

# **BARCLAYS MULTI-MANAGER FUND (UK SERIES 2)**

Annual Report and Accounts

for the year ended 15 May 2014

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\*These collectively comprise the ACD's Report together with the Investment Objective and Policy, the Investment Report, the Fund Review, the Market/Economic Review, the Outlook and the Portfolio Statement sections for each Fund.

# Company Information

Barclays Multi-Manager Fund (UK Series 2) (the 'Company') is an Open-Ended Investment Company (the 'OEIC') with variable capital, incorporated in England and Wales under registered number IC000133, authorised by the Financial Conduct Authority (the 'FCA') with effect from 23 October 2001.

Barclays Multi-Manager Fund (UK Series 2) is structured as an umbrella company with six available sub-funds ('Funds'), which may be increased in the future. The Funds are as follows:

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Barclays UK Lower Cap Fund  
Barclays Sterling Bond Fund  
Barclays UK Alpha (Series 2) Fund  
Barclays Europe (ex-UK) Alpha Fund  
Barclays UK Equity Income (Series 2) Fund  
Barclays US Alpha Fund

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Each Fund is operated as a separate entity with its own portfolio and investment objective. The objective of each Fund is shown within the pages of this report relating to the Fund.

The Authorised Corporate Director's Report comprises pages 3 to 5 and 145 to 148 of the Annual Report and Accounts, together with the Investment Objective and Policy, the Investment Report, the Market/Economic Review, the Fund Review, the Outlook and the Portfolio Statement sections for each Fund.

## Fund Liabilities

With effect from 3 December 2013, the Company has implemented changes to its Prospectus and Instrument of Incorporation to reflect the requirements of the OEIC Regulations which provide that the assets of each Fund belong exclusively to that Fund and shall not be used to discharge the liabilities of or claims against the Company, any other Fund or any other person or body.

The Authorised Corporate Director (the 'ACD') may, however, allocate assets received or liabilities that it incurs on behalf of the Funds, which are not attributable to a particular Fund, between the Funds in a manner which it considers to be fair to the Shareholders of the Company. The ACD would normally expect any such re-allocation to be effected on a pro-rata basis having regard to the Net Asset Values of the relevant Funds.

Investors should be aware that the concept of segregated liability between the Funds is relatively new. Where claims are brought by local creditors in foreign courts or under foreign law contracts, it is not yet known how those foreign courts will react to the OEIC Regulations regarding the segregated liability the Funds and cross investment between Funds.

Shareholders are not, however, liable for the debts of the Company. A Shareholder is not therefore liable to make any further payment to the Company after paying the purchase price of Shares.

## Valuation Point and Price Publication

The Funds are valued at 1am daily and prices are available on the internet at: [www.barclaysinvestments.co.uk](http://www.barclaysinvestments.co.uk).

## Share Classes

At the balance sheet date, four share classes (A-Class, B-Class, M-Class, and R-Class) were available in each Fund. The I-Class is available in Barclays Sterling Bond Fund, Barclays UK Alpha (Series 2) Fund and Barclays US Alpha Fund.

The minimum investment amounts of all classes can be found on pages 145 to 147 of the report. The B-Class shares are only available for purchase by a Barclays nominee. The M-Class shares are only available for purchase by the Investment Manager.

# Company Information (continued)

## Authorised Corporate Director

Barclays Asset Management Limited  
Registered office:  
1 Churchill Place  
London, E14 5HP  
Telephone: 0845 300 4003  
Registered in England No. 505543

Authorised and regulated by the Financial Conduct Authority.

## Directors of the Authorised Corporate Director

David Martin Dalton-Brown\*\*  
James Edward Fane de Salis (appointed 21 June 2013)  
Terence William Dunleavy  
David Jonathan Semaya (resigned 9 December 2013)  
Rory Thomas Tobin

\*\* Non-executive Director.

## Investment Adviser

Barclays Bank PLC  
Acting through its Wealth and Investment  
Management division,  
Barclays  
Registered office:  
1 Churchill Place  
London, E14 5HP

Authorised and regulated by the Financial Conduct Authority.

## Registrar

Bank Of New York Mellon  
BNY Mellon House  
Ingrave Road, Brentwood  
Essex, CM15 8TG

Authorised and regulated by the Financial Conduct Authority.

Dealing & Enquiries 0845 300 4003

Call charges will vary. We may record and monitor calls.

## Depository

National Westminster Bank PLC  
Trustee & Depository Services  
1st Floor, Younger Building  
3 Redheughs Avenue  
Edinburgh, EH12 9RH

Authorised and regulated by the Financial Conduct Authority.

## Independent Auditors

PricewaterhouseCoopers LLP  
7 More London Riverside  
London, SE1 2RT

# Company Information (continued)

## Counterparty

At the year end, the Funds were entered into Futures contracts and Forward currency contracts with the following counterparties:

Barclays Bank PLC  
1 Churchill Place  
London, E14 5HP

Citibank International plc  
Citigroup Centre  
33 Canada Square  
Canary Wharf  
London, E14 5LB

Goldman Sachs International  
Peterborough Court  
133 Fleet Street  
London, EC4A 2BB

JP Morgan Chase Bank  
25 Bank Street  
Canary Wharf  
London, E14 5JP

Northern Trust Company, Chicago Branch  
50 South Lasalle Street  
Chicago  
Illinois 60675

RBC  
Riverbank House  
2 Swan Lane  
London, EC4R 3BF

HSBC Bank plc  
8 Canada Square  
Canary Wharf  
London, E14 5HQ

UBS  
3 Finsbury Avenue  
London, EC2M 2AN

# Statement of Responsibilities

## Statement of the Authorised Corporate Director's Responsibilities

The Authorised Corporate Director ('ACD') of the Company is required by the Financial Conduct Authority's Collective Investment Schemes sourcebook ('COLL'), to prepare financial statements for each accounting period which give a true and fair view in accordance with UK Generally Accepted Accounting Practice, of the net revenue and the net capital gains or losses on the scheme property for the accounting period, and the financial position of the Company at the end of that period. In preparing these financial statements, the ACD is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are prudent and reasonable;
- state whether applicable Accounting Standards have been followed, subject to any material departure disclosed and explained in the financial statements; and
- prepare the financial statements on the basis that the Company will continue in operation unless it is inappropriate to presume this.

The ACD is also required to manage the Fund in accordance with the Instrument of Incorporation, the Prospectus and the COLL, maintain proper accounting records to enable them to ensure that the financial statements comply with the Statement of Recommended Practice for Authorised Funds issued by the IMA in October 2010 and the COLL and take in these respects reasonable steps for the prevention and detection of fraud and other irregularities.

## Statement of the Depositary's Responsibilities

The Depositary is responsible for the safekeeping of all the property of the Company (other than tangible moveable property) which is entrusted to it and for the collection of revenue that arises from that property.

It is the duty of the Depositary to take reasonable care to ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes sourcebook ('COLL'), the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228), as amended ('the OEIC Regulations'), the Company's Instrument of Incorporation and Prospectus, in relation to the pricing of, and dealings in, shares in the Company; the application of the revenue of the Company, and the investment and borrowing powers and restrictions applicable to the Company.

## Report of the Depositary to the Shareholders of Barclays Multi Manager Fund (UK Series 2)

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the Authorised Corporate Director:

- has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's revenue in accordance with the sourcebook and, where applicable, the OEIC Regulations, the Instrument of Incorporation and Prospectus of the Company, and
- has observed the investment and borrowing powers and restrictions applicable to the Company.

Edinburgh  
04 August 2014

National Westminster Bank PLC  
Trustee and Depositary Services

# Independent Auditors' Report to the Shareholders of Barclays Multi-Manager Fund (UK Series 2)

## Report on the financial statements

### Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the financial position of the Company and each of the sub-funds as at 15 May 2014 and of the net revenue/(expenses) and the net capital gains/(losses) of the scheme property of the Company and each of the sub-funds for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, the Statement of Recommended Practice for Authorised Funds, the Collective Investment Schemes sourcebook and the Instrument of Incorporation.

This opinion is to be read in the context of what we say in the remainder of this report.

### What we have audited

The financial statements of Barclays Multi-Manager Fund (UK Series 2) (the 'Company'), which are prepared by Barclays Asset Management Limited (the 'Authorised Corporate Director'), comprise :

- the aggregated balance sheet of the Company as at 15 May 2014;
- the aggregated statement of total return of the Company for the year then ended;
- the aggregated statement of change in net assets attributable to shareholders of the Company for the year then ended;
- the balance sheets as at 15 May 2014 together with the statements of total return and statements of changes in net assets attributable to shareholders of each of the Company's sub-funds;
- the notes to the Company's financial statements and each of the Company's sub-funds, which include a summary of significant accounting policies and other explanatory information; and
- the distribution tables

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), the Statement of Recommended Practice 'Financial Statements of Authorised Funds' issued by the Investment Management Association (the 'Statement of Recommended Practice for Authorised Funds'), the Collective Investment Schemes sourcebook and the Instrument of Incorporation.

In applying the financial reporting framework, the Authorised Corporate Director has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

### What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)').

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

This includes an assessment of:

- whether the accounting policies are appropriate to the Company's and each of the Company's sub-funds' circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Authorised Corporate Director; and
- the overall presentation of the financial statements.

# Independent Auditors' Report to the Shareholders of Barclays Multi-Manager Fund (UK Series 2) (continued)

In addition, we read all the financial and non-financial information in the Annual Report and Accounts (the 'Annual Report') to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinions on matters prescribed by the Collective Investment Schemes sourcebook

In our opinion:

- we have obtained all the information and explanations we consider necessary for the purposes of the audit; and
- the information given in the Authorised Corporate Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Other matters on which we are required to report by exception

### Propriety of accounting records and information and explanations received

Under the Collective Investment Schemes sourcebook we are required to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

## Responsibilities for the financial statements and the audit

### Our responsibilities and those of the Authorised Corporate Director

As explained more fully in the Authorised Corporate Director's Responsibilities Statement set out on page 6, the Authorised Corporate Director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook as required by paragraph 67(2) of the Open-Ended Investment Companies Regulations 2001 and for no other purpose.

We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
04 August 2014

The maintenance and integrity of the Barclays Asset Management Limited website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Aggregated Financial Statements

## Aggregated Statement of Total Return for the year ended 15 May 2014

	Note	16/05/2013 to 15/05/2014		16/05/2012 to 15/05/2013	
		£'000	£'000	£'000	£'000
<b>Income</b>					
Net capital gains	2		46,012		149,227
Revenue	3	27,637		28,363	
Expenses	4	(10,509)		(10,375)	
Finance costs: Interest	6	(23)		(19)	
Net revenue before taxation		17,105		17,969	
Taxation	5	(115)		(366)	
Net revenue after taxation for the year			16,990		17,603
Total return before distributions			63,002		166,830
Finance costs: Distributions	6		(23,886)		(25,100)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>£39,116</b>		<b>£141,730</b>

## Aggregated Statement of Change in Net Assets Attributable to Shareholders for the year ended 15 May 2014

		16/05/2013 to 15/05/2014		16/05/2012 to 15/05/2013	
		£'000	£'000	£'000	£'000
<b>Opening net assets attributable to shareholders</b>			<b>912,278</b>		<b>845,836</b>
Movement due to sales and repurchases of shares:					
Amounts receivable on issue of shares		40,524		112,091	
Amounts payable on cancellation of shares		(144,322)		(188,851)	
			(103,798)		(76,760)
Stamp duty reserve tax			(43)		(56)
Change in net assets attributable to shareholders from investment activities			39,116		141,730
Retained distribution on accumulation shares			1,383		1,382
Unclaimed distributions			207		146
<b>Closing net assets attributable to shareholders</b>			<b>£849,143</b>		<b>£912,278</b>

# Aggregated Financial Statements (continued)

## Aggregated Balance Sheet as at 15 May 2014

	Note	15/05/2014 £'000	15/05/2013 £'000
<b>ASSETS</b>			
Investment Assets		818,313	873,017
Debtors	7	20,895	61,927
Cash and bank balances	8	42,681	50,573
Total other assets		63,576	112,500
<b>Total assets</b>		<b>881,889</b>	<b>985,517</b>
<b>LIABILITIES</b>			
Investment Liabilities		(142)	(305)
Creditors	9	(17,393)	(43,634)
Bank overdrafts	8	(5,686)	(19,452)
Distribution payable on income shares		(9,525)	(9,848)
Total other liabilities		(32,604)	(72,934)
<b>Total liabilities</b>		<b>(32,746)</b>	<b>(73,239)</b>
<b>Net assets attributable to shareholders</b>		<b>£849,143</b>	<b>£912,278</b>

The Aggregated Financial Statements comprise the sum of the individual Funds which can be found on pages 17 to 144.

### Certification of Accounts by Directors of the Authorised Corporate Director

In accordance with the requirements of the Financial Conduct Authority's Collective Investment Schemes sourcebook, we hereby certify the Investment Reports and Financial Statements on behalf of the Directors of Barclays Asset Management Limited.



James de Salis  
04 August 2014



Rory Tobin  
04 August 2014

# Aggregated Financial Statements (continued)

## Notes to the Aggregated Financial Statements for the year ended 15 May 2014

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### 1. Accounting policies

#### (a) Accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association ('IMA') in October 2010 ('the IMA SORP 2010'). The financial statements have been prepared on a going concern basis.

#### (b) Recognition of revenue

Revenue from quoted equities and non-equity shares is recognised net of attributable tax credits when the security is quoted ex-dividend. Revenue from unquoted equity investments is recognised net of attributable tax credits when the dividend is declared.

Bond interest is accounted for on an effective yield basis, calculated with reference to the purchase price.

Overseas revenue received after the deduction of withholding tax is shown gross of taxation, with the taxation consequences shown within the taxation charge.

Special dividends are treated as either revenue or capital depending on the facts in each particular case.

All other revenue is recognised on an accruals basis.

#### (c) Treatment of expenses

All expenses (other than those relating to the purchases and sale of investments and Stamp Duty Reserve Tax (SDRT) (Effective 30 March 2014, the Funds no longer have to pay the additional fund specific SDRT (known as Schedule 19 SDRT) which had previously been imposed at a rate of 0.5% of the value of fund shares or units sold.) are charged against revenue on an accrual basis.

#### (d) Allocation of revenue and expenses to multiple share classes and distribution policy

With the exception of the ACD's periodic fee and Registration fee, which are directly attributable to individual share classes, all revenue and expenses are allocated to the Fund's share class pro rata to the value of the net assets of the relevant share class on the day that the revenue or expenses are recognised.

The policy is to distribute all available revenue, after deduction of those expenses which are chargeable against revenue in calculating the distribution. In order to conduct a controlled dividend flow, interim distributions will be at the ACD's discretion, up to a maximum of the distributable revenue for the period. All remaining revenue is distributed in accordance with the Collective Investment Scheme sourcebook (the 'COLL').

The ordinary element of stock dividends is treated as revenue and forms part of the distribution. In the case of an enhanced stock dividend, the value of the enhancement is treated as capital and does not form part of the distribution.

# Aggregated Financial Statements (continued)

## Notes to the Aggregated Financial Statements for the year ended 15 May 2014 (continued)

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### 1. Accounting policies (continued)

#### (d) Allocation of revenue and expenses to multiple share classes and distribution policy (continued)

For index linked gilt securities held on the Barclays Sterling Bond Fund, the indexation element of revenue (which represents capital protection) is retained within the Fund so as to better enable the Fund to meet its investment objective.

For the purposes of calculating the distribution, the ACD's periodic fee is charged against revenue for the Barclays US Alpha Fund, Barclays Europe (ex-UK) Alpha Fund, Barclays UK Lower Cap Fund and the Barclays UK Alpha (Series 2) Fund. The Barclays UK Equity Income (Series 2) Fund and the Barclays Sterling Bond Fund have their expenses transferred to capital for the purposes of calculating the distribution.

Where the ACD's periodic fee is transferred to capital for the purposes of calculating the distribution, the other charges and expenses for that Fund will also be transferred to capital for the purposes of calculating the distribution which may have the effect of constraining capital growth. Where the ACD's periodic fee is charged against the revenue of a Fund for the purposes of calculating the distribution, all other charges and expenses of that Fund will be treated as a revenue expense.

Distributions which have remained unclaimed by Shareholders for over six years are credited to the capital property of the Fund.

#### (e) Basis of valuation of investments

All investments are valued at their fair value as at 1am on 16 May 2014, being the most appropriate valuation point for the Fund's year end.

The fair value for non-derivative securities is bid-market price, excluding any accrued interest and the fair value for derivative instruments is the cost of closing out the contract at the balance sheet date. Where values cannot be readily determined, the securities are valued at the Manager's best assessment of their value.

#### (f) Taxation

Provision is made for taxation at current rates on the excess of revenue over expenses, with relief for overseas taxation taken where appropriate.

Deferred tax is provided for on all timing differences that have originated but not reversed by the balance sheet date, other than those differences that are regarded as permanent. Any liability to deferred tax is provided for at the average rate of tax expected to apply. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

#### (g) Exchange rates

Transactions in foreign currencies are translated at the rate of exchange prevailing on the date of the transaction. Where applicable, assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange prevailing at 1am on 16 May 2014, being the most appropriate valuation point for the Fund's year end.

# Aggregated Financial Statements (continued)

## Notes to the Aggregated Financial Statements for the year ended 15 May 2014 (continued)

### 2. Net capital gains on investments

	16/05/2013 to 15/05/2014 £'000	16/05/2012 to 15/05/2013 £'000
The net capital gains on investments during the year comprise:		
Non-derivative securities	44,707	148,549
Derivative contracts	522	1,727
Forward currency contracts	1,517	(817)
Currency losses	(543)	(83)
Transaction charges	(191)	(149)
Net capital gains on investments	46,012	149,227

### 3. Revenue

	16/05/2013 to 15/05/2014 £'000	16/05/2012 to 15/05/2013 £'000
Franked UK dividends	13,138	12,869
UK REIT dividends	75	85
UK PID income	142	121
Overseas REIT dividends	13	25
Unfranked UK dividends	1	-
Non-taxable overseas dividends	3,476	3,142
Taxable overseas dividends	29	-
Bond interest	10,756	12,100
Bank interest	7	3
Term deposit interest	-	6
Underwriting commission	-	12
Total revenue	27,637	28,363

### 4. Expenses

	16/05/2013 to 15/05/2014 £'000	16/05/2012 to 15/05/2013 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic fee	8,773	8,852
Registration fee	919	978
	9,692	9,830
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fee	106	106
Safe custody fee	81	83
	187	189

# Aggregated Financial Statements (continued)

## Notes to the Aggregated Financial Statements for the year ended 15 May 2014 (continued)

### 4. Expenses (continued)

	16/05/2013 to 15/05/2014 £'000	16/05/2012 to 15/05/2013 £'000
Other expenses:		
Administration fee	425	201
Audit fee	72	84
VAT on audit fee	12	18
Printing fee	42	(3)
Tax advice fee	79	56
	630	356
Total expenses	10,509	10,375

### 5. Taxation

#### (a) Analysis of taxation charge in year

	16/05/2013 to 15/05/2014 £'000	16/05/2012 to 15/05/2013 £'000
Prior years ECJ overseas tax reclaims	(176)	-
Overseas tax	291	366
Current tax [note 5(b)]	115	366
Deferred tax [note 5(c)]	-	-
Total taxation	115	366

#### (b) Factors affecting taxation charge for the year

The tax assessed for the year is lower than (2013: lower than) the standard rate of corporation tax in the UK for an open-ended investment company (20%). The differences are explained below:

	£'000	£'000
Net revenue before taxation	17,105	17,969
Net revenue before taxation multiplied by the appropriate rate of corporation tax at 20% (2013: 20%)	3,421	3,594
Effects of:		
Double taxation relief expensed	(1)	-
Overseas tax	291	366
Prior years ECJ overseas tax reclaims	(176)	-
Revenue not subject to taxation	(3,338)	(3,219)
Excess management expenses not utilised	1,395	1,272
Excess non trade loan deficit not utilised	2	1
Prior period expenses utilised	(1,479)	(1,648)
Current tax	115	366

#### (c) Provision for deferred tax

There is no deferred tax provision in the current year (15 May 2013: same).

For details of unrecognised potential deferred tax assets, see notes to the individual sub-funds. It is unlikely the Funds will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised (15 May 2013: same).

# Aggregated Financial Statements (continued)

## Notes to the Aggregated Financial Statements for the year ended 15 May 2014 (continued)

### 6. Distributions

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares and comprise:

	16/05/2013 to 15/05/2014 £'000	16/05/2012 to 15/05/2013 £'000
Distributions	21,208	22,401
Add: Revenue deducted on cancellation of shares	888	1,495
Less: Revenue received on creation of shares	(258)	(1,205)
Add: Income tax deducted at source - current year	2,151	2,409
Less: Effect of prior years' income tax adjustment	(103)	-
<b>Distributions for the year</b>	<b>23,886</b>	<b>25,100</b>

### Interest

Bank overdraft interest	23	19
<b>Total finance costs</b>	<b>23,909</b>	<b>25,119</b>

The differences between the net revenue after taxation and the distribution for the year are as follows:

	16/05/2013 to 15/05/2014 £'000	16/05/2012 to 15/05/2013 £'000
Net revenue after taxation for the year	16,990	17,603
Add: Expenses transferred to capital	7,016	7,417
Add: Shortfall on income account	20	70
Less: Expenses charged against revenue	(140)	(2)
Add: Prior year distribution adjustment	-	12
Distributions for the year	23,886	25,100

### 7. Debtors

	15/05/2014 £'000	15/05/2013 £'000
Amounts receivable for creation of shares	7,392	38,317
Sales awaiting settlement	5,402	14,399
Bond revenue receivable	4,159	5,428
Accrued revenue	3,363	3,353
Overseas tax recoverable	499	357
Margin interest receivable	-	36
UK tax recoverable on REIT distributions	69	37
Amounts receivable on FX contracts	11	-
	20,895	61,927

# Aggregated Financial Statements (continued)

## Notes to the Aggregated Financial Statements for the year ended 15 May 2014 (continued)

### 8. Net uninvested cash

	15/05/2014	15/05/2013
	£'000	£'000
Amounts held at futures clearing houses and brokers	2,217	2,968
Bank overdrafts	(5,686)	(19,452)
Cash and bank balances	40,464	47,605
Net uninvested cash	36,995	31,121

### 9. Creditors

	15/05/2014	15/05/2013
	£'000	£'000
Amounts payable for cancellation of shares	8,670	6,742
Purchases awaiting settlement	6,048	33,868
Accrued expenses	1,579	1,823
Income tax payable	1,084	1,201
Amounts payable on FX contracts	12	-
	17,393	43,634

# Barclays UK Lower Cap Fund

## Investment Objective and Policy

The Fund seeks long-term capital growth primarily through investment in UK companies excluding those companies with a large market capitalisation.

The Fund invests primarily in common stock, preferred shares and securities convertible into common stock of lower capitalisation companies domiciled in the UK or having significant operations in the UK, and listed on a UK regulated market or the regulated market of an OECD country. UK lower capitalisation companies are those whose market capitalisation, at the time of purchase, is outside the size range of companies in the FTSE 100 Index.

The Fund will invest at least 70% of its assets in the common stocks and preferred shares of medium and smaller sized UK companies. The Fund may, with the remaining portion of the assets (and on an ancillary basis), invest in larger, more established UK companies, smaller, emerging companies, non-UK equity securities, investment grade government and corporate fixed income securities and convertible debt securities.

The Fund may also invest in other transferable securities, money market instruments, derivatives, cash and near cash, deposits and units in collective investment schemes (use may be made of stocklending, borrowing, cash holdings, hedging and other investment techniques permitted in the applicable FCA Rules).

The ACD will not invest directly in derivatives for investment purposes, without giving Shareholders at least 60 days' notice of its intention to do so and it is not intended that the use of derivatives will cause the net asset value of the Fund to have higher volatility or otherwise cause the existing risk profile of the Fund to change.

## Investment Report

During the period under review, the net asset value per share attributable to the A-Class Accumulation shares rose by 16.6%.

## Market/Economic Review

The last 12 months has been a fairly profitable period to invest in UK equities. Volatility has been less of a theme and returns from UK equities have not been as impressive as those seen in many of their developed market counterparts. The period has seen the further diminishing of euro area sovereign debt concerns and worries over domestic and global growth and UK equities have continued to build on the gains seen in 2013. Recent growth figures have provided further support to markets with the UK economy showing stronger signs of recovery than many economists and market participants expected.

In what was a very strong period for developed market equities in general, UK equities performed relatively less well than a number of their developed market counterparts. The FTSE All-Share Index rose 6.8% over the period.

Sector performance was mostly positive with the Technology sector the only sector producing negative returns over the period. Healthcare was the best performing sector returning a very impressive 19.8% over the period, driven by positive sentiment and an increase in merger and acquisition (M&A) activity in the sector. Telecommunications was the second best performing sector returning 14.4% over the period. Although it is worth noting that this sector performance was almost entirely driven by the strong performance of index heavyweight Vodafone and 2014 has seen a significant reversal of some of the gains seen in the first half of the period. Consumer Services was another sector that rallied strongly as consumer confidence continues to rebound in the UK with the sector returning 9.0% over the period.

(Source: Factset, Barclays)

# Barclays UK Lower Cap Fund (continued)

## Fund Review

Early in the period, the UK Lower Cap Fund was ahead of the FTSE All-Share ex FTSE 100 ex Investment Trusts Index showing the Fund can perform strongly relative to the market in both up and down periods for markets. Stock selection continued to be the main driver of outperformance with sector allocation slightly positive. Holdings in consumer names Ted Baker and Sports Direct did well as did a position in kitchen manufacturer and distributor Howden Joinery. Keller Group, within Industrials and a top 10 overweight for some time, continued to perform strongly as they benefit from a recovery in housing in the US.

Towards the middle of the period, the Fund strongly outperformed its benchmark, despite a buoyant market towards the end of the year in 2013. It was as much about what wasn't held as what was with an underweight position in Financials helping performance. Alongside this, significant positions in Rightmove and Berkeley Group contributed to a strong performance towards the end of the year in 2013.

An interesting and volatile start to the year in the UK where the market started off complacent but then an aggregation of individual warnings, largely in the FTSE 100 arena, seemed to remind investors of the fragility of the economic recovery and lofty valuations. In this environment, the smaller companies outperformed their larger peers but the index was still down.

The outperformance of Industrials and Mining in the market overall still indicated that investors remain supportive of the second stage of the economic recovery and were cautiously adding to cheap emerging market stories. The Fund had a very strong start to the year in 2014 relative to its benchmark. Nearly all the outperformance came from stock selection in Financials and Consumer Discretionary including holdings in Lavendon, Topps Tiles and Mecom, and a lack of names such as Ashmore and ICAP.

More recently, things have been more difficult for the Fund which underperformed the index. The domestically sensitive stocks saw significant reversals and big positions in Grainger and Foxtons hurt the Fund. Some highly rated growth names, such as CSR, were also hit. Not holding Booker helped. Following a strong start to the year, the Fund is still ahead of the index year to date in 2014.

(Source: Factset, Barclays)

## Outlook

The UK market still does not look expensive but of the developed markets, we still prefer the US and Europe (ex-UK) to the UK. In the UK, the improving economy continues to favour domestically-focused sectors.

Our Tactical Allocation Committee moved in February 2014 from a neutral to a modest overweight position in developed market equities. We believe the recent setback is likely to give way longer-term, as fundamental strength reasserts itself as a driver of equity markets. The cycle and relative valuations still favour stocks.

Barclays  
Wealth and Investment Management  
(Investment Adviser)  
June 2014

# Barclays UK Lower Cap Fund (continued)

## Portfolio Statement as at 15 May 2014

All investments are in ordinary shares unless stated otherwise. The percentages in brackets show the equivalent sector holdings at 15 May 2013.

