance. These included stronger-than-expected UK economic data and an inflation report that appeared to rule out more quantitative easing (QE). There was further upward pressure on yields as the market took fright over indications that the United States, the world's largest economy, was set to scale down its own QE programme. For most of the second half of 2013, government bond markets were heavily influenced by talk of "tapering". In recent years, the asset class has been supported globally by a massive programme of bond buying. When Ben Bernanke, outgoing chairman of the US Federal Reserve, indicated in early summer that the programme was to be scaled back, this served to put upward pressure on yields.

This established a pattern whereby any improvement in the economy prompted fears that the Fed would scale back its efforts, putting upward pressure on US Treasury yields. Any news suggesting tapering was less likely had the opposite effect. Government bond markets elsewhere in the world, including the UK, were heavily influenced by events in the US. In December, it was confirmed that tapering of bond purchases would commence in January 2014.

Another major influence on the UK Gilt market has been a marked improvement in UK economic data. This, too, has exerted an upward influence on Gilt yields. Over the 12 months to 31 December 2013, the yield on the benchmark 10-year Gilt rose from 1.81% to 3.03%.

During the year, investments were made in selected overseas bond markets, on a currency hedged basis, on the expectation that gilts would underperform various other markets. Accordingly, the Fund was variously overweight in Australian and Italian government bonds against UK Gilts. Throughout the first half of the review period we were overweight in index-linked Gilts relative to benchmark. However, as the asset class began to underperform conventional Gilts, we reduced the position.

In mid-June, we responded to the Fed's tapering comments by moving the Fund to a short duration position. This made the portfolio less sensitive to the environment of rising yields and helped protect investors' capital. That position was maintained until December, when profits were taken after the market sold off. In October, we initiated a yield curve flattener – short 10-year Gilts and long 50-year Gilts, as we saw a positive supply/demand outlook for ultra-long-dated Gilts into the year end.

The manipulation of government bond yields by central banks had blunted the traditional link between the real economy and government bond prices. However, tapering has now been set in motion in the US. As we look towards normalisation elsewhere in the world, including the UK, investors should focus more on the fundamentals of growth and inflation when valuing assets, and less on the outlook for quantitative easing. Going forward, we continue to regard UK Gilts as expensive on most historic measures.

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 GILT PLUS FUND

Distribution date

XD date	Payment date
01/01/14	28/02/14

Ongoing Charges Figure

	31/12/13 %	31/12/12 %
A Accumulation	1.13	1.11
A Income	1.13	1.11
C Accumulation	0.63	0.61
C Income	0.63	0.61
N Accumulation	-	0.86
N Income	-	0.86
P Income	0.63	0.61
P Gross Income	0.63	0.61
Q Income	0.63	0.61
Q Gross Income	0.63	0.61

Share class N Accumulation was closed 27 November 2013.
Share class N Income was closed 27 November 2013.

The Ongoing Charges Figure (OCF) is the total expenses paid by each share class in the year against its average net asset value. The OCF can fluctuate as underlying costs change.

Details of investments

Investments	31/12/13 %	31/12/12 %
Sterling Denominated Bonds	85.51	89.44
Collective Investment Schemes	9.31	3.36
US Dollar Denominated Bonds	3.45	-
Australian Dollar Denominated Bonds	1.05	2.68
Japanese Yen Denominated Bonds	-	3.02
Euro Denominated Bonds	-	1.52
Forward Currency Contracts	0.07	0.18
Net other assets/(liabilities)	0.61	(0.20)
Total net assets	100.00	100.00

Summary of portfolio by credit ratings

Rating block	31/12/13 %	31/12/12 %
AAA	84.02	88.36
AA+	3.45	-
AA-	1.05	6.12
A+	0.51	0.62
A	0.42	0.32
A-	0.56	0.45
BBB+	-	0.46
BBB-	-	0.19
NR	-	0.14
Total bonds	90.01	96.66
Other	9.99	3.34
Total net assets	100.00	100.00

The credit ratings used in the above table have been supplied by Standard & Poor's, Moody's or Fitch Ratings.

Net asset value

	NAV per share 31/12/13 (p)	NAV per share 31/12/12 (p)	NAV percentage change %
A Accumulation	147.69	155.43	(4.98)
A Income	114.23	121.45	(5.94)
C Accumulation	149.29	156.47	(4.59)
C Income	93.95	99.89	(5.95)
N Accumulation	-	100.59	(100.00)
N Income	-	99.89	(100.00)
P Income	120.76	128.42	(5.96)
P Gross Income	120.56	128.20	(5.96)
Q Income	120.76	128.42	(5.96)
Q Gross Income	120.56	128.21	(5.97)

Performance record

	01/01/13 to 31/12/13 %	01/01/12 to 31/12/12 %	01/01/11 to 31/12/11 %	01/01/10 to 31/12/10 %	01/01/09 to 31/12/09 %
Net Return#	(4.95)	1.77	13.44	6.65	0.88
Gross Return	(3.66)	2.97	15.00	8.10	2.33
Benchmark Return+	(3.94)	2.70	5.57	7.20	(1.16)

#Gilt Plus Fund A Accumulation share price movement in GBP at valuation point; Revenue (net of tax) reinvested and net of expenses; Source: Lipper.
Gilt Plus Fund in GBP at close of business; Revenue (gross of tax) reinvested and gross of expenses; Source: SWIP.
+FTSE UK Gilts All Stocks index in GBP at close of business; Revenue (gross of tax) reinvested and gross of expenses; Source: Rimes.
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.

Distribution rates

	Final 31/12/13 (p)
A Accumulation	0.7891
A Income	0.6158
C Accumulation	1.1045
C Income	0.6883
N Accumulation	-
N Income	-
P Income	0.9001
P Gross Income	1.1235
Q Income	0.9001
Q Gross Income	1.1235

Top five holdings

	31/12/13 %		31/12/12 %
1. UK Treasury 2.25% 07/03/2014	19.69	UK Treasury 1.75% 07/09/2022	28.66
2. UK Treasury 1% 07/09/2017	13.08	UK Treasury 4.5% 07/09/2034	9.00
3. UK Treasury 3.5% 22/07/2068	10.24	UK Treasury 3.75% 22/07/2052	8.93
4. UK Treasury 5% 07/03/2025	6.69	UK Treasury 4.5% 07/03/2013	8.36
5. UK Treasury 4.75% 07/03/2020	5.51	UK Treasury 4.25% 07/09/2039	8.09

Number of holdings: 31 Number of holdings: 36

SWIP GLOBAL BOND PLUS FUND

for the year ended 31 December 2013

Fund Profile

Investment Objective & Policy

The aim of this Fund is to provide a combination of income and growth of capital by investing in a portfolio of predominantly bonds.

The Fund will predominantly invest in bonds issued by governments, public bodies and financial institutions from around the world. The Fund may also invest in investment-grade corporate bonds.

The Fund may also invest in other transferable securities, money market instruments, deposits, cash and near cash, derivatives and collective investment schemes, and may hold securities of any duration.

It is not currently intended that derivatives will be used for any purpose other than the efficient portfolio management of the Fund, although derivatives may, subject to the ACD obtaining and maintaining the requisite permissions from the FCA under the Financial Services and Markets Act 2000 and on giving not less than 60 days' notice to shareholders in the Fund, use derivatives in pursuit of its investment objective as well as hedging in the future. If derivatives are used for the purpose of meeting the investment objective of the Fund as well as hedging it is not intended that the use of derivatives would raise the risk profile.

Synthetic Risk and Reward Profile

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

Typically lower rewards, lower risks ← → **Typically higher rewards, higher risks**

1	2	3	4	5	6	7

The Fund is ranked at 5 because it has experienced medium to high levels of volatility over the past 5 years. The synthetic risk and reward indicator shown here is accurate as at 31 December 2013 and there has been no change to this ranking to date. The lowest category 1 does not mean a risk-free investment.

Interest Rate Risk: Fluctuations in interest rates are likely to affect the value of the bonds and other fixed-interest securities held by the Fund.

If long-term interest rates rise, the value of your investment is likely to fall.

Credit Risk: There is a risk that the issuers of bonds may not be able to repay the money they have borrowed nor make any interest payments. This risk is greater than average where the Fund invests in a bond with a below investment grade credit rating.

Currency Risk: The Fund may have holdings which are denominated in different currencies and may be affected by movements in exchange rates. Consequently, the value of the Fund's investment may rise or fall in line with exchange rates. This may also cause the value of any income generated to go up or down.

Derivatives Risk: Derivatives may be used for efficient portfolio management only. At times, though, the use of these instruments could lead to considerable short term fluctuations in price. The impact to the Fund is greater where derivatives are used in an extensive or complex way.

Investment Manager's Review

It has been a difficult year for global government bonds. Improving economic data – which tends to favour equities over sovereign debt – combined with central bank actions to send yields higher and prices lower.

Concerns about the eurozone have never been far from the surface, and dominated the early months of the review period. An inconclusive Italian election and a botched Cypriot banking bailout heightened sovereign debt worries.

But as 2013 wore on, the spotlight switched to the United States. The US Federal Reserve has been operating an extremely accommodative monetary policy, which currently involves the purchase of $85 billion of Treasuries and mortgage-backed securities each month. This has served to bolster the performance of the asset class. However, in May – and again in June – Fed chairman Ben Bernanke delivered clear indications that this policy may soon come to an end.

The market reacted dramatically to the talk of "tapering" the monetary accommodation, and 10-year US Treasury yields rose substantially. "Core" European bond markets such as Germany followed the US lead.

