



Royal London UK Equity Trust

Short Final Report to 31 August 2009

Royal London UK Equity Trust

Investment Objective and Policy

The investment objective and policy of the Trust is to achieve capital growth by investing primarily in a broad portfolio of quoted UK stocks and shares.

The Trust may hold transferable securities and units in collective investment schemes and cash (for the purpose of Efficient Portfolio Management and redemption of units). It may also hold derivatives for the purpose of Efficient Portfolio Management only.

Risk Profile

Any stock market investment involves risks. Some of these risks are general, which means that they apply to all investments. Others are specific, which means that they apply to individual Funds. For full details of the investment risks that affect this Fund please refer to your copy of the Funds Simplified Prospectus. Before you decide to invest, it is important to understand these risks. If you are unsure, please seek professional advice from a Financial Adviser.

Trust Performance

During the period under review to 31st August 2009, the bid price of the trust's units fell from 615.6 pence to 544 pence, a decrease of 11.63%. The IMA sector average fell 9.40%.

Economic and Market Background

Having experienced the sharpest fall in global GDP since the 1930s, it now appears that Q3 2009 may technically herald the end of the recession in most of the western world with China already resuming its strong growth. The unprecedented scale of the fiscal stimulus

packages combined with the co-ordinated lowering of interest rates and the introduction of huge programmes of quantitative easing, appear to have brought the economies back from the brink and stabilised the financial system for the time being. The next problem, however, will be how to wean the economy off this stimulus and begin to address the huge budget deficits this policy has generated. All this weighed on sterling and the £/USD rate fell from 1.85 to 1.40 over the final quarter of 2009 before recovering to around 1.65 at the end of the period.

Stock markets fell sharply whilst GDP and earnings forecasts were slashed. It became clear that we were no longer experiencing a mild recession, but could be facing an extended period of deflation. March, however, represented the nadir in investor sentiment, the economy and consequently equity markets and investors began to appreciate that as policy was beginning to work, the economy looked set to recover in the second half of 2009. Since then, the UK equity market has risen around 50% as investors begin to price stocks based on mid-cycle rather than trough earnings. Corporates have also reported better-than-expected first half earnings numbers as aggressive cost-cutting helped maintain margins despite the sharp falls in revenues.

It came as no surprise that Financials and Mining stocks were the worst performers as the markets fell, but the best performers during the recovery. However, over the period the best performers were the less cyclical consumer orientated sectors such as Retailers and Food and Beverages, whilst Banks and Mining lost over 20%.

Portfolio Commentary

Despite outperforming the market during the first six months of this period, the fund experienced difficulty in keeping up with the strong market rally since March of this year. As discussed in the interim review, although we believed the market was undervalued and would recover over time, we have been keen to focus the fund's investments in companies that are well-positioned to weather the economic uncertainties we have been facing. A strong balance sheet as well as a good market position and visible cashflows have been the key selection criteria in investments for this fund, particularly in those sectors that are more economically sensitive. Not unusually, the first part of the rally was led by a sharp rebound in the most oversold stocks (the so called "dash for trash") and despite having increased the funds weightings in cyclical stock early in the summer, we have lagged the market.

Having seen a 50% move from the lows led by high beta Financials and Mining companies, we believe the market leadership is beginning to broaden out, and stock rather than sector selection will be a greater driver of performance over the next year. As always, we are looking for growth at a reasonable price and have recently been buying holdings in several companies that have solid above average earnings growth prospects over the next 2-3 years. This includes Compass (the contract caterer) and IMI and Spectris (two market leaders in the engineering products and services industry) who should all benefit from the recovery in their revenues in a better economic environment but are also well-

positioned to gain market share from weaker competitors and have been restructuring their cost bases to improve their margins.

Outlook

The first stages of an economic recovery usually witness strong year-on-year growth as the inventory cycle and pent-up demand combine to deliver high sales growth. We expect this to initially be the case in this cycle, however the high levels of consumer and now government leverage will, we believe, weigh on the economy and depress trend growth over the medium-term.

Despite the sharp rise in the UK equity market from its lows, valuations still appear attractive both against history and other asset classes. Dividends and earnings are expected to rise strongly again in 2010 and whilst interest rates remain low, yields on equities will beat those on cash or in many cases bonds.

Jane Coffey
Fund Manager

October 2009

Fund Facts

Sedol number	0144481
Fund Type	Authorised Unit Trust
Initial Charge	4%
Total expense ratio (ter)¹ 31/08/09	1.30%
Total expense ratio (ter)¹ 31/08/08	1.46%
Portfolio Turnover Rate 31/08/09	85.13%
Portfolio Turnover Rate 31/08/08	84.08%
Annual Management Charge (amc)	1.25%
Initial Commission	3%
Domiciled	UK
Min Lump Sum Investment	£1,000
Min Additional Investment or Sale	£100
Min Monthly Investment	£50
ISA Qualifying	Yes
Pep qualifying	Yes
Available in savings scheme	Yes
Launch Date	6 April 1984
Unit Type(s)	Accumulation
Distribution	
Calculation Dates (XD)	01/03, 01/09
Distribution	
Payment Dates	30/04, 31/10

¹ the total expense ratio: consists of the AMC and any other additional expenses charged to a fund, such as trustee fees.