Holding / Nominal Value	Investment	Market Value £'000	% of Net Assets
	<b>MIDDLE EAST: 0.61% (0.00%)</b>		
	<b>UNITED ARAB EMIRATES: 0.61% (0.00%)</b>		
	<b>Oil Equipment, Services &amp; Distribution: 0.61% (0.00%)</b>		
323,529	Gulf Marine Services	505	0.61
	<b>PACIFIC: 0.16% (0.00%)</b>		
	<b>AUSTRALIA: 0.16% (0.00%)</b>		
	<b>Technology Hardware &amp; Equipment: 0.16% (0.00%)</b>		
2,439,566	Seeing Machines^	134	0.16
	<b>UNITED KINGDOM: 95.26% (90.12%)</b>		
	<b>Aerospace &amp; Defense: 1.54% (2.07%)</b>		
325,000	QinetiQ	649	0.78
225,000	Senior	629	0.76
		1,278	1.54
	<b>Alternative Energy: 0.52% (0.61%)</b>		
135,479	Porvair	428	0.52
	<b>Banks: 0.64% (0.00%)</b>		
22,500	Bank of Georgia	530	0.64
	<b>Beverages: 0.92% (0.66%)</b>		
125,000	A.C.BARR	764	0.92
	<b>Chemicals: 2.63% (1.71%)</b>		
300,000	Elementis	820	0.99
214,900	Synthomer	568	0.69
45,000	Victrex	791	0.95
		2,179	2.63
	<b>Construction &amp; Materials: 2.00% (5.20%)</b>		
72,700	Keller	687	0.83
24,307	Kier	407	0.49
70,615	Morgan Sindall	565	0.68
		1,659	2.00
	<b>Electronic &amp; Electrical Equipment: 2.87% (4.21%)</b>		
125,000	Domino Printing Sciences	952	1.15
150,000	Halma	862	1.04
190,200	HellermannTyton	565	0.68
		2,379	2.87
	<b>Financial Services: 9.88% (7.98%)</b>		
58,000	3i	225	0.27
248,733	Arrow Global	548	0.66
452,268	Brewin Dolphin	1,402	1.69
45,800	Close Brothers	608	0.73
150,000	IG	928	1.12
69,000	International Personal Finance	393	0.48
125,000	Investec	650	0.79
323,330	Jupiter Fund Management	1,254	1.51

# Barclays UK Lower Cap Fund (continued)

## Portfolio Statement as at 15 May 2014 (continued)

Holding / Nominal Value	Investment	Market Value £'000	% of Net Assets
<b>UNITED KINGDOM: 95.26% (90.12%) (continued)</b>			
<b>Financial Services: 9.88% (7.98%) (continued)</b>			
350,000	Just Retirement	538	0.65
290,000	Liontrust Asset Management	760	0.92
94,864	Plus500^ ^^	591	0.71
68,958	SVG Capital	292	0.35
		8,189	9.88
<b>Fixed Line Telecommunications: 1.50% (1.50%)</b>			
750,000	Cable & Wireless Communications	394	0.48
56,671	Telecom Plus	848	1.02
		1,242	1.50
<b>Food &amp; Drug Retailers: 0.00% (0.60%)</b>			
<b>Food Producers: 0.00% (0.58%)</b>			
<b>General Industrials: 1.33% (1.64%)</b>			
353,200	DS Smith	1,101	1.33
<b>General Retailers: 6.84% (5.28%)</b>			
1,634,272	boohoo.com^	825	1.00
60,000	Dignity	824	0.99
1,877,781	Dixons Retail	858	1.04
254,994	Findel	663	0.80
258,517	Just Eat	575	0.69
123,410	N Brown	569	0.69
250,000	Pets at Home	543	0.66
30,000	Ted Baker	506	0.61
240,200	Topps Tiles	299	0.36
		5,662	6.84
<b>Health Care Equipment &amp; Services: 0.85% (0.00%)</b>			
70,599	Al Noor Hospitals	707	0.85
<b>Household Goods &amp; Home Construction: 5.11% (7.22%)</b>			
89,300	Barratt Developments	320	0.39
22,200	Berkeley	492	0.59
91,318	Headlam	432	0.52
236,290	Redrow	628	0.76
2,201,160	Taylor Wimpey	2,360	2.85
		4,232	5.11
<b>Industrial Engineering: 2.98% (1.89%)</b>			
230,200	Bodycote	1,677	2.02
200,000	Fenner	796	0.96
		2,473	2.98
<b>Industrial Metals &amp; Mining: 0.00% (0.17%)</b>			
<b>Industrial Transportation: 0.96% (0.47%)</b>			
60,000	James Fisher & Sons	794	0.96

# Barclays UK Lower Cap Fund (continued)

## Portfolio Statement as at 15 May 2014 (continued)

Holding / Nominal Value	Investment	Market Value £'000	% of Net Assets
<b>UNITED KINGDOM: 95.26% (90.12%) (continued)</b>			
<b>Industrial: 0.00% (0.03%)</b>			
<b>Life Insurance: 1.28% (2.39%)</b>			
98,150	Phoenix	640	0.77
56,322	St James's Place	422	0.51
		1,062	1.28
<b>Media: 5.13% (5.34%)</b>			
307,788	Centaur Media	198	0.24
138,100	Chime Communications	486	0.59
72,000	Daily Mail & General Trust	597	0.72
307,200	Ebiquity^	387	0.47
209,198	Mecom	244	0.29
62,556	Perform	160	0.19
50,300	Rightmove	1,107	1.33
100,000	UBM	652	0.79
187,838	UTV Media	419	0.51
		4,250	5.13
<b>Mining: 0.00% (0.40%)</b>			
<b>Nonlife Insurance: 0.93% (0.71%)</b>			
75,000	Jardine Lloyd Thompson	774	0.93
<b>Oil &amp; Gas Producers: 4.05% (3.58%)</b>			
700,000	EnQuest	969	1.17
437,200	Lekoil^	295	0.36
83,193	Parkmead Group^	192	0.23
300,000	Premier Oil	1,041	1.26
200,000	Soco International	856	1.03
		3,353	4.05
<b>Oil Equipment, Services &amp; Distribution: 2.22% (1.21%)</b>			
100,000	John Wood	748	0.90
90,000	Kentz	620	0.75
325,000	Lamprell	474	0.57
		1,842	2.22
<b>Personal Goods: 1.40% (0.00%)</b>			
114,461	Super	1,164	1.40
<b>Pharmaceuticals &amp; Biotechnology: 2.30% (1.12%)</b>			
194,709	BTG	1,050	1.27
120,000	Dechra Pharmaceuticals	857	1.03
		1,907	2.30
<b>Real Estate Investment &amp; Services: 6.79% (4.65%)</b>			
354,971	Capital & Counties Properties	1,223	1.47
218,579	Foxtons	677	0.82
500,000	Grainger	1,069	1.29
167,120	Helical Bar	570	0.69

# Barclays UK Lower Cap Fund (continued)

## Portfolio Statement as at 15 May 2014 (continued)

Holding / Nominal Value	Investment	Market Value £'000	% of Net Assets
<b>UNITED KINGDOM: 95.26% (90.12%) (continued)</b>			
<b>Real Estate Investment &amp; Services: 6.79% (4.65%) (continued)</b>			
84,000	Kennedy Wilson Europe Real Estate	851	1.03
560,615	Raven Russia	412	0.50
225,000	ST Modwen Properties	826	0.99
		5,628	6.79
<b>Real Estate Investment Trusts: 1.60% (1.21%)</b>			
122,840	Big Yellow	628	0.76
121,400	Workspace	693	0.84
		1,321	1.60
<b>Software &amp; Computer Services: 5.84% (8.13%)</b>			
135,000	Computacenter	857	1.03
1,300,266	Dotdigital^	429	0.52
4,218	First Derivatives^	45	0.06
2,753,763	Innovation	840	1.01
202,202	Micro Focus International	1,623	1.96
110,000	SDL	343	0.41
256,786	Servelec	706	0.85
		4,843	5.84
<b>Support Services: 15.98% (13.05%)</b>			
80,000	Berendsen	818	0.99
30,000	DCC	932	1.12
100,000	Diploma	650	0.78
57,600	Energy Assets	202	0.24
100,000	Grafton	559	0.67
65,000	Homeserve	222	0.27
290,300	Howden Joinery	917	1.11
120,213	Interserve	817	0.99
450,500	Lavendon	1,037	1.25
187,786	Mears	911	1.10
129,400	Northgate	660	0.80
192,986	Optimal Payments^	665	0.80
42,000	PayPoint	475	0.57
71,983	Regeneris^	264	0.32
310,756	Regus	593	0.72
275,000	SIG	492	0.59
177,295	Smart Metering Systems^	727	0.88
52,509	Synectics^	218	0.26
131,920	Utilitywise^	433	0.52
105,859	WS Atkins	1,393	1.68
171,021	Xchanging	262	0.32
		13,247	15.98

# Barclays UK Lower Cap Fund (continued)

## Portfolio Statement as at 15 May 2014 (continued)

Holding / Nominal Value	Investment	Market Value £'000	% of Net Assets
<b>UNITED KINGDOM: 95.26% (90.12%) (continued)</b>			
<b>Technology Hardware &amp; Equipment: 3.47% (2.10%)</b>			
187,242	CSR	1,045	1.26
356,574	Pace	1,282	1.55
286,814	Telit Communications^	545	0.66
		2,872	3.47
<b>Travel &amp; Leisure: 3.70% (4.41%)</b>			
14,192	Go-Ahead	268	0.32
76,284	Greene King	639	0.77
292,279	Patisserie^	555	0.67
140,600	Restaurant	846	1.02
485,956	Thomas Cook	759	0.92
10,955	Wembley	-	-
		3,067	3.70
<b>FUTURES: 0.09% (0.01%)</b>			
22	FTSE 100 Index Future June 2014	71	0.09
<b>Portfolio of investments*</b>		<b>79,657</b>	<b>96.12</b>
<b>Net other assets</b>		<b>3,218</b>	<b>3.88</b>
<b>Net assets</b>		<b>82,875</b>	<b>100.00</b>

\*Including derivatives.

^These securities are quoted on an Alternative Investment Market (AIM) and comprise 7.62% of the Net Asset Value.

^^These securities are quoted on NASDAQ and comprise 0.71% of the Net Asset Value.

	Year to 15/05/2014
Portfolio Information	
<b>Total purchases for the year</b>	<b>£67,554,627</b>
<b>Total sales for the year</b>	<b>£96,361,775</b>

	Total Global Exposure £
Counterparty	
Goldman Sachs	71,000

# Barclays UK Lower Cap Fund (continued)

## Statement of Total Return for the year ended 15 May 2014

	Note	16/05/2013 to 15/05/2014 £'000	16/05/2012 to 15/05/2013 £'000
<b>Income</b>			
Net capital gains	2	16,681	24,100
Revenue	3	1,841	1,648
Expenses	4	(1,186)	(822)
Finance costs: Interest	6	(1)	(3)
Net revenue before taxation		654	823
Taxation	5	(1)	-
Net revenue after taxation for the year		653	823
Total return before distributions		17,334	24,923
Finance costs: Distributions	6	(652)	(821)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>£16,682</b>	<b>£24,102</b>

## Statement of Change in Net Assets Attributable to Shareholders for the year ended 15 May 2014

	16/05/2013 to 15/05/2014 £'000	16/05/2012 to 15/05/2013 £'000
<b>Opening net assets attributable to shareholders</b>	<b>101,675</b>	<b>56,420</b>
Movement due to sales and repurchases of shares:		
Amounts receivable on issue of shares	6,296	29,706
Amounts payable on cancellation of shares	(41,774)	(8,631)
	(35,478)	21,075
Stamp duty reserve tax	(28)	(44)
Change in net assets attributable to shareholders from investment activities	16,682	24,102
Retained distribution on accumulation shares	23	121
Unclaimed distributions	1	1
<b>Closing net assets attributable to shareholders</b>	<b>£82,875</b>	<b>£101,675</b>

# Barclays UK Lower Cap Fund (continued)

## Balance Sheet as at 15 May 2014

	Note	15/05/2014 £'000	15/05/2013 £'000
<b>ASSETS</b>			
Investment Assets		79,657	91,640
Debtors	7	3,191	38,250
Cash and bank balances	8	5,106	1,797
Total other assets		8,297	40,047
<b>Total assets</b>		<b>87,954</b>	<b>131,687</b>
<b>LIABILITIES</b>			
Creditors	9	(3,416)	(14,858)
Bank overdrafts	8	(1,202)	(14,206)
Distribution payable on income shares		(461)	(948)
Total other liabilities		(5,079)	(30,012)
<b>Total liabilities</b>		<b>(5,079)</b>	<b>(30,012)</b>
<b>Net assets attributable to shareholders</b>		<b>£82,875</b>	<b>£101,675</b>

# Barclays UK Lower Cap Fund (continued)

## Notes to the Financial Statements

### 1. Accounting policies

The accounting policies can be found on pages 11 and 12.

### 2. Net capital gains on investments

	16/05/2013 to 15/05/2014 £'000	16/05/2012 to 15/05/2013 £'000
The net capital gains on investments during the year comprise:		
Non-derivative securities	16,764	24,083
Derivative contracts	(59)	30
Currency losses	(2)	-
Transaction charges	(22)	(13)
Net capital gains	16,681	24,100

### 3. Revenue

	16/05/2013 to 15/05/2014 £'000	16/05/2012 to 15/05/2013 £'000
Franked UK dividends	1,631	1,433
UK REIT dividends	7	-
UK PID income	21	20
Non-taxable overseas dividends	163	195
Taxable overseas dividends	18	-
Bank interest	1	-
Total revenue	1,841	1,648

### 4. Expenses

	16/05/2013 to 15/05/2014 £'000	16/05/2012 to 15/05/2013 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic fee	1,018	716
Registration fee	65	46
	1,083	762
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fee	12	8
Safe custody fee	8	5
	20	13

# Barclays UK Lower Cap Fund (continued)

## Notes to the Financial Statements (continued)

### 4. Expenses (continued)

	16/05/2013 to 15/05/2014 £'000	16/05/2012 to 15/05/2013 £'000
Other expenses:		
Administration fee	61	14
Audit fee	12	14
Printing fee	7	13
VAT on audit fee	2	3
Tax advice fee	1	3
	83	47
Total expenses	1,186	822

### 5. Taxation

#### (a) Analysis of taxation charge in year

	16/05/2013 to 15/05/2014 £'000	16/05/2012 to 15/05/2013 £'000
Prior years ECJ overseas tax reclaims	(2)	-
Overseas tax	3	-
Current tax [note 5(b)]	1	-
Deferred tax [note 5(c)]	-	-
Total taxation	1	-

#### (b) Factors affecting taxation charge for the year

The tax assessed for the year is lower than (2013: lower than) the standard rate of corporation tax in the UK for an open-ended investment company (20%). The differences are explained below:

	£'000	£'000
Net revenue before taxation	654	823
Net revenue before taxation multiplied by the appropriate rate of corporation tax at 20% (2013: 20%)	131	165
Effects of:		
Double taxation relief not expensed	(1)	-
Overseas tax	3	-
Prior years ECJ overseas tax reclaims	(2)	-
Revenue not subject to taxation	(360)	(326)
Excess management expenses not utilised	230	160
Excess non trade loan deficit not utilised	-	1
Current tax	1	-

#### (c) Provision for deferred tax

There is no deferred tax provision in the current year (15 May 2013: same).

At the year end, there is a potential deferred tax asset of £1,757,763 (£1,527,907 at 15 May 2013) due to surplus management expenses. It is unlikely the Fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised (15 May 2013: same).

# Barclays UK Lower Cap Fund (continued)

## Notes to the Financial Statements (continued)

### 6. Finance cost: Distributions and Interest

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares and comprise:

	16/05/2013 to 15/05/2014 £'000	16/05/2012 to 15/05/2013 £'000
Final distribution	484	1,069
Add: Revenue deducted on cancellation of shares	199	48
Less: Revenue received on creation of shares	(31)	(296)
<b>Distributions for the year</b>	<b>652</b>	<b>821</b>
<b>Interest</b>		
Bank overdraft interest	1	3
<b>Total finance costs</b>	<b>653</b>	<b>824</b>

The differences between the net revenue after taxation and the distribution for the year are as follows:

	16/05/2013 to 15/05/2014 £'000	16/05/2012 to 15/05/2013 £'000
Net revenue after taxation for the year	653	823
Less: Expenses charged against revenue	(1)	(2)
Distributions for the year	652	821

### 7. Debtors

	15/05/2014 £'000	15/05/2013 £'000
Amounts receivable for creation of shares	1,573	37,525
Sales awaiting settlement	1,356	351
Accrued revenue	243	368
Overseas tax recoverable	6	2
UK tax recoverable on REIT distributions	9	4
Amounts receivable on FX contracts	4	-
	3,191	38,250

### 8. Net uninvested cash

	15/05/2014 £'000	15/05/2013 £'000
Amounts held at futures clearing houses and brokers	781	787
Bank overdrafts	(1,202)	(14,206)
Cash and bank balances	4,325	1,010
<b>Net uninvested cash</b>	<b>3,904</b>	<b>(12,409)</b>

# Barclays UK Lower Cap Fund (continued)

## Notes to the Financial Statements (continued)

### 9. Creditors

	15/05/2014	15/05/2013
	£'000	£'000
Amounts payable for cancellation of shares	1,836	790
Purchases awaiting settlement	1,397	13,891
Accrued expenses	179	177
Amounts payable on FX contracts	4	-
	3,416	14,858

### 10. Contingent liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (15 May 2013: same).

### 11. Risk in relation to the financial instruments

The Fund's investment objective is stated on page 17. In pursuing its objective, the Fund holds financial instruments which expose it to various types of risk. The main risks, and the ACD's policy for managing these risks are set out below. These were applied consistently throughout the current and preceding year.

#### (a) Credit and liquidity risk

Credit risk is the risk of suffering loss due to another party not meeting its financial obligations. The primary source of this risk to the Fund is for trade counterparties to fail to meet their transaction commitments. This risk is managed by appraising the credit profile of financial instruments and trade counterparties.

Liquidity risk relates to the capacity to meet liabilities. The primary source of this risk to the Fund is the liability to Shareholders for any cancellation of shares. This risk is minimised by holding cash and readily realisable securities and via access to overdraft facilities.

#### (b) Market risk

Market risk arises mainly from uncertainty about future prices. The primary source of this risk to the Fund is the potential movement in the value of financial instruments held as a result of price fluctuations. The ACD adheres to the investment guidelines and borrowing powers established in the Prospectus and the COLL. In this way, the ACD monitors and controls the exposure to risk from any type of security, sector or issuer.

The Fund invests in securities which are issued by smaller companies and therefore there is likely to be increased volatility in price movements. The securities may also be less liquid than securities on larger exchanges which are generally traded more frequently.

The Fund may also use derivative instruments to mitigate risk and/or reduce costs. These instruments are not utilised for speculative purposes. Derivative instruments were utilised during the current and preceding year.

#### (c) Foreign currency risk

Foreign currency risk is the risk of movements in the value of overseas financial instruments as a result of fluctuations in exchange rates. This risk may be managed by the utilisation of forward currency contracts as necessary. Forward currency contracts were not utilised during the current or preceding year.

As the majority of the Fund's assets and liabilities were denominated in Sterling during the current and preceding year, there was no significant exposure to risk from exchange rate movements.

# Barclays UK Lower Cap Fund (continued)

## Notes to the Financial Statements (continued)

### 11. Risk in relation to the financial instruments (continued)

#### (d) Interest rate risk

Interest rate risk is the risk of movements in the value of financial instruments as a result of fluctuations in interest rates. The Fund's only interest bearing financial instruments at the balance sheet date were its bank balances and overdraft facilities as disclosed in note 8.

Cash is deposited, and overdraft facilities utilised, on normal commercial terms and earn or bear interest based on LIBOR or its overseas equivalent.

#### (e) Derivatives – Sensitivity analysis

The Fund invests in FTSE 100 index futures to obtain market exposure to enable it to meet the Fund objectives whilst reducing transaction costs.

The effect of these futures is to increase market exposure by 1.81% (7.23% at 15 May 2013) of net assets.

This results in an effective equity exposure at the year end of 97.57% (97.35% at 15 May 2013) of net assets, which means that the gains or losses of the Fund will be 0.9757 (0.9735 at 15 May 2013) times the gains or losses if the Fund was fully invested in equities.

#### (f) Fair value

The fair value of a financial instrument is the amount for which it could be exchanged between knowledgeable, willing parties in an arm's length transaction. There is no significant difference between the value of the financial assets and liabilities, as shown in the financial statements, and their fair value.

### 12. Portfolio transaction costs

	16/05/2013 to 15/05/2014		16/05/2012 to 15/05/2013	
	£'000	£'000	£'000	£'000
Analysis of total purchase costs				
Purchases in year before transaction costs		67,186		55,934
Commissions	89		82	
Tax	280		264	
Total purchase costs		369		346
Gross purchase total		67,555		56,280
Analysis of total sales costs				
Gross sales before transaction costs		96,494		43,989
Commissions	(131)		(60)	
Fees	(1)		(1)	
Total sales costs		(132)		(61)
Total sales net of transaction costs		96,362		43,928

### 13. Ultimate controlling party and related party transactions

The ACD is regarded as controlling party of the Fund by virtue of having the ability to act in concert in respect of Fund operations. The ultimate controlling party of the ACD is Barclays Plc. This entity and its subsidiaries are also related parties of the Fund.

At the year end, the ACD and its associates held 4.01% of the Fund's shares in issue (2.26% at 15 May 2013). Details of all other material related party transactions during the year and any payment amounts outstanding at the balance sheet date are disclosed in notes 4, 7 and 9 to the financial statements, and the Statement of Change in Net Assets Attributable to Shareholders and the Portfolio Statement. Within note 9, accrued expenses (including amounts due to associates and agents) of £121,254 (£130,750 at 15 May 2013) are due to the ACD.

# Barclays UK Lower Cap Fund (continued)

## Distribution Table for the year ended 15 May 2014

Group 1: Shares purchased prior to a distribution period

Group 2: Shares purchased during a distribution period

Equalisation applies only to shares purchased during the distribution year (Group 2 shares). It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital.

Being capital, it is not liable to Income tax but must be deducted from the cost of shares for Capital Gains tax purposes.

### Final dividend distribution in pence per share

	Net Revenue	Equalisation	Distribution Paid 15/07/2014	Distribution Paid 15/07/2013
<b>A-Class Distribution</b>				
Group 1	0.1515p	-	0.1515p	1.2659p
Group 2	-	0.1515p	0.1515p	1.2659p
<b>A-Class Accumulation</b>				
Group 1	0.2186p	-	0.2186p	1.8022p
Group 2	-	0.2186p	0.2186p	1.8022p
<b>B-Class Distribution</b>				
Group 1	0.7701p	-	0.7701p	1.6524p
Group 2	0.3773p	0.3928p	0.7701p	1.6524p
<b>M-Class Distribution</b>				
Group 1	2.2939p	-	2.2939p	2.8156p
Group 2	0.7922p	1.5017p	2.2939p	2.8156p
<b>R-Class Distribution</b>				
Group 1	3.7888p	-	3.7888p	3.0829p
Group 2	0.0469p	3.7419p	3.7888p	3.0829p
<b>R-Class Accumulation</b>				
Group 1	1.5215p	-	1.5215p	3.0829p
Group 2	0.0728p	1.4487p	1.5215p	3.0829p

# Barclays UK Lower Cap Fund (continued)

## Risk and Reward Profile

1	2	3	4	5	6	7
<p>The risk and reward category is calculated using historical data which may not be a reliable indicator of the Fund's future risk profile.</p> <p>The risk and reward category may shift over time and is not a target or a guarantee.</p> <p>The lowest category (i.e. Category 1) does not mean a risk-free investment.</p> <p>The Fund is in Category 6 because of the high range and frequency of price movements (volatility) of the underlying investments in which the Fund invests.</p> <p>The following are additional risks not covered by the risk and reward category.</p> <p>The Fund may be exposed to stock market movements in a single country or region which may be adversely affected by political or economic developments, government action or natural events that do not affect a fund investing in broader markets.</p> <p>The Fund may use derivatives in an attempt to reduce risk (hedging) or for investment purposes. It may be that the use of derivatives causes share prices to fluctuate which may in turn result in loss to the Fund.</p> <p>The Fund relies upon the performance of one or more investment managers. If the investment managers perform poorly, the value of your investment is likely to be adversely affected.</p> <p>Future legal or regulatory change could have a substantial adverse effect on the Fund and your investment.</p> <p>Stock markets can be volatile, meaning that the prices of shares held by the Fund can change quickly and substantially.</p>					<p>The Fund is not guaranteed and your investment is at risk. You may lose some or all of your investment.</p> <p>If you purchase shares in the Fund through a clearing or settlement system, you will be bound by its terms and conditions, which may include the payment of additional fees.</p> <p>The Fund may seek to identify and invest in undervalued securities. The identification of investment opportunities in undervalued securities is difficult and there can be no assurance that such opportunities will be successfully identified.</p> <p>The Fund may invest in smaller companies. This carries a higher risk, as the share prices of smaller companies may fluctuate more than those of larger companies and investments in smaller companies may be more difficult to sell at reasonable prices. As a result, changes in the value of investments and the price of shares in the Fund may be unpredictable.</p> <p>The Fund may purchase securities which have the right to be converted into shares. The return on these securities is usually less than the return on the underlying share.</p> <p>The Fund may enter into various derivatives with another party. There is a risk that this party may fail to make its payments or become insolvent which may result in the Fund and your investment suffering a loss.</p> <p>The figure for the synthetic risk and reward indicator disclosed in the financial statements is the same as in the most up-to-date key investor information document ('KIID').</p> <p>More information in relation to risks in general may be found in the "Risk Factors" section of the Prospectus.</p>	

# Barclays UK Lower Cap Fund (continued)

## Fund Facts

### Ongoing Charge Figure

Accounting Date	15/05/2014	15/05/2013
A-Class Distribution	1.78%	1.81%
A-Class Accumulation	1.78%	1.81%
B-Class Distribution	1.53%	1.56%
M-Class Distribution	0.96%	1.00%
R-Class Distribution <sup>(1)</sup>	1.19%	0.17%
R-Class Accumulation <sup>(1)</sup>	1.33%	0.17%

<sup>(1)</sup> R-Class Distribution and R-Class Accumulation shares launched on 16 November 2012. No annual management charge was charged on either share class during the period 16 November 2012 to 15 May 2013. A charge commenced on the R-Class Distribution shares and R-Class Accumulation shares on 10 March 2014 and 15 June 2013 respectively.

The Ongoing Charge Figure ('OCF') represents the annual operating expenses of the Fund expressed as a percentage of average net assets for the period - it does not include initial charges or performance fees. The OCF includes the annual management charge and also the following charges which are deducted directly from the Fund: Directors Fees and Registration Fees.

The OCF is expressed as an annual percentage rate.

### Net Asset Value

	Net Asset Value £'000	Net Asset Value per Share	Number of Shares in Issue '000
<b>15/05/2012</b>			
A-Class Distribution	2,411	161.70p	1,491
A-Class Accumulation	16,725	230.34p	7,261
B-Class Distribution	163	153.77p	106
M-Class Distribution	37,121	162.28p	22,875
<b>15/05/2013</b>			
A-Class Distribution	3,355	229.48p	1,462
A-Class Accumulation	22,089	328.75p	6,719
B-Class Distribution	243	218.92p	111
M-Class Distribution	75,986	230.66p	32,943
R-Class Distribution <sup>(1)</sup>	1	169.20p	1
R-Class Accumulation <sup>(1)</sup>	1	169.20p	1
<b>15/05/2014</b>			
A-Class Distribution	3,755	267.45p	1,404
A-Class Accumulation	23,712	383.26p	6,187
B-Class Distribution	477	255.08p	187
M-Class Distribution	52,929	268.82p	19,689
R-Class Distribution	357	255.00p	140
R-Class Accumulation	1,645	259.87p	633

<sup>(1)</sup> R-Class Distribution and R-Class Accumulation shares launched on 16 November 2012.

**Past performance is not a guide to future performance.**

**The price of shares and the income from them may go down as well as up.**

**Exchange rate changes may cause the value of any overseas investments to rise or fall.**

# Barclays UK Lower Cap Fund (continued)

## Share Price Range and Net Revenue

Year	Highest Share Price	Lowest Share Price	Net Revenue per Share
<b>A-Class Distribution</b>			
2009	126.80p	81.53p	1.5092p
2010	160.30p	116.30p	0.7957p
2011	174.29p	134.30p	0.4954p
2012	190.79p	148.10p	0.3224p
2013	270.34p	190.76p	1.2659p
2014 <sup>(1)</sup>	293.40p	267.93p	0.1515p
<b>A-Class Accumulation</b>			
2009	178.70p	113.10p	2.1537p
2010	227.30p	163.90p	1.1188p
2011	247.84p	190.96p	0.7020p
2012	271.83p	210.59p	0.4592p
2013	387.32p	271.79p	1.8022p
2014 <sup>(1)</sup>	420.36p	384.07p	0.2186p
<b>B-Class Distribution</b>			
2009	124.00p	79.64p	-
2010	153.30p	112.90p	-
2011	165.85p	127.87p	-
2012	181.75p	141.10p	0.8481p
2013	257.67p	181.73p	1.6524p
2014 <sup>(1)</sup>	279.77p	254.98p	0.7701p
<b>M-Class Distribution</b>			
2009	127.40p	82.18p	2.3151p
2010	161.60p	117.00p	1.7603p
2011	175.11p	135.20p	1.7780p
2012	192.44p	149.39p	1.6227p
2013	273.15p	192.46p	2.8156p
2014 <sup>(1)</sup>	296.87p	269.40p	2.2939p
<b>R-Class Distribution</b>			
2012 <sup>(2)</sup>	182.02p	169.33p	-
2013	260.28p	182.09p	3.0829p
2014 <sup>(1)</sup>	283.35p	255.42p	3.7888p
<b>R-Class Accumulation</b>			
2012 <sup>(2)</sup>	182.02p	169.33p	-
2013	262.16p	182.09p	3.0829p
2014 <sup>(1)</sup>	284.75p	260.38p	1.5215p

<sup>(1)</sup> The above table shows the highest and lowest share prices to 15 May 2014 and net revenue per share to 15 July 2014.