After that sell-off, mollifying words from Fed chairman Ben Bernanke in July calmed the market. However, a pattern had been established whereby investor sentiment continued to fluctuate with every economic data release. Any improvement in the economy prompted fears that the Fed would scale back its efforts, putting upward pressure on US Treasury yields. Any news suggesting tapering was less likely had the opposite effect. Government bond markets elsewhere in the world were heavily influenced by events in the US. In December, it was confirmed that tapering of bond purchases would commence in January 2014.

Over the review period, "core" global government bond yields have moved significantly higher, and prices lower. In contrast, prospects for Europe's peripheral markets have stabilised, and this sub-sector delivered good overall performance.

The Fund fell 8.04% on a net basis in the 12 months to 31 December. In contrast, its benchmark – the JP Morgan Global Bond index – was down 6.27%. For almost all of the review period, the Fund has been positioned with a short duration in government bonds from core economies such as the US and Germany. This had a mixed effect on performance. As yields remained anchored to record lows in the first months of the year, this position had a negative impact. But as the market sold off, the portfolio's comparative lack of sensitivity to interest rate rises helped protect returns.

In terms of currencies, the Fund has typically been overweight in high beta currencies (which tend to benefit from improved economic data) such as the Australian dollar and Swedish krona. In general, this has proved negative for performance. Throughout the review period we have held a comparatively low weighting in the euro, based on our assessment of the many challenges still faced by countries in the region.

Looking ahead, further volatility is likely and so we are likely to retain the Fund's short duration position for the time being to help protect investors' capital. However, this volatility is leading to opportunities, which we will continue to exploit in 2014.

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 GLOBAL BOND PLUS FUND

Distribution date

XD date	Payment date
01/01/14	28/02/14

Ongoing Charges Figure

	31/12/13 %	31/12/12 %
A Accumulation	1.15	1.15
A Income	1.15	1.15
C Accumulation	0.65	
C Income	0.65	
P Income	-	0.65
X Accumulation	0.15	0.15

Share class C Accumulation was launched 9 December 2013.
Share class C Income was launched 9 December 2013.
Share class P Income was closed 27 November 2013.

The Ongoing Charges Figure (OCF) is the total expenses paid by each share class in the year against its average net asset value. The OCF can fluctuate as underlying costs change.

Details of investments

Investments	31/12/13 %	31/12/12 %
US Dollar Denominated Bonds	35.83	34.63
Euro Denominated Bonds	28.15	25.16
Japanese Yen Denominated Bonds	24.82	28.55
Sterling Denominated Bonds	7.19	7.17
Canadian Dollar Denominated Bonds	1.44	1.75
Australian Dollar Denominated Bonds	1.06	0.96
Danish Krone Denominated Bonds	0.66	0.62
Swedish Krona Denominated Bonds	0.35	0.44
Forward Currency Contracts	(0.20)	(0.28)
Net other assets	0.70	1.00
Total net assets	100.00	100.00

Summary of portfolio by credit ratings

Rating block	31/12/13 %	31/12/12 %
AAA	24.95	18.99
AA+	35.93	40.94
AA-	22.29	30.31
A+	5.75	-
BBB+	6.79	-
BBB	0.31	6.12
BBB-	3.48	2.92
Total bonds	99.50	99.28
Other	0.50	0.72
Total net assets	100.00	100.00

The credit ratings used in the above table have been supplied by Standard & Poor's, Moody's or Fitch Ratings.

Net asset value

	NAV per share 31/12/13 (p)	NAV per share 31/12/12 (p)	NAV percentage change %
A Accumulation	142.98	155.37	(7.97)
A Income	120.76	131.76	(8.35)
C Accumulation	98.44	-	-
C Income	98.42	-	-
P Income	-	132.63	(100.00)
X Accumulation	155.03	167.13	(7.24)

Performance record

	01/01/13 to 31/12/13 %	01/01/12 to 31/12/12 %	01/01/11 to 31/12/11 %	01/01/10 to 31/12/10 %	01/01/09 to 31/12/09 %
Net Return#	(8.04)	(4.01)	8.36	8.65	(9.35)
Gross Return	(6.43)	(3.40)	10.31	9.70	(8.59)
Benchmark Return+	(6.27)	(3.15)	8.02	9.77	(9.27)

#Global Bond Plus Fund A Accumulation share price movement in GBP at valuation point; Revenue (net of tax) reinvested and net of expenses; Source: Lipper.
Global Bond Plus Fund in GBP at close of business; Revenue (gross of tax) reinvested and gross of expenses; Source: SWIP.
+JPM Global Bond index in GBP at close of business; Revenue (gross of tax) reinvested and gross of expenses; Source: Rimes.
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.

Distribution rates

	Final 31/12/13 (p)
A Accumulation	0.3102
A Income	0.2619
C Accumulation	0.0225
C Income	0.0225
P Income	-
X Accumulation	1.0014

Top five holdings

		31/12/13 %		31/12/12 %
1.	US Treasury Note 2.125% 29/02/2016	9.80	US Treasury Note 2.125% 29/02/2016	7.79
2.	US Treasury Note 1.25% 15/02/2014	9.41	Japan Government Five Year Bond 0.6% 20/09/2014	6.48
3.	Bundesschatzanweisungen 0.25% 14/03/2014	7.34	Japan Government Ten Year Bond 1.7% 20/03/2017	6.34
4.	Japan Government Ten Year Bond 1.7% 20/03/2017	5.88	US Treasury Note 1.375% 15/03/2013	5.83
5.	US Treasury Note 3.75% 15/11/2018	5.81	US Treasury Note 2.125% 31/05/2015	5.34
	Number of holdings: 45		Number of holdings: 45	

SWIP HIGH YIELD BOND FUND

Fund Profile

Investment Objective & Policy

The aim of this Fund is to provide a combination of income and growth of capital by investing in a portfolio of predominantly sub-investment grade bonds.

The Fund will predominantly invest in sub-investment-grade bonds. These bonds will typically be issued by companies based in Europe and America but may also be issued by companies and governments based elsewhere (including in developing countries). The Fund may also invest in investment grade corporate bonds, government bonds, equities, other transferable securities, money market instruments, deposits, cash and near cash, warrants, convertibles and units in collective investment schemes and derivatives (for efficient portfolio management).

The relative proportions of the Fund which, at any time, are invested in bonds issued by (a) companies based in Europe and (b) companies based in America may vary significantly throughout the life of the Fund, at the discretion of the ACD and/or the investment adviser. Those proportions may range from 0% to 100% at any time for either of those categories. Any investment in companies and governments based in developing countries will represent a minority proportion of the Fund.

Non-sterling currency exposure will be hedged into sterling insofar as is reasonably practicable.

Synthetic Risk and Reward Profile

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

Typically lower rewards, lower risks ← → **Typically higher rewards, higher risks**

1	2	3	4	5	6	7

The Fund is ranked at 4 because it has experienced medium levels of volatility over the past 5 years. The synthetic risk and reward indicator shown here is accurate as at 31 December 2013 and there has been no change to this ranking to date. The lowest category 1 does not mean a risk-free investment.

Interest Rate Risk: Fluctuations in interest rates are likely to affect the value of the bonds and other fixed-interest securities held by the Fund.

If long-term interest rates rise, the value of your investment is likely to fall.

Credit Risk: There is a risk that the issuers of bonds may not be able to repay the money they have borrowed nor make any interest payments. This risk is greater than average where the Fund invests in a bond with a below investment grade credit rating.

Fund Profile (continued)

Synthetic Risk and Reward Profile (continued)

Currency Risk: The Fund may have holdings which are denominated in different currencies and may be affected by movements in exchange rates. Consequently, the value of the Fund's investment may rise or fall in line with exchange rates. This may also cause the value of any income generated to go up or down.

Derivatives Risk: Derivatives may be used for efficient portfolio management only. At times, though, the use of these instruments could lead to considerable short term fluctuations in price. The impact to the Fund is greater where derivatives are used in an extensive or complex way.

Investment Manager's Review

High yield bonds produced strong performance for 2013 as investor demand for yield was robust and economic conditions generally improved in both the US and Europe. This risk on mood was reflected in the outperformance of lower quality issues versus higher quality issues, which tend to be more sensitive to interest rate changes.

Issuance of new high yield bonds has been near or at record levels, as corporate refinancing continued to be a dominant theme. Defaults were at very low levels. Indeed, they are likely to stay low for an extended period of time because refinancing activity has allowed many companies to push out debt maturities and repair their balance sheets.

During the early months of the year, the market benefited from investors' hunt for yield. As the year progressed, the new issue market opened up, resulting in some excellent investment opportunities.

In May and June, however, the market received a severe jolt. The catalyst was talk of "tapering" – reducing the amount of assets the US Federal Reserve purchased under its quantitative easing programme. The Fed said improvements in economic data would mean a withdrawal of stimulus. Markets took fright, interpreting the comments as a precursor to interest rate rises, and riskier assets – such as high yield bonds – were marked down in price.

The high yield market soon recovered its equilibrium. After the sell-off, mollifying words from Fed chairman Ben Bernanke in July calmed the market. However, investor sentiment continued to fluctuate with every economic data release. Positive news heightened expectations that stimulus would come to an end, putting upward pressure on yields, and vice versa. Towards the end of 2013 it was confirmed that tapering would finally begin in January. Market reaction to the announcement was positive in December, with risk assets rallying.

The High Yield Bond Fund returned 7.55% on a net basis in the 12 months to 31 December, compared with the benchmark return of 7.75%. Throughout the review period, the Fund has been weighted with a slight bias towards the riskier end of the US market, with an underweight position in BB rated bonds and overweight CCC rated bonds. This has contributed positively to full year performance. The portfolio was also overweight Euro high yield versus the US. This, too, benefited performance as the European high yield market recovered.