Fund Performance Data

Bid Price	544.00p
Offer Price	571.40p
Fund Size	£329.6m
Net Asset Value (NAV) at start of accounting period	616.71p
Net Asset Value (NAV) at end of accounting period	544.53p

Net Income Information

Year	Pence per unit	Per £1,000 invested at 2 January 2004
2009*	13.89	32.10
2008	14.48	33.46
2007	12.73	29.41
2006	11.06	25.55
2005	9.47	21.88
2004	8.47	19.57

* to 31 August 2009

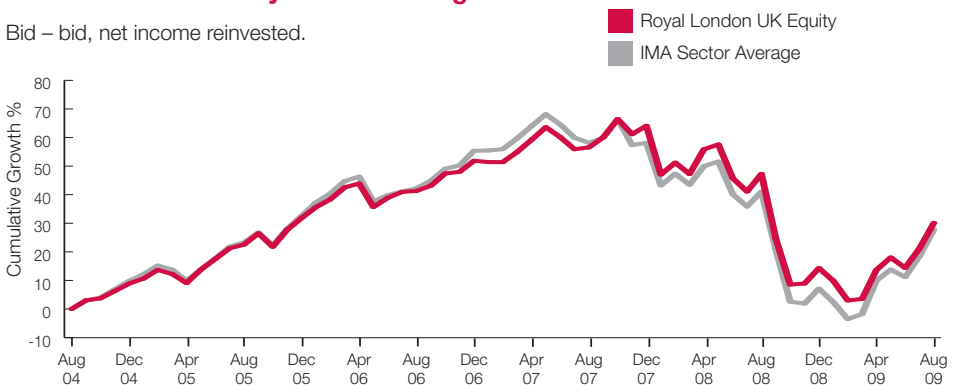
Fund vs Sector Average Performance

	1 year	2 years	3 years	4 years	5 years
To 31 August 2009	31/8/08 to 31/8/09	31/8/07 to 31/8/08	31/8/06 to 31/8/07	31/8/05 to 31/8/06	31/8/04 to 31/8/05
Royal London UK Equity Trust	-11.63%	-5.91%	10.77%	15.33%	22.54%
IMA UK All Companies	-9.40%	-10.82%	11.18%	15.37%	23.30%
Relative Performance	-2.23%	4.91%	-0.41%	-0.04%	-0.76%

Annual, bid-bid, net income reinvested. Source: RLAM and Lipper as at 31 August 2009

Fund Performance 5 years to 31 August 2009

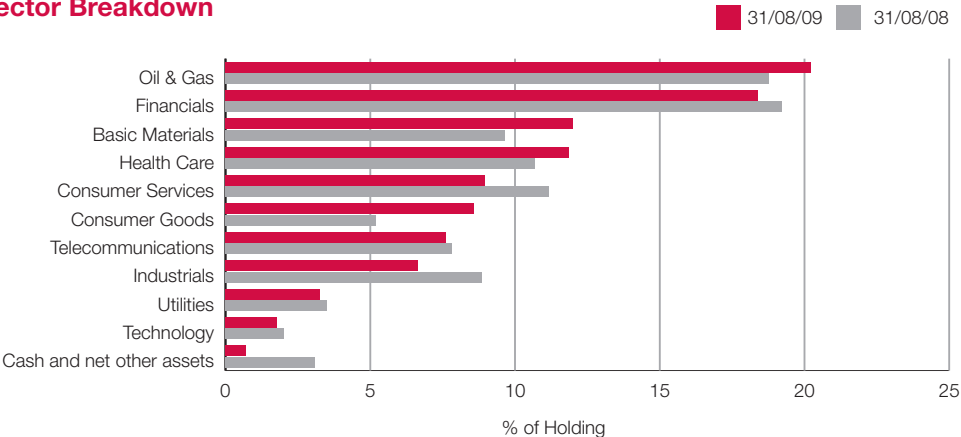
Bid – bid, net income reinvested.



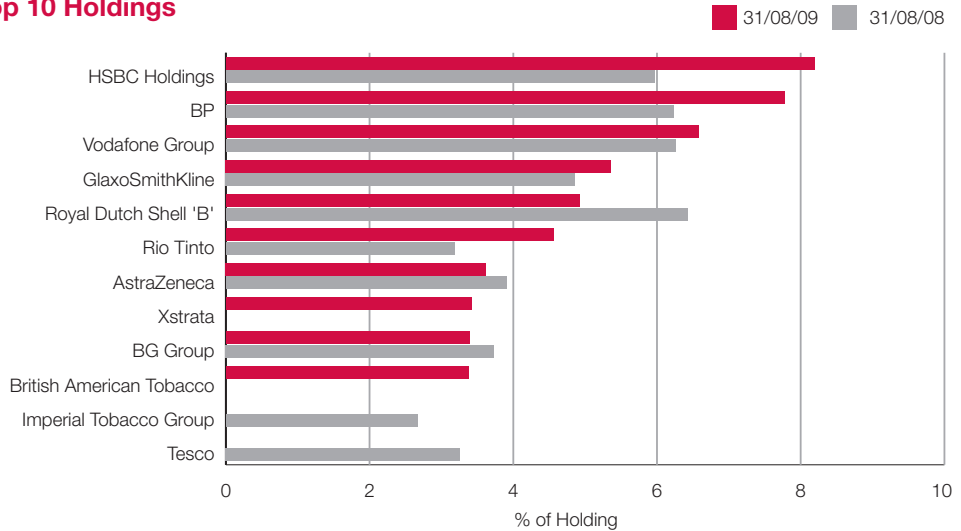
Source: RLAM and Lipper as at 31 August 2009.

Past performance is no guarantee to the future. The value of units can go down as well as up and the return from your investment is not guaranteed and can fall as well as rise due to stock market movements and changes in long term interest rates, so you may not get back the amount that you originally invested.

Sector Breakdown



Top 10 Holdings



A copy of the Long Form Report and Accounts is available on request.

The Manager of the Royal London UK Equity Trust is Royal London Unit Trust Management Limited

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The Registrar of the Royal London UK Equity Trust is International Financial Data Services Limited

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The Auditor of the Royal London UK Equity Trust is PricewaterhouseCoopers LLP

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