<sup>(2)</sup> R-Class Distribution and R-Class Accumulation shares launched on 16 November 2012.

**Past performance is not a guide to future performance.**

**The price of shares and the income from them may go down as well as up.**

**Exchange rate changes may cause the value of any overseas investments to rise or fall.**

# Barclays Sterling Bond Fund

## Investment Objective and Policy

The Fund seeks to achieve total return primarily through investment in Sterling denominated fixed income securities.

The Fund invests primarily in a portfolio consisting of Sterling government and corporate fixed income securities with an investment grade credit rating from Standard & Poor's and/or Moody's listed or traded on a regulated market in the UK or in an OECD country. While the Fund will seek to invest primarily in such securities, it may also on an ancillary basis (not to exceed 10%), make allocations to below investment grade securities. The Fund may hold securities of varying maturities.

Whilst the Fund will invest predominantly in Sterling denominated fixed income securities, it may also, on an ancillary basis, invest in non-Sterling denominated securities. In such instances, the investment manager and/or sub-investment manager(s) will generally seek to hedge the currency exposure of the non-Sterling denominated holdings to Sterling, although it is not required to do so.

The Fund will invest at least 70% of its assets in fixed income securities denominated in Sterling. The Fund may also invest up to 10% of its net asset value in other collective investment undertakings. The base currency of the Fund is Sterling and the Fund is valued in Sterling.

The Fund may also invest in other transferable securities, money market instruments, derivatives, cash and near cash, deposits and units in collective investment schemes (use may be made of stocklending, borrowing, cash holdings, hedging and other investment techniques permitted in the applicable FCA Rules).

The ACD will not invest directly in derivatives for investment purposes, without giving Shareholders at least 60 days' notice of its intention to do so and it is not intended that the use of derivatives will cause the net asset value of the Fund to have higher volatility or otherwise cause the existing risk profile of the Fund to change.

## Investment Report

During the period under review, the net asset value per share attributable to the A-Class Accumulation shares fell by 0.2%.

## Market/Economic Review

Most bonds struggled in the first half of the period as The Federal Reserve ('Fed') introduced the concept of tapering its asset purchase program. UK bond markets were no exception and struggled over the course of the first half of the period with gilts being heavily influenced by US Treasuries for much of the year in 2013. Returns have been positive over the period though, largely due to strong returns so far in 2014. The iBoxx Sterling Overall Market Index increased 0.9% on a total return basis, with the largest gains recorded in the longer term debt markets where 15+ year bonds increased 1.9%. Returns across most other maturities were positive with only 5-7 year bonds seeing a small fall over the period.

UK Gilts have remained one of the most popular safe haven investments in the bond market in recent times and this has continued despite a strong rally in risk assets. While accommodative central bank policies have helped, with short rates pegged at low levels and the Fed supporting markets directly through the Quantitative Easing 3 programme, things seem to be changing. Gilt yields have begun to rise. Consequently, the BofA Merrill Lynch UK Gilts Total Return Index could only manage to record gains of 0.2% over the period, lagging corporate bonds significantly.

UK corporate bonds were the best performers over the period and the BofA Merrill Lynch Sterling Corporates Index climbed 3.0% as investors continue to look beyond the perceived safety of government debt in the search for higher yielding assets.

(Source: Factset, Barclays)

# Barclays Sterling Bond Fund (continued)

## Fund Review

The Fund underperformed versus the iBoxx Sterling Overall Index early in the period as M&G performed inline with the index whilst Insight and Henderson lagged. Insight underperformed due to the overweight position to credit risk and due to some curve trades. The strategy was overweight the 20 year part of the curve versus the very long maturities which hurt performance. Henderson were negatively impacted by holdings in Financials. Interest rate strategies also detracted as the Fund positioned for long dated yields in the UK to rise relative to the US. M&G added value through a short duration position, however credit strategies detracted as the Fund was overweight BBB securities versus supranationals.

Around halfway through the period, the Fund performed broadly in line with the benchmark. Insight and M&G both outperformed the benchmark whilst Henderson marginally underperformed. Insight added value from a variety of sources, with the main contributor coming from the overweight position to credit risk as credit outperformed. M&G also added value from a wide number of strategies however the positioning within the government side of the strategy was the main driver. Henderson by contrast underperformed as a result of the interest rate strategy. The team had positioned for Australian government bond yields to fall relative to German bond yields.

The index delivered positive returns to start the year in 2014 as government bond yields fell over the course of January and investors sold risky assets. Credit continued to outperform as spreads fell. The Fund was broadly inline with the benchmark to start the year in 2014. While both Insight and M&G outperformed, the allocation to Insight was increased and this incurred some transaction costs. We completed the removal of Henderson in January 2014 leaving the strategy with two remaining managers – Insight (65% allocation) and M&G (35% allocation). Given the size of the strategy, we felt it would be more efficient with two managers. Whilst Henderson outperformed over the 3 years they were part of the portfolio, the two remaining managers are the most complementary blend. Insight benefited from an overweight position to interest rate risk and within credit an overweight to securitized debt and the transport sector. M&G primarily benefited from relative value trades within the UK government bond market and have since repositioned out of the 2025 and 2044 issues into the 2036 bond.

More recently, performance for the market was positive. Gilts underperformed credit on the back of strong performance in the Media, Telecoms and Subordinated Financials sectors. The strategy marginally underperformed the benchmark as Insight outperformed the index whilst M&G performed less well. Insight benefited interest rate strategies. The Fund held a small cross market relative value trade between Germany and the US which benefited the strategy. In addition, the Fund benefited from favouring the middle part of the UK interest rate curve, whilst underweighting the very short end and the very long end of the curve.

(Source: Factset, Barclays)

## Outlook

We are neutral on developed government bonds with central bank buying and falling supply offset by stretched valuations and the recent reappearance of risk appetite amongst investors. We prefer UK inflation linked bonds versus conventional bonds and expect euro benchmarks to outperform US Treasuries & UK Gilts.

The UK corporate bond space has seen yields continue to compress over the last 12 months and with very little spread compression left to go for, we prefer lower tier 2 banks and insurers.

Barclays  
Wealth and Investment Management  
(Investment Adviser)  
June 2014

# Barclays Sterling Bond Fund (continued)

## Portfolio Statement as at 15 May 2014

All investments are in fixed interest securities or ordinary shares unless stated otherwise. The percentages in brackets show the equivalent sector holdings at 15 May 2013.

Holding / Nominal Value	Investment	Market Value £'000	% of Net Assets
<b>Government Bonds: 61.24% (59.36%)</b>			
<b>Short Dated: 16.60% (12.67%)</b>			
33,760,000	United Kingdom Gilt 1.25% 22/07/2018	33,322	9.89
6,108,000	United Kingdom Gilt 2% 22/01/2016	6,246	1.85
3,212,000	United Kingdom Gilt 2.75% 22/01/2015	3,265	0.97
1,400,000	United Kingdom Gilt 5% 07/09/2014	1,420	0.42
9,413,000	United Kingdom Gilt 8.75% 25/08/2017	11,683	3.47
		55,936	16.60
<b>Medium Dated: 17.18% (9.31%)</b>			
35,000	Kingdom of Belgium 9.375% 21/02/2020	47	0.01
11,214,000	United Kingdom Gilt 1.75% 07/09/2022	10,674	3.17
29,731,000	United Kingdom Gilt 2.25% 07/09/2023	29,057	8.62
7,255,000	United Kingdom Gilt 3.75% 07/09/2019	7,966	2.37
5,394,000	United Kingdom Gilt 3.75% 07/09/2021	5,966	1.77
3,015,000	United Kingdom Gilt 8% 07/06/2021	4,177	1.24
		57,887	17.18
<b>Long Dated: 27.46% (37.38%)</b>			
311,000	Republic of Italy 6% 04/08/2028	349	0.10
241,000	Reseau Ferre de France 5% 11/03/2052	284	0.08
313,000	Reseau Ferre de France 5.25% 31/01/2035	365	0.11
63,000	Societe Nationale des Chemins de Fer Francais 5.375% 18/03/2027	73	0.02
9,519,730	United Kingdom Gilt 3.25% 22/01/2044	9,345	2.77
2,808,000	United Kingdom Gilt 3.5% 22/07/2068	2,954	0.88
2,948,049	United Kingdom Gilt 3.75% 22/07/2052	3,224	0.96
4,120,000	United Kingdom Gilt 4% 22/01/2060	4,830	1.43
27,682,000	United Kingdom Gilt 4.25% 07/03/2036	31,998	9.49
9,527,000	United Kingdom Gilt 4.25% 07/06/2032	10,987	3.26
159,000	United Kingdom Gilt 4.25% 07/09/2039	185	0.06
10,047,000	United Kingdom Gilt 4.25% 07/12/2040	11,705	3.47
4,543,000	United Kingdom Gilt 4.5% 07/09/2034	5,417	1.61
338,000	United Kingdom Gilt 4.5% 07/12/2042	412	0.12
5,369,000	United Kingdom Gilt 4.75% 07/12/2038	6,705	1.99
2,809,000	United Kingdom Gilt 5% 07/03/2025	3,431	1.02
313,000	United Mexican States 5.625% 19/03/2114	312	0.09
		92,576	27.46
<b>Corporate Bonds: 34.15% (35.68%)</b>			
<b>Short Dated: 4.85% (4.63%)</b>			
20,000	Ahold Finance USA 6.5% 14/03/2017	22	-
50,000	Akzo Nobel 8% 06/04/2016	56	0.02
50,000	Anglo American Capital 6.875% 01/05/2018	57	0.02
50,000	Arkle Master Issuer 4.681% 17/02/2017	54	0.01

# Barclays Sterling Bond Fund (continued)

## Portfolio Statement as at 15 May 2014 (continued)

Holding / Nominal Value	Investment	Market Value £'000	% of Net Assets
<b>Corporate Bonds: 34.15% (35.68%) (continued)</b>			
<b>Short Dated: 4.85% (4.63%) (continued)</b>			
230,000	ASIF III Jersey 5% 18/12/2018	256	0.08
460,000	ASIF III Jersey 5.375% 14/10/2016	498	0.15
57,000	British Sky Broadcasting 9.5% 15/11/2018	44	0.01
364,000	British Telecommunications 6.625% 23/06/2017	414	0.12
65,000	BUPA Finance 7.5% 04/07/2016	73	0.02
50,000	Cellco Partnership/Verizon Wireless Capital 8.875% 18/12/2018	64	0.02
50,000	Cie de St-Gobain 5.625% 15/12/2016	55	0.02
50,000	Citigroup 7.625% 03/04/2018	60	0.02
-	Deco 15-Pan Europe 6 Floating Rate 27/04/2018†	-	-
750,000	Dunfermline Building Society Floating Rate 31/03/2015†^^	10	-
80,000	Eksportfinans 3% 17/11/2014^	48	0.01
50,000	ENI 6.125% 17/12/2018	58	0.02
1,241,000	European Investment Bank 4.75% 15/10/2018	1,391	0.41
310,000	European Investment Bank 8.75% 25/08/2017	381	0.11
126,000	Firstgroup 6.125% 18/01/2019^	140	0.04
300,000	Firstgroup 8.125% 19/09/2018^	359	0.11
115,000	G4S 7.75% 13/05/2019	139	0.04
20,000	GE Capital UK Funding 6.75% 06/08/2018	24	0.01
50,000	Glencore Finance Europe 6.5% 27/02/2019	57	0.02
50,000	Go-Ahead 5.375% 29/09/2017^	55	0.02
80,000	Goldman Sachs 6.125% 14/02/2017	89	0.03
205,000	Goodman Australia Finance Pty 9.75% 16/07/2018	258	0.08
50,000	HBOS Floating Rate 18/10/2017^	49	0.01
50,000	Heathrow Funding 6.25% 10/09/2018	57	0.02
57,000	Holcim GB Finance 8.75% 24/04/2017	68	0.02
150,000	JPMorgan Chase Bank NA 5.375% 28/09/2016	162	0.05
7,210,000	KFW 5.5% 07/12/2015	7,732	2.29
65,000	Lloyds TSB Bank 6.75% 24/10/2018	77	0.02
50,000	Mondelez International 7.25% 18/07/2018^	60	0.02
75,000	Morgan Stanley 5.75% 14/02/2017	82	0.02
115,000	National Express 6.25% 13/01/2017^	126	0.04
50,000	Northern Trust 5.375% 11/03/2015	51	0.01
52,000	Pacific Life Funding 5.125% 20/01/2015	53	0.01
120,000	Phoenix Natural Gas Finance 5.5% 10/07/2017	131	0.04
490,000	Porterbrook Rail Finance 5.5% 20/04/2019	543	0.16
57,000	PostNL 7.5% 14/08/2018	67	0.02
50,000	QBE Insurance 6.125% 28/09/2015	53	0.02
50,000	Reed Elsevier Investments 5.625% 20/10/2016	55	0.02
570,000	Royal Bank of Scotland 6.625% 17/09/2018	664	0.20
256,000	Royal Bank of Scotland 6.934% 09/04/2018^	245	0.07
33,000	Safeway 6% 10/01/2017^^	36	0.01
55,000	Safeway 6.125% 17/12/2018^^	61	0.02

# Barclays Sterling Bond Fund (continued)

## Portfolio Statement as at 15 May 2014 (continued)

Holding / Nominal Value	Investment	Market Value £'000	% of Net Assets
<b>Corporate Bonds: 34.15% (35.68%) (continued)</b>			
<b>Short Dated: 4.85% (4.63%) (continued)</b>			
50,000	Silverstone Master Issuer 5.063% 21/10/2016	54	0.02
100,000	SLM Student Loan Trust 5.15% 17/09/2015	95	0.03
193,000	Southern Gas Networks 5.125% 02/11/2018	214	0.06
95,000	Southern Water Services Finance 6.125% 31/03/2019	109	0.03
125,000	SPI Electricity & Gas Australia Pty 7.125% 26/06/2018	147	0.04
50,000	Stagecoach 5.75% 16/12/2016^	55	0.02
150,000	Standard Chartered Bank 7.75% 03/04/2018	176	0.05
44,000	Talisman Energy 6.625% 05/12/2017	50	0.01
90,000	Telefonica Emisiones 5.375% 02/02/2018	99	0.03
28,357	Titan Europe 2007-3 Floating Rate 23/10/2016^	28	0.01
63,000	WPP 2008 6% 04/04/2017	70	0.02
60,000	WT Finance Aust Pty/Westfield Europe Finance/ WEA Finance 5.5% 27/06/2017	67	0.02
144,000	Yorkshire Building Society 4.75% 12/04/2018	158	0.05
		16,356	4.85
<b>Medium Dated: 9.28% (9.99%)</b>			
88,000	3i 6.875% 09/03/2023	105	0.03
100,000	AA Bond 3.781% 31/07/2019^	101	0.03
490,000	AA Bond 4.249% 31/07/2020^	502	0.15
135,000	Abbey National Treasury Services 5.125% 14/04/2021	155	0.05
50,000	American International 5% 26/04/2023	55	0.02
52,878	Annington Finance 8% 02/10/2021	64	0.02
240,000	Annington Finance 8.07% 10/01/2023	307	0.09
150,000	Annington Finance Floating Rate 07/12/2022	113	0.03
180,000	Annington Repackaging No 1 5.3236% 10/01/2023	201	0.06
102,000	Asciano Finance 5% 19/09/2023^	108	0.03
42,000	Atlantia 6.25% 09/06/2022	50	0.01
349,000	Bank of America 5.5% 04/12/2019	396	0.12
150,000	Bank of America 6.125% 15/09/2021	177	0.05
414,000	Barclays Bank 10% 21/05/2021	553	0.16
710,000	Barclays Bank 4.25% 12/01/2022	777	0.23
105,000	Barclays Bank Floating Rate 16/01/2023	116	0.03
205,000	BAT International Finance 7.25% 12/03/2024	265	0.08
1,600,000	BBVA Subordinated Capital Floating Rate 11/04/2024^	1,337	0.40
70,000	BP Capital Markets 3.814% 10/02/2024	43	0.01
57,000	British Telecommunications 8.625% 26/03/2020	74	0.02
230,000	Centrica 6.375% 10/03/2022	276	0.08
162,000	Cooperatieve Centrale Raiffeisen-Boerenleenbank BA/ Netherlands 4.625% 13/01/2021	179	0.05
100,000	Co-Operative Bank 4.75% 11/11/2021	108	0.03
629,000	CPUK Finance 7.239% 28/02/2042	783	0.23
600,000	Credit Agricole 7.375% 18/12/2023	742	0.22

# Barclays Sterling Bond Fund (continued)

## Portfolio Statement as at 15 May 2014 (continued)

Holding / Nominal Value	Investment	Market Value £'000	% of Net Assets
<b>Corporate Bonds: 34.15% (35.68%) (continued)</b>			
<b>Medium Dated: 9.28% (9.99%) (continued)</b>			
50,000	Daily Mail & General Trust 10.00% 09/04/2021 <sup>^</sup>	67	0.02
200,000	Deutsche Pfandbriefbank 1.875% 20/12/2019	194	0.06
30,000	Deutsche Telekom International Finance 6.5% 08/04/2022	36	0.01
100,000	Eastern Power Networks 5.75% 08/03/2024	116	0.03
-	Eirles Two Floating Rate 27/10/2020 <sup>†</sup>	-	-
100,000	ENW Finance International 6.125% 21/07/2021	117	0.03
225,017	Epic (Drummond) Floating Rate 25/01/2022	170	0.05
540,000	European Investment Bank 4.25% 07/12/2021	602	0.18
3,402,000	European Investment Bank 5.375% 07/06/2021	4,037	1.20
50,000	Fidelity International 6.75% 19/10/2020	58	0.02
190,000	Firstgroup 5.25% 29/11/2022 <sup>^</sup>	205	0.06
133,000	Friends Life 8.25% 21/04/2022	152	0.05
50,000	GDF Suez 6.125% 11/02/2021	60	0.02
520,000	GE Capital UK Funding 5.875% 04/11/2020	611	0.18
356,000	Glencore Finance Europe 5.5% 03/04/2022	404	0.12
417,000	Glencore Funding LLC 4.125% 30/05/2023	245	0.07
583,000	Glencore Funding LLC 4.125% SNR PIDI NTS 30/05/2023	342	0.10
40,000	Goldman Sachs Group 5.5% 12/10/2021	44	0.01
104,188	Greene King Finance Floating Rate 15/09/2021	102	0.03
492,000	Heathrow Funding 5.225% 15/02/2023	551	0.16
100,000	Heathrow Funding 6% 20/03/2020	113	0.03
600,000	Heathrow Funding 7.125% 14/02/2024	733	0.22
300,000	HSBC Floating Rate 18/10/2022	333	0.10
50,000	Iberdrola Finanzas 7.375% 29/01/2024	63	0.02
583,000	Imperial Tobacco Finance 7.75% 24/06/2019	715	0.21
375,000	Imperial Tobacco Finance 8.125% 15/03/2024	499	0.15
100,000	Imperial Tobacco Finance 9% 17/02/2022	135	0.04
175,000	ING Bank Floating Rate 29/05/2023	196	0.06
280,000	International Business Machines 2.75% 21/12/2020	282	0.08
100,000	Intu Metrocentre Finance 4.125% 06/12/2023	102	0.03
630,000	Intu SGS Finance 3.875% 17/03/2023	632	0.19
205,000	IXIS Corporate & Investment Bank 5.875% 24/02/2020	237	0.07
1,500,000	KFW 5.55% 07/06/2021	1,809	0.54
68,000	Koninklijke 6% 29/05/2019	77	0.02
244,000	Lloyds TSB Bank 7.5% 15/04/2024	320	0.09
388,000	Lloyds TSB Bank Floating Rate 29/05/2020 <sup>^</sup>	406	0.12
180,000	Lloyds TSB Bank Floating Rate MTN 16/12/2021 <sup>^</sup>	215	0.06
80,000	London Stock Exchange 9.125% 18/10/2019	103	0.03
100,000	Marks & Spencer 6.125% 06/12/2021 <sup>^</sup>	115	0.03
50,558	Marstons Issuer Floating Rate 15/07/2020	50	0.01
105,000	Mass Mutual Global Funding 6.2% 14/06/2019	104	0.03

# Barclays Sterling Bond Fund (continued)

## Portfolio Statement as at 15 May 2014 (continued)

Holding / Nominal Value	Investment	Market Value £'000	% of Net Assets
<b>Corporate Bonds: 34.15% (35.68%) (continued)</b>			
<b>Medium Dated: 9.28% (9.99%) (continued)</b>			
207,000	Metropolitan Life Global Funding I 2.875% 11/01/2023	201	0.06
50,000	Motability Operations 5.375% 28/06/2022	58	0.02
100,000	Motability Operations 6.625% 10/12/2019	121	0.04
80,000	National Australia Bank 5.125% 09/12/2021	91	0.03
20,000	National Westminster Bank 6.5% 07/09/2021^	22	0.01
65,000	Nationwide Building Society 5.625% 09/09/2019	74	0.02
500,000	Nationwide Building Society Floating Rate 20/03/2023	436	0.13
14,000	Northumbrian Water Finance 6.875% 06/02/2023	17	0.01
100,000	Petroleos Mexicanos 8.25% 02/06/2022	127	0.04
100,000	Prologis 3.375% 20/02/2024	88	0.03
100,000	Royal Bank of Scotland 5.125% 13/01/2024	116	0.04
116,000	Royal Bank of Scotland 7.5% 29/04/2024	151	0.05
1,199,000	RWE Finance 5.625% 06/12/2023	1,374	0.41
63,000	RWE Finance 6.5% 20/04/2021	75	0.02
600,000	Santander UK 5% 07/11/2023	383	0.11
200,000	Scottish Widows 5.5% 16/06/2023	212	0.06
90,000	Segro 5.625% 07/12/2020^^	103	0.03
50,000	Segro 6% 30/09/2019^^	57	0.02
400,000	SGSP Australia Assets Pty 5.125% 11/02/2021	438	0.13
50,000	Tate & Lyle International Finance 6.75% 25/11/2019	59	0.02
69,957	Taurus Cmbis Floating Rate 04/02/2020	54	0.02
590,000	TDC 5.625% 23/02/2023	670	0.20
1,350,000	Telefonica Emisiones 5.289% 09/12/2022	1,489	0.44
75,000	Tesco 5% 24/03/2023	81	0.02
50,000	Tesco 6.125% 24/02/2022	58	0.02
320,000	Verizon Communications 5.15% 15/09/2023	213	0.06
50,000	Wells Fargo Bank NA 5.25% 01/08/2023	55	0.02
600,000	Westfield UK & Europe Finance 4.25% 11/07/2022	658	0.20
657,000	Xstrata Canada Financial 7.375% 27/05/2020	792	0.23
60,000	Xstrata Finance Canada 4.95% 15/11/2021	38	0.01
50,000	Yorkshire Water Services Bradford Finance 6% 21/08/2019	58	0.02
		<b>31,308</b>	<b>9.28</b>
<b>Long Dated: 20.02% (21.06%)</b>			
49,000	3i 5.75% 03/12/2032	55	0.02
300,000	Abbey National Treasury Services 5.25% 16/02/2029	355	0.11
501,000	Abbey National Treasury Services 5.75% 02/03/2026	617	0.18
690,000	ABP Finance 6.25% 14/12/2026	826	0.25
50,000	Aegon 6.625% 16/12/2039	66	0.02
200,000	Affinity Sutton Capital Markets 4.25% 08/10/2042	202	0.06
400,000	Allianz Finance II 4.5% 13/03/2043	422	0.13
110,000	Altria 5.375% 31/01/2044	71	0.02

# Barclays Sterling Bond Fund (continued)

## Portfolio Statement as at 15 May 2014 (continued)

Holding / Nominal Value	Investment	Market Value £'000	% of Net Assets
<b>Corporate Bonds: 34.15% (35.68%) (continued)</b>			
<b>Long Dated: 20.02% (21.06%) (continued)</b>			
351,000	Altria 9.95% 10/11/2038	344	0.10
155,000	America Movil Sab De CV 5.75% 28/06/2030	179	0.05
100,000	Amgen 4% 13/09/2029	98	0.03
100,000	Amgen 5.5% 07/12/2026	116	0.03
370,000	Anglian Water Services Financing 4.5% 22/02/2026	373	0.11
306,000	Anglian Water Services Financing 6.293% 30/07/2030	378	0.11
150,000	Anglian Water Services Financing Floating Rate 11/06/2024	151	0.04
80,000	Anheuser-Busch InBev 9.75% 30/07/2024	122	0.04
405,000	Aspire Defence Finance 4.674% 31/03/2040 (A)	421	0.12
232,000	Aspire Defence Finance 4.674% 31/03/2040 (B)	241	0.07
1,300,000	Assicurazioni Generali 4.125% 04/05/2026	1,090	0.32
500,000	Assicurazioni Generali Floating Rate 10/07/2042	566	0.17
374,000	AT&T 4.25% 01/06/2043	345	0.10
322,000	AT&T 4.875% 01/06/2044	328	0.10
150,000	AT&T 7% 30/04/2040	200	0.06
120,000	Aviva Floating Rate 20/05/2058	142	0.04
60,000	Aviva Floating Rate 29/09/2049	64	0.02
50,000	Aviva Floating Rate 29/11/2049	53	0.02
210,000	AXA Floating Rate 16/01/2054	216	0.06
83,000	AXA Floating Rate 29/07/2049	89	0.03
247,000	AXA Floating Rate 29/07/2049	270	0.08
697,000	AXA Floating Rate 29/10/2049	630	0.19
128,000	Bank of America 4.25% 10/12/2026	132	0.04
500,000	Bank of America 7% 31/07/2028	658	0.20
40,000	Barclays Bank 5.75% 14/09/2026	44	0.01
100,000	Barclays Bank Floating Rate 29/04/2049	105	0.03
80,000	Barclays Bank Floating Rate 29/06/2049	82	0.02
50,000	Barclays Bank Floating Rate 29/11/2049	68	0.02
223,000	BAT International Finance 5.75% 05/07/2040	270	0.08
300,000	BG Energy Capital 5% 04/11/2036	328	0.10
100,000	BG Energy Capital 5.125% 01/12/2025	112	0.03
100,000	BPCE 5.25% 16/04/2029	103	0.03
80,000	British Telecommunications 5.75% 07/12/2028	94	0.03
130,000	British Telecommunications 9.625% 15/12/2030	124	0.04
150,000	Broadgate Financing 4.821% 05/07/2036	167	0.05
115,000	Broadgate Financing 4.999% 05/10/2033	129	0.04
27,000	BUPA Finance Floating Rate 29/12/2049	29	0.01
74,614	Canary Wharf Finance II 6.455% 22/04/2033	92	0.03
115,000	Centrica 7% 19/09/2033	153	0.05
126,000	Channel Link Enterprises Finance Floating Rate 30/06/2050 (A3)	124	0.04

# Barclays Sterling Bond Fund (continued)

## Portfolio Statement as at 15 May 2014 (continued)

Holding / Nominal Value	Investment	Market Value £'000	% of Net Assets
<b>Corporate Bonds: 34.15% (35.68%) (continued)</b>			
<b>Long Dated: 20.02% (21.06%) (continued)</b>			
1,810,000	Channel Link Enterprises Finance Floating Rate 30/06/2050 (A4)	1,460	0.43
33,000	Cie de Financement Foncier 5.5% 26/01/2027	38	0.01
100,000	Cie de St-Gobain 4.625% 09/10/2029	103	0.03
50,000	Circle Anglia Social Housing 7.25% 12/11/2038	73	0.02
50,000	Citigroup 5.875% 01/07/2024	57	0.02
165,000	Citigroup 6.5% 16/08/2030	214	0.06
140,000	Citigroup 6.8% 25/06/2038	192	0.06
270,000	Citigroup 7.375% 01/09/2039	396	0.12
560,000	Citigroup 8.125% 15/07/2039	494	0.15
100,000	CNP Assurances Floating Rate 30/09/2041	115	0.03
86,000	Comcast 5.5% 23/11/2029	100	0.03
1,210,000	Commonwealth Bank of Australia 3% 04/09/2026	1,161	0.34
820,000	Community Finance1 5.017% 31/07/2034	944	0.28
100,000	Cooperatieve Centrale Raiffeisen-Boerenleenbank 4.625% 23/05/2029	100	0.03
56,000	Cooperatieve Centrale Raiffeisen-Boerenleenbank BA/ Netherlands 4.55% 30/08/2029	59	0.02
135,000	CTRL Section 1 Finance 5.234% 02/05/2035	157	0.05
650,000	Delamare Finance 5.5457% 19/02/2029	718	0.21
130,000	Deutsche Telekom International Finance 7.625% 15/06/2030	179	0.05
100,000	DIRECTV/ DIRECTV Financing 4.375% 14/09/2029	99	0.03
50,000	DNB Bank Floating Rate 29/01/2049	53	0.02
100,000	Dolphin Master Issuer Floating Rate 28/09/2099	83	0.02
145,000	DONG Energy 5.75% 09/04/2040	171	0.05
124,000	Dutch MBS XVIII Floating Rate 02/02/2045	102	0.03
100,000	E.ON International Finance 5.875% 30/10/2037	119	0.04
300,000	E.ON International Finance 6.75% 27/01/2039	397	0.12
100,000	East Japan Railway 4.5% 25/01/2036	109	0.03
800,000	Electricite de France 5.5% 17/10/2041	910	0.27
297,000	Electricite de France 5.875% 18/07/2031	351	0.10
300,000	Electricite de France 6% 23/01/2114	354	0.11
100,000	Electricite de France 6.125% 02/06/2034	122	0.04
650,000	Electricite de France 6.25% 30/05/2028	792	0.23
200,000	Electricite de France Floating Rate 22/07/2049	206	0.06
600,000	Electricite de France Floating Rate 29/12/2049	632	0.19
550,000	Electricity North West 8.875% 25/03/2026	805	0.24
285,000	Enel Finance International 5.625% 14/08/2024	324	0.10
830,000	Enel Finance International 5.75% 14/09/2040	902	0.27
602,000	Equity Release Funding 5.05% 26/04/2033	654	0.19
100,000	European Bank for Reconstruction & Development 5.625% 07/12/2028	126	0.04
290,000	European Investment Bank 3.875% 08/06/2037	301	0.09
109,000	European Investment Bank 5.5% 15/04/2025	134	0.04