Supply in the new issue market has been heavy as corporations refinanced high coupon debt with lower cost debt at prevailing market rates. Recently, we purchased Avis Budget Car Rental, T-Mobile USA, NCR, and Mobile Challenger. Sales included CCO Capital, Co-operative Bank, Valassis Communications, and Sirius XM Radio.

The rally we have seen in the global high yield market has pushed yields down to near record low levels. Spreads to government bonds, however, are below long term historical averages but not close to all-time lows. If we see upward movement in interest rates there could be downward pressure on prices once spreads compress a bit further. We have been positioning the Fund to be short the average duration of the index to reduce fund sensitivity to rate movements.

Looking ahead, economic activity is accelerating in the US and UK, while Europe lags. The bias towards a cautious withdrawal of Fed purchases of bonds and low rates in the US combined with continued easy monetary policy in Europe and the UK, should help underpin corporate credit conditions. Europe's largest 100 or so banks are to undergo a further Asset Quality Review in the first half of 2014. Until this is complete, credit creation will remain sluggish and a drag on growth. In the meantime, issuance of European high yield bonds and syndicated bank debt has been growing at rates above historical averages and will help to mitigate some, but not all of the impact of slow loan growth rates. 2014 looks to be a very busy year for high yield new issues.

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 HIGH YIELD BOND FUND

Distribution dates

XD date	Payment date
01/10/13	30/11/13
01/01/14	28/02/14

Ongoing Charges Figure

	31/12/13 %	31/12/12 %
A Accumulation	1.61	1.61
A Income	1.61	1.61
B Accumulation	0.76*	0.86
B Income	0.76*	0.86
C Accumulation	-	1.11
C Income	-	1.11
P Income	0.81	0.81
P Gross Income	0.81	0.81
Q Income	0.81	0.81
Q Gross Income	0.81	0.81
X Accumulation	0.11	0.11

Share class C Accumulation was closed 27 November 2013.

Share class C Income was closed 27 November 2013.

The Ongoing Charges Figure (OCF) is the total expenses paid by each share class in the year against its average net asset value. The OCF can fluctuate as underlying costs change.

*ACD fee changed from 0.75% to 0.65% on 9 December 2013.

Details of investments

Investments	31/12/13 %	31/12/12 %
US Dollar Denominated Bonds	74.40	73.12
Sterling Denominated Bonds	9.63	6.12
Euro Denominated Bonds	8.74	11.42
Collective Investment Schemes	1.68	1.62
Swiss Franc Denominated Bonds	0.24	0.08
Derivatives	2.11	0.80
Net other assets	3.20	6.84
Total net assets	100.00	100.00

Summary of portfolio by credit ratings

Rating block	31/12/13 %	31/12/12 %
A-	0.43	0.11
BBB+	0.16	0.12
BBB	0.23	0.99
BBB-	2.87	3.04
BB+	4.47	6.88
BB	9.94	8.64
BB-	14.60	11.69
B+	10.27	14.56
B	13.36	13.55
B-	15.07	13.53
CCC+	17.34	10.30
CCC	2.56	4.76
CCC-	0.03	0.79
CC	0.40	-
C	-	0.23
NR	1.28	1.55
Total bonds	93.01	90.74
Other	6.99	9.26
Total net assets	100.00	100.00

The credit ratings used in the above table have been supplied by Standard & Poor's, Moody's or Fitch Ratings.

Net asset value

	NAV per share 31/12/13 (p)	NAV per share 31/12/12 (p)	NAV percentage change %
A Accumulation	145.86	136.31	7.01
A Income	101.80	99.25	2.57
B Accumulation	150.41	139.98	7.45
B Income	97.01	94.60	2.55
C Accumulation	-	111.45	(100.00)
C Income	-	108.31	(100.00)
P Income	97.71	95.27	2.56
P Gross Income	94.01	91.67	2.55
Q Income	97.71	95.27	2.56
Q Gross Income	94.01	91.67	2.55
X Accumulation	143.68	132.68	8.29

Performance record

	01/01/13 to 31/12/13 %	01/01/12 to 31/12/12 %	01/01/11 to 31/12/11 %	01/01/10 to 31/12/10 %	01/01/09 to 31/12/09 %
Net Return#	7.55	16.15	(1.52)	12.15	41.25
Gross Return	9.94	19.37	2.96	14.69	47.10
Benchmark Return+	7.75	18.41	1.44	n/a	n/a
Benchmark Return†	n/a	n/a	n/a	15.09	62.45

#High Yield Bond Fund A Income share price movement in GBP at valuation point; Revenue (net of tax) reinvested and net of expenses; Source: Lipper.

High Yield Bond Fund in GBP at close of business; Revenue (gross of tax) reinvested and gross of expenses; Source: SWIP.

+Barclays Global High Yield Corporate index in GBP at close of business; Revenue (gross of tax) reinvested and gross of expenses; Source: Barclays.

†The benchmark was amended from the 50% ML European Curr Original Issue HY index 5% capped, hedged to GBP, 50% CS Developed Countries $US HY from 1 January 2011. The new benchmark is a more accurate representation of the average return expected to be achieved by funds with a similar investment mandate to the Fund.

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.

Distribution rates

	Third interim 30/09/13 (p)	Final 31/12/13 (p)
A Accumulation	1.1136	1.5501
A Income	0.7845	1.0975
B Accumulation	1.3860	1.8370
B Income	0.8967	1.2104
C Accumulation	1.0295	-
C Income	0.9760	-
P Income	0.9131	1.2100
P Gross Income	1.0980	1.4559
Q Income	0.9131	1.2100
Q Gross Income	1.0980	1.4559
X Accumulation	1.5024	1.9587

Top five holdings

	31/12/13 %		31/12/12 %
1. SWIP European High Yield Bond Fund X Net Acc	1.61	SWIP European High Yield Bond Fund X Net Acc	1.62
2. Clear Channel Communications 11.25% 01/03/2021	1.06	Sprint Nextel 6% 15/11/2022	1.19
3. First Data 8.25% 15/01/2021	1.03	CIT 5.5% 15/02/2019	1.16
4. Sprint Communications 6% 15/11/2022	0.94	MGM Resorts International 11.375% 01/03/2018	0.97
5. Intelsat Luxembourg 7.75% 01/06/2021	0.91	First Data 8.25% 15/01/2021	0.94
Number of holdings: 533		Number of holdings: 495	

SWIP STERLING BOND PLUS FUND

Fund Profile

Investment Objective & Policy

The Fund's aim is to provide a combination of income and growth of capital by investing in a portfolio of predominantly fixed interest securities.

The Fund will invest predominantly in UK government bonds and the following sterling denominated securities: investment-grade corporate bonds and bonds of sovereign; government; public; local authority and supra-national issuers. The Fund may also invest in the following types of securities which may be denominated in any currency: non UK sovereign; government; public; local authority and supra-national issuers; non sterling investment-grade bonds, sub-investment grade bonds, convertible bonds and preference shares.

The Fund may invest in securities of any duration.

The Fund may also invest in other transferable securities, money market instruments, deposits, cash and near cash, derivatives and collective investment schemes.

It is not currently intended that derivatives will be used for any purpose other than the efficient portfolio management of the Fund, although derivatives may, subject to the ACD obtaining and maintaining the requisite permissions from the FCA under the Financial Services and Markets Act 2000 and on giving not less than 60 days' notice to shareholders in the Fund, use derivatives in pursuit of its investment objective as well as hedging in the future. If derivatives are used for the purpose of meeting the investment objective of the Fund as well as hedging it is not intended that the use of derivatives would raise the risk profile.

Synthetic Risk and Reward Profile

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

Typically lower rewards, lower risks ← → **Typically higher rewards, higher risks**

1	2	3	4	5	6	7

The Fund is ranked at 4 because it has experienced medium levels of volatility over the past 5 years. The synthetic risk and reward indicator shown here is accurate as at 31 December 2013 and there has been no change to this ranking to date. The lowest category 1 does not mean a risk-free investment.

Interest Rate Risk: Fluctuations in interest rates are likely to affect the value of the bonds and other fixed-interest securities held by the Fund.

If long-term interest rates rise, the value of your investment is likely to fall.

Credit Risk: There is a risk that the issuers of bonds may not be able to repay the money they have borrowed nor make any interest payments. This risk is greater than average where the Fund invests in a bond with a below investment grade credit rating.

Fund Profile (continued)

Synthetic Risk and Reward Profile (continued)

Currency Risk: The Fund may have holdings which are denominated in different currencies and may be affected by movements in exchange rates. Consequently, the value of the Fund's investment may rise or fall in line with exchange rates. This may also cause the value of any income generated to go up or down.

Derivatives Risk: Derivatives may be used for efficient portfolio management only. At times, though, the use of these instruments could lead to considerable short term fluctuations in price. The impact to the Fund is greater where derivatives are used in an extensive or complex way.

Investment Manager's Review

The period under review was a mix of opportunities and setbacks for bond markets.

In the UK, the growth turnaround in 2013 was the greatest of any G7 country, as the housing market strengthened and consumer spending picked up. The stronger UK growth data and the move to the tapering of bond purchases in the United States pushed 10-year Gilt yields from 1.8% at the start of the year to 2.9% at 31 December.

Meanwhile, corporate bonds have outperformed government bonds. However, government bond yields have risen sharply across the globe. This has been particularly pronounced in the US Treasury market, resulting in negative total returns for US investment grade credit.

Against this difficult background, the Fund fell 1.72% on a gross basis, 3.22% on a net basis in the 12 months to 31 December. Over the same period the Fund's benchmark, the iBoxx Sterling All Maturities index, fell 2.58%.

Throughout most of the year the Fund has been positioned with a comparatively high weighting in corporate bonds – both investment grade and high yield – and in select overseas government bonds. This was accompanied by a lack of exposure to Gilts. This position generally benefited performance, as corporate bonds outperformed over the year.

On the downside, the overweight position in index-linked bonds early on in the review period was negative. The Fund's short duration position had a negative impact at the beginning of the year, but helped provide protection as yields rose sharply from May and June onwards. After credit spreads widened in July and August we increased our exposure to investment grade and high yield corporate bonds. Our allocation into high yield, in particular, boosted performance. Towards the end of 2013, active currency positions, such as a long position in the Norwegian krone against sterling, detracted from performance.

The Fund performed particularly strongly in December. This was partly due to the rally in corporate bonds. However, we also benefited from a yield curve-flattening trade that had been put in place during the fourth quarter – overweight longer-dated maturities. This was a big contributor to performance; while Gilts sold off towards year-end, the long end of the yield curve outperformed due to year-end demand from pension investors, coupled with a lack of supply.

Looking ahead, 2014 should bring a continuation of the strong growth seen last year, and a further decline in the unemployment rate. We expect the base rate to remain at 0.5% for all of this year, rising gradually thereafter, and this will anchor short-dated Gilt yields. Medium-term yields will be driven by longer-term expectations for the economy and international developments. With the ending of US Federal Reserve bond purchases, we expect 10-year Gilt to move higher to 3.25% or 3.5%.

Credit spreads have tightened considerably, and corporate bonds now look close to fair value. Nevertheless, we believe there is scope for spreads to tighten further across both investment grade and high yield markets as the hunt for yield continues throughout 2014. Volatility is likely to increase as investors digest US tapering. However, European credit will be more sheltered from this volatility by the fact that there is less strength in the economy. Accordingly, we expect the current easy monetary policy measures in Europe to continue.

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 STERLING BOND PLUS FUND

Distribution date

XD date	Payment date
01/01/14	28/02/14

Ongoing Charges Figure

	31/12/13 %	31/12/12 %
A Accumulation	1.13	1.13
A Income	1.13	1.13
C Accumulation	0.63	-
C Income	0.63	-
X Accumulation	0.13	0.13

Share class C Accumulation was launched 9 December 2013.
Share class C Income was launched 9 December 2013.

The Ongoing Charges Figure (OCF) is the total expenses paid by each share class in the year, annualised, against its average net asset value. The OCF can fluctuate as underlying costs change.

Details of investments

Investments	31/12/13 %	31/12/12 %
Sterling Denominated Bonds	82.00	85.47
Collective Investment Schemes	9.63	7.62
US Dollar Denominated Bonds	3.76	0.08
Brazilian Real Denominated Bonds	1.59	-
Euro Denominated Bonds	1.37	1.73
Forward Currency Contracts	0.03	0.08
Japanese Yen Denominated Bonds	-	2.28
Net other assets	1.62	2.74
Total net assets	100.00	100.00

Summary of portfolio by credit ratings

Rating block	31/12/13 %	31/12/12 %
AAA	51.18	61.14
AA+	4.37	0.60
AA	0.86	0.48
AA-	0.70	2.69
A+	1.71	2.67
A	2.45	1.26
A-	10.02	7.59
BBB+	5.28	5.03
BBB	7.72	5.11
BBB-	2.33	2.18
BB+	1.58	0.57
BB	0.17	0.24
NR	0.35	-
Total bonds	88.72	89.56
Other	11.28	10.44
Total net assets	100.00	100.00

The credit ratings used in the above table have been supplied by Standard & Poor's, Moody's or Fitch Ratings.

Net asset value

	NAV per share 31/12/13 (p)	NAV per share 31/12/12 (p)	NAV percentage change %
A Accumulation	128.85	133.08	(3.18)
A Income	103.70	108.92	(4.79)
C Accumulation	99.41	-	-
C Income	99.30	-	-
X Accumulation	139.25	142.69	(2.41)

Performance record

	01/01/13 to 31/12/13 %	01/01/12 to 31/12/12 %	01/01/11 to 31/12/11 %	01/01/10 to 31/12/10 %	01/01/09 to 31/12/09 %
Net Return#	(3.22)	5.79	8.71	6.23	5.20
Gross Return	(1.72)	7.33	10.17	8.13	6.96
Benchmark Return+	(2.58)	6.03	13.23	7.94	3.96

#Sterling Bond Plus Fund A Accumulation share price movement in GBP at valuation point; Revenue (net of tax) reinvested and net of expenses; Source: Lipper.
Sterling Bond Plus Fund in GBP at close of business; Revenue (gross of tax) reinvested and gross of expenses; Source: SWIP.
+iBoxx Sterling All Maturities index in GBP at close of business; Revenue (gross of tax) reinvested and gross of expenses; Source: Rimes.
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.

Distribution rates

	Final 31/12/13 (p)
A Accumulation	1.1509
A Income	0.9343
C Accumulation	0.1115
C Income	0.1115
X Accumulation	1.8140

Top five holdings

	31/12/13 %		31/12/12 %
1. UK Treasury 2.25% 07/03/2014	11.06	UK Treasury 4.5% 07/03/2013	12.72
2. SWIP European High Yield Bond Fund X Net Acc	6.38	UK Treasury 3.75% 22/07/2052	8.75
3. UK Treasury 3.5% 22/07/2068	6.18	UK Treasury 4% 07/09/2016	7.14
4. UK Treasury 3.75% 22/07/2052	5.42	UK Treasury 4.5% 07/09/2034	5.71
5. UK Treasury 4% 07/09/2016	5.36	UK Treasury 4.25% 07/12/2040	5.01

Number of holdings: 192

Number of holdings: 172

Fund Profile

Investment Objective & Policy

The Fund aims to provide a combination of income and growth of capital by investing in a portfolio of predominantly bonds whilst simultaneously hedging against interest rate risks.

The Fund will predominantly invest in investment-grade corporate bonds. The Fund may also invest in government bonds, non-sterling investment-grade bonds, sub-investment-grade bonds, covered bonds and preference shares denominated in any currency. The Fund will use derivative instruments for investment purposes and will also use interest rate swaps to manage the Fund's exposure to fluctuations in interest rates.

The Fund may also invest (directly or indirectly) in other transferable securities, money market instruments, deposits, cash and near cash, asset backed and mortgage backed securities, floating rate notes and structured credit and collective investment schemes. The Fund may hold securities of any duration.

In addition, use may also be made of stocklending, borrowing and hedging and other techniques permitted by the COLL Rules.

The investment adviser may hedge any non-sterling assets back to sterling at its discretion.

Synthetic Risk and Reward Profile

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

Typically lower rewards, lower risks ← → **Typically higher rewards, higher risks**

1	2	3	4	5	6	7

The Fund is ranked at 3 because it has experienced low to medium levels of volatility over the past 5 years. The synthetic risk and reward indicator shown here is accurate as at 31 December 2013 and there has been no change to this ranking to date. The lowest category 1 does not mean a risk-free investment.

Interest Rate Risk: Fluctuations in interest rates are likely to affect the value of the bonds and other fixed-interest securities held by the Fund.

If long-term interest rates rise, the value of your investment is likely to fall.

Credit Risk: There is a risk that the issuers of bonds may not be able to repay the money they have borrowed nor make any interest payments. This risk is greater than average where the Fund invests in a bond with a below investment grade credit rating.

Currency Risk: The Fund may have holdings which are denominated in different currencies and may be affected by movements in exchange rates. Consequently, the value of the Fund's investment may rise or fall in line with exchange rates. This may also cause the value of any income generated to go up or down.

Derivatives Risk: Derivative transactions will or may be used to a significant extent. At times, though, the use of these instruments could lead to considerable short term fluctuations in price. The impact to the Fund is greater where derivatives are used in an extensive or complex way.

Investment Manager's Review

The 12 months to 31 December have brought mixed fortunes for the corporate bond market.

Up until April prices of corporate bonds had moved steadily higher. Demand was buoyed both by investors' quest for higher yields than were available via government bonds and by a scarcity of new issuance relative to demand. And while the spread in yield over government bonds narrowed only marginally, total returns were nevertheless positive, thanks to a sharp downward movement in government bond yields.

In May and June, returns deteriorated sharply. Government bond yields moved significantly higher, caused in the main by US Federal Reserve indications that it would scale back its accommodative monetary policy. After Fed chairman Ben Bernanke said he expected to "taper" its $85 billion-per-month bond buying programme when economic data improved, the market reacted dramatically, interpreting the comments as a prelude to aggressive monetary tightening.

Corporate bonds, both investment grade and high yield, outperformed government bonds in the latter part of 2013. Credit spread tightening was largely due to a rise in investor confidence, following a series of better-than-expected economic data. But while spreads moved significantly tighter, this was accompanied by a sharp move higher in government bond yields.

For most corporate bond investors, this dampened overall returns. However, the Fund has been designed to provide a "clean" exposure to credit markets with a very low influence from Gilt market volatility. Accordingly, although the environment has been one in which sovereign yields have moved sharply higher, with a concomitant knock-on effect for credit, the Fund has been shielded from most of this move.

The Fund returned 4.80% on a net basis in the 12 months to 31 December 2013 – considerably outstripping the return from its benchmark.

Early on, we reduced the Fund's exposure to movements in the corporate bond market. This was mostly done through selling bonds rather than through additional hedging. While we believed corporate offered good medium-term value, it nevertheless appeared prudent to lock in some profits. This proved the correct decision, given the market setback that ensued in May.

During this volatile period, we took further risk reduction measures by adding some hedging protection. We took advantage of this volatility to add exposure to our already significant weighting in financials, and also added to high yield bonds. As summer progressed, and the outlook for credit improved for the balance of 2013, we removed some of the hedging protection.