# Barclays Sterling Bond Fund (continued)

## Portfolio Statement as at 15 May 2014 (continued)

Holding / Nominal Value	Investment	Market Value £'000	% of Net Assets
<b>Corporate Bonds: 34.15% (35.68%) (continued)</b>			
<b>Long Dated: 20.02% (21.06%) (continued)</b>			
243,000	European Investment Bank 6% 07/12/2028	315	0.09
752,000	Eversholt Funding 6.359% 02/12/2025	908	0.27
80,000	Firstgroup 6.875% 18/09/2024^	96	0.03
50,000	Fosse Master Issuer Floating Rate 18/10/2054	54	0.02
1,500,000	Fosse Master Issuer Floating Rate MTN 18/10/2054	1,547	0.46
400,000	Gatwick Funding 5.75% 23/01/2037	465	0.14
150,000	Gatwick Funding 6.125% 02/03/2028	180	0.05
170,000	Gatwick Funding 6.5% 02/03/2043	219	0.06
100,000	GDF Suez Floating Rate 10/01/2049	104	0.03
477,000	GE Capital UK Funding 5.875% 18/01/2033	584	0.17
135,000	GE Capital UK Funding 6.25% 05/05/2038	175	0.05
375,000	General Electric Capital 4.875% 18/09/2037	396	0.12
407,000	General Electric Capital Floating Rate 15/09/2066	432	0.13
211,000	General Electric Capital Floating Rate 15/09/2067	232	0.07
893,251	German Residential Funding Floating Rate 27/08/2024^^	758	0.22
200,000	GlaxoSmithKline Capital 4.25% 18/12/2045	201	0.06
194,000	GlaxoSmithKline Capital 5.25% 10/04/2042	227	0.07
180,000	GlaxoSmithKline Capital 6.375% 09/03/2039	241	0.07
50,000	Goldman Sachs Group 6.875% 18/01/2038	62	0.02
63,000	Goldman Sachs Group 7.125% 07/08/2025	82	0.02
98,367	Greater Gabbard OFTO 4.137% 29/11/2032	102	0.03
75,000	Hammerson 7.25% 21/04/2028	98	0.03
13,000	Haven Funding 8.125% 30/09/2037	19	0.01
50,000	HBOS Capital Funding Floating Rate 29/11/2049^	53	0.02
510,000	Health Care REIT 4.8% 20/11/2028	527	0.16
250,000	Heathrow Funding 5.875% 13/05/2041	303	0.09
285,000	Heathrow Funding 6.45% 10/12/2031	359	0.11
342,000	Heathrow Funding 6.75% 03/12/2026	436	0.13
43,722	Housing Association Funding 8.25% 07/06/2027	58	0.02
190,000	HSBC 5.75% 20/12/2027	210	0.06
216,000	HSBC 6% 29/03/2040	248	0.07
100,000	HSBC 6.75% 11/09/2028	122	0.04
136,000	HSBC Bank Capital Funding Sterling Floating Rate 29/04/2049	145	0.04
100,000	Imperial Tobacco Finance 4.875% 07/06/2032	103	0.03
7,886	Integrated Accommodation Services 6.48% 31/03/2029	10	-
202,000	International Bank for Reconstruction & Development 5.75% 07/06/2032	270	0.08
300,000	Intu SGS Finance 4.625% 17/03/2028	311	0.09
75,000	Investor 5.5% 05/05/2037	86	0.03
47,092	Juturna European Loan Conduit No 16 5.064% 10/08/2033	53	0.02
60,000	KFW 5% 09/06/2036	75	0.02
100,000	KFW 5.75% 07/06/2032	133	0.04

# Barclays Sterling Bond Fund (continued)

## Portfolio Statement as at 15 May 2014 (continued)

Holding / Nominal Value	Investment	Market Value £'000	% of Net Assets
<b>Corporate Bonds: 34.15% (35.68%) (continued)</b>			
<b>Long Dated: 20.02% (21.06%) (continued)</b>			
330,000	KFW 6% 07/12/2028	440	0.13
135,000	Koninklijke 5% 18/11/2026	141	0.04
760,000	Koninklijke 5.75% 17/09/2029	839	0.25
100,000	Koninklijke Floating Rate 14/03/2073 <sup>^</sup>	104	0.03
598,000	Lambay Capital Securities Floating Rate 29/06/2049 <sup>†^</sup>	-	-
19	Lambda Finance BV GBP 'A1' Floating Rate 20/09/2031	-	-
181,000	Land Securities Capital Markets Floating Rate 27/02/2026	210	0.06
295,000	Land Securities Capital Markets Floating Rate 30/09/2029	344	0.10
95,000	Land Securities Capital Markets Floating Rate 31/07/2032	112	0.03
80,000	Legal & General Finance 5.875% 11/12/2031	96	0.03
50,000	Legal & General Floating Rate 23/07/2041	67	0.02
250,000	Legal & General Floating Rate 29/05/2049	268	0.08
100,000	Liverpool Victoria Friendly Society Floating Rate 22/05/2043 <sup>^</sup>	102	0.03
580,000	Lloyds TSB Bank 5.125% 07/03/2025	671	0.20
579,000	Lloyds TSB Bank 6% 08/02/2029	734	0.22
432,000	Lloyds TSB Bank 7.625% 22/04/2025 <sup>^</sup>	545	0.16
59,000	London Power Networks 6.125% 07/06/2027	70	0.02
449,718	Longstone Finance 4.791% 19/04/2030	501	0.15
100,000	Marstons Issuer Floating Rate 15/10/2027	110	0.03
44,205	Meadowhall Finance 4.986% 12/07/2037	50	0.01
138,527	Meadowhall Finance 4.988% 12/07/2037	155	0.05
100,000	Mellon Capital III Floating Rate 05/09/2066	105	0.03
67,000	MetLife 5.375% 09/12/2024	77	0.02
78,329	Mitchells & Butlers Finance Floating Rate 15/12/2030 (A1N)	71	0.02
125,000	Mitchells & Butlers Finance Floating Rate 15/12/2030 (A4) <sup>†</sup>	113	0.03
300,000	Moat Homes Finance 5% 23/09/2041	321	0.10
100,000	Muenchener Rueckversicherungs Floating Rate 26/05/2042	116	0.03
80,000	MUFG Capital Finance 5 Floating Rate 29/01/2049	86	0.03
220,000	National Australia Bank 3% 04/09/2026	211	0.06
393,000	National Grid Electricity Transmission 7.375% 13/01/2031	542	0.16
90,000	National Grid Gas 6% 13/05/2038	112	0.03
60,000	National I Floating Rate 29/09/2049	63	0.02
460,000	Nationwide Building Society 5.625% 28/01/2026	562	0.17
44,083	Nats En Route 5.25% 31/03/2026	50	0.01
210,000	Network Rail Infrastructure Finance 4.375% 09/12/2030	238	0.07
917,000	Network Rail Infrastructure Finance 4.75% 29/11/2035	1,086	0.32
105,000	NIE Finance 6.375% 02/06/2026	128	0.04
100,000	Njord Gas Infrastructure 5.241% 30/09/2027	100	0.03
70,000	Northern Gas Networks Finance 5.625% 23/03/2040	82	0.02
50,000	Northern Powergrid Yorkshire 5.125% 04/05/2035	55	0.02
65,000	Northumbrian Water Finance 5.625% 29/04/2033	76	0.02

# Barclays Sterling Bond Fund (continued)

## Portfolio Statement as at 15 May 2014 (continued)

Holding / Nominal Value	Investment	Market Value £'000	% of Net Assets
<b>Corporate Bonds: 34.15% (35.68%) (continued)</b>			
<b>Long Dated: 20.02% (21.06%) (continued)</b>			
115,000	OAK No.1 Floating Rate 26/02/2052	115	0.03
19,000	Oesterreichische Kontrollbank 5.75% 07/12/2028	23	0.01
85,000	Orange 5.25% 05/12/2025	94	0.03
102,000	Orange 8.125% 20/11/2028	143	0.04
100,000	Petrobras Global Finance 5.375% 01/10/2029^	94	0.03
200,000	Pfizer 6.5% 03/06/2038	267	0.08
300,000	Phedina Hypotheken 2013-1 Floating Rate 25/11/2045	248	0.07
140,000	Places for People Homes 5.875% 23/05/2031	161	0.05
160,000	QBE Capital Funding IV Floating Rate 24/05/2041	179	0.05
105,000	Rabobank Capital Funding Trust IV Floating Rate 29/10/2049	111	0.03
130,000	Rio Tinto Finance 4% 11/12/2029	129	0.04
100,000	RL Finance Bonds No. 2 Floating Rate 30/11/2043	106	0.03
75,512	RMPA Services 5.337% 30/09/2038^	85	0.03
150,000	Royal Bank of Scotland 6.875% 17/05/2025	188	0.06
57,000	RSA Insurance Floating Rate 20/05/2039	70	0.02
68,908	RSL Finance No 1 6.625% 31/03/2038	88	0.03
150,000	RWE Finance 6.125% 06/07/2039	180	0.05
16,000	RWE Finance 6.25% 03/06/2030	19	0.01
430,000	Sanctuary Capital 5% 26/04/2047	496	0.15
75,000	Sanctuary Capital 6.697% 23/03/2039	105	0.03
105,000	Santos Finance Floating Rate 22/09/2070	98	0.03
87,171	Sceptre Funding No. 1 5.253% 09/02/2027	100	0.03
1,069,000	Scottish Widows 7% 16/06/2043	1,253	0.37
248,000	Scottish Widows Floating Rate 29/09/2049	253	0.08
36,000	Severn Trent Utilities Finance 6.25% 07/06/2029	45	0.01
45,000	Siemens Financieringsmaatschappij Floating Rate 14/09/2066	48	0.01
285,000	SLM Student Loan Trust 2003-12 Floating Rate 15/03/2038†	258	0.08
50,000	South Eastern Power Networks 6.375% 12/11/2031	62	0.02
68,000	Southern Water Services Finance 6.192% 31/03/2029	83	0.02
500,000	Southern Water Services Finance Floating Rate 31/03/2038	504	0.15
220,000	Sovereign Housing Capital 4.768% 01/06/2043	242	0.07
50,000	Sovereign Housing Capital 5.705% 10/09/2039	62	0.02
420,000	SP Manweb 4.875% 20/09/2027	450	0.13
135,000	SPD Finance UK 5.875% 17/07/2026	159	0.05
180,000	SSE 8.375% 20/11/2028	262	0.08
50,000	Standard Chartered Bank Floating Rate 29/05/2049	55	0.02
100,000	Standard Life Floating Rate 29/07/2049	112	0.03
120,000	Statoil 4.25% 10/04/2041	125	0.04
240,000	Statoil 4.8% 08/11/2043	158	0.05
100,000	Statoil 6.875% 11/03/2031	137	0.04
200,000	Storm 2013-II Floating Rate 22/11/2050	165	0.05

# Barclays Sterling Bond Fund (continued)

## Portfolio Statement as at 15 May 2014 (continued)

Holding / Nominal Value	Investment	Market Value £'000	% of Net Assets
<b>Corporate Bonds: 34.15% (35.68%) (continued)</b>			
<b>Long Dated: 20.02% (21.06%) (continued)</b>			
65,000	Suncorp Insurance Funding 2007 Floating Rate 13/06/2027	68	0.02
120,655	Sunrise Srl '09 A' Floating Rate Floating Rate 27/08/2031	98	0.03
100,000	Swiss Reinsurance via ELM Floating Rate 29/03/2049	110	0.03
300,000	Talanx Finanz Luxembourg Floating Rate 15/06/2042	322	0.09
50,000	Telefonica Emisiones 5.375% 02/02/2026	55	0.02
100,000	Telefonica Emisiones 5.445% 08/10/2029	109	0.03
400,000	Telefonica Emisiones 7.045% 20/06/2036	300	0.09
957,911	Telereal Secured Finance 4.01% 10/12/2031	956	0.28
137,193	Telereal Securitisation 6.165% 10/12/2031	163	0.05
57,000	Telereal Securitisation Floating Rate 10/12/2031	46	0.01
420,000	Telereal Securitisation Floating Rate 10/12/2033	427	0.13
140,000	TeliaSonera 4.375% 05/12/2042	139	0.04
119,000	Tennessee Valley Authority 5.625% 07/06/2032	147	0.04
557,950	Tesco Property Finance 1 7.623% 13/07/2039	733	0.22
94,150	Tesco Property Finance 2 6.052% 13/10/2039	107	0.03
525,325	Tesco Property Finance 4 5.8006% 13/10/2040	574	0.17
1,236,000	Tesco Property Finance 6 5.411% 13/07/2044	1,282	0.38
210,000	Thames Water Utilities Cayman Finance 5.5% 11/02/2041	241	0.07
380,000	Thames Water Utilities Cayman Finance 7.241% 09/04/2058	440	0.13
90,000	Thames Water Utilities Cayman Finance Floating Rate 21/07/2025	97	0.03
182,000	Thames Water Utilities Finance 5.125% 28/09/2037	197	0.06
100,000	Thames Water Utilities Finance 6.5% 09/02/2032	125	0.04
90,000	Thames Water Utilities Finance 6.75% 16/11/2028	115	0.03
90,000	THFC Funding 6.35% 08/07/2039	119	0.03
320,000	Time Warner Cable 5.25% 15/07/2042	344	0.10
79,468	Titulizacion de Activos Floating Rate 22/09/2046	60	0.02
100,000	Transport for London 3.875% 23/07/2042	99	0.03
95,000	United Utilities Water 5.625% 20/12/2027	110	0.03
115,000	Vattenfall 6.875% 15/04/2039	157	0.05
100,000	Veolia Environnement 6.125% 29/10/2037	119	0.03
500,000	Verizon Communications 4.75% 17/02/2034	516	0.15
600,000	Verizon Communications 6.4% 15/09/2033	439	0.13
931,000	Verizon Communications 6.55% 15/09/2043	696	0.21
69,000	Vodafone 5.625% 04/12/2025	80	0.02
58,000	Vodafone 5.9% 26/11/2032	69	0.02
50,000	Vodafone 6.15% 27/02/2037	35	0.01
100,000	Wales & West Utilities Finance 5% 07/03/2028	110	0.03
772,000	Wal-Mart Stores 4.875% 19/01/2039 GBP - Dublin	874	0.26
50,000	Wal-Mart Stores 4.875% 19/01/2039 GBP - Germany	57	0.02
170,000	Wal-Mart Stores 5.25% 28/09/2035	200	0.06
50,000	Welcome Trust Finance 4.625% 25/07/2036	56	0.02

# Barclays Sterling Bond Fund (continued)

## Portfolio Statement as at 15 May 2014 (continued)

Holding / Nominal Value	Investment	Market Value £'000	% of Net Assets
<b>Corporate Bonds: 34.15% (35.68%) (continued)</b>			
<b>Long Dated: 20.02% (21.06%) (continued)</b>			
100,000	Wells Fargo 3.5% 12/09/2029	96	0.03
55,000	Wells Fargo 4.625% 02/11/2035	59	0.02
108,000	Western Power Distribution South West 5.875% 25/03/2027	126	0.04
457,000	Western Power Distribution West Midlands 3.875% 17/10/2024	461	0.14
405,000	Western Power Distribution West Midlands 5.75% 16/04/2032	472	0.14
313,301	White City Property Finance 5.120% 17/04/2035	350	0.10
45,000	Yorkshire Power Finance 7.25% 04/08/2028	57	0.02
65,000	Yorkshire Water Services Bradford Finance 6.375% 19/08/2039	83	0.02
50,000	Yorkshire Water Services Finance 5.5% 28/05/2037	58	0.02
142,000	Yorkshire Water Services Odsal Finance 6.454% 28/05/2027	175	0.05
102,000	Zurich Finance UK Floating Rate 29/10/2049	115	0.03
		67,477	20.02
<b>Equities: 0.17% (0.15%)</b>			
<b>Non-Equity Investment Instruments: 0.17% (0.15%)</b>			
12	West Bromich Building Society Profit Participating Deferred Shares††^^	566	0.17
<b>Futures: -0.04% (0.02%)</b>			
4	US 10 Year Note Future Expiry Jun 2014	7	-
(1)	US 10 Year Note Future Expiry Jun 2014	(1)	-
(3)	Euro Schatz Future Expiry June 2014	-	-
(5)	US 2 Year Note Future Expiry June 2014	(1)	-
(9)	Euro-Bobl Future Expiry June 2014	(12)	-
(7)	US Long Bond Future Expiry June 2014	(25)	(0.01)
(18)	Euro-Bund Future Expiry June 2014	(36)	(0.01)
(34)	Long Gilt Future Expiry June 2014	(58)	(0.02)
		(126)	(0.04)
<b>Forward Currency Contracts: 0.03% (0.00%)</b>			
€(3,892,000)	Sold Euro		
£3,204,408	For Sterling (Expires 04/06/2014)	26	0.01
\$(4,500,000)	Sold US Dollar		
£2,704,143	For Sterling (Expires 21/05/2014)	25	0.01
€(1,600,000)	Sold Euro		
£1,325,277	For Sterling (Expires 14/07/2014)	18	0.01
€(1,595,000)	Sold Euro		
£1,315,136	For Sterling (Expires 23/05/2014)	12	-
€(1,043,000)	Sold Euro		
£863,469	For Sterling (Expires 23/05/2014)	12	-
€(1,189,000)	Sold Euro		
£975,344	For Sterling (Expires 18/06/2014)	4	-
€(673,000)	Sold Euro		
£553,300	For Sterling (Expires 04/06/2014)	4	-
\$(230,000)	Sold US Dollar		

# Barclays Sterling Bond Fund (continued)

## Portfolio Statement as at 15 May 2014 (continued)

Holding / Nominal Value	Investment	Market Value £'000	% of Net Assets
<b>Forward Currency Contracts: 0.03% (0.00%) (continued)</b>			
£137,598	For Sterling (Expires 15/07/2014)	1	-
\$(3,002,000)	Sold US Dollar		
£1,782,908	For Sterling (Expires 13/06/2014)	(5)	-
		97	0.03
	<b>Portfolio of investments*</b>	<b>322,077</b>	<b>95.55</b>
	<b>Net other assets</b>	<b>14,995</b>	<b>4.45</b>
	<b>Net assets</b>	<b>337,072</b>	<b>100.00</b>

\*Including derivative liabilities.

†These are stale priced securities.

††These are unlisted securities and have been valued at the Manager's best assessment of their fair value.

^ Securities representing 1.59% (2013: 1.84%) of the net assets of the Fund are sub-investment grade securities.

^^ Securities representing 0.47% (2013: 0.43%) of the net assets of the Fund are unrated securities.

Portfolio Information	Year to 15/05/2014
<b>Total purchases for the year</b>	<b>£983,875,683</b>
<b>Total sales for the year</b>	<b>£1,011,047,181</b>

Counterparty	Total Global Exposure £
Barclays	(126,000)
Citibank	4,882,749
Goldman Sachs	4,987,316
HSBC	1,325,277
JP Morgan Chase	553,300
RBC	975,344
UBS	137,598

# Barclays Sterling Bond Fund (continued)

## Statement of Total Return for the year ended 15 May 2014

	Note	16/05/2013 to 15/05/2014		16/05/2012 to 15/05/2013	
		£'000	£'000	£'000	£'000
<b>Income</b>					
Income					
Net capital (losses)/gains	2		(6,164)		15,104
Revenue	3	10,759		12,080	
Expenses	4	(3,359)		(3,831)	
Finance costs: Interest	6	(6)		(8)	
Net revenue before taxation		7,394		8,241	
Taxation	5	-		-	
Net revenue after taxation for the year			7,394		8,241
Total return before distributions			1,230		23,345
Finance costs: Distributions	6		(10,739)		(12,067)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>£(9,509)</b>		<b>£11,278</b>

## Statement of Change in Net Assets Attributable to Shareholders for the year ended 15 May 2014

		16/05/2013 to 15/05/2014		16/05/2012 to 15/05/2013	
		£'000	£'000	£'000	£'000
<b>Opening net assets attributable to shareholders</b>			<b>376,044</b>		<b>421,124</b>
Movement due to sales and repurchases of shares:					
Amounts receivable on issue of shares		7,162		19,401	
Amounts payable on cancellation of shares		(36,876)		(76,090)	
			(29,714)		(56,689)
Change in net assets attributable to shareholders from investment activities			(9,509)		11,278
Retained distribution on accumulation shares			159		249
Unclaimed distributions			92		82
<b>Closing net assets attributable to shareholders</b>			<b>£337,072</b>		<b>£376,044</b>

# Barclays Sterling Bond Fund (continued)

## Balance Sheet as at 15 May 2014

	Note	15/05/2014 £'000	15/05/2013 £'000
<b>Assets</b>			
Investment Assets		322,215	358,321
Debtors	7	5,553	19,413
Cash and bank balances	8	15,956	24,527
Total other assets		21,509	43,940
<b>Total assets</b>		<b>343,724</b>	<b>402,261</b>
<b>Liabilities</b>			
Investment Liabilities		(138)	(292)
Creditors	9	(3,478)	(22,241)
Bank overdrafts	8	(908)	(1,585)
Distribution payable on income shares		(2,128)	(2,099)
Total other liabilities		(6,514)	(25,925)
<b>Total liabilities</b>		<b>(6,652)</b>	<b>(26,217)</b>
<b>Net assets attributable to shareholders</b>		<b>£337,072</b>	<b>£376,044</b>

# Barclays Sterling Bond Fund (continued)

## Notes to the Financial Statements

### 1. Accounting policies

The accounting policies can be found on pages 11 and 12.

### 2. Net capital (losses)/gains

	16/05/2013 to 15/05/2014 £'000	16/05/2012 to 15/05/2013 £'000
The net capital (losses)/gains on investments during the year comprise:		
Non-derivative securities	(6,635)	16,002
Derivative contracts	(271)	(413)
Forward currency contracts	1,112	(452)
Currency losses	(334)	(6)
Transaction charges	(36)	(27)
Net capital (losses)/gains	(6,164)	15,104

### 3. Revenue

	16/05/2013 to 15/05/2014 £'000	16/05/2012 to 15/05/2013 £'000
Bond interest	10,756	12,079
Bank interest	3	1
Total revenue	10,759	12,080

### 4. Expenses

	16/05/2013 to 15/05/2014 £'000	16/05/2012 to 15/05/2013 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic fee	2,751	3,211
Registration fee	394	456
	3,145	3,667
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fee	42	52
Safe custody fee	32	38
	74	90

# Barclays Sterling Bond Fund (continued)

## Notes to the Financial Statements (continued)

### 4. Expenses (continued)

	16/05/2013 to 15/05/2014 £'000	16/05/2012 to 15/05/2013 £'000
Other expenses:		
Administration fee	118	85
Audit fee	12	14
VAT on audit fee	2	3
Printing fee	7	(31)
Tax advice fee	1	3
	140	74
Total expenses	3,359	3,831

### 5. Taxation

#### (a) Analysis of taxation charge in year

	16/05/2013 to 15/05/2014 £'000	16/05/2012 to 15/05/2013 £'000
Overseas tax	-	-
Current tax [note 5(b)]	-	-
Deferred tax [note 5(c)]	-	-
Total taxation	-	-

#### (b) Factors affecting taxation charge for the year

The tax assessed for the year is lower than (2013: lower than) the standard rate of corporation tax in the UK for an open-ended investment company (20%). The differences are explained below:

	£'000	£'000
Net revenue before taxation	7,394	8,241
Net revenue before taxation multiplied by the appropriate rate of corporation tax at 20% (2013: 20%)	1,479	1,648
Effects of:		
Prior period expenses utilised	(1,479)	(1,648)
Current tax	-	-

#### (c) Provision for deferred tax

There is no deferred tax provision in the current year (15 May 2013: same).

At the year end, there is a potential deferred tax asset of £4,260,552 (£3,324,981 at 15 May 2013) due to surplus management expenses. It is unlikely the Fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised (15 May 2013: same).

# Barclays Sterling Bond Fund (continued)

## Notes to the Financial Statements (continued)

### 6. Finance cost: Distributions and Interest

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares and comprise:

	16/05/2013 to 15/05/2014 £'000	16/05/2012 to 15/05/2013 £'000
First interim distribution	2,176	2,843
Second interim distribution	2,147	2,413
Third interim distribution	2,104	2,095
Final distribution	2,161	2,143
<b>Total distribution</b>	<b>8,588</b>	<b>9,494</b>
Add: Revenue deducted on cancellation of shares	126	238
Less: Revenue received on creation of shares	(23)	(74)
Add: Income tax deducted at source - current year	2,151	2,409
Less: Effect of prior years' income tax adjustment	(103)	-
<b>Distributions for the year</b>	<b>10,739</b>	<b>12,067</b>
<b>Interest</b>		
Bank overdraft interest	6	8
<b>Total finance costs</b>	<b>10,745</b>	<b>12,075</b>

The differences between the net revenue after taxation and the distribution for the year are as follows:

	16/05/2013 to 15/05/2014 £'000	16/05/2012 to 15/05/2013 £'000
Net revenue after taxation for the year	7,394	8,241
Add: Expenses transferred to capital	3,359	3,814
Add: Shortfall on income tax on distributions	3	-
Less: Expenses charged against revenue	(17)	-
Add: Prior year distribution adjustment	-	12
<b>Distributions for the year</b>	<b>10,739</b>	<b>12,067</b>

### 7. Debtors

	15/05/2014 £'000	15/05/2013 £'000
Amounts receivable for creation of shares	1,333	781
Sales awaiting settlement	57	13,204
Bond revenue receivable	4,159	5,428
Amounts receivable on FX contracts	4	-
	<b>5,553</b>	<b>19,413</b>

# Barclays Sterling Bond Fund (continued)

## Notes to the Financial Statements (continued)

### 8. Net uninvested cash

	15/05/2014	15/05/2013
	£'000	£'000
Amounts held at futures clearing houses and brokers	529	998
Bank overdrafts	(908)	(1,585)
Cash and bank balances	15,427	23,529
Net uninvested cash	15,048	22,942

### 9. Creditors

	15/05/2014	15/05/2013
	£'000	£'000
Amounts payable for cancellation of shares	1,844	1,649
Purchases awaiting settlement	99	18,796
Accrued expenses	447	595
Income tax payable	1,084	1,201
Amounts payable on FX contracts	4	-
	3,478	22,241

### 10. Contingent liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (15 May 2013: same).

### 11. Risk in relation to the financial instruments

The Fund's investment objective is stated on page 35. In pursuing its objective, the Fund holds financial instruments which expose it to various types of risk. The main risks, and the ACD's policy for managing these risks are set out below. These were applied consistently throughout the current and preceding year.

#### (a) Credit and liquidity risk

Credit risk is the risk of suffering loss due to another party not meeting its financial obligations. The primary source of this risk to the Fund is for trade counterparties to fail to meet their transaction commitments. This risk is managed by appraising the credit profile of financial instruments and trade counterparties.

Fixed interest investments are exposed to credit risk which reflects the ability of the bond issuer to meet its obligations.

The majority of bonds in which the Fund invests are investment grade listed bonds or government securities which are lower risk. Generally, the higher the rate of interest, the higher the perceived credit risk of the issuer. The ACD monitors the credit quality and risk of the portfolio as a part of the overall investment process and in accordance with the objective and policy of each sub fund.