Much of the Fund's positive return can be attributed to its exposure to subordinated financial bonds. This area attracted significant inflows throughout the year, and bonds issued by banks such as Lloyds Bank, RBS and Standard Chartered Bank were in very strong demand. Demand for hybrid bonds also benefited from investors' hunger for yield, and Enel, the Italian utility, was an especially strong performer.

The Fund is currently positioned with an overweight position in high yield bonds, as these continue to represent good value given the relatively low default rate. Looking ahead, we aim to selectively add risk in the coming months.

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 STERLING CREDIT ADVANTAGE FUND

Distribution dates

XD date	Payment date
01/10/13	30/11/13
01/01/14	28/02/14

Ongoing Charges Figure

	31/12/13 %	31/12/12 %
A Accumulation	1.12	1.12
A Income	1.12	1.12
C Accumulation	0.62	0.62
C Income	0.62	0.62
C Gross Accumulation	0.62	0.62
C Gross Income	0.62	0.62
N Accumulation	-	0.87
N Income	-	0.87
P Income	0.62	0.62
P Gross Income	0.62	0.62
Q Income	0.62	0.62
Q Gross Income	0.62	0.62

Share class N Accumulation was closed 27 November 2013.

Share class N Income was closed 27 November 2013.

The Ongoing Charges Figure (OCF) is the total expenses paid by each share class in the year against its average net asset value. The OCF can fluctuate as underlying costs change.

Details of investments

Investments	31/12/13 %	31/12/12 %
Sterling Denominated Bonds	60.79	68.65
Euro Denominated Bonds	20.20	16.64
US Dollar Denominated Bonds	8.17	5.13
Collective Investment Schemes	6.33	6.11
Derivatives	(1.58)	(5.95)
Net other assets	6.09	9.42
Total net assets	100.00	100.00

Summary of portfolio by credit ratings

Rating block	31/12/13 %	31/12/12 %
AAA	5.69	8.58
AA+	0.37	1.23
AA	0.89	0.90
AA-	3.01	3.23
A+	4.06	7.49
A	7.75	7.38
A-	16.53	17.13
BBB+	11.66	9.48
BBB	24.86	17.26
BBB-	7.43	9.47
BB+	4.20	4.35
BB	0.23	1.24
BB-	0.12	0.48
B+	-	0.19
B	0.64	-
NR	1.72	2.01
Total bonds	89.16	90.42
Other	10.84	9.58
Total net assets	100.00	100.00

The credit ratings used in the above table have been supplied by Standard & Poor's, Moody's or Fitch Ratings.

Net asset value

	NAV per share 31/12/13 (p)	NAV per share 31/12/12 (p)	NAV percentage change %
A Accumulation	121.76	116.13	4.85
A Income	109.72	105.74	3.76
C Accumulation	124.68	118.40	5.30
C Income	113.19	109.06	3.79
C Gross Accumulation	114.72	108.59	5.65
C Gross Income	103.14	99.43	3.73
N Accumulation	-	105.40	(100.00)
N Income	-	104.51	(100.00)
P Income	109.71	105.73	3.76
P Gross Income	109.80	105.82	3.76
Q Income	109.71	105.73	3.76
Q Gross Income	109.80	105.82	3.76

Performance record

	01/01/13 to 31/12/13 %	01/01/12 to 31/12/12 %	01/01/11 to 31/12/11 %	01/01/10 to 31/12/10 %	01/01/09 to 31/12/09 %
Net Return#	4.80	9.59	(5.42)	0.18	11.52
Gross Return	6.32	12.53	(3.06)	3.78	12.37
Benchmark Return+	0.50	0.50	0.50	0.50	0.64

#Sterling Credit Advantage Fund A Accumulation share price movement in GBP at valuation point; Revenue (net of tax) reinvested and net of expenses; Source: Lipper.

Sterling Credit Advantage Fund in GBP at close of business; Revenue (gross of tax) reinvested and gross of expenses; Source: SWIP.

+Bank of England Base Rate in GBP at close of business; Revenue (gross of tax) reinvested and gross of expenses; Source: Datastream.

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.

Distribution rates

	Third interim 30/09/13 (p)	Final 31/12/13 (p)
A Accumulation	0.3091	0.3249
A Income	0.2765	0.2947
C Accumulation	0.4145	0.4842
C Income	0.3997	0.4157
C Gross Accumulation	0.5020	0.5266
C Gross Income	0.4559	0.4765
N Accumulation	0.3400	-
N Income	0.3355	-
P Income	0.3875	0.4048
P Gross Income	0.4847	0.5064
Q Income	0.3875	0.4048
Q Gross Income	0.4847	0.5064

Top five holdings

	31/12/13 %		31/12/12 %
1. SWIP Strategic Bond Fund X Net Acc	4.23	SWIP Strategic Bond Fund X Net Acc	4.06
2. Southern Gas Networks (FRN) 0.80719% 21/10/2015	1.78	GE Capital UK Funding (FRN) 0.6675% 20/03/2017	2.32
3. Merrill Lynch 7.75% 30/04/2018	1.32	Southern Gas Networks (FRN) 0.81938% 21/10/2015	1.72
4. Thames Water Utilities Cayman Finance 5.375% 21/07/2025	1.30	Lloyds TSB Bank 10.75% 16/12/2021	1.56
5. InterContinental Hotels 3.875% 28/11/2022	1.25	Merrill Lynch 7.75% 30/04/2018	1.36

Number of holdings: 231 Number of holdings: 224

SWIP STERLING INDEX-LINKED BOND FUND

for the year ended 31 December 2013

Fund Profile

Investment Objective & Policy

The aim of this Fund is to provide a combination of income and growth of capital by investing in a portfolio of predominantly bonds.

The Fund will predominantly invest in sterling index-linked bonds that are issued by the UK government, other sovereign, government and public issuers, supra-national institutions and UK and international companies. The Fund may also invest in non-sterling index-linked sovereign issues.

The Fund may also invest in other transferable securities, money market instruments, deposits, cash and near cash, derivatives and collective investment schemes, and may hold securities of any duration.

It is not currently intended that derivatives will be used for any purpose other than the efficient portfolio management of the Fund, although derivatives may, subject to the ACD obtaining and maintaining the requisite permissions from the FCA under the Financial Services and Markets Act 2000 and on giving not less than 60 days' notice to shareholders in the Fund, use derivatives in pursuit of its investment objective as well as hedging in the future. If derivatives are used for the purpose of meeting the investment objective of the Fund as well as hedging it is not intended that the use of derivatives would raise the risk profile.

Synthetic Risk and Reward Profile

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

Typically lower rewards, lower risks ← → **Typically higher rewards, higher risks**

1	2	3	4	5	6	7

The Fund is ranked at 4 because it has experienced medium levels of volatility over the past 5 years. The synthetic risk and reward indicator shown here is accurate as at 31 December 2013 and there has been no change to this ranking to date. The lowest category 1 does not mean a risk-free investment.

Interest Rate Risk: Fluctuations in interest rates are likely to affect the value of the bonds and other fixed-interest securities held by the Fund.

If long-term interest rates rise, the value of your investment is likely to fall.

Credit Risk: There is a risk that the issuers of bonds may not be able to repay the money they have borrowed nor make any interest payments. This risk is greater than average where the Fund invests in a bond with a below investment grade credit rating.

Currency Risk: The Fund may have holdings which are denominated in different currencies and may be affected by movements in exchange rates. Consequently, the value of the Fund's investment may rise or fall in line with exchange rates. This may also cause the value of any income generated to go up or down.

Derivatives Risk: Derivatives may be used for efficient portfolio management only. At times, though, the use of these instruments could lead to considerable short term fluctuations in price. The impact to the Fund is greater where derivatives are used in an extensive or complex way.

Investment Manager's Review

The past year has been a difficult one for investors in UK government bonds. The start of the year brought precious little cheer for investors in most parts of sector. However, in January index-linked Gilts were the exception, enjoying their strongest one-day return since 1987. The gains came in response to the unexpected decision by government statisticians to leave the methodology for calculating the retail price index (RPI), to which payments on inflation-linked bonds are tied, unchanged. Prior to the announcement, the consensus had been that any new methodology would result in a lower reading for RPI – and thus lower payments to holders of index-linked bonds.

Ratings agency Moody's stripped the UK of its Aaa credit rating in February. But while the downgrade attracted much sensationalist media coverage, the UK's borrowing costs were little changed following the news. However, from mid-April onwards, Gilt returns weakened. Stronger-than-expected economic data had an effect, as did an inflation report that appeared to rule out more quantitative easing. Then, in late May and in June, there was further upward pressure on yields as the market took fright over indications by the US Federal Reserve that it would scale down its own quantitative easing programme.

While global bond markets were initially soothed by some mollifying words courtesy of Fed chairman Ben Bernanke, a pattern had been established whereby any improvement in the economy prompted fears that the Fed would scale back its efforts, putting upward pressure on US Treasury yields. Any news suggesting tapering was less likely had the opposite effect. Government bond markets elsewhere in the world, including the UK, were heavily influenced by events in the US.

Another major influence on the UK Gilt market has been a marked improvement in UK economic data. This, too, has exerted an upward influence on Gilt yields. Over the 12 months to 31 December 2013, the yield on the benchmark 10-year Gilt rose from 1.81% to 3.03%.

In these challenging circumstances the Fund fell 0.54% on a net basis over the review period.

We were positioned with a short duration for the first half of the year, closing this in early July after index-linked Gilts had underperformed their conventional counterparts but reverting to short duration as summer progressed. We also adopted an underweight position in index-linked versus conventional Gilts, in the expectation that breakeven yields would fall in the face of an increased supply of linkers.

In September we put a yield curve flattener in place, overweight 10-year index-linked Gilts against five-years. The contribution from curve was marginally negative; positive contributions from our short position in five-year bonds were more than offset by negative contributions from long positions at 10 and 20 years. Against this, our overall duration position added to performance.

Looking to the future, the success of a £5 billion index-linked 2068 syndication in September has persuaded the DMO to re-open the issue in January 2014. A further £5 billion of issuance would increase the index duration to around 19 years, one of the longest average durations of any government debt portfolio. Continued demand for long-dated index-linked and conventional bonds, from the pension fund and liability driven investment communities, seems to have ensured that this increased long-dated supply will be met with greater demand.

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 STERLING INDEX-LINKED BOND FUND

Distribution date

XD date	Payment date
01/01/14	28/02/14

Ongoing Charges Figure

	31/12/13 %	31/12/12 %
A Accumulation	1.19	1.17
A Income	1.19	1.17
C Accumulation	0.69	0.67
C Income	0.69	0.67
N Accumulation	-	0.92
N Income	-	0.92
P Income	0.69	0.67
P Gross Income	-	0.67
X Accumulation	0.19	0.17

Share class N Accumulation was closed 27 November 2013.
Share class N Income was closed 27 November 2013.
Share class P Gross Income was closed 27 November 2013.
The Ongoing Charges Figure (OCF) is the total expenses paid by each share class in the year against its average net asset value. The OCF can fluctuate as underlying costs change.

Details of investments

Investments	31/12/13 %	31/12/12 %
Sterling Denominated Bonds	97.40	96.38
Collective Investment Schemes	1.85	1.17
New Zealand Dollar Denominated Bonds	0.25	0.25
Euro Denominated Bonds	-	1.54
Forward Currency Contracts	0.03	(0.01)
Net other assets	0.47	0.67
Total net assets	100.00	100.00

Summary of portfolio by credit ratings

Rating block	31/12/13 %	31/12/12 %
AAA	93.34	92.79
AA+	0.25	0.25
AA-	1.08	1.97
A	0.49	0.42
A-	1.42	1.22
BBB	1.07	0.91
NR	-	0.61
Total bonds	97.65	98.17
Other	2.35	1.83
Total net assets	100.00	100.00

The credit ratings used in the above table have been supplied by Standard & Poor's, Moody's or Fitch Ratings.

Net asset value

	NAV per share 31/12/13 (p)	NAV per share 31/12/12 (p)	NAV percentage change %
A Accumulation	167.82	167.89	(0.04)
A Income	137.26	137.47	(0.15)
C Accumulation	142.86	142.27	0.41
C Income	98.73	98.91	(0.18)
N Accumulation	-	99.21	(100.00)
N Income	-	98.91	(100.00)
P Income	150.31	150.49	(0.12)
P Gross Income	-	131.97	(100.00)
X Accumulation	182.18	180.84	0.74

Performance record

	01/01/13 to 31/12/13 %	01/01/12 to 31/12/12 %	01/01/11 to 31/12/11 %	01/01/10 to 31/12/10 %	01/01/09 to 31/12/09 %
Net Return[#]	(0.54)	(1.52)	19.62	7.86	7.74
Gross Return	0.88	1.02	19.81	9.02	8.29
Benchmark Return[+]	0.67	0.62	20.24	9.07	6.67

[#]Sterling Index-Linked Bond Fund A Accumulation share price movement in GBP at valuation point; Revenue (net of tax) reinvested and net of expenses; Source: Lipper.
Sterling Index-Linked Bond Fund in GBP at close of business; Revenue (gross of tax) reinvested and gross of expenses; Source: SWIP.
[+]Barclays Capital £ Inflation Linked Bond index in GBP at close of business; Revenue (gross of tax) reinvested and gross of expenses; Source: Rimes.
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.

Distribution rates

	Final 31/12/13 (p)
A Accumulation	0.0443
A Income	0.0361
C Accumulation	0.3281
C Income	0.2293
N Accumulation	-
N Income	-
P Income	0.3447
P Gross Income	-
X Accumulation	0.7987

Top five holdings

		31/12/13 %		31/12/12 %
1.	UK Treasury 0.125% Index-Linked 22/11/2019	10.39	UK Treasury 2.5% Index-Linked 17/07/2024	13.70
2.	UK Treasury 0.375% Index-Linked 22/03/2062	7.99	UK Treasury 0.75% Index-Linked 22/11/2047	11.90
3.	UK Treasury 4.125% Index-Linked 22/07/2030	7.65	UK Treasury 4.125% Index-Linked 22/07/2030	9.45
4.	UK Treasury 1.25% Index-Linked 22/11/2032	6.27	UK Treasury 2.5% Index-Linked 26/07/2016	8.84
5.	UK Treasury 1.25% Index-Linked 22/11/2055	5.39	UK Treasury 0.75% Index-Linked 22/03/2034	7.21

Number of holdings: 30

Number of holdings: 29

SWIP SWIP UK FLEXIBLE STRATEGY FUND

for the year ended 31 December 2013

Fund Profile

Investment Objective & Policy

The Fund aims to achieve a positive capital return, over rolling 3-year periods, regardless of market conditions, through investment and disinvestment (directly and indirectly) in a portfolio predominantly consisting of UK equities, related derivative contracts, money market instruments, cash, near cash, and deposits. There is no guarantee that a positive return will be achieved over any time period and capital may be at risk. Investors may not get back the full amount originally invested.

The Fund may invest up to 100% of its net value in a portfolio of UK equities (typically between 25 and 35 although this may vary from time to time at the discretion of the investment adviser). All or a substantial proportion of the physical assets of the Fund may at any time consist of cash, near cash, deposits and/or money market instruments.

In addition, permitted equity related derivative contracts (including futures, options, swaps, contracts for difference and other derivatives) and techniques may be used to vary the total exposure to the UK equity market and express views on the direction of sectors and/or individual securities in order to enhance capital return, and/or limit downside volatility.

The Fund may take long and short positions in the UK Equity market, securities and groups of securities through derivative contracts but total net derivatives exposure may not exceed the limits in the COLL rules.

The Fund may also invest, at the investment adviser's discretion, in other transferable securities, other derivatives and forward contracts, and units in collective investment schemes (and use may also be made of stocklending, borrowing, hedging and other techniques permitted by the COLL Rules).

Synthetic Risk and Reward Profile

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

Typically lower rewards, lower risks ← → **Typically higher rewards, higher risks**

1	2	3	4	5	6	7

The Fund is ranked at 6 because it has experienced high levels of volatility over the past 5 years. The synthetic risk and reward indicator shown here is accurate as at 31 December 2013 and there has been no change to this ranking to date. The lowest category 1 does not mean a risk-free investment.

Interest Rate Risk: Fluctuations in interest rates are likely to affect the value of the bonds and other fixed-interest securities held by the Fund.

If long-term interest rates rise, the value of your investment is likely to fall.

Fund Profile (continued)

Risk Profile (continued)

Credit Risk: There is a risk that the issuers of bonds may not be able to repay the money they have borrowed nor make any interest payments. This risk is greater than average where the Fund invests in a bond with a below investment grade credit rating.

Derivative risk factor: Derivative transactions will or may be used to a significant extent. At times, though, the use of these instruments could lead to considerable short term fluctuations in price. The impact to the Fund is greater where derivatives are used in an extensive or complex way. Value at risk (VaR) based techniques estimate the probability of portfolio losses based on statistical analysis of historical price trends and volatilities. Absolute VaR analysis for the Fund is produced on a daily basis.

The Fund's current VaR limit is 12%. The VaR measures of the Fund for the year ended 31 December 2013 were as follows:

Minimum VaR	3.15%
Maximum VaR	3.94%
Average VaR	3.46%

Market risk information is a relative estimate of risk rather than a precise and accurate number. The model is based on historical data and cannot take account of the fact that future market price movements, correlations between markets and level of market liquidity in conditions of market stress may bear no relation to historical patterns.

Concentration Risk: The Fund may invest in a smaller than average number of holdings relative to other funds. This may give rise to the Fund's return fluctuating more widely than other more diversified portfolios.

Investment Manager's Review

Reflecting our aim of delivering attractive risk-adjusted returns over the medium term, the Fund is benchmarked against LIBOR (London Interbank Offered Rate) as a proxy for a risk-free return. Our goal is to deliver an annual return 4% above three-month LIBOR over the market cycle. Over the last year, the Fund has comfortably surpassed this target, generating a net return of 12.74%; the return from three-month LIBOR over the same period was 0.51%.

That return was generated through investing in a blend of long and short positions in selected UK equities alongside a significant allocation to cash and selected corporate bonds. After the strong gains in equity markets this year, a moderately defensive asset allocation (less than 50% net exposure to equities) remains appropriate. Within the equity portfolio, roughly two thirds of exposure is to UK larger companies, one quarter UK small caps and the balance is made up of the best ideas from our global sector specialists.

The Fund's strong relative performance was particularly evident during two market corrections in May / June and November / December. This was helped by positive contributions from the corporate bond and, latterly, the absolute return parts of the portfolio (notably infrastructure funds). There was also a very strong alpha contribution from the UK large cap, global and UK small cap segments. Royal Mail (which was purchased in October and sold soon afterwards, having reached our target price), Google and Lookers were among the most notable contributors to performance. Given the background of sharply rising equity markets, it was difficult to make money from the short positions, although relative returns from this area were encouraging. Domino's Pizza – which suffered from declining earnings estimates, a reduction in its premium rating and the surprise departure of its CEO – was the most notable success within the short book.