Liquidity risk relates to the capacity to meet liabilities. The primary source of this risk to the Fund is the liability to Shareholders for any cancellation of shares. This risk is minimised by holding cash and readily realisable securities and via access to overdraft facilities.

#### (b) Market risk

Market risk arises mainly from uncertainty about future prices. The primary source of this risk to the Fund is the potential movement in the value of financial instruments held as a result of price fluctuations. The ACD adheres to the investment guidelines and borrowing powers established in the Prospectus and the COLL. In this way, the ACD monitors and controls the exposure to risk from any type of security, sector or issuer.

The Fund may also use derivative instruments to mitigate risk and/or reduce costs. These instruments are not utilised for speculative purposes. Derivative instruments were utilised during the current and preceding year.

# Barclays Sterling Bond Fund (continued)

## Notes to the Financial Statements (continued)

### 11. Risk in relation to the financial instruments (continued)

#### (c) Foreign currency risk

Foreign currency risk is the risk of movements in the value of overseas financial instruments as a result of fluctuations in exchange rates. This risk may be managed by the utilisation of forward currency contracts as necessary. Forward currency contracts were utilised during the current and preceding year.

The foreign currency profile of the Fund's net assets at the balance sheet date was:

15/05/2014	Monetary exposure	Non-monetary exposure	Total
Currency	£'000	£'000	£'000
Australian Dollar	152	-	152
Canadian Dollar	15	-	15
Euro	(8,201)	8,250	49
Japanese Yen	5	-	5
Norwegian Krone	6	-	6
US Dollar	(3,851)	4,083	232
	(11,874)	12,333	459

15/05/2013	Monetary exposure	Non-monetary exposure	Total
Currency	£'000	£'000	£'000
Canadian Dollar	56	-	56
Euro	(5,272)	5,422	150
Japanese Yen	6	-	6
Norwegian Krone	7	-	7
US Dollar	(2,120)	2,511	391
	(7,323)	7,933	610

# Barclays Sterling Bond Fund (continued)

## Notes to the Financial Statements (continued)

### 11. Risk in relation to the financial instruments (continued)

#### (d) Interest rate risk

Interest rate risk is the risk of movements in the value of financial instruments as a result of fluctuations in interest rates. This risk is managed by the active monitoring and adjustment of the credit rating of the portfolio of investments.

The interest rate profile of the Fund's net assets at the balance sheet date was:

15/05/2014	Total £'000	Floating rate £'000	Fixed rate £'000	Non-interest £'000
Investment assets	322,077	17,594**	303,947	536
Other assets	21,509	15,956*	-	5,553
Other liabilities	(6,514)	(908)*	-	(5,606)
Total	337,072	32,642	303,947	483

15/05/2013	Total £'000	Floating rate £'000	Fixed rate £'000	Non-interest £'000
Investment assets	358,029	21,508**	335,867	654
Other assets	43,940	24,527*	-	19,413
Other liabilities	(25,925)	(1,585)*	-	(24,340)
Total	376,044	44,450	335,867	(4,273)

\*The Fund's floating rate other assets and liabilities are represented by its bank balances and overdraft facilities. Cash is deposited, and overdraft facilities utilised, on normal commercial terms and earn or bear interest based on LIBOR or its overseas equivalent.

\*\*The Fund's floating rate investments earn interest which is variable, based on LIBOR or its overseas equivalent.

#### Fixed rate financial assets

	Weighted average interest rate %	Weighted average year for which rate is fixed years	Weighted average interest rate %	Weighted average year for which rate is fixed years
	15/05/2014	15/05/2014	15/05/2013	15/05/2013
Euro	2.70	21.53	14.02	21.99
Sterling	2.89	14.80	2.75	16.01
US Dollar	4.61	18.58	3.57	60.98

#### (e) Derivatives – Sensitivity analysis

The Fund invests in Euro-Bobl, Euro-Bund, Euro-Schatz, Long Gilt, US Long Bond, US 2 Year and 10 Year Note futures, to obtain market exposure to enable it to meet the Fund objectives whilst reducing transaction costs.

The effect of these futures is to reduce market exposure by 2.42% (0.24% at 15 May 2013) of net assets.

This results in an effective equity exposure at the year end of 93.17% (95.42% at 15 May 2013) of net assets, which means that the gains or losses of the Fund will be 0.9317 (0.9542 at 15 May 2013) times the gains or losses if the Fund was fully invested in bonds.

# Barclays Sterling Bond Fund (continued)

## Notes to the Financial Statements (continued)

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### 11. Risk in relation to the financial instruments (continued)

#### (f) Fair value

The fair value of a financial instrument is the amount for which it could be exchanged between knowledgeable, willing parties in an arm's length transaction. There is no significant difference between the value of the financial assets and liabilities, as shown in the financial statements, and their fair value.

### 12. Portfolio transaction costs

There were no transaction costs for the year ended 15 May 2014 (15 May 2013: same).

### 13. Ultimate controlling party and related party transactions

The ACD is regarded as controlling party of the Fund by virtue of having the ability to act in concert in respect of Fund operations. The ultimate controlling party of the ACD is Barclays Plc. This entity and its subsidiaries are also related parties of the Fund.

At the year end, the ACD and its associates held 44.88% of the Fund's shares in issue (86.88% at 15 May 2013). Details of all other material related party transactions during the year and any payment amounts outstanding at the balance sheet date are disclosed in notes 4, 7 and 9 to the financial statements, and the Statement of Change in Net Assets Attributable to Shareholders and the Portfolio Statement. Within note 9, accrued expenses (including amounts due to associates and agents) of £371,523 (£495,481 at 15 May 2013) are due to the ACD.

### 14. EU savings directive

The Fund has been reviewed against the requirements of the Directive 2003/48/EC on taxation of savings in the form of interest payments (ESD), following the HM Revenue & Customs debt investment reporting guidance notes. Under the Directive, information is collected about the payment of distributions to residents in certain other countries and is reported to HM Revenue & Customs to be exchanged with tax authorities in those countries. The Fund falls within the 25% debt investment reporting threshold. This means that details of all distributions and redemption proceeds paid to non UK investors will be reported by Barclays Asset Management Limited to HM Revenue & Customs to be exchanged with the relevant tax authorities.

# Barclays Sterling Bond Fund (continued)

## Distribution Tables for the year ended 15 May 2014

Group 1: Shares purchased prior to a distribution period

Group 2: Shares purchased during a distribution period

Equalisation applies only to shares purchased during a distribution period (Group 2 shares). It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital.

Being capital, it is not liable to Income tax but must be deducted from the cost of shares for Capital Gains tax purposes.

### First interim interest distribution in pence per share

	Gross Revenue	Income Tax	Net Revenue	Equalisation	Distribution Paid 15/10/2013	Distribution Paid 15/10/2012
<b>A-Class Distribution</b>						
Group 1	0.4645p	0.0929p	0.3716p	-	0.3716p	0.4320p
Group 2	0.1163p	0.0233p	0.0930p	0.2786p	0.3716p	0.4320p
<b>A-Class Accumulation</b>						
Group 1	0.7144p	0.1429p	0.5715p	-	0.5715p	0.6490p
Group 2	0.3635p	0.0727p	0.2908p	0.2807p	0.5715p	0.6490p
<b>B-Class Distribution</b>						
Group 1	0.4683p	0.0937p	0.3746p	-	0.3746p	0.4348p
Group 2	0.2978p	0.0596p	0.2382p	0.1364p	0.3746p	0.4348p
<b>I-Class Distribution</b>						
Group 1	0.4676p	0.0935p	0.3741p	-	0.3741p	0.4331p
Group 2	0.0051p	0.0010p	0.0041p	0.3700p	0.3741p	0.4331p
<b>M-Class Distribution</b>						
Group 1	0.4900p	0.0980p	0.3920p	-	0.3920p	0.4520p
Group 2	0.3785p	0.0757p	0.3028p	0.0892p	0.3920p	0.4520p
<b>R-Class Distribution<sup>(1)</sup></b>						
Group 1	0.4718p	0.0944p	0.3774p	-	0.3774p	-
Group 2	0.4718p	0.0944p	0.3774p	-	0.3774p	-
<b>R-Class Accumulation<sup>(1)</sup></b>						
Group 1	0.4750p	0.0950p	0.3800p	-	0.3800p	-
Group 2	0.4750p	0.0950p	0.3800p	-	0.3800p	-

# Barclays Sterling Bond Fund (continued)

## Distribution Tables for the year ended 15 May 2014 (continued)

### Second interim interest distribution in pence per share

	Gross Revenue	Income Tax	Net Revenue	Equalisation	Distribution Paid 15/01/2014	Distribution Paid 15/01/2013
<b>A-Class Distribution</b>						
Group 1	0.4689p	0.0938p	0.3751p	-	0.3751p	0.3712p
Group 2	0.2140p	0.0428p	0.1712p	0.2039p	0.3751p	0.3712p
<b>A-Class Accumulation</b>						
Group 1	0.7254p	0.1451p	0.5803p	-	0.5803p	0.5710p
Group 2	0.5147p	0.1030p	0.4117p	0.1686p	0.5803p	0.5710p
<b>B-Class Distribution</b>						
Group 1	0.4728p	0.0946p	0.3782p	-	0.3782p	0.3750p
Group 2	0.1141p	0.0228p	0.0913p	0.2869p	0.3782p	0.3750p
<b>I-Class Distribution</b>						
Group 1	0.4724p	0.0945p	0.3779p	-	0.3779p	0.3738p
Group 2	0.0905p	0.0181p	0.0724p	0.3055p	0.3779p	0.3738p
<b>M-Class Distribution</b>						
Group 1	0.4955p	0.0991p	0.3964p	-	0.3964p	0.3905p
Group 2	0.4955p	0.0991p	0.3964p	-	0.3964p	0.3905p
<b>R-Class Distribution<sup>(1)</sup></b>						
Group 1	0.4743p	0.0949p	0.3794p	-	0.3794p	-
Group 2	0.4743p	0.0949p	0.3794p	-	0.3794p	-
<b>R-Class Accumulation<sup>(1)</sup></b>						
Group 1	0.4807p	0.0961p	0.3846p	-	0.3846p	-
Group 2	0.4807p	0.0961p	0.3846p	-	0.3846p	-

### Third interim interest distribution in pence per share

	Gross Revenue	Income Tax	Net Revenue	Equalisation	Distribution Paid 15/04/2014	Distribution Paid 15/04/2013
<b>A-Class Distribution</b>						
Group 1	0.4693p	0.0939p	0.3754p	-	0.3754p	0.3518p
Group 2	0.1953p	0.0391p	0.1562p	0.2192p	0.3754p	0.3518p
<b>A-Class Accumulation</b>						
Group 1	0.7306p	0.1461p	0.5845p	-	0.5845p	0.5349p
Group 2	0.4904p	0.0981p	0.3923p	0.1922p	0.5845p	0.5349p
<b>B-Class Distribution</b>						
Group 1	0.4734p	0.0947p	0.3787p	-	0.3787p	0.3544p
Group 2	0.0954p	0.0191p	0.0763p	0.3024p	0.3787p	0.3544p
<b>I-Class Distribution</b>						
Group 1	0.4733p	0.0947p	0.3786p	-	0.3786p	0.3534p
Group 2	0.0106p	0.0021p	0.0085p	0.3701p	0.3786p	0.3534p
<b>M-Class Distribution</b>						
Group 1	0.4969p	0.0994p	0.3975p	-	0.3975p	0.3695p
Group 2	0.4325p	0.0865p	0.3460p	0.0515p	0.3975p	0.3695p
<b>R-Class Distribution<sup>(1)</sup></b>						
Group 1	0.4788p	0.0958p	0.3830p	-	0.3830p	0.3254p
Group 2	0.0481p	0.0096p	0.0385p	0.3445p	0.3830p	0.3254p
<b>R-Class Accumulation<sup>(1)</sup></b>						
Group 1	0.4898p	0.0980p	0.3918p	-	0.3918p	0.3254p
Group 2	0.0491p	0.0098p	0.0393p	0.3525p	0.3918p	0.3254p

# Barclays Sterling Bond Fund (continued)

## Distribution Tables for the year ended 15 May 2014 (continued)

### Final interest distribution in pence per share

	Gross Revenue	Income Tax	Net Revenue	Equalisation	Distribution Paid 15/07/2014	Distribution Paid 15/07/2013
<b>A-Class Distribution</b>						
Group 1	0.5543p	0.1109p	0.4434p	-	0.4434p	0.3593p
Group 2	0.2324p	0.0465p	0.1859p	0.2575p	0.4434p	0.3593p
<b>A-Class Accumulation</b>						
Group 1	0.6575p	0.1315p	0.5260p	-	0.5260p	0.5495p
Group 2	0.4248p	0.0850p	0.3398p	0.1862p	0.5260p	0.5495p
<b>B-Class Distribution</b>						
Group 1	0.6734p	0.1347p	0.5387p	-	0.5387p	0.3621p
Group 2	0.2073p	0.0415p	0.1658p	0.3729p	0.5387p	0.3621p
<b>I-Class Distribution</b>						
Group 1	2.1473p	0.4295p	1.7178p	-	1.7178p	0.3613p
Group 2	0.0323p	0.0065p	0.0258p	1.6920p	1.7178p	0.3613p
<b>M-Class Distribution</b>						
Group 1	0.3840p	0.0768p	0.3072p	-	0.3072p	0.3783p
Group 2	0.2313p	0.0463p	0.1850p	0.1222p	0.3072p	0.3783p
<b>R-Class Distribution<sup>(1)</sup></b>						
Group 1	0.4818p	0.0964p	0.3854p	-	0.3854p	0.3633p
Group 2	0.0055p	0.0011p	0.0044p	0.3810p	0.3854p	0.3633p
<b>R-Class Accumulation<sup>(1)</sup></b>						
Group 1	0.4629p	0.0926p	0.3703p	-	0.3703p	0.3640p
Group 2	0.0054p	0.0011p	0.0043p	0.3660p	0.3703p	0.3640p

<sup>(1)</sup>R-Class Distribution and R-Class Accumulation shares launched on 16 November 2012.

# Barclays Sterling Bond Fund (continued)

## Risk and Reward Profile

1	2	3	4	5	6	7
<p>The risk and reward category is calculated using historical data which may not be a reliable indicator of the Fund's future risk profile.</p> <p>The risk and reward category may shift over time and is not a target or a guarantee.</p> <p>The lowest category (i.e. Category 1) does not mean a risk-free investment.</p> <p>The Fund is in Category 4 because of the high range and frequency of price movements (volatility) of the underlying investments in which the Fund invests.</p> <p>The following are additional risks not covered by the risk and reward category.</p> <p>The Fund may be exposed to stock market movements in a single country or region which may be adversely affected by political or economic developments, government action or natural events that do not affect a fund investing in broader markets.</p> <p>The Fund may invest in bonds, the return on which depends on the issuer's ability to make its payments. There is a risk that the issuer will fail to do so. Although the Fund generally invests in bonds with high ratings, these ratings are subjective and a high rating does not guarantee an issuer's ability to pay.</p> <p>The Fund may use derivatives in an attempt to reduce risk (hedging) or for investment purposes. It may be that the use of derivatives causes share prices to fluctuate which may in turn result in loss to the Fund.</p>			<p>Fluctuations in interest rates may affect the value of your investment.</p> <p>The Fund relies upon the performance of one or more investment managers. If the investment managers perform poorly, the value of your investment is likely to be adversely affected.</p> <p>Future legal or regulatory change could have a substantial adverse effect on the Fund and your investment.</p> <p>Bonds are interest rate sensitive, meaning that the range and frequency of price movements may be significant due to various factors, including changes in interest rates, the creditworthiness of the issuer and the ease with which similar investments may be bought or sold (liquidity).</p> <p>The Fund may seek to identify and invest in undervalued securities. The identification of investment opportunities in undervalued securities is difficult and there can be no assurance that such opportunities will be successfully identified.</p> <p>The figure for the synthetic risk and reward indicator disclosed in the financial statements is the same as in the most up-to-date key investor information document ('KIID').</p> <p>More information in relation to risks in general may be found in the "Risk Factors" section of the Prospectus.</p>			

# Barclays Sterling Bond Fund (continued)

## Fund Facts

### Ongoing Charge Figure

Accounting Date	15/05/2014	15/05/2013
A-Class Distribution	1.22%	1.22%
A-Class Accumulation	1.22%	1.22%
B-Class Distribution	1.07%	1.07%
I-Class Distribution	0.82%	0.82%
M-Class Distribution	0.42%	0.41%
R-Class Distribution <sup>(1)</sup>	0.82%	0.07%
R-Class Accumulation <sup>(1)</sup>	0.27%	0.07%

<sup>(1)</sup> R-Class Distribution and R-Class Accumulation shares launched on 16 November 2012. No annual management charge was charged on either share class during the period 16 November 2012 to 15 May 2013. A charge commenced on the R-Class Distribution shares and R-Class Accumulation shares on 19 February 2014 and 15 May 2014 respectively.

The Ongoing Charge Figure ('OCF') represents the annual operating expenses of the Fund expressed as a percentage of average net assets for the period - it does not include initial charges or performance fees. The OCF includes the annual management charge and also the following charges which are deducted directly from the Fund: Directors Fees and Registration Fees.

The OCF is expressed as an annual percentage rate.

### Net Asset Value

	Net Asset Value £'000	Net Asset Value per Share	Number of Shares in Issue '000
<b>15/05/2012</b>			
A-Class Distribution	266,459	61.47p	433,492
A-Class Accumulation	10,859	92.39p	11,754
B-Class Distribution	5,437	61.87p	8,788
I-Class Distribution	631	61.68p	1,023
M-Class Distribution	137,738	64.24p	214,412
<b>15/05/2013</b>			
A-Class Distribution	250,447	63.03p	397,365
A-Class Accumulation	7,672	96.92p	7,916
B-Class Distribution	4,002	63.52p	6,300
I-Class Distribution	255	63.43p	402
M-Class Distribution	113,666	66.41p	171,160
R-Class Distribution <sup>(1)</sup>	1	64.31p	2
R-Class Accumulation <sup>(1)</sup>	1	64.71p	2
<b>15/05/2014</b>			
A-Class Distribution	218,564	61.30p	356,533
A-Class Accumulation	6,031	96.73p	6,235
B-Class Distribution	2,864	61.79p	4,635
I-Class Distribution	212	60.74p	349
M-Class Distribution	107,946	65.28p	165,370
R-Class Distribution	1,328	62.88p	2,112
R-Class Accumulation	127	65.13p	195

<sup>(1)</sup> R-Class Distribution and R-Class Accumulation shares launched on 16 November 2012.

**Past performance is not a guide to future performance.**

**The price of shares and the income from them may go down as well as up.**

**Exchange rate changes may cause the value of any overseas investments to rise or fall.**

# Barclays Sterling Bond Fund (continued)

## Share Price Range and Net Revenue

Year	Highest Share Price	Lowest Share Price	Net Revenue per Share
<b>A-Class Distribution</b>			
2009	57.24p	50.47p	2.4329p
2010	59.33p	54.68p	2.0067p
2011	62.04p	55.47p	1.9369p
2012	64.22p	60.27p	1.7592p
2013	65.12p	59.33p	1.4539p
2014 <sup>(1)</sup>	61.61p	59.69p	1.1939p
<b>A-Class Accumulation</b>			
2009	78.53p	67.70p	3.2401p
2010	84.29p	76.40p	2.7885p
2011	91.84p	79.89p	2.7882p
2012	96.80p	89.92p	2.6125p
2013	99.58p	91.80p	2.2269p
2014 <sup>(1)</sup>	96.89p	92.93p	1.6908p
<b>B-Class Distribution</b>			
2009	57.45p	50.63p	2.4406p
2010	59.60p	54.90p	2.0155p
2011	62.40p	55.74p	1.9461p
2012	64.65p	60.65p	1.7690p
2013	65.64p	59.83p	1.4661p
2014 <sup>(1)</sup>	62.19p	60.22p	1.2956p
<b>I-Class Distribution</b>			
2009	57.31p	50.59p	2.4281p
2010	59.30p	54.72p	2.0091p
2011	62.04p	55.37p	1.9331p
2012	64.41p	60.34p	1.7620p
2013	65.51p	59.77p	1.4626p
2014 <sup>(1)</sup>	62.23p	60.21p	2.4743p
<b>M-Class Distribution</b>			
2009	58.55p	51.40p	2.4774p
2010	61.15p	56.11p	2.0580p
2011	64.64p	57.38p	2.0369p
2012	67.24p	62.91p	1.8346p
2013	68.60p	62.68p	1.5303p
2014 <sup>(1)</sup>	65.44p	63.22p	1.1011p
<b>R-Class Distribution</b>			
2012 <sup>(2)</sup>	64.13p	63.22p	-
2013	66.00p	60.40p	1.0661p
2014 <sup>(1)</sup>	63.11p	60.99p	1.1478p
<b>R-Class Accumulation</b>			
2012 <sup>(2)</sup>	64.13p	63.22p	-
2013	66.34p	61.42p	1.0694p
2014 <sup>(1)</sup>	65.35p	62.42p	1.1467p

<sup>(1)</sup> The above table shows the highest and lowest share prices to 15 May 2014 and net revenue per share to 15 July 2014.

<sup>(2)</sup> R-Class Distribution and R-Class Accumulation shares launched on 16 November 2012.

**Past performance is not a guide to future performance.**

**The price of shares and the income from them may go down as well as up.**

**Exchange rate changes may cause the value of any overseas investments to rise or fall.**

# Barclays UK Alpha (Series 2) Fund

## Investment Objective and Policy

The Fund seeks superior long-term capital growth primarily through investment in UK companies.

The Fund invests primarily in common stock, preferred shares and securities convertible into common stock of companies across a range of industries, domiciled in the UK or having significant operations in the UK, and listed or traded on a regulated market in the UK or in an OECD country. The investment manager and/or sub-investment manager(s) will use stock selection techniques which aim to generate superior long term capital growth. The allocation to individual companies within the portfolio will be actively managed.

The Fund will invest at least 70% of its assets in the common stocks and preferred shares of UK companies. The Fund may, with any remaining portion of the assets (and on an ancillary basis), invest in non-UK equity securities, investment grade government and corporate fixed income securities and convertible debt securities (listed or traded on a Regulated Market).

The Fund may also invest in other transferable securities, money market instruments, derivatives, cash and near cash, deposits and units in collective investment schemes (use may be made of stocklending, borrowing, cash holdings, hedging and other investment techniques permitted in the applicable FCA Rules).

The ACD will not invest directly in derivatives for investment purposes, without giving Shareholders at least 60 days' notice of its intention to do so and it is not intended that the use of derivatives will cause the net asset value of the Fund to have higher volatility or otherwise cause the existing risk profile of the Fund to change.

## Investment Report

During the period under review, the net asset value per share attributable to the A-Class Accumulation shares rose by 12.1%.

## Market/Economic Review

The last 12 months has been a fairly profitable period to invest in UK equities. Volatility has been less of a theme and returns from UK equities have not been as impressive as those seen in many of their developed market counterparts. The period has seen the further diminishing of euro area sovereign debt concerns and worries over domestic and global growth and UK equities have continued to build on the gains seen in 2013. Recent growth figures have provided further support to markets with the UK economy showing stronger signs of recovery than many economists and market participants expected.

In what was a very strong period for developed market equities in general, UK equities performed relatively less well than a number of their developed market counterparts. The FTSE All-Share Index rose 6.8% over the period.

Sector performance was mostly positive with the Technology sector the only sector producing negative returns over the period. Healthcare was the best performing sector returning a very impressive 19.8% over the period, driven by positive sentiment and an increase in merger and acquisition (M&A) activity in the sector. Telecommunications was the second best performing sector returning 14.4% over the period. Although it is worth noting that this sector performance was almost entirely driven by the strong performance of index heavyweight Vodafone and 2014 has seen a significant reversal of some of the gains seen in the first half of the period. Consumer Services was another sector that rallied strongly as consumer confidence continues to rebound in the UK with the sector returning 9.0% over the period.

(Source: Factset, Barclays)

## Fund Review

Early in the period, the UK market had its first negative month in over a year falling 5% in June 2013 alone. While the UK Alpha Fund was also down during the early part of the period, the Fund held up well in relative terms versus its FTSE All-Share benchmark. This was a pleasing result considering the strong outperformance the Fund experienced in the rising market over the previous 12 months. Both stock selection and sector allocation equally contributed to this outperformance versus benchmark. An overweight position in Telecoms and an underweight position in the Materials sector contributed positively to relative performance. Stock selection within the Information Technology ('IT') sector was strong, in particular a holding in Micro Focus International and an underweight in ARM Holdings.

# Barclays UK Alpha (Series 2) Fund (continued)

## Fund Review (continued)

We removed Schroders from the Fund in June 2013 following the portfolio manager leaving the firm. The 20% allocation continued to be managed passively by our transition manager (BlackRock) while we waited to appoint a replacement.

Towards the halfway point of the period, the Fund slightly outperformed the market. Stock selection in Financials was positive with good gains from Aviva (a relatively new holding at the time) and Legal & General. An underweight position in Mining helped, with many of the constituents delivering negative returns towards the end of the first half of the period.

An interesting and volatile start to the year in 2014 for the UK where the market started off complacent but then an aggregation of individual warnings, including Pearson and BG, seemed to remind investors of the fragility of the economic recovery and lofty valuations. In the end, the market was down to start the year in 2014. The outperformance of Industrials and Mining however indicate that investors remained supportive of the second stage of the economic recovery and were cautiously adding to cheap emerging market stories. The Fund had a very strong start to 2014 in part given the Fund's bias to lowly valued companies. It is pleasing to reflect that despite the strong performance in 2013, the Fund protected well on the downside that the market experienced at the start of 2014. Artemis performed particularly well early in 2014 with holdings such as Xchanging and Homeserve strongly bucking the market trend. An Overweight position in Industrials and an underweight position in Consumer Staples contributed positively, whilst the underweight position in Mining (including Anglo American) detracted. Having removed Schroders from the Fund in June 2013, we appointed a new manager to the Fund during March 2014 and transferred our transition manager (BlackRock) to Old Mutual Global Investors.

More recently, the FTSE All-Share rose but investors saw sharply divergent performance between sectors and stocks. Many of the cyclical stocks that had been driving the market so far this year in 2014 sold off and the FTSE 250 significantly underperformed the FTSE 100. At the end of March 2014, M&A returned in spectacular fashion with Pfizer's approach for AstraZeneca. The Fund produced a positive return but failed to keep up with the strong market. Holdings in transport stocks FirstGroup and IAG negatively impacted the Fund but a small overweight position in Pharmaceuticals helped. Whilst the Fund has a large position in Shell, the relative underweight position was a drag on performance.

(Source: Factset, Barclays)

## Outlook

The UK market still does not look expensive but of the developed markets, we still prefer the US and Europe (ex-UK) to the UK. In the UK, the improving economy continues to favour domestically-focused sectors.

Our Tactical Allocation Committee moved in February 2014 from a neutral to a modest overweight position in developed market equities. We believe the recent setback is likely to give way longer-term, as fundamental strength reasserts itself as a driver of equity markets. The cycle and relative valuations still favour stocks.

Barclays  
Wealth and Investment Management  
(Investment Adviser)  
June 2014

# Barclays UK Alpha (Series 2) Fund (continued)

## Portfolio Statement as at 15 May 2014

All investments are in ordinary shares unless stated otherwise. The percentages in brackets show the equivalent sector holdings at 15 May 2013.

Holding / Nominal Value	Investment	Market Value £'000	% of Net Assets
	<b>ASIA: 0.42% (0.23%)</b>		
	<b>JAPAN: 0.12% (0.23%)</b>		
	<b>Leisure Goods: 0.12% (0.23%)</b>		
1,700	Nintendo	111	0.12
	<b>SINGAPORE: 0.30% (0.00%)</b>		
	<b>Electronic &amp; Electrical Equipment: 0.30% (0.00%)</b>		
17,505	XP Power	273	0.30
	<b>CONTINENTAL EUROPE: 5.02% (3.40%)</b>		
	<b>FINLAND: 0.00% (0.22%)</b>		
	<b>Technology Hardware &amp; Equipment: 0.00% (0.22%)</b>		
	<b>FRANCE: 1.34% (0.82%)</b>		
	<b>Fixed Line Telecommunications: 1.15% (0.37%)</b>		
103,406	Orange	1,036	1.15
	<b>Media: 0.00% (0.12%)</b>		
	<b>Oil &amp; Gas Producers: 0.16% (0.00%)</b>		
3,471	Total	145	0.16
	<b>Pharmaceuticals &amp; Biotechnology: 0.03% (0.33%)</b>		
400	Sanofi^	25	0.03
	<b>GERMANY: 0.29% (0.00%)</b>		
	<b>Gas, Water &amp; Multiutilities: 0.29% (0.00%)</b>		
4,345	E.ON	46	0.05
10,108	RWE Class 'A'	215	0.24
		261	0.29
	<b>IRELAND: 0.15% (0.61%)</b>		
	<b>Travel &amp; Leisure: 0.15% (0.61%)</b>		
22,166	Ryanair	118	0.13
3,100	Ryanair - Dublin	17	0.02
		135	0.15
	<b>ISRAEL: 0.07% (0.00%)</b>		
	<b>Software &amp; Computer Services: 0.07% (0.00%)</b>		
1,612	Check Point Software Technologies^	62	0.07
	<b>ITALY: 1.01% (1.11%)</b>		
	<b>Aerospace &amp; Defense: 0.14% (0.00%)</b>		
27,124	Finmeccanica	127	0.14
	<b>Banks: 0.07% (0.64%)</b>		
36,130	Intesa Sanpaolo	65	0.07
	<b>Electricity: 0.17% (0.00%)</b>		
46,162	Enel	151	0.17
	<b>Fixed Line Telecommunications: 0.58% (0.40%)</b>		
736,447	Telecom Italia	518	0.58

# Barclays UK Alpha (Series 2) Fund (continued)

## Portfolio Statement as at 15 May 2014 (continued)

Holding / Nominal Value	Investment	Market Value £'000	% of Net Assets
	<b>CONTINENTAL EUROPE: 5.02% (3.40%) continued</b>		
	<b>ITALY: 1.01% (1.11%) continued</b>		
	<b>Media: 0.05% (0.07%)</b>		
17,293	Mediaset	45	0.05
	<b>NETHERLANDS: 1.22% (0.27%)</b>		
	<b>Fixed Line Telecommunications: 0.90% (0.17%)</b>		
380,662	Koninklijke	814	0.90
	<b>Industrial Transportation: 0.32% (0.10%)</b>		
100,786	PostNL	284	0.32
	<b>NORWAY: 0.09% (0.00%)</b>		
	<b>Oil &amp; Gas Producers: 0.09% (0.00%)</b>		
4,563	Statoil	82	0.09
	<b>SPAIN: 0.85% (0.37%)</b>		
	<b>Banks: 0.07% (0.00%)</b>		
15,570	Banco Popular Espanol	61	0.07
	<b>Fixed Line Telecommunications: 0.00% (0.37%)</b>		
	<b>Travel &amp; Leisure: 0.78% (0.00%)</b>		
192,688	International Consolidated Airlines	705	0.78
	<b>UNITED KINGDOM: 91.29% (91.13%)</b>		
	<b>Aerospace &amp; Defense: 4.18% (3.69%)</b>		
508,271	BAE Systems	2,117	2.35
164,626	Chemring	347	0.39
40,000	Cobham	124	0.14
360,565	QinetiQ	720	0.80
43,184	Rolls-Royce	441	0.49
5,786,656	Rolls-Royce 'C'†	6	0.01
		3,755	4.18
	<b>Automobiles &amp; Parts: 0.06% (0.31%)</b>		
13,753	GKN	51	0.06
	<b>Banks: 5.29% (8.45%)</b>		
441,152	Barclays	1,080	1.20
255,033	HSBC	1,594	1.77
1,783,065	Lloyds Banking	1,315	1.46
237,699	Royal Bank of Scotland	773	0.86
		4,762	5.29
	<b>Beverages: 0.23% (0.14%)</b>		
29,753	Britvic	208	0.23
	<b>Chemicals: 0.00% (0.21%)</b>		
	<b>Construction &amp; Materials: 0.38% (0.31%)</b>		
197,252	Marshalls	344	0.38
	<b>Electricity: 1.24% (0.90%)</b>		
151,902	Drax	945	1.05
10,854	SSE	168	0.19
		1,113	1.24
	<b>Electronic &amp; Electrical Equipment: 0.22% (0.33%)</b>		
68,157	HellermannTyton	202	0.22

# Barclays UK Alpha (Series 2) Fund (continued)

## Portfolio Statement as at 15 May 2014 (continued)

Holding / Nominal Value	Investment	Market Value £'000	% of Net Assets
<b>UNITED KINGDOM: 91.29% (91.13%) continued</b>			
<b>Equity Investment Instruments: 2.10% (1.89%)</b>			
516,666	Better Capital PCC	524	0.58
481,371	Majedie Asset Management Investment Fund	1,369	1.52
		1,893	2.10
<b>Financial Services: 4.40% (4.92%)</b>			
325,833	3i	1,263	1.40
163,075	ICAP	615	0.68
86,788	IG	537	0.60
33,218	London Stock Exchange	602	0.67
386,372	Man	348	0.39
207,510	Tullett Prebon	597	0.66
		3,962	4.40
<b>Fixed Line Telecommunications: 2.32% (2.95%)</b>			
481,502	BT	1,746	1.94
120,000	TalkTalk Telecom	341	0.38
		2,087	2.32
<b>Food &amp; Drug Retailers: 1.46% (0.73%)</b>			
33,407	J Sainsbury	111	0.12
335,478	Tesco	1,014	1.13
90,726	WM Morrison Supermarkets	186	0.21
		1,311	1.46
<b>Food Producers: 2.08% (3.21%)</b>			
204,355	Tate & Lyle	1,405	1.56
17,578	Unilever	472	0.52
		1,877	2.08
<b>Forestry &amp; Paper: 0.23% (0.61%)</b>			
20,794	Mondi	210	0.23
<b>Gas, Water &amp; Multiutilities: 2.84% (1.22%)</b>			
644,957	Centrica	2,105	2.34
52,068	National Grid	449	0.50
		2,554	2.84
<b>General Industrials: 0.84% (0.82%)</b>			
56,783	Smiths	757	0.84
<b>General Retailers: 2.89% (4.54%)</b>			
444,509	Debenhams	351	0.39
511,748	Dixons Retail	234	0.26
196,083	Home Retail	379	0.42
259,668	Marks & Spencer	1,197	1.33
6,833	Next	438	0.49
		2,599	2.89
<b>Health Care Equipment &amp; Services: 1.55% (1.51%)</b>			
152,005	Smith & Nephew	1,397	1.55

# Barclays UK Alpha (Series 2) Fund (continued)

## Portfolio Statement as at 15 May 2014 (continued)

Holding / Nominal Value	Investment	Market Value £'000	% of Net Assets
<b>UNITED KINGDOM: 91.29% (91.13%) continued</b>			
<b>Household Goods &amp; Home Construction: 0.65% (0.93%)</b>			
714	Bellway	10	0.01
538,850	Taylor Wimpey	578	0.64
		588	0.65
<b>Industrial Engineering: 0.34% (0.56%)</b>			
107,723	Melrose	306	0.34
<b>Industrial Metals &amp; Mining: 0.00% (0.14%)</b>			
<b>Life Insurance: 8.07% (6.03%)</b>			
555,337	Aviva	2,849	3.17
398,199	Friends Life Group	1,219	1.35
452,735	Legal & General	1,028	1.14
33,904	Prudential	471	0.52
91,051	Phoenix	594	0.66
84,528	St James's Place	633	0.70
122,287	Standard Life	473	0.53
		7,267	8.07
<b>Media: 4.63% (5.54%)</b>			
30,394	British Sky Broadcasting	258	0.29
50,000	Daily Mail & General Trust	414	0.46
328,278	ITV	557	0.62
274,501	Johnston Press	49	0.05
77,198	Pearson	888	0.99
227,298	Reed Elsevier	1,996	2.22
		4,162	4.63
<b>Mining: 3.29% (2.51%)</b>			
25,335	Anglo American	407	0.45
13,585	BHP Billiton	269	0.30
314,086	Glencore Xstrata	1,025	1.14
37,349	Rio Tinto	1,258	1.40
		2,959	3.29
<b>Mobile Telecommunications: 3.02% (4.07%)</b>			
25,044	Inmarsat	178	0.20
1,168,097	Vodafone^	2,533	2.82
		2,711	3.02
<b>Nonlife Insurance: 0.94% (1.09%)</b>			
41,106	Amlin	190	0.21
84,438	Direct Line Insurance	206	0.23
8,013	Jardine Lloyd Thompson	83	0.09
74,319	RSA Insurance	365	0.41
		844	0.94
<b>Oil &amp; Gas Producers: 12.99% (9.06%)</b>			
36,412	BG	458	0.51
1,025,587	BP	5,158	5.73
62,028	Genel Energy	616	0.68

# Barclays UK Alpha (Series 2) Fund (continued)

## Portfolio Statement as at 15 May 2014 (continued)

Holding / Nominal Value	Investment	Market Value £'000	% of Net Assets
<b>UNITED KINGDOM: 91.29% (91.13%) continued</b>			
<b>Oil &amp; Gas Producers: 12.99% (9.06%) continued</b>			
130,763	Premier Oil	454	0.50
24,000	Royal Dutch Shell Class 'A'	564	0.63
173,132	Royal Dutch Shell Class 'B'	4,440	4.94
		11,690	12.99
<b>Oil Equipment, Services &amp; Distribution: 1.05% (0.19%)</b>			
29,627	John Wood	222	0.25
80,828	Kentz	557	0.62
13,824	Petrofac	163	0.18
		942	1.05
<b>Pharmaceuticals &amp; Biotechnology: 8.40% (6.14%)</b>			
59,240	AstraZeneca	2,799	3.11
256,906	GlaxoSmithKline	4,212	4.68
16,632	Shire^	544	0.61
		7,555	8.40
<b>Real Estate Investment Trusts: 0.00% (0.60%)</b>			
<b>Software &amp; Computer Services: 2.98% (3.37%)</b>			
246,151	Advanced Computer Software^^	288	0.32
65,371	Computacenter	415	0.46
84,859	Micro Focus International	681	0.76
12,290	Phoenix IT	13	0.01
281,465	Sage	1,104	1.23
57,448	SDL	179	0.20
		2,680	2.98
<b>Support Services: 4.73% (4.82%)</b>			
40,000	Bunzl	672	0.75
57,800	De La Rue	473	0.53
63,457	Electrocomponents	185	0.21
30,439	Experian	321	0.36
339,324	G4S	867	0.96
20,581	Hays	30	0.03
56,291	Lavendon	130	0.14
19,342	Mears	94	0.10
4,341	Mitie	14	0.02
19,066	Northgate	97	0.11
727,810	Rentokil Initial	908	1.01
4,479	Travis Perkins	75	0.08
249,620	Xchanging	382	0.43
		4,248	4.73
<b>Technology Hardware &amp; Equipment: 1.20% (1.30%)</b>			
36,801	CSR^	205	0.23
45,722	Pace	164	0.18
281,452	Spirent Communications	272	0.30
187,806	Wolfson Microelectronics	439	0.49
		1,080	1.20
<b>Tobacco: 1.03% (1.23%)</b>			
35,000	Imperial Tobacco	930	1.03

# Barclays UK Alpha (Series 2) Fund (continued)

## Portfolio Statement as at 15 May 2014 (continued)

Holding / Nominal Value	Investment	Market Value £'000	% of Net Assets
<b>UNITED KINGDOM: 91.29% (91.13%) continued</b>			
<b>Travel &amp; Leisure: 5.66% (6.81%)</b>			
23,505	Betfair	229	0.25
222,791	Bwin.Party Digital Entertainment	264	0.29
11,938	Carnival	279	0.31
4,300	easyJet	67	0.07
979,419	Firstgroup	1,287	1.43
157,672	Flybe	203	0.23
620,847	Ladbrokes	859	0.96
102,593	Mitchells & Butlers	446	0.50
160,000	National Express	429	0.48
95,404	Stagecoach	348	0.39
140,553	Thomas Cook	219	0.24
11,409	Whitbread	459	0.51
		5,089	5.66
<b>NORTH AMERICA: 0.83% (1.59%)</b>			
<b>CANADA: 0.17% (0.00%)</b>			
<b>Mining: 0.17% (0.00%)</b>			
15,173	Barrick Gold	152	0.17
<b>UNITED STATES: 0.66% (1.59%)</b>			
<b>Aerospace &amp; Defense: 0.09% (0.00%)</b>			
787	Lockheed Martin	77	0.09
<b>Alternative Energy: 0.17% (0.00%)</b>			
4,213	First Solar <sup>^</sup>	151	0.17
<b>Banks: 0.00% (0.53%)</b>			
<b>Leisure Goods: 0.14% (0.00%)</b>			
11,616	Take-Two Interactive Software <sup>^</sup>	130	0.14
<b>Pharmaceuticals &amp; Biotechnology: 0.00% (0.09%)</b>			
<b>Software &amp; Computer Services: 0.00% (0.16%)</b>			
<b>Technology Hardware &amp; Equipment: 0.26% (0.81%)</b>			
12,041	Hewlett-Packard	232	0.26
<b>FUTURES: 0.03% (0.05%)</b>			
10	FTSE 100 Index Future June 2014	25	0.03
	<b>Portfolio investments*</b>	<b>87,800</b>	<b>97.59</b>
	<b>Net other assets</b>	<b>2,168</b>	<b>2.41</b>
	<b>Net assets</b>	<b>89,968</b>	<b>100.00</b>

\*Including derivatives.

<sup>^</sup> These securities are quoted on NASDAQ and comprise 4.07% of the Net Asset Value.

<sup>^^</sup> These securities are quoted on an Alternative Investment Market (AIM) and comprise 0.32% of the Net Asset Value.

<sup>†</sup> The indicated holding above is priced with a stale price.

Portfolio Information	Year to 15/05/2014
<b>Total purchases for the year</b>	<b>£52,004,840</b>
<b>Total sales for the year</b>	<b>£68,127,572</b>

Counterparty	Total Global Exposure £
Goldman Sachs	25,000

# Barclays UK Alpha (Series 2) Fund (continued)

## Statement of Total Return for the year ended 15 May 2014

	Note	16/05/2013 to 15/05/2014		16/05/2012 to 15/05/2013	
		£'000	£'000	£'000	£'000
<b>Income</b>					
Net capital gains	2		10,017		27,911
Revenue	3	3,537		3,166	
Expenses	4	(1,167)		(1,072)	
Finance costs: Interest	6	(7)		(2)	
Net revenue before taxation		2,363		2,092	
Taxation	5	(6)		(5)	
Net revenue after taxation for the year			2,357		2,087
Total return before distributions			12,374		29,998
Finance costs: Distributions	6		(2,265)		(2,093)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>£10,109</b>		<b>£27,905</b>

## Statement of Change in Net Assets Attributable to Shareholders for the year ended 15 May 2014

		16/05/2013 to 15/05/2014		16/05/2012 to 15/05/2013	
		£'000	£'000	£'000	£'000
<b>Opening net assets attributable to shareholders</b>			<b>97,474</b>		<b>88,360</b>
Movement due to sales and repurchases of shares:					
Amounts receivable on issue of shares		6,501		218	
Amounts payable on cancellation of shares		(24,733)		(19,509)	
			(18,232)		(19,291)
Stamp duty reserve tax			(2)		(1)
Change in net assets attributable to shareholders from investment activities			10,109		27,905
Retained distribution on accumulation shares			618		500
Unclaimed distributions			1		1
<b>Closing net assets attributable to shareholders</b>			<b>£89,968</b>		<b>£97,474</b>

# Barclays UK Alpha (Series 2) Fund (continued)

## Balance Sheet as at 15 May 2014

	Note	15/05/2014 £'000	15/05/2013 £'000
<b>Assets</b>			
Investment Assets		87,800	93,967
Debtors	7	2,641	849
Cash and bank balances	8	4,873	9,275
Total other assets		7,514	10,124
<b>Total assets</b>		<b>95,314</b>	<b>104,091</b>
<b>Liabilities</b>			
Creditors	9	(2,594)	(4,073)
Bank overdrafts	8	(1,406)	(1,179)
Distribution payable on income shares		(1,346)	(1,365)
Total other liabilities		(5,346)	(6,617)
<b>Total liabilities</b>		<b>(5,346)</b>	<b>(6,617)</b>
<b>Net assets attributable to shareholders</b>		<b>£89,968</b>	<b>£97,474</b>

# Barclays UK Alpha (Series 2) Fund (continued)

## Notes to the Financial Statements

### 1. Accounting policies

The accounting policies can be found on pages 11 and 12.

### 2. Net capital gains on investments

	16/05/2013 to 15/05/2014 £'000	16/05/2012 to 15/05/2013 £'000
The net capital gains on investments during the year comprise:		
Non-derivative securities	9,893	27,467
Derivative contracts	174	469
Forward currency contracts	(4)	-
Currency (losses)/gains	(11)	2
Transaction charges	(35)	(27)
Net capital gains	10,017	27,911

### 3. Revenue

	16/05/2013 to 15/05/2014 £'000	16/05/2012 to 15/05/2013 £'000
Franked UK dividends	3,266	3,048
UK REIT dividends	-	6
UK PID income	6	11
Non-taxable overseas dividends	265	99
Bank interest	-	1
Underwriting commission	-	1
Total revenue	3,537	3,166

### 4. Expenses

	16/05/2013 to 15/05/2014 £'000	16/05/2012 to 15/05/2013 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic fee	980	928
Registration fee	80	76
	1,060	1,004
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fee	12	11
Safe custody fee	8	8
	20	19
Other expenses:		
Administration fee	63	16
Audit fee	12	14
VAT on audit fee	2	3
Printing fee	7	13
Tax advice fee	3	3
	87	49
Total expenses	1,167	1,072

# Barclays UK Alpha (Series 2) Fund (continued)

## Notes to the Financial Statements (continued)

### 5. Taxation

#### (a) Analysis of taxation charge in year

	16/05/2013 to 15/05/2014 £'000	16/05/2012 to 15/05/2013 £'000
Overseas tax	6	5
Current tax [note 5(b)]	6	5
Deferred tax [note 5(c)]	-	-
<b>Total taxation</b>	<b>6</b>	<b>5</b>

#### (b) Factors affecting taxation charge for the year

The tax assessed for the year is lower than (2013: lower than) the standard rate of corporation tax in the UK for an open-ended investment company (20%). The differences are explained below:

	£'000	£'000
Net revenue before taxation	2,363	2,092
Net revenue before taxation multiplied by the appropriate rate of corporation tax at 20% (2013: 20%)	473	418
Effects of:		
Overseas tax	6	5
Revenue not subject to taxation	(706)	(631)
Excess management expenses not utilised	232	213
Excess non trade loan deficit not utilised	1	-
Current tax	6	5

#### (c) Provision for deferred tax

There is no deferred tax provision in the current year (15 May 2013: same).

At the year end, there is a potential deferred tax asset of £6,855,221 (£6,623,617 at 15 May 2013) due to surplus management expenses. It is unlikely the Fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised (15 May 2013: same).

### 6. Finance cost: Distributions and Interest

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares and comprise:

	16/05/2013 to 15/05/2014 £'000	16/05/2012 to 15/05/2013 £'000
Final distribution	1,964	1,865
Add: Revenue deducted on cancellation of shares	360	230
Less: Revenue received on creation of shares	(59)	(2)
<b>Distributions for the year</b>	<b>2,265</b>	<b>2,093</b>
<b>Interest</b>		
Bank overdraft interest	7	2
<b>Total finance costs</b>	<b>2,272</b>	<b>2,095</b>

# Barclays UK Alpha (Series 2) Fund (continued)

## Notes to the Financial Statements (continued)

### 6. Finance cost: Distributions and Interest (continued)

The differences between the net revenue after taxation and the distribution for the year are as follows:

	16/05/2013 to 15/05/2014 £'000	16/05/2012 to 15/05/2013 £'000
Net revenue after taxation for the year	2,357	2,087
Add: Shortfall on income account	-	6
Less: Expenses charged against revenue	(92)	-
Distributions for the year	2,265	2,093

### 7. Debtors

	15/05/2014 £'000	15/05/2013 £'000
Amounts receivable for creation of shares	1,373	-
Sales awaiting settlement	479	72
Accrued revenue	761	755
Overseas tax recoverable	25	10
Margin interest receivable	-	9
UK tax recoverable on REIT distributions	3	3
	2,641	849

### 8. Net uninvested cash

	15/05/2014 £'000	15/05/2013 £'000
Amounts held at futures clearing houses and brokers	53	471
Bank overdrafts	(1,406)	(1,179)
Cash and bank balances	4,820	8,804
Net uninvested cash	3,467	8,096

### 9. Creditors

	15/05/2014 £'000	15/05/2013 £'000
Amounts payable for cancellation of shares	1,775	3,733
Purchases awaiting settlement	640	122
Accrued expenses	179	218
	2,594	4,073

### 10. Contingent liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (15 May 2013: Koninklijke Rights £25,811).

### 11. Risk in relation to the financial instruments

The Fund's investment objective is stated on page 65. In pursuing its objective, the Fund holds financial instruments which expose it to various types of risk. The main risks, and the ACD's policy for managing these risks are set out below. These were applied consistently throughout the current and preceding year.

# Barclays UK Alpha (Series 2) Fund (continued)

## Notes to the Financial Statements (continued)

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### 11. Risk in relation to the financial instruments (continued)

#### (a) Credit and liquidity risk

Credit risk is the risk of suffering loss due to another party not meeting its financial obligations. The primary source of this risk to the Fund is for trade counterparties to fail to meet their transaction commitments. This risk is managed by appraising the credit profile of financial instruments and trade counterparties.

Liquidity risk relates to the capacity to meet liabilities. The primary source of this risk to the Fund is the liability to Shareholders for any cancellation of shares. This risk is minimised by holding cash and readily realisable securities and via access to overdraft facilities.

#### (b) Market risk

Market risk arises mainly from uncertainty about future prices. The primary source of this risk to the Fund is the potential movement in the value of financial instruments held as a result of price fluctuations. The ACD adheres to the investment guidelines and borrowing powers established in the Prospectus and the COLL. In this way, the ACD monitors and controls the exposure to risk from any type of security, sector or issuer.

The Fund may also use derivative instruments to mitigate risk and/or reduce costs. These instruments are not utilised for speculative purposes. Derivative instruments were utilised during the current and preceding year.

#### (c) Foreign currency risk

Foreign currency risk is the risk of movements in the value of overseas financial instruments as a result of fluctuations in exchange rates. This risk may be managed by the utilisation of forward currency contracts as necessary. Forward currency contracts were utilised during the current and preceding year.

# Barclays UK Alpha (Series 2) Fund (continued)

## Notes to the Financial Statements (continued)

### 11. Risk in relation to the financial instruments (continued)

The foreign currency profile of the Fund's net assets at the balance sheet date was:

15/05/2014	Monetary exposure	Non-monetary exposure	Total
Currency	£'000	£'000	£'000
Euro	5	3,679	3,684
Japanese Yen	-	112	112
Norwegian Krone	-	85	85
US Dollar	56	749	805
	61	4,625	4,686

  

15/05/2013	Monetary exposure	Non-monetary exposure	Total
Currency	£'000	£'000	£'000
Euro	54	3,280	3,334
Japanese Yen	-	235	235
US Dollar	-	1,542	1,542
	54	5,057	5,111

#### (d) Interest rate risk

Interest rate risk is the risk of movements in the value of financial instruments as a result of fluctuations in interest rates.

The Fund's only interest bearing financial instruments at the balance sheet date were its bank balances and overdraft facilities as disclosed in note 8.

Cash is deposited, and overdraft facilities utilised, on normal commercial terms and earn or bear interest based on LIBOR or its overseas equivalent.

#### (e) Derivatives - Sensitivity analysis

The Fund invests in FTSE 100 index futures to obtain market exposure to enable it to meet the Fund objectives whilst reducing transaction costs.

The effect of these futures is to increase market exposure by 0.76% (1.37% at 15 May 2013) of net assets. This results in an effective equity exposure at the year end of 98.32% (97.72% at 15 May 2013) of net assets, which means that the gains or losses of the Fund will be 0.9832 (0.9772 at 15 May 2013) times the gains or losses if the Fund was fully invested in equities.

#### (f) Fair value

The fair value of a financial instrument is the amount for which it could be exchanged between knowledgeable, willing parties in an arm's length transaction. There is no significant difference between the value of the financial assets and liabilities, as shown in the financial statements, and their fair value.

# Barclays UK Alpha (Series 2) Fund (continued)

## Notes to the Financial Statements (continued)

### 12. Portfolio transaction costs

	16/05/2013 to 15/05/2014		16/05/2012 to 15/05/2013	
	£'000	£'000	£'000	£'000
Analysis of total purchase costs				
Purchases in year before transaction costs		51,742		34,283
Commissions	48		49	
Tax	215		143	
Total purchase costs		263		192
Gross purchase total		52,005		34,475
Analysis of total sales costs				
Gross sales before transaction costs		68,185		53,768
Commissions	(56)		(65)	
Fees	(1)		(1)	
Total sales costs		(57)		(66)
Total sales net of transaction costs		68,128		53,702

### 13. Ultimate controlling party and related party transactions

The ACD is regarded as controlling party of the Fund by virtue of having the ability to act in concert in respect of Fund operations. The ultimate controlling party of the ACD is Barclays Plc. This entity and its subsidiaries are also related parties of the Fund.

At the year end, the ACD and its associates held 5.40% of the Fund's shares in issue (4.71% at 15 May 2013). Details of all other material related party transactions during the year and any payment amounts outstanding at the balance sheet date are disclosed in notes 4, 7 and 9 to the financial statements, and the Statement of Change in Net Assets Attributable to Shareholders and the Portfolio Statement. Within note 9, accrued expenses (including amounts due to associates and agents) of £123,480 (£149,279 at 15 May 2013) are due to the ACD.

This Fund has holdings in a related party of Barclays Bank PLC, this position is disclosed in the Portfolio Statement on page 68.

# Barclays UK Alpha (Series 2) Fund (continued)

## Distribution Table for the year ended 15 May 2014

Group 1: Shares purchased prior to a distribution period

Group 2: Shares purchased during a distribution period

Equalisation applies only to shares purchased during the distribution year (Group 2 shares). It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital.

Being capital, it is not liable to Income tax but must be deducted from the cost of shares for Capital Gains tax purposes.

### Final dividend distribution in pence per share

	Net Revenue	Equalisation	Distribution Paid 15/07/2014	Distribution Paid 15/07/2013
<b>A-Class Distribution</b>				
Group 1	15.9551p	-	15.9551p	12.4267p
Group 2	10.2224p	5.7327p	15.9551p	12.4267p
<b>A-Class Accumulation</b>				
Group 1	20.4610p	-	20.4610p	15.7085p
Group 2	12.7268p	7.7342p	20.4610p	15.7085p
<b>B-Class Distribution</b>				
Group 1	18.3173p	-	18.3173p	14.3217p
Group 2	11.8262p	6.4911p	18.3173p	14.3217p
<b>I-Class Distribution</b>				
Group 1	21.7242p	-	21.7242p	16.8094p
Group 2	21.7242p	-	21.7242p	16.8094p
<b>M-Class Distribution</b>				
Group 1	25.7389p	-	25.7389p	20.0209p
Group 2	20.9360p	4.8029p	25.7389p	20.0209p
<b>R-Class Distribution</b>				
Group 1	31.5860p	-	31.5860p	20.3093p
Group 2	0.3506p	31.2354p	31.5860p	20.3093p
<b>R-Class Accumulation</b>				
Group 1	23.0119p	-	23.0119p	20.3093p
Group 2	0.0468p	22.9651p	23.0119p	20.3093p

# Barclays UK Alpha (Series 2) Fund (continued)

## Risk and Reward Profile

1	2	3	4	5	6	7
<p>The risk and reward category is calculated using historical data which may not be a reliable indicator of the Fund's future risk profile.</p> <p>The risk and reward category may shift over time and is not a target or a guarantee.</p> <p>The lowest category (i.e. Category 1) does not mean a risk-free investment.</p> <p>The Fund is in Category 6 because of the high range and frequency of price movements (volatility) of the underlying investments in which the Fund invests.</p> <p>The following are additional risks not covered by the risk and reward category.</p> <p>The Fund may be exposed to stock market movements in a single country or region which may be adversely affected by political or economic developments, government action or natural events that do not affect a fund investing in broader markets.</p> <p>The Fund may use derivatives in an attempt to reduce risk (hedging) or for investment purposes. It may be that the use of derivatives causes share prices to fluctuate which may in turn result in loss to the Fund.</p> <p>The Fund relies upon the performance of one or more investment managers. If the investment managers perform poorly, the value of your investment is likely to be adversely affected.</p>					<p>Future legal or regulatory change could have a substantial adverse effect on the Fund and your investment.</p> <p>Stock markets can be volatile, meaning that the prices of shares held by the Fund can change quickly and substantially.</p> <p>The Fund is not guaranteed and your investment is at risk. You may lose some or all of your investment.</p> <p>If you purchase shares in the Fund through a clearing or settlement system, you will be bound by its terms and conditions, which may include the payment of additional fees.</p> <p>The Fund may seek to identify and invest in undervalued securities. The identification of investment opportunities in undervalued securities is difficult and there can be no assurance that such opportunities will be successfully identified.</p> <p>The figure for the synthetic risk and reward indicator disclosed in the financial statements is the same as in the most up-to-date key investor information document ('KIID').</p> <p>More information in relation to risks in general may be found in the "Risk Factors" section of the Prospectus.</p>	

# Barclays UK Alpha (Series 2) Fund (continued)

## Fund Facts

### Ongoing Charge Figure

Accounting Date	15/05/2014	15/05/2013
A-Class Distribution	1.79%	1.80%
A-Class Accumulation	1.79%	1.80%
B-Class Distribution	1.54%	1.55%
I-Class Distribution	1.18%	1.21%
M-Class Distribution	0.78%	0.81%
R-Class Distribution <sup>(1)</sup>	0.63%	0.15%
R-Class Accumulation <sup>(1)</sup>	1.19%	0.15%

<sup>(1)</sup> R-Class Distribution and R-Class Accumulation shares launched on 16 November 2012. No annual management charge was charged on either share class during the period 16 November 2012 to 15 May 2013. A charge commenced on the R-Class Distribution shares and R-Class Accumulation shares on 24 April 2014 and 17 June 2013 respectively.