In terms of activity, we have recently opened two new long positions. The first of these involved taking advantage of a placing of ITV's stake in STV. The placing occurred at a 7% discount to STV's share price. The company is one of our preferred smaller company stocks, as we believe that the ongoing drive to improve programming should generate a recovery in advertising revenues.

We also took a position in Vodafone. This was prompted by confirmation of the details of the return of capital to shareholders following the disposal of its stake in Verizon Wireless. The new positions were funded by profit-taking in Whitbread, selling out of RSA Insurance and reducing the exposure to Aviva.

With the US Federal Reserve clearly very mindful of investor sentiment as it starts the tapering process that will eventually lead to a normalisation of monetary policy, it is probably too soon to adopt an overtly bearish stance on equities, especially compared to the returns on offer from cash and gilts.

In many ways, 2013 was a much better year than market commentators had expected. Nevertheless, corporate earnings growth has generally been disappointing and much of the return to shareholders has reflected a re-rating of the market. More positively, there are signs that rising share prices are starting to lead to confidence returning to board rooms (in terms of merger and acquisition activity and initial public offerings.) If this pick up continues, 2014 could be another solid year for investors in equities. But with plenty of macro-related reasons to worry, we will maintain the risk-controlled approach to portfolio construction that served us well in 2013.

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 SWIP UK FLEXIBLE STRATEGY FUND

Distribution date

XD date	Payment date
01/01/14	28/02/14

Ongoing Charges Figure

	31/12/13 %	31/12/12 %
A Accumulation	1.65	1.66
B Accumulation	0.90	0.91
C Accumulation	1.15	1.16
X Accumulation	0.15	0.16

The Ongoing Charges Figure (OCF) is the total expenses paid by each share class in the year against its average net asset value. The OCF can fluctuate as underlying costs change.

Details of investments

Investments	31/12/13 %	31/12/12 %
Sterling Denominated Bonds	30.24	27.66
Financials	23.77	15.83
Consumer Services	9.31	8.23
Industrials	6.78	5.22
Fixed Income	5.14	7.23
Telecommunications	3.04	4.45
Oil & Gas	2.90	4.26
Health Care	2.10	4.02
Utilities	1.78	3.78
Technology	1.02	0.77
Basic Materials	0.53	-
Consumer Goods	-	0.32
Derivatives	(0.10)	(0.12)
Net other assets	13.49	18.35
Total net assets	100.00	100.00

Summary of portfolio by credit ratings

Rating block	31/12/13 %	31/12/12 %
AAA	30.24	27.66
A-	-	1.66
BBB+	1.92	1.12
BBB	1.46	1.90
BBB-	-	2.20
BB+	-	0.35
BB	0.91	-
B	0.85	-
Total bonds	35.38	34.89
Other	64.62	65.11
Total net assets	100.00	100.00

The credit ratings used in the above table have been supplied by Standard & Poor's, Moody's or Fitch Ratings.

Net asset value

	NAV per share 31/12/13 (p)	NAV per share 31/12/12 (p)	NAV percentage change %
A Accumulation	129.05	113.95	13.25
B Accumulation	140.78	123.36	14.12
C Accumulation	125.24	110.02	13.83
X Accumulation	144.32	125.63	14.88

Performance record

	01/01/13 to 31/12/13 %	01/01/12 to 31/12/12 %	01/01/11 to 31/12/11 %	01/01/10 to 31/12/10 %	01/01/09 to 31/12/09 %
Net Return#	12.74	10.83	3.40	7.33	29.73
Gross Return	14.80	11.28	4.66	7.74	34.20
Benchmark Return+	0.51	0.83	0.88	0.70	1.24

#SWIP UK Flexible Strategy Fund A Accumulation share price movement in GBP at valuation point; Revenue (net of tax) reinvested and net of expenses; Source: Lipper.
SWIP UK Flexible Strategy Bond Fund in GBP at close of business; Revenue (net of tax) reinvested and gross of expenses; Source: SWIP.
+3-month LIBOR in GBP at close of business; Revenue (gross of tax) reinvested and gross of expenses; Source: Datastream.
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.

Distribution rates

	Final 31/12/13 (p)
A Accumulation	-
B Accumulation	0.3076
C Accumulation	0.1585
X Accumulation	0.7877

Top five holdings

	31/12/13 %		31/12/12 %
1. UK Treasury 0% 10/03/2014	12.09	UK Treasury 0% 04/03/2013	14.43
2. UK Treasury 0% 17/03/2014	10.08	UK Treasury 0% 18/03/2013	6.01
3. SWIP Sterling Liquidity Fund Advisory	8.13	RSA Insurance	4.41
4. UK Treasury 0% 10/02/2014	8.07	AstraZeneca	4.02
5. AstraZeneca	2.10	UK Treasury 0% 07/01/2013	3.61

Number of holdings: 60

Number of holdings: 63

SWIP UK ENHANCED EQUITY FUND

for the year ended 31 December 2013

Fund Profile

Investment Objective & Policy

The Fund aims to provide long term capital growth predominantly through investment in equities, equity and index derivative contracts and equity related securities of UK companies which are constituents of the FTSE 100 index (or such other index as the ACD may at its discretion determine from time to time) money market instruments, cash and near cash and deposits.

The Fund will use derivative transactions with a view to generating additional capital returns. The investment adviser will aim to generate these additional capital returns by selling index options against the relevant index. This strategy is intended to enhance the return for the Fund over the longer term.

The Fund may also invest in other transferable securities, collective investment schemes, permitted derivative contracts and forward contracts and use may also be made of stocklending, borrowing and hedging and other techniques permitted by the COLL Rules.

Synthetic Risk and Reward Profile

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

Typically lower rewards, lower risks ←						**Typically higher rewards, higher risks** →
1	2	3	4	5	6	7

The Fund is ranked at 6 because it has experienced high levels of volatility since launch on 18 August 2009. The synthetic risk and reward indicator shown here is accurate as at 31 December 2013 and there has been no change to this ranking to date. The lowest category 1 does not mean a risk-free investment.

Derivatives Risk: Derivative transactions will or may be used to a significant extent. At times, though, the use of these instruments could lead to considerable short term fluctuations in price. The impact to the Fund is greater where derivatives are used in an extensive or complex way.

Investment Manager's Review

UK equity markets had a strong 2013. Traders were encouraged into riskier assets by the extraordinary policy actions of the world's central banks and the gradually improving economic climate. The US Federal Reserve (the Fed) has been particularly active, buying $85 billion-a-month of bonds and other securities. This programme is designed to keep long-term interest rates subdued, while flooding the market with liquidity. As a result of these measures, investors have been effectively forced to take on extra risk to deliver acceptable yield on their investments and equity markets have benefitted. This policy has been so influential that fears it could be curtailed – or "tapered" – created pockets of turbulence in the market throughout the review period. In December, the Fed eventually bit the bullet and announced it would reduce the programme by $10 billion per month, starting January 2014. Markets, however, were able to largely absorb the news.

In terms of the UK economic outlook, the Office for Budget Responsibility (OBR), the independent fiscal authority, has revised up its forecasts for UK economic growth (GDP) this year and next, to 1.4% (from 0.6%) and 2.4% (from 1.8%). Latest economic data support this view. The manufacturing sector continues its robust rebound, with the latest Markit/CIPS Manufacturing Purchasing Managers' index coming in at 57.3 for December (a reading above 50 indicates an industry in expansion mode). The news was similarly encouraging in the retail and construction sectors.

On a sector basis, the biggest positive contributors in 2013 were mobile telecoms (thanks to Vodafone's $130 billion deal with US partner Verizon), life insurance, pharmaceuticals & biotech, travel & leisure (on the back of the improving economic climate) and fixed telecoms. On the other side of the ledger, the biggest losers were mining, and oil & gas producers. These areas have been hit in part by a drop in demand from China and the shale gas revolution in the US. Traditional defensives such as tobacco and beverages also struggled as traders sought superior returns up the risk spectrum. Banks also had a tough year, although the conditions are improving.

The Fund was up 17.81% on a gross basis for the review period, marginally trailing its benchmark, the FTSE 100 index, which retuned 18.66% .

In terms of activity, the Fund continued to track the FTSE 100 index. We therefore periodically rebalanced its holdings in accordance with the changes made by index provider FTSE at its quarterly reviews. We also maintained a strategy of call-option overwriting, which has the effect of potentially capping the Fund's participation in index rises but which can add value when markets fall.

Looking ahead, while equity markets have struggled to push meaningfully higher in recent months, they are still predominantly in economic-recovery mode. Indeed, latest surveys suggest the UK economy is gaining momentum. Corporate confidence is also strengthening, as surveys report an improving export outlook (helped by the EU finally exiting recession) and increasing investment intentions.

In general, we remain relatively upbeat about the prospects for UK markets. That said, the economic landscape remains fragile and susceptible to shocks. As such, clear communication from the world's central bankers will remain of primary importance into 2014.

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SWIP UK ENHANCED EQUITY FUND

Distribution date

XD date	Payment date
01/01/14	28/02/14

Ongoing Charges Figure

	31/12/13 %	31/12/12 %
A Accumulation	1.12	1.12
A Income	1.12	1.12
B Accumulation	0.32	-
B Income	0.32	-
C Accumulation	0.27*	0.62
C Income	0.27*	0.62
P Income	0.62	0.62
Q Income	0.62	0.62

Share class B Accumulation was launched 9 December 2013.
Share class B Income was launched 9 December 2013.
The Ongoing Charges Figure (OCF) is the total expenses paid by each share class in the year against its average net asset value. The OCF can fluctuate as underlying costs change.
*ACD fee changed from 0.50% to 0.15% on 9 December 2013.