The Ongoing Charge Figure ('OCF') represents the annual operating expenses of the Fund expressed as a percentage of average net assets for the period - it does not include initial charges or performance fees. The OCF includes the annual management charge and also the following charges which are deducted directly from the Fund: Directors Fees and Registration Fees.

The OCF is expressed as an annual percentage rate.

### Net Asset Value

	Net Asset Value £'000	Net Asset Value per Share	Number of Shares in Issue '000
<b>15/05/2012</b>			
A-Class Distribution	3,317	650.39p	510
A-Class Accumulation	28,138	822.51p	3,421
B-Class Distribution	414	646.88p	64
I-Class Distribution	138	657.14p	21
M-Class Distribution	56,353	652.69p	8,634
<b>15/05/2013</b>			
A-Class Distribution	3,895	877.25p	444
A-Class Accumulation	35,789	1,124.38p	3,183
B-Class Distribution	522	870.00p	60
I-Class Distribution	142	887.50p	16
M-Class Distribution	57,124	881.00p	6,484
R-Class Distribution <sup>(1)</sup>	1	719.42p	_*
R-Class Accumulation <sup>(1)</sup>	1	719.42p	_*
<b>15/05/2014</b>			
A-Class Distribution	4,028	968.27p	416
A-Class Accumulation	35,956	1,260.73p	2,852
B-Class Distribution	455	968.09p	47
I-Class Distribution	142	946.67p	15
M-Class Distribution	47,752	972.35p	4,911
R-Class Distribution	104	945.45p	11
R-Class Accumulation	1,531	1,013.91p	151

<sup>(1)</sup> R-Class Distribution and R-Class Accumulation shares launched on 16 November 2012.

\* The number of shares in issue at the year end for this share class is less than 500 units and therefore not rounded up to the nearest thousands for disclosure purposes.

**Past performance is not a guide to future performance.**

**The price of shares and the income from them may go down as well as up.**

**Exchange rate changes may cause the value of any overseas investments to rise or fall.**

# Barclays UK Alpha (Series 2) Fund (continued)

## Share Price Range and Net Revenue

Year	Highest Share Price	Lowest Share Price	Net Revenue per Share
<b>A-Class Distribution</b>			
2009	641.71p	408.90p	14.2566p
2010	708.70p	559.50p	7.6386p
2011	728.43p	599.07p	7.5245p
2012	771.13p	634.42p	12.0990p
2013	974.85p	763.13p	12.4267p
2014 <sup>(1)</sup>	1,009.41p	941.46p	15.9551p
<b>A-Class Accumulation</b>			
2009	778.80p	482.70p	16.8631p
2010	870.20p	687.50p	9.2034p
2011	902.41p	743.37p	9.2467p
2012	974.51p	801.75p	15.0182p
2013	1,249.49p	964.39p	15.7085p
2014 <sup>(1)</sup>	1,293.79p	1,206.69p	20.4610p
<b>B-Class Distribution</b>			
2009	639.00p	406.50p	10.2291p
2010	705.00p	558.80p	3.5534p
2011	727.01p	599.25p	2.0231p
2012	771.65p	633.93p	14.0591p
2013	975.90p	763.71p	14.3217p
2014 <sup>(1)</sup>	1,010.90p	943.17p	18.3173p
<b>B-Class Accumulation</b>			
2009 <sup>(3)</sup>	630.60p	415.30p	10.3373p
<b>I-Class Distribution</b>			
2009	641.40p	411.30p	16.7280p
2010	702.90p	559.10p	4.4853p
2011	724.17p	597.39p	-
2012	769.64p	631.03p	16.9333p
2013	974.08p	761.80p	16.8094p
2014 <sup>(1)</sup>	1,009.63p	942.46p	21.7242p
<b>M-Class Distribution</b>			
2009	646.80p	413.30p	19.6336p
2010	715.10p	561.60p	13.6746p
2011	737.60p	603.04p	14.5856p
2012	777.88p	636.27p	18.9752p
2013	985.18p	770.06p	20.0209p
2014 <sup>(1)</sup>	1,021.79p	954.33p	25.7389p
<b>R-Class Distribution</b>			
2012 <sup>(2)</sup>	772.90p	713.95p	-
2013	985.80p	765.29p	20.3093p
2014 <sup>(1)</sup>	1,023.64p	957.04p	31.5860p
<b>R-Class Accumulation</b>			
2012 <sup>(2)</sup>	772.90p	713.95p	-
2013	1,002.58p	765.29p	20.3093p
2014 <sup>(1)</sup>	1,039.13p	969.98p	23.0119p

<sup>(1)</sup> The above table shows the highest and lowest share prices to 15 May 2014 and net revenue per share to 15 July 2014.

<sup>(2)</sup> R-Class Distribution and R-Class Accumulation shares launched on 16 November 2012.

<sup>(3)</sup> The B-Class Accumulation shares closed on 9 October 2009.

**Past performance is not a guide to future performance.**

**The price of shares and the income from them may go down as well as up.**

**Exchange rate changes may cause the value of any overseas investments to rise or fall.**

# Barclays Europe (ex-UK) Alpha Fund

## Investment Objective and Policy

The Fund seeks superior long-term capital growth primarily through investment in companies of European countries, excluding the UK.

The Fund invests primarily in common stock, preferred shares and securities convertible into common stock, of companies domiciled or having significant operations (and listed or traded on a regulated market) in a range of European countries, excluding the UK, and drawn from a range of industries. The Fund will seek to invest primarily in companies of European countries excluding the UK, but may also make an allocation to securities issued by companies domiciled and/or listed or traded in the UK.

The investment manager and/or sub-investment manager(s) will use stock selection techniques which aim to generate superior long-term capital growth. The allocation to individual companies within the portfolio will be actively managed. The Fund is not subject to any capitalisation restrictions.

The Fund will invest at least 70% of its assets in the common stocks and preferred shares of companies in European countries, excluding the UK. The Fund may, with the remaining portion of the assets (and on an ancillary basis), invest in equity securities of non-European countries, investment grade government and corporate fixed income securities and convertible debt securities (listed or traded on a Regulated Market). Investment in Russian equity securities will not exceed 10% of the Fund's net asset value. Any such investment in Russian equity securities will not be the principal focus of the Fund and will only constitute a sector in the overall Fund.

The Fund may also invest in other transferable securities, money market instruments, derivatives, cash and near cash, deposits and units in collective investment schemes (use may be made of stocklending, borrowing, cash holdings, hedging and other investment techniques permitted in the applicable FCA Rules).

The ACD will not invest directly in derivatives for investment purposes, without giving Shareholders at least 60 days' notice of its intention to do so and it is not intended that the use of derivatives will cause the net asset value of the Fund to have higher volatility or otherwise cause the existing risk profile of the Fund to change.

## Investment Report

During the period under review, the net asset value per share attributable to the A-Class Accumulation shares rose by 12.9%.

## Market/Economic Review

It has been a strong period for Continental European equity markets as the region continues to battle economic recession and high unemployment. Volatility has decreased somewhat and the strong rally in European equities has continued over the period. European equities lagged other developed markets early in 2013 but have caught up over the last 12 months strongly outperforming the likes of the UK market. The European Central Bank's (ECB) determined, proactive approach and its willingness to act as a lender of last resort has increased the investment appeal of some of the riskier areas of European equities and the period has seen Europe (ex-UK) equities outperforming a number of their developed market counterparts. A 15.1% rise in the MSCI Europe (ex-UK) Total Return Index has rewarded those investors who have remained invested in the face of the risks plaguing the region, and compares favourably to the gains seen in the UK market.

There are wide divergences in sector performance although all sectors in the MSCI Europe (ex-UK) Index managed a positive return over the period. Telecommunication Services rising 26.9% was the standout performer. As traditionally defensive sectors which struggled to keep pace over the previous rally, Telecommunication Services and Utilities which returned 24.8% have begun to catch up with some of the winners from earlier in the period. Financials was the other notable positive over the period rising 19.0% over the period.

(Source: Factset, Barclays)

# Barclays Europe (ex-UK) Alpha Fund (continued)

## Fund Review

Early in the period, the Fund outperformed the MSCI Europe (ex-UK) Index in what was a volatile time for European equities on concerns around the Federal Reserve's ('Fed') tapering of its asset purchasing program. Both managers, Cazenove and TT International were ahead of the benchmark with both sector allocation and stock selection contributing positively to the performance. Stock selection in Consumer Discretionary and Financials contributed, while an underweight position in Consumer Staples detracted. At company level, underweight positions in peripheral banks such as Banco Santander added value. Continental and ProSiebenSat also contributed, while Lafarge was among the main detractors.

Towards the middle of the period, European equity markets performed strongly as data showed that economic recovery continued in Europe but at a sluggish pace. The Fund outperformed due mainly to strong stock selection. An overweight position in Information Technology ('IT') as well as our underweight position in Telecoms detracted while stock selection in Consumer Discretionary and Staples was strong. The Auto sector continued to enjoy good momentum and was the beneficiary of a revival of car sales in Europe. Valeo, Continental and Renault were therefore strong contributors. On the negative side, our underweight position in Telefonica detracted.

The Fund had a strong month relative to the index to start the year in 2014 with all managers outperforming. Despite the market sell-off, Financials was the best sector performer along with Utilities. Consumer stocks (both Staples and Discretionary) took a step back. Strategies with a value tilt like Cazenove continued to perform strongly. Most of the alpha came from stock selection especially in Consumer Discretionary and Industrials. The Auto sector continued to power ahead with Renault and Valeo among the main contributors. In the Industrials sector, Wirecard and Fomento de Construcciones y Contratas had a strong start to the year in 2014. The latter benefitting from better sentiment towards peripheral Europe after years of recession.

More recently, saw a meaningful rotation in market leadership compared to the first quarter of 2014 with Consumer Staples and Energy rebounding strongly while Financials, Utilities and Technology underperformed. In this environment, the Fund lagged the index with both sector allocation and stock selection detracting. Our underweight position in Consumer Staples and Energy negatively impacted the performance. Stock selection in Consumer Discretionary was negative with profit taking in the Auto sector and as a result, our positions in Valeo and Continental detracted. The earnings season has been mixed so far for European companies with a strong Euro still hurting a number of exporters. The value style in Europe has outperformed significantly since July 2012, leaving quality stocks more and more interesting again on a valuation basis.

(Source: Factset, Barclays)

## Outlook

The Europe (ex-UK) region remains one of our most favoured, primarily on valuation grounds. Equity markets in the region remain inexpensive and offer a play on global and local growth with the greatest earnings headroom. The decisive action by the ECB should help convince investors that policymakers stand ready to do whatever it takes to support the region. It is also worth remembering that around half of company profits in the region are generated outside of the currency bloc, so earnings will also benefit from stronger growth from regions such as the US or Asia.

Barclays  
Wealth and Investment Management  
(Investment Adviser)  
June 2014

# Barclays Europe (ex-UK) Alpha Fund (continued)

## Portfolio Statement as at 15 May 2014

All investments are in ordinary shares unless stated otherwise. The percentages in brackets show the equivalent sector holdings at 15 May 2013.

Holding / Nominal Value	Investment	Market Value £'000	% of Net Assets
<b>CONTINENTAL EUROPE: 95.50% (96.68%)</b>			
<b>AUSTRIA: 0.04% (0.00%)</b>			
1,052	Raiffeisen Bank International	18	0.04
<b>BELGIUM: 4.16% (4.55%)</b>			
21,357	Ageas	531	1.23
6,425	Anheuser-Busch InBev	416	0.96
3,121	EVS Broadcast Equipment	104	0.24
21,714	KBC Groep	751	1.73
		1,802	4.16
<b>DENMARK: 4.29% (1.66%)</b>			
189	AP Moeller - Maersk	272	0.63
8,340	D/S Norden	196	0.45
13,266	GN Store Nord	212	0.49
8,517	ISS	176	0.41
19,699	Pandora	844	1.95
26,631	TDC	156	0.36
		1,856	4.29
<b>FINLAND: 2.34% (0.00%)</b>			
5,570	Cargotec Class B	137	0.32
99,109	Nokia	429	0.99
22,863	Sanitec	170	0.39
27,270	UPM-Kymmene	279	0.64
		1,015	2.34
<b>FRANCE: 23.38% (24.90%)</b>			
57,660	Alcatel-Lucent	137	0.32
3,679	Arkema	229	0.53
37,253	AXA	519	1.20
18,031	BNP Paribas	768	1.77
3,712	Cap GE-Mini	154	0.36
21,162	Cie de St-Gobain	730	1.69
2,125	Cie Generale des Etablissements Michelin	155	0.36
10,410	Electricite de France	243	0.56
2,122	Eurofins Scientific	356	0.82
21,000	GDF Suez	332	0.77
1,056	Iliad	178	0.41
1,298	Kering	172	0.40
7,774	Legrand	296	0.68
20,261	Peugeot	155	0.36
20,261	Peugeot - Rights	28	0.06
14,781	Publicis Groupe	714	1.65
8,292	Renault	448	1.03
7,912	Rexel	115	0.26

# Barclays Europe (ex-UK) Alpha Fund (continued)

## Portfolio Statement as at 15 May 2014 (continued)

Holding / Nominal Value	Investment	Market Value £'000	% of Net Assets
<b>CONTINENTAL EUROPE: 95.50% (96.68%) continued</b>			
<b>FRANCE: 23.38% (24.90%) continued</b>			
16,623	Sanofi	1,042	2.41
12,250	Societe Generale	420	0.97
41,948	Total	1,750	4.04
6,290	Valeo	464	1.07
2,001	Wendel	182	0.42
25,970	Zodiac Aerospace	536	1.24
		10,123	23.38
<b>GERMANY: 19.41% (20.86%)</b>			
3,344	Allianz	334	0.77
7,853	BASF	532	1.23
18,222	Bayer	1,537	3.55
7,962	Beiersdorf	479	1.11
62,910	Commerzbank	573	1.32
4,669	Continental	617	1.43
3,100	Deutsche Boerse	140	0.33
10,625	Deutsche Lufthansa	155	0.36
33,429	Deutsche Telekom	357	0.82
31,327	Deutsche Wohnen	393	0.91
7,868	Dialog Semiconductor	130	0.30
14,840	E.ON	157	0.36
4,904	Fresenius Medical Care KGaA	193	0.45
1,980	Henkel KGaA	136	0.31
48,563	Infineon Technologies Class 'A'	339	0.78
3,338	LEG Immobilien	134	0.31
3,094	Porsche Automobil Pref	197	0.45
16,605	ProSiebenSat.1 Media	416	0.96
10,816	SAP	490	1.13
9,120	Siemens	719	1.66
10,774	ThyssenKrupp	193	0.45
1,204	Volkswagen	184	0.42
		8,405	19.41
<b>GREECE: 1.51% (0.00%)</b>			
301,834	Alpha Bank	152	0.35
825,819	Eurobank Ergasias	233	0.54
32,343	Hellenic Telecommunications Organization	267	0.62
		652	1.51
<b>HUNGARY: 0.39% (0.00%)</b>			
14,627	OTP Bank	171	0.39
<b>IRELAND: 0.48% (1.21%)</b>			
38,839	Ryanair	207	0.48
<b>ITALY: 6.55% (5.46%)</b>			
91,975	Anima	300	0.69
9,445	Banca Generali	158	0.37

# Barclays Europe (ex-UK) Alpha Fund (continued)

## Portfolio Statement as at 15 May 2014 (continued)

Holding / Nominal Value	Investment	Market Value £'000	% of Net Assets
<b>CONTINENTAL EUROPE: 95.50% (96.68%) continued</b>			
<b>ITALY: 6.55% (5.46%) continued</b>			
16,732	ENI	253	0.58
26,094	Indesit	217	0.50
347,970	Intesa Sanpaolo	625	1.44
41,626	Snam	147	0.34
722,989	Telecom Italia	509	1.18
132,155	UniCredit	629	1.45
		2,838	6.55
<b>LUXEMBOURG: 0.58% (1.21%)</b>			
3,946	RTL	249	0.58
<b>NETHERLANDS: 2.06% (2.30%)</b>			
101,387	ING Groep	806	1.86
3,147	Nutreco	84	0.20
		890	2.06
<b>NORWAY: 2.37% (3.31%)</b>			
4,482	Schibsted	144	0.33
24,495	Statoil	441	1.02
72,723	Storebrand	253	0.58
13,213	Telenor	189	0.44
		1,027	2.37
<b>POLAND: 0.00% (0.39%)</b>			
<b>RUSSIAN FEDERATION: 0.00% (0.83%)</b>			
<b>SPAIN: 7.83% (3.78%)</b>			
182,685	Abengoa	455	1.05
8,640	Applus Services	108	0.25
163,912	Banco de Sabadell	309	0.71
274,694	Bankia	323	0.75
35,345	CaixaBank	122	0.28
37,930	Distribuidora Internacional de Alimentacion	199	0.46
11,405	Fomento de Construcciones y Contratas	146	0.34
12,927	Grifols ADR^	317	0.73
360,640	Inmobiliaria Colonial	165	0.38
17,029	Jazztel	149	0.35
65,378	Mapfre	156	0.36
53,310	Mediaset Espana Comunicacion	321	0.74
29,788	Prosegur Cia de Seguridad	119	0.27
6,610	Red Electrica	319	0.74
48,312	Sacyr	180	0.42
		3,388	7.83
<b>SWEDEN: 3.28% (4.84%)</b>			
9,872	Hexagon Class 'B'	188	0.43
11,747	InvestmentKinnevik Class 'B'	270	0.62
9,148	Svenska Cellulosa Class 'B'	154	0.36
41,584	Telefonaktiebolaget LM Ericsson Class 'B'	310	0.72
54,222	Volvo Class 'B'	499	1.15
		1,421	3.28

# Barclays Europe (ex-UK) Alpha Fund (continued)

## Portfolio Statement as at 15 May 2014 (continued)

Holding / Nominal Value	Investment	Market Value £'000	% of Net Assets
<b>CONTINENTAL EUROPE: 95.50% (96.68%) continued</b>			
<b>SWITZERLAND: 16.83% (21.38%)</b>			
19,488	ABB	275	0.64
6,321	Adecco	305	0.70
2,280	Basilea Pharmaceutica	154	0.36
3,683	Cie Financiere Richemont	224	0.52
22,974	Credit Suisse	399	0.92
1,270	Dufry	119	0.27
10,217	GAM	107	0.25
6,854	Implenia	290	0.67
27,814	Nestle	1,322	3.05
15,117	Novartis	808	1.87
11,053	OC Oerlikon	99	0.23
2,664	Rieter	355	0.82
10,328	Roche	1,838	4.24
1,650	Sulzer	147	0.34
58,352	UBS	691	1.60
880	Zurich Insurance	153	0.35
		<b>7,286</b>	<b>16.83</b>
<b>NORTH AMERICA: 0.80% (0.20%)</b>			
<b>BRITISH VIRGIN ISLANDS: 0.45% (0.00%)</b>			
33,276	Lenta GDR	196	0.45
<b>CANADA: 0.35% (0.20%)</b>			
32,178	Africa Oil	150	0.35
<b>WARRANTS: 0.36% (0.00%)</b>			
<b>CONTINENTAL EUROPE: 0.36% (0.00%)</b>			
<b>FRANCE: 0.11% (0.00%)</b>			
46,896	Peugeot	48	0.11
<b>GREECE: 0.25% (0.00%)</b>			
87,312	Alpha Bank	110	0.25
<b>FUTURES: 0.03% (0.14%)</b>			
34	Euro Stoxx 50 June 2014	11	0.03
<b>FORWARD CURRENCY CONTRACTS: 0.00% (-0.01%)</b>			
<b>Portfolio of investments*</b>		<b>41,863</b>	<b>96.69</b>
<b>Net other assets</b>		<b>1,435</b>	<b>3.31</b>
<b>Net assets</b>		<b>43,298</b>	<b>100.00</b>

\*Including derivatives.

^ These securities are quoted on NASDAQ and comprise 0.73% of the Net Asset Value.

Portfolio Information	Year to 15/05/2014
<b>Total purchases for the year</b>	<b>£33,377,620</b>
<b>Total sales for the year</b>	<b>£36,878,229</b>

Counterparty	Total Global Exposure £
Goldman Sachs	11,000

# Barclays Europe (ex-UK) Alpha Fund (continued)

## Statement of Total Return for the year ended 15 May 2014

	Note	16/05/2013 to 15/05/2014		16/05/2012 to 15/05/2013	
		£'000	£'000	£'000	£'000
<b>Income</b>					
Net capital gains	2		4,911		12,695
Revenue	3	1,085		1,086	
Expenses	4	(820)		(716)	
Finance costs: Interest	6	(1)		(2)	
Net revenue before taxation		264		368	
Taxation	5	75		(145)	
Net revenue after taxation for the year			339		223
Total return before distributions			5,250		12,918
Finance costs: Distributions	6		(338)		(223)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>£4,912</b>		<b>£12,695</b>

## Statement of Change in Net Assets Attributable to Shareholders for the year ended 15 May 2014

		16/05/2013 to 15/05/2014		16/05/2012 to 15/05/2013	
		£'000	£'000	£'000	£'000
<b>Opening net assets attributable to shareholders</b>			<b>41,648</b>		<b>32,057</b>
Movement due to sales and repurchases of shares:					
Amounts receivable on issue of shares		2,577		145	
Amounts payable on cancellation of shares		(6,016)		(3,360)	
			(3,439)		(3,215)
Change in net assets attributable to shareholders from investment activities			4,912		12,695
Retained distribution on accumulation shares			169		107
Unclaimed distributions			8		4
<b>Closing net assets attributable to shareholders</b>			<b>£43,298</b>		<b>£41,648</b>

# Barclays Europe (ex-UK) Alpha Fund (continued)

## Balance Sheet as at 15 May 2014

	Note	£'000	15/05/2014 £'000	15/05/2013 £'000
<b>Assets</b>				
Investment Assets			41,863	40,407
Debtors	7	2,972		537
Cash and bank balances	8	2,363		2,318
Total other assets			5,335	2,855
<b>Total assets</b>			<b>47,198</b>	<b>43,262</b>
<b>Liabilities</b>				
Investment Liabilities			-	(4)
Creditors	9	(2,704)		(588)
Bank overdrafts	8	(1,024)		(912)
Distribution payable on income shares		(172)		(110)
Total other liabilities			(3,900)	(1,610)
<b>Total liabilities</b>			<b>(3,900)</b>	<b>(1,614)</b>
<b>Net assets attributable to shareholders</b>			<b>£43,298</b>	<b>£41,648</b>

# Barclays Europe (ex-UK) Alpha Fund (continued)

## Notes to the Financial Statements

### 1. Accounting policies

The accounting policies can be found on pages 11 and 12.

### 2. Net capital gains on investments

	16/05/2013 to 15/05/2014 £'000	16/05/2012 to 15/05/2013 £'000
The net capital gains on investments during the year comprise:		
Non-derivative securities	5,007	12,465
Derivative contracts	12	307
Forward currency contracts	(27)	(8)
Currency losses	(42)	(26)
Transaction charges	(39)	(43)
Net capital gains	4,911	12,695

### 3. Revenue

	16/05/2013 to 15/05/2014 £'000	16/05/2012 to 15/05/2013 £'000
Non-taxable overseas dividends	1,074	1,085
Taxable overseas dividends	11	-
Bank interest	-	1
Total revenue	1,085	1,086

### 4. Expenses

	16/05/2013 to 15/05/2014 £'000	16/05/2012 to 15/05/2013 £'000
Payable to the ACD, associates of the ACD and agents of either of them:	638	569
Registration fee	65	54
	703	623
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fee	5	4
Safe custody fee	9	10
	14	14
Other expenses:		
Administration fee	50	11
Audit fee	12	14
VAT on audit fee	2	3
Printing fee	7	13
Tax advice fee	32	38
	103	79
Total expenses	820	716

# Barclays Europe (ex-UK) Alpha Fund (continued)

## Notes to the Financial Statements (continued)

### 5. Taxation

#### (a) Analysis of taxation charge in year

	16/05/2013 to 15/05/2014	16/05/2012 to 15/05/2013
	£'000	£'000
Prior years ECJ overseas tax reclaims	(174)	-
Overseas tax	99	145
Current tax [note 5(b)]	(75)	145
Deferred tax [note 5(c)]	-	-
Total taxation	(75)	145

#### (b) Factors affecting taxation charge for the year

The tax assessed for the year is lower than (2013: higher than) the standard rate of corporation tax in the UK for an open-ended investment company (20%). The differences are explained below:

	£'000	£'000
Net revenue before taxation	264	368
Net revenue before taxation multiplied by the appropriate rate of corporation tax at 20% (2013: 20%)	53	74
Effects of:		
Overseas tax	99	145
Prior years ECJ overseas tax reclaims	(174)	-
Revenue not subject to taxation	(215)	(217)
Excess management expenses not utilised	162	143
Current tax	(75)	145

#### (c) Provision for deferred tax

There is no deferred tax provision in the current year (15 May 2013: same).

At the year end, there is a potential deferred tax asset of £620,492 (£459,586 at 15 May 2013) due to surplus management expenses. It is unlikely the Fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised (15 May 2013: same).

### 6. Finance cost: Distributions and Interest

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares and comprise:

	16/05/2013 to 15/05/2014	16/05/2012 to 15/05/2013
	£'000	£'000
Final distribution	341	216
Add: Revenue deducted on cancellation of shares	20	8
Less: Revenue received on creation of shares	(23)	(1)
Distributions for the year	338	223
Interest		
Bank overdraft interest	1	2
Total finance costs	339	225

# Barclays Europe (ex-UK) Alpha Fund (continued)

## Notes to the Financial Statements (continued)

### 6. Finance cost: Distributions and Interest (continued)

The differences between the net revenue after taxation and the distribution for the year are as follows:

	16/05/2013 to 15/05/2014 £'000	16/05/2012 to 15/05/2013 £'000
Net revenue after taxation for the year	339	223
Less: Expenses charged against revenue	(1)	-
Distributions for the year	338	223

### 7. Debtors

	15/05/2014 £'000	15/05/2013 £'000
Amounts receivable for creation of shares	1,441	-
Sales awaiting settlement	1,173	267
Accrued revenue	53	47
Overseas tax recoverable	305	217
Margin interest receivable	-	6
	2,972	537

### 8. Net uninvested cash

	15/05/2014 £'000	15/05/2013 £'000
Amounts held at futures clearing houses and brokers	170	160
Bank overdrafts	(1,024)	(912)
Cash and bank balances	2,193	2,158
Net uninvested cash	1,339	1,406

### 9. Creditors

	15/05/2014 £'000	15/05/2013 £'000
Amounts payable for cancellation of shares	1,462	96
Purchases awaiting settlement	1,088	315
Accrued expenses	154	177
	2,704	588

### 10. Contingent liabilities and outstanding commitments

A contingent liability of £311,598 exists relating to Peugeot warrants and rights which are contained in the Portfolio Statement (15 May 2013: Nil).

### 11. Risk in relation to the financial instruments

The Fund's investment objective is stated on page 85. In pursuing its objective, the Fund holds financial instruments which expose it to various types of risk. The main risks, and the ACD's policy for managing these risks are set out below. These were applied consistently throughout the current and preceding year.

#### (a) Credit and liquidity risk

Credit risk is the risk of suffering loss due to another party not meeting its financial obligations. The primary source of this risk to the Fund is for trade counterparties to fail to meet their transaction commitments. This risk is managed by appraising the credit profile of financial instruments and trade counterparties.

# Barclays Europe (ex-UK) Alpha Fund (continued)

## Notes to the Financial Statements (continued)

### 11. Risk in relation to the financial instruments (continued)

Liquidity risk relates to the capacity to meet liabilities. The primary source of this risk to the Fund is the liability to Shareholders for any cancellation of shares. This risk is minimised by holding cash and readily realisable securities and via access to overdraft facilities.