Details of investments

Investments	31/12/13 %	31/12/12 %
Financials	21.65	20.75
Oil & Gas	16.24	17.94
Consumer Goods	14.43	14.97
Consumer Services	9.63	8.38
Basic Materials	8.33	11.25
Health Care	8.27	7.78
Telecommunications	8.20	6.21
Industrials	7.82	6.74
Utilities	3.89	4.22
Technology	1.11	0.94
Derivatives	(0.02)	(0.21)
Net other assets	0.45	1.03
Total net assets	100.00	100.00

Net asset value

	NAV per share 31/12/13 (p)	NAV per share 31/12/12 (p)	NAV percentage change %
A Accumulation	159.30	136.95	16.32
A Income	144.03	127.07	13.35
B Accumulation	103.26	-	-
B Income	103.25	-	-
C Accumulation	132.64	113.45	16.91
C Income	126.78	111.76	13.44
P Income	144.13	127.05	13.44
Q Income	144.13	127.05	13.44

Performance record

	01/01/13 to 31/12/13 %	01/01/12 to 31/12/12 %	01/01/11 to 31/12/11 %	01/01/10 to 31/12/10 %
Net Return#	16.35	11.29	(2.46)	11.78
Gross Return~	17.81	11.96	(0.49)	12.44
Benchmark Return+	18.66	9.97	(2.18)	12.62

#UK Enhanced Equity Fund A Accumulation share price movement in GBP at valuation point;
~UK Enhanced Equity Fund in GBP at close of business; Revenue (net of tax) reinvested and gross of expenses; Source: SWIP.
+FTSE 100 index in GBP at close of business; Revenue (gross of tax) reinvested and gross of expenses; Source: Rimes.
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.

Distribution rates

	Final 31/12/13 (p)
A Accumulation	1.4370
A Income	1.3643
B Accumulation	0.0090
B Income	0.0090
C Accumulation	1.5450
C Income	1.4910
P Income	1.6706
Q Income	1.6706

Top five holdings

	31/12/13 %		31/12/12 %
1. HSBC	7.02	HSBC	7.79
2. Vodafone	6.52	BP	5.31
3. BP	5.12	Royal Dutch Shell 'A' Shares	5.21
4. Royal Dutch Shell 'A' Shares	4.69	Vodafone	5.01
5. GlaxoSmithKline	4.41	GlaxoSmithKline	4.31

Number of holdings: 106 Number of holdings: 107

SWIP UK INCOME FUND

for the year ended 31 December 2013

Fund Profile

Investment Objective & Policy

The aim of this Fund is to provide an income greater than that of the FTSE All-Share index together with capital growth over the longer term.

The Fund will invest primarily in a portfolio of UK securities, which may include, directly or indirectly, equities, convertibles, preference shares, fixed interest stocks and warrants. However, the Fund may invest in other types of investment at the discretion of the ACD.

The Fund may also invest in other transferable securities, money market instruments, deposits, cash and near cash, derivatives and collective investment schemes, and may hold securities of any duration.

It is not currently intended that derivatives will be used for any purpose other than the efficient portfolio management of the Fund, although derivatives may, subject to the ACD obtaining and maintaining the requisite permissions from the FCA under the Financial Services and Markets Act 2000 and on giving not less than 60 days' notice to shareholders in the Fund, use derivatives in pursuit of its investment objective as well as hedging in the future. If derivatives are used for the purpose of meeting the investment objective of the Fund as well as hedging it is not intended that the use of derivatives would raise the risk profile.

Synthetic Risk and Reward Profile

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

Typically lower rewards, lower risks ← → **Typically higher rewards, higher risks**

1	2	3	4	5	6	7

The Fund is ranked at 6 because it has experienced high levels of volatility over the past 5 years. The synthetic risk and reward indicator shown here is accurate as at 31 December 2013 and there has been no change to this ranking to date. The lowest category 1 does not mean a risk-free investment.

Derivatives Risk: Derivatives may be used for efficient portfolio management only. At times, though, the use of these instruments could lead to considerable short term fluctuations in price. The impact to the Fund is greater where derivatives are used in an extensive or complex way.

All or part of the Fund's charges are taken from capital, not income. This will increase the level of income received by an investor however it may erode capital or constrain capital growth.

Investment Manager's Review

UK equity markets had a strong 2013. Traders were encouraged into riskier assets by the extraordinary policy actions of the world's central banks and the gradually improving economic climate. The US Federal Reserve (the Fed) has been particularly active, buying $85 billion-a-month of bonds and other securities. This programme is designed to keep long-term interest rates subdued, while flooding the market with liquidity. As a result of these measures, investors have been effectively forced to take on extra risk to deliver acceptable yield on their investments and equity markets have benefitted. This policy has been so influential that fears it could be curtailed – or "tapered" – created pockets of turbulence in the market throughout the review period. In December, the Fed eventually bit the bullet and announced it would reduce the programme by $10 billion per month, starting January 2014. Markets, however, were able to largely absorb the news.

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On a sector basis, the biggest positive contributors in 2013 were mobile telecoms (thanks to Vodafone's $130 billion deal with US partner Verizon), life insurance, pharmaceuticals & biotech, travel & leisure (on the back of the improving economic climate) and fixed telecoms. On the other side of the ledger, the biggest losers were mining, and oil & gas producers. These areas have been hit in part by a drop in demand from China and the shale gas revolution in the US. Traditional defensives such as tobacco and beverages also struggled as traders sought superior returns up the risk spectrum. Banks also had a tough year, although the conditions are improving.

Turning to the portfolio, a holding in Travis Perkins, the builders' merchant, boosted returns. The company had an excellent review period as the fortunes of the UK housing market improved after a long period in the doldrums. Travis Perkins' market value rose impressively, culminating in the firm entering the FTSE 100 index. Meanwhile, ITV's shares hit a record high after the group delivered an upbeat outlook statement. The free-to-air broadcaster also received a number of positive broker comments. Other highlights included Close Brothers and Vodafone.

By contrast, KSK Power Ventur and Great Eastern Energy had another difficult year thanks to ongoing challenges in the domestic Indian power market. Meanwhile, Lloyds Banking found its shares in demand after updating the market with a positive set of results. Evidence that the UK housing market is healing also lifted the stock. Our relative underweight here therefore hurt performance. The Fund's holdings in iEnergizer, Royal Dutch Shell and Rio Tinto disappointed. The Fund no longer carries Lloyds Banking or iEnergizer.

Looking ahead, while equity markets have struggled to push meaningfully higher in recent months, they are still predominantly in economic-recovery mode. Indeed, latest surveys suggest the UK economy is gaining momentum. Corporate confidence is also strengthening, as surveys report an improving export outlook (helped by the EU finally exiting recession) and increasing investment intentions.

In general, we remain relatively upbeat about the prospects for UK markets. That said, the economic landscape remains fragile and susceptible to shocks. As such, clear communication from the world's central bankers will remain of primary importance into 2014.

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SWIP UK INCOME FUND

Distribution date

XD date	Payment date
01/01/14	28/02/14

Ongoing Charges Figure

	31/12/13 %	31/12/12 %
A Accumulation	1.63	1.62
A Income	1.63	1.62
B Accumulation	0.88	0.87
B Income	0.88	0.87

The Ongoing Charges Figure (OCF) is the total expenses paid by each share class in the year against its average net asset value. The OCF can fluctuate as underlying costs change.

Details of investments

Investments	31/12/13 %	31/12/12 %
Financials	19.34	16.04
Oil & Gas	17.37	13.41
Consumer Services	12.39	8.63
Consumer Goods	10.67	14.58
Industrials	10.63	12.17
Health Care	10.30	11.38
Telecommunications	9.43	5.26
Basic Materials	5.24	5.04
Utilities	3.94	9.49
Technology	0.76	1.96
Sterling Denominated Bonds	-	1.52
Derivatives	0.11	-
Net other (liabilities)/assets	(0.18)	0.52
Total net assets	100.00	100.00

Net asset value

	NAV per share 31/12/13 (p)	NAV per share 31/12/12 (p)	NAV percentage change %
A Accumulation	103.78	86.03	20.63
A Income	219.42	189.03	16.08
B Accumulation	109.27	89.90	21.55
B Income	92.15	78.79	16.96

Performance record

	01/01/13 to 31/12/13 %	01/01/12 to 31/12/12 %	01/01/11 to 31/12/11 %	01/01/10 to 31/12/10 %	01/01/09 to 31/12/09 %
Net Return#	20.47	9.47	(6.64)	10.17	21.87
Gross Return	22.50	10.69	(4.32)	11.44	24.03
Benchmark Return+	20.81	12.30	(3.46)	14.51	30.12

#UK Income Fund A Income share price movement in GBP at valuation point; Revenue (net of tax) reinvested and net of expenses; Source: Lipper.

UK Income Fund in GBP at close of business; Revenue (net of tax) reinvested and gross of expenses; Source: SWIP.

+FTSE All-Share index in GBP at close of business; Revenue (gross of tax) reinvested and gross of expenses; Source: Rimes.

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.

Distribution rates

	Final 31/12/13 (p)
A Accumulation	1.5523
A Income	3.3306
B Accumulation	1.6281
B Income	1.3963

Top five holdings

	31/12/13 %		31/12/12 %
1. Royal Dutch Shell 'B' Shares	7.20	GlaxoSmithKline	5.35
2. Vodafone	6.67	Vodafone	5.26
3. GlaxoSmithKline	5.85	AstraZeneca	4.72
4. HSBC	5.68	Royal Dutch Shell 'B' Shares	4.07
5. BP	4.36	Imperial Tobacco	3.88

Number of holdings: 92

Number of holdings: 78

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SCOTTISH WIDOWS INVESTMENT PARTNERSHIP

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