#### (b) Market risk

Market risk arises mainly from uncertainty about future prices. The primary source of this risk to the Fund is the potential movement in the value of financial instruments held as a result of price fluctuations. The ACD adheres to the investment guidelines and borrowing powers established in the Prospectus and the COLL. In this way, the ACD monitors and controls the exposure to risk from any type of security, sector or issuer.

The Fund may also use derivative instruments to mitigate risk and/or reduce costs. These instruments are not utilised for speculative purposes. Derivative instruments were utilised during the current and preceding year.

#### (c) Foreign currency risk

Foreign currency risk is the risk of movements in the value of overseas financial instruments as a result of fluctuations in exchange rates. This risk may be managed by the utilisation of forward currency contracts as necessary. Forward currency contracts were utilised during the current or preceding year.

The foreign currency profile of the Fund's net assets at the balance sheet date was:

15/05/2014 Currency	Monetary exposure £'000	Non-monetary exposure £'000	Total £'000
Danish Krone	42	1,821	1,863
Euro	579	29,712	30,291
Hungary Forint	1	172	173
Norwegian Krone	7	1,051	1,058
Polish Zlotych	2	-	2
Swedish Krona	-	1,790	1,790
Swiss Francs	110	7,296	7,406
Turkish Lira	1	-	1
US Dollar	2	513	515
	744	42,355	43,099

15/05/2013 Currency	Monetary exposure £'000	Non-monetary exposure £'000	Total £'000
Danish Krone	1	697	698
Euro	(540)	26,961	26,421
Norwegian Krone	1	1,383	1,384
Polish Zlotych	1	164	165
Swedish Krona	5	2,026	2,031
Swiss Francs	63	8,906	8,969
US Dollar	2	3	5
	(467)	40,140	39,673

# Barclays Europe (ex-UK) Alpha Fund (continued)

## Notes to the Financial Statements (continued)

### 11. Risk in relation to the financial instruments (continued)

#### (d) Interest rate risk

Interest rate risk is the risk of movements in the value of financial instruments as a result of fluctuations in interest rates. The Fund's only interest bearing financial instruments at the balance sheet date were its bank balances and overdraft facilities as disclosed in note 8.

Cash is deposited, and overdraft facilities utilised, on normal commercial terms and earn or bear interest based on LIBOR or its overseas equivalent.

#### (e) Derivatives - Sensitivity analysis

The Fund invests in Euro Stoxx 50 futures to obtain market exposure to enable it to meet the Fund objectives whilst reducing transaction costs.

The effect of these futures is to increase market exposure by 0.26% (2.72% at 15 May 2013) of net assets. This results in an effective equity exposure at the year end of 96.92% (99.59% at 15 May 2013) of net assets, which means that the gains or losses of the Fund will be 0.9692 (0.9959 at 15 May 2013) times the gains or losses if the Fund was fully invested in equities.

#### (f) Fair value

The fair value of a financial instrument is the amount for which it could be exchanged between knowledgeable, willing parties in an arm's length transaction. There is no significant difference between the value of the financial assets and liabilities, as shown in the financial statements, and their fair value.

### 12. Portfolio transaction costs

	16/05/2013 to 15/05/2014		16/05/2012 to 15/05/2013	
	£'000	£'000	£'000	£'000
Analysis of total purchase costs				
Purchases in year before transaction costs		33,321		32,641
Commissions	41		41	
Tax	16		22	
Total purchase costs		57		63
Gross purchase total		33,378		32,704
Analysis of total sales costs				
Gross sales before transaction costs		36,928		36,106
Commissions	(50)		(46)	
Total sales costs		(50)		(46)
Total sales net of transaction costs		36,878		36,060

### 13. Ultimate controlling party and related party transactions

The ACD is regarded as controlling party of the Fund by virtue of having the ability to act in concert in respect of Fund operations. The ultimate controlling party of the ACD is Barclays Plc. This entity and its subsidiaries are also related parties of the Fund.

At the year end, the ACD and its associates held 32.04% of the Fund's shares in issue (41.90% at 15 May 2013). Details of all other material related party transactions during the year and any payment amounts outstanding at the balance sheet date are disclosed in notes 4, 7 and 9 to the financial statements, and the Statement of Change in Net Assets Attributable to Shareholders and the Portfolio Statement. Within note 9, accrued expenses (including amounts due to associates and agents) of £88,646 (£103,170 at 15 May 2013) are due to the ACD.

# Barclays Europe (ex-UK) Alpha Fund (continued)

## Notes to the Financial Statements (continued)

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### **14. Contingent asset**

As at the balance sheet date, the Fund has not recognised a contingent asset of £377,886 (£615,197 at 15 May 2013) in relation to reclaims made to recover withholding tax previously withheld by French, Spanish and Norwegian tax authorities.

Accounting standards permit the reclaims to be included as an asset in the Balance Sheet only where the receipt is “virtually certain”. In the opinion of the Manager, receipt is probable rather than virtually certain and accordingly the reclaims are regarded as a contingent or potential asset rather than an actual asset for the purposes of preparing the accounts.

Notwithstanding the treatment for the purposes of the preparation of accounts, an appropriate adjustment to reflect the reclaims has been made for the purposes of daily pricing.

# Barclays Europe (ex-UK) Alpha Fund (continued)

## Distribution Table for the year ended 15 May 2014

Group 1: Shares purchased prior to a distribution period

Group 2: Shares purchased during a distribution period

Equalisation applies only to shares purchased during the distribution year (Group 2 shares). It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital.

Being capital, it is not liable to Income tax but must be deducted from the cost of shares for Capital Gains tax purposes.

### Final dividend distribution in pence per share

	Net Revenue	Equalisation	Distribution Paid 15/07/2014	Distribution Paid 15/07/2013
<b>A-Class Distribution</b>				
Group 1	1.1946p	-	1.1946p	0.7317p
Group 2	0.9497p	0.2449p	1.1946p	0.7317p
<b>A-Class Accumulation</b>				
Group 1	1.3652p	-	1.3652p	0.8333p
Group 2	1.1491p	0.2161p	1.3652p	0.8333p
<b>B-Class Distribution</b>				
Group 1	1.5698p	-	1.5698p	1.0163p
Group 2	1.3543p	0.2155p	1.5698p	1.0163p
<b>M-Class Distribution</b>				
Group 1	2.8013p	-	2.8013p	1.9933p
Group 2	1.8068p	0.9945p	2.8013p	1.9933p
<b>R-Class Distribution</b>				
Group 1	2.1084p	-	2.1084p	1.7076p
Group 2	0.1031p	2.0053p	2.1084p	1.7076p
<b>R-Class Accumulation</b>				
Group 1	2.2597p	-	2.2597p	1.9163p
Group 2	0.1196p	2.1401p	2.2597p	1.9163p

# Barclays Europe (ex-UK) Alpha Fund (continued)

## Risk and Reward Profile

1	2	3	4	5	6	7
<p>The risk and reward category is calculated using historical data which may not be a reliable indicator of the Fund's future risk profile.</p> <p>The risk and reward category may shift over time and is not a target or a guarantee.</p> <p>The lowest category (i.e. Category 1) does not mean a risk-free investment.</p> <p>The Fund is in Category 6 because of the high range and frequency of price movements (volatility) of the underlying investments in which the Fund invests.</p> <p>The following are additional risks not covered by the risk and reward category.</p> <p>The Fund may be exposed to stock market movements in a single country or region which may be adversely affected by political or economic developments, government action or natural events that do not affect a fund investing in broader markets.</p> <p>The Fund may use financial contracts (known as derivatives) in an attempt to reduce risk (hedging) or for investment purposes. It may be that the use of derivatives causes share prices to fluctuate which may in turn result in loss to the Fund.</p>					<p>The Fund relies upon the performance of one or more investment managers. If the investment managers perform poorly, the value of your investment is likely to be adversely affected.</p> <p>Future legal or regulatory change could have a substantial adverse effect on the Fund and your investment.</p> <p>Stock markets can be volatile, meaning that the prices of shares held by the Fund can change quickly and substantially.</p> <p>The Fund is not guaranteed and your investment is at risk. You may lose some or all of your investment.</p> <p>If you purchase shares in the Fund through a clearing or settlement system, you will be bound by its terms and conditions, which may include the payment of additional fees.</p> <p>The Fund may seek to identify and invest in undervalued securities. The identification of investment opportunities in undervalued securities is difficult and there can be no assurances that such opportunities will be successfully identified.</p> <p>The figure for the synthetic risk and reward indicator disclosed in the financial statements is the same as the most up-to-date key investor information document ('KIID').</p> <p>More information in relation to risks in general may be found in the "Risk Factors" section of the Prospectus.</p>	

# Barclays Europe (ex-UK) Alpha Fund (continued)

## Fund Facts

### Ongoing Charge Figure

Accounting Date	15/05/2014	15/05/2013
A-Class Distribution	2.02%	2.11%
A-Class Accumulation	2.02%	2.11%
B-Class Distribution	1.77%	1.86%
M-Class Distribution	0.99%	1.08%
R-Class Distribution <sup>(1)</sup>	1.42%	1.51%
R-Class Accumulation <sup>(1)</sup>	1.42%	0.46%

<sup>(1)</sup> R-Class Distribution and R-Class Accumulation shares launched on 16 November 2012. No annual management charge was charged on the R-Class Accumulation shares during the period 16 November 2012 to 15 May 2013. A charge commenced on the R-Class Accumulation shares on 15 June 2013.

The Ongoing Charge Figure ('OCF') represents the annual operating expenses of the Fund expressed as a percentage of average net assets for the period - it does not include initial charges or performance fees. The OCF includes the annual management charge and also the following charges which are deducted directly from the Fund: Directors Fees and Registration Fees.

The OCF is expressed as an annual percentage rate.

### Net Asset Value

	Net Asset Value £'000	Net Asset Value per Share	Number of Shares in Issue '000
<b>15/05/2012</b>			
A-Class Distribution	15,546	100.71p	15,436
A-Class Accumulation	16,129	114.51p	14,085
B-Class Distribution	188	99.47p	189
M-Class Distribution	194	101.04p	192
<b>15/05/2013</b>			
A-Class Distribution	20,283	142.48p	14,236
A-Class Accumulation	20,860	162.82p	12,812
B-Class Distribution	229	141.36p	162
M-Class Distribution	269	143.09p	188
R-Class Distribution <sup>(1)</sup>	6	134.11p	4
R-Class Accumulation <sup>(1)</sup>	1	112.99p	1
<b>15/05/2014</b>			
A-Class Distribution	19,238	159.73p	12,044
A-Class Accumulation	21,049	183.88p	11,447
B-Class Distribution	245	158.06p	155
M-Class Distribution	207	160.47p	129
R-Class Distribution	1,644	158.08p	1,040
R-Class Accumulation	915	162.52p	563

<sup>(1)</sup> R-Class Distribution and R-Class Accumulation shares launched on 16 November 2012.

**Past performance is not a guide to future performance.**

**The price of shares and the income from them may go down as well as up.**

**Exchange rate changes may cause the value of any overseas investments to rise or fall.**

# Barclays Europe (ex-UK) Alpha Fund (continued)

## Share Price Range and Net Revenue

Year	Highest Share Price	Lowest Share Price	Net Revenue per Share
<b>A-Class Distribution</b>			
2009	130.10p	79.57p	1.7769p
2010	131.30p	105.10p	1.2468p
2011	140.33p	96.95p	0.6535p
2012	124.31p	98.13p	0.8843p
2013	158.86p	122.38p	0.7317p
2014 <sup>(1)</sup>	167.63p	155.43p	1.1946p
<b>A-Class Accumulation</b>			
2009	144.40p	86.76p	1.9406p
2010	147.30p	117.90p	1.3830p
2011	157.41p	109.28p	0.7337p
2012	141.34p	111.58p	0.9980p
2013	181.55p	139.15p	0.8333p
2014 <sup>(1)</sup>	191.57p	177.62p	1.3652p
<b>B-Class Distribution</b>			
2009	129.50p	79.12p	0.8216p
2010	130.40p	104.80p	-
2011	138.23p	96.01p	-
2012	123.13p	97.06p	1.2516p
2013	157.41p	121.22p	1.0163p
2014 <sup>(1)</sup>	166.21p	154.05p	1.5698p
<b>M-Class Distribution</b>			
2009	130.90p	80.13p	2.5220p
2010	132.40p	105.50p	2.4781p
2011	141.95p	97.67p	1.8168p
2012	125.19p	98.26p	2.1207p
2013	160.23p	123.27p	1.9933p
2014 <sup>(1)</sup>	169.55p	156.94p	2.8013p
<b>R-Class Distribution</b>			
2012 <sup>(2)</sup>	123.33p	111.54p	-
2013	157.83p	121.45p	1.7076p
2014 <sup>(1)</sup>	166.81p	154.52p	2.1084p
<b>R-Class Accumulation</b>			
2012 <sup>(2)</sup>	123.33p	111.54p	-
2013	160.14p	121.45p	1.9163p
2014 <sup>(1)</sup>	169.25p	156.78p	2.2597p

<sup>(1)</sup> The above table shows the highest and lowest share prices to 15 May 2014 and net revenue per share to 15 July 2014.

<sup>(2)</sup> R-Class Distribution and R-Class Accumulation shares launched on 16 November 2012.

**Past performance is not a guide to future performance.**

**The price of shares and the income from them may go down as well as up.**

**Exchange rate changes may cause the value of any overseas investments to rise or fall.**

# Barclays UK Equity Income (Series 2) Fund

## Investment Objective and Policy

The Fund seeks to provide investors with a reasonable level of income, together with the prospect of growth in both income and capital. It aims to achieve a yield in line with, or in excess of, the yield of the FTSE All-Share Index.

The Fund invests primarily in common stock, preferred shares and securities convertible into common stock of established companies across a range of industries, domiciled in the UK or having significant operations in the UK, and listed on a regulated market in the UK or in an OECD country. The Fund is not subject to any capitalisation restrictions.

The Fund will invest at least 70% of its assets in the common stocks and preferred shares of UK companies. The Fund may, with the remaining portion of the assets (and on an ancillary basis), invest in non-UK equity securities, investment grade government and corporate fixed income securities and convertible debt securities (listed or traded on a Regulated Market).

The Fund may also invest in other transferable securities, money market instruments, derivatives, cash and near cash, deposits and units in collective investment schemes (use may be made of stocklending, borrowing, cash holdings, hedging and other investment techniques permitted in the applicable FCA Rules).

The ACD will not invest directly in derivatives for investment purposes, without giving Shareholders at least 60 days' notice of its intention to do so and it is not intended that the use of derivatives will cause the net asset value of the Fund to have higher volatility or otherwise cause the existing risk profile of the Fund to change.

## Investment Report

During the period under review, the net asset value per share attributable to the A-Class Accumulation shares rose by 10.4%.

## Market/Economic Review

The last 12 months has been a fairly profitable period to invest in UK equities. Volatility has been less of a theme and returns from UK equities have not been as impressive as those seen in many of their developed market counterparts. The period has seen the further diminishing of euro area sovereign debt concerns and worries over domestic and global growth and UK equities have continued to build on the gains seen in 2013. Recent growth figures have provided further support to markets with the UK economy showing stronger signs of recovery than many economists and market participants expected.

In what was a very strong period for developed market equities in general, UK equities performed relatively less well than a number of their developed market counterparts. The FTSE All-Share Index rose 6.8% over the period.

Sector performance was mostly positive with the Technology sector the only sector producing negative returns over the period. Healthcare was the best performing sector returning a very impressive 19.8% over the period, driven by positive sentiment and an increase in merger and acquisition (M&A) activity in the sector. Telecommunications was the second best performing sector returning 14.4% over the period. Although it is worth noting that this sector performance was almost entirely driven by the strong performance of index heavyweight Vodafone and 2014 has seen a significant reversal of some of the gains seen in the first half of the period. Consumer Services was another sector that rallied strongly as consumer confidence continues to rebound in the UK with the sector returning 9.0% over the period.

(Source: Factset, Barclays)

# Barclays UK Equity Income (Series 2) Fund (continued)

## Fund Review

Early in the period, the Fund outperformed the FTSE All-Share Index during a difficult market. Sector allocation was a slight positive during the early part of the period but stock selection drove this outperformance, particularly within Financials and Industrials sector. An overweight position in Telecoms was beneficial and an underweight position in the Materials sector continued to add value. Stock selection within the Financials sector was notable, particularly holdings in insurers Direct Line and Royal Sun Alliance.

Towards the middle of the period, the Fund was ahead of the market. Strong performers included BP, following its quarterly results, and BT. At the sector level, Financials contributed strongly with Legal & General as a stand out performer following the company reporting strong profit growth and raising its dividend by 22%.

An interesting and volatile start to 2014 in the UK where the market started off complacent but then an aggregation of individual warnings, including Pearson and BG, seemed to remind investors of the fragility of the economic recovery and lofty valuations. In the end, the market was down to start the year in 2014. The outperformance of Industrials and Mining however indicated that investors remained supportive of the second stage of the economic recovery and were cautiously adding to cheap emerging market stories. The Fund was ahead of the index on a relative basis, after a strong performance in the more volatile second half of the month in January 2014. An overweight position in Industrials was the primary driver whilst the underweight in Consumer Staples also helped. Notable performers on a stock level included Headlam, African Barrick Gold and Homeserve, whilst on the downside Pearson and a small holding in US name Best Buy Co. detracted from performance.

More recently, the FTSE All-Share rose but investors saw sharply divergent performance between sectors and stocks. Many of the cyclical stocks that had been driving the market so far this year in 2014 sold off and the FTSE 250 significantly underperformed the FTSE 100. At the end of March 2014, M&A returned in spectacular fashion with Pfizer's approach for AstraZeneca. The Fund slightly underperformed the rising market. The rebound in insurance stocks such as Phoenix and Aviva was a positive. A large, but underweight position in Shell, acted as a drag on performance.

(Source: Factset, Barclays)

## Outlook

The UK market still does not look expensive but of the developed markets, we still prefer the US and Europe (ex-UK) to the UK. In the UK, the improving economy continues to favour domestically-focused sectors.

Our Tactical Allocation Committee moved in February 2014 from a neutral to a modest overweight position in developed market equities. We believe the recent setback is likely to give way longer-term, as fundamental strength reasserts itself as a driver of equity markets. The cycle and relative valuations still favour stocks.

Barclays  
Wealth and Investment Management  
(Investment Adviser)  
June 2014

# Barclays UK Equity Income (Series 2) Fund (continued)

## Portfolio Statement as at 15 May 2014

All investments are in ordinary shares unless stated otherwise. The percentages in brackets show the equivalent sector holdings at 15 May 2013.

Holding / Nominal Value	Investment	Market Value £'000	% of Net Assets
	<b>ASIA: 0.29% (0.21%)</b>		
	<b>SINGAPORE: 0.29% (0.21%)</b>		
	<b>Electronic &amp; Electrical Equipment: 0.29% (0.21%)</b>		
47,460	XP Power	741	0.29
	<b>CONTINENTAL EUROPE: 7.39% (5.19%)</b>		
	<b>DENMARK: 0.58% (0.67%)</b>		
	<b>Fixed Line Telecommunications: 0.58% (0.67%)</b>		
252,498	TDC	1,475	0.58
	<b>FRANCE: 1.54% (0.46%)</b>		
	<b>Oil &amp; Gas Producers: 0.73% (0.00%)</b>		
44,135	Total	1,841	0.73
	<b>Pharmaceuticals &amp; Biotechnology: 0.81% (0.46%)</b>		
32,807	Sanofi^	2,056	0.81
	<b>GERMANY: 1.43% (1.78%)</b>		
	<b>Chemicals: 0.72% (0.68%)</b>		
21,604	Bayer	1,823	0.72
	<b>Industrial Transportation: 0.71% (1.10%)</b>		
84,051	Deutsche Post	1,795	0.71
	<b>GREECE: 0.18% (0.00%)</b>		
	<b>Banks: 0.18% (0.00%)</b>		
348,144	Piraeus Bank	449	0.18
	<b>GUERNSEY: 0.41% (0.18%)</b>		
	<b>Real Estate Investment Trusts: 0.41% (0.18%)</b>		
337,780	NewRiver Retail^^	1,030	0.41
	<b>IRELAND: 0.15% (0.00%)</b>		
	<b>Travel &amp; Leisure: 0.15% (0.00%)</b>		
68,842	Ryanair	366	0.15
	<b>ITALY: 0.21% (0.00%)</b>		
	<b>Electricity: 0.21% (0.00%)</b>		
166,551	Enel	544	0.21
	<b>NETHERLANDS: 0.81% (0.00%)</b>		
	<b>Fixed Line Telecommunications: 0.15% (0.00%)</b>		
181,984	Koninklijke	389	0.15
	<b>Industrial Transportation: 0.66% (0.00%)</b>		
588,086	PostNL	1,660	0.66
	<b>NORWAY: 0.04% (0.00%)</b>		
	<b>Oil &amp; Gas Producers: 0.04% (0.00%)</b>		
5,921	Statoil	107	0.04

# Barclays UK Equity Income (Series 2) Fund (continued)

## Portfolio Statement as at 15 May 2014 (continued)

Holding / Nominal Value	Investment	Market Value £'000	% of Net Assets
	<b>CONTINENTAL EUROPE: 7.39% (5.19%) continued</b>		
	<b>SWITZERLAND: 2.04% (2.10%)</b>		
	<b>Pharmaceuticals &amp; Biotechnology: 2.04% (2.10%)</b>		
96,640	Novartis	5,163	2.04
	<b>NORTH AMERICA: 1.92% (2.98%)</b>		
	<b>UNITED STATES: 1.92% (2.98%)</b>		
	<b>Aerospace &amp; Defense: 0.55% (0.00%)</b>		
14,320	Lockheed Martin	1,394	0.55
	<b>General Retailers: 0.30% (0.00%)</b>		
49,491	Best Buy	750	0.30
	<b>Industrial Transportation: 0.40% (0.67%)</b>		
17,635	Norfolk Southern	1,013	0.40
	<b>Leisure Goods: 0.12% (0.00%)</b>		
26,918	Take-Two Interactive Software <sup>^</sup>	301	0.12
	<b>Oil &amp; Gas Producers: 0.04% (0.00%)</b>		
1,473	Chevron	109	0.04
	<b>Pharmaceuticals &amp; Biotechnology: 0.00% (1.38%)</b>		
	<b>Technology Hardware &amp; Equipment: 0.51% (0.93%)</b>		
66,552	Hewlett-Packard	1,284	0.51
	<b>UNITED KINGDOM: 87.39% (89.35%)</b>		
	<b>Aerospace &amp; Defense: 3.77% (2.75%)</b>		
993,446	BAE Systems	4,138	1.63
371,532	Chemring	782	0.31
591,375	Cobham	1,840	0.73
211,974	QinetiQ	423	0.17
109,590	Rolls-Royce	1,120	0.44
14,685,060	Rolls-Royce 'C' <sup>†</sup>	15	0.01
69,543	Ultra Electronics	1,226	0.48
		9,544	3.77
	<b>Banks: 7.21% (7.66%)</b>		
2,000,051	Barclays	4,896	1.93
1,619,594	HSBC	10,122	4.00
4,392,784	Lloyds Banking	3,240	1.28
		18,258	7.21
	<b>Chemicals: 0.53% (0.66%)</b>		
508,063	Synthomer	1,342	0.53
	<b>Construction &amp; Materials: 1.26% (1.21%)</b>		
104,312	Galliford Try	1,244	0.49
42,466	Kier	712	0.28
931,680	Low & Bonar	801	0.32
2,091,700	Norcros	418	0.17
		3,175	1.26
	<b>Electricity: 1.54% (0.44%)</b>		
203,557	Drax	1,266	0.50
337,031	Infinis Energy	693	0.27
126,531	Scottish & Southern Energy	1,960	0.77
		3,919	1.54

# Barclays UK Equity Income (Series 2) Fund (continued)

## Portfolio Statement as at 15 May 2014 (continued)

Holding / Nominal Value	Investment	Market Value £'000	% of Net Assets
<b>UNITED KINGDOM: 87.39% (89.35%) continued</b>			
<b>Electronic &amp; Electrical Equipment: 0.74% (0.70%)</b>			
97,680	Domino Printing Sciences	744	0.29
391,743	E2V Technologies	615	0.24
31,511	Renishaw	521	0.21
		1,880	0.74
<b>Equity Investment Instruments: 0.22% (0.23%)</b>			
368,364	Ecofin Water & Power Opportunities	540	0.21
505,550	Speymill Deutsche Immobilien <sup>^^†</sup>	26	0.01
		566	0.22
<b>Financial Services: 5.56% (3.12%)</b>			
812,175	3i	3,148	1.24
167,950	Aberdeen Asset Management	700	0.28
248,215	Brewin Dolphin	770	0.30
537,079	Develica Deutschland <sup>^^†</sup>	5	-
460,766	ICAP	1,737	0.69
179,145	IG	1,109	0.44
177,050	Intermediate Capital	780	0.31
63,243	London Stock Exchange	1,145	0.45
2,096,095	Man	1,885	0.75
56,190	Provident Financial	1,173	0.46
565,381	Tullett Prebon	1,627	0.64
		14,079	5.56
<b>Fixed Line Telecommunications: 2.17% (2.88%)</b>			
130,690	Alternative Networks	591	0.23
1,235,466	BT	4,481	1.77
270,540	Manx Telecom <sup>^^†</sup>	441	0.17
		5,513	2.17
<b>Food &amp; Drug Retailers: 1.13% (0.80%)</b>			
606,814	J Sainsbury	2,020	0.80
272,900	Tesco	825	0.33
		2,845	1.13
<b>Food Producers: 1.28% (2.88%)</b>			
63,439	Tate & Lyle	436	0.17
104,620	Unilever	2,810	1.11
		3,246	1.28
<b>Forestry &amp; Paper: 0.11% (0.23%)</b>			
971,327	Cambium Global Timberland <sup>^</sup>	277	0.11
<b>Gas, Water &amp; Multiutilities: 1.64% (3.56%)</b>			
905,610	Centrica	2,956	1.17
157,717	Pennon	1,195	0.47
		4,151	1.64
<b>General Industrials: 0.73% (2.15%)</b>			
175,181	Rexam	900	0.36

# Barclays UK Equity Income (Series 2) Fund (continued)

## Portfolio Statement as at 15 May 2014 (continued)

Holding / Nominal Value	Investment	Market Value £'000	% of Net Assets
<b>UNITED KINGDOM: 87.39% (89.35%) continued</b>			
<b>General Industrials: 0.73% (2.15%) continued</b>			
114,060	RPC	702	0.28
17,673	Smiths	235	0.09
		1,837	0.73
<b>General Retailers: 2.41% (0.97%)</b>			
706,520	boohoo.com^^	357	0.14
260,660	Darty	261	0.10
199,936	Dixons Retail	91	0.04
445,172	Halfords	1,946	0.77
420,568	Kingfisher	1,690	0.67
447,126	Lookers	618	0.24
127,539	Marks & Spencer	588	0.23
294,352	SafeStyle UK^^	545	0.22
		6,096	2.41
<b>Health Care Equipment &amp; Services: 0.39% (1.34%)</b>			
108,620	Smith & Nephew	998	0.39
<b>Household Goods &amp; Home Construction: 2.27% (1.30%)</b>			
195,280	Headlam	923	0.37
74,288	Persimmon	998	0.39
43,563	Reckitt Benckiser	2,161	0.85
1,564,299	Taylor Wimpey	1,677	0.66
		5,759	2.27
<b>Industrial Engineering: 0.30% (0.71%)</b>			
266,807	Melrose Industries	757	0.30
<b>Industrial Transportation: 0.85% (0.77%)</b>			
305,216	BBA Aviation	923	0.36
425,355	DX	617	0.24
54,337	Goldenport	198	0.08
69,660	UK Mail	418	0.17
		2,156	0.85
<b>Life Insurance: 7.77% (6.02%)</b>			
329,459	Aviva	1,690	0.67
272,606	Chesnara	881	0.35
845,138	Friends Life	2,587	1.02
2,168,310	Legal & General	4,922	1.94
593,513	Phoenix	3,873	1.53
82,860	Prudential	1,152	0.45
1,184,124	Standard Life	4,584	1.81
		19,689	7.77
<b>Media: 3.95% (4.77%)</b>			
478,130	Creston	512	0.20
899,639	Hibu†	2	-
208,734	Informa	997	0.39
481,313	ITV	816	0.32

# Barclays UK Equity Income (Series 2) Fund (continued)

## Portfolio Statement as at 15 May 2014 (continued)

Holding / Nominal Value	Investment	Market Value £'000	% of Net Assets
<b>UNITED KINGDOM: 87.39% (89.35%) continued</b>			
<b>Media: 3.95% (4.77%) continued</b>			
79,930	M&C Saatchi^^	214	0.09
507,543	Mecom	593	0.24
294,515	Moneysupermarket.com	507	0.20
292,823	Pearson	3,367	1.33
339,389	Reed Elsevier	2,980	1.18
		9,988	3.95
<b>Mining: 6.22% (5.27%)</b>			
149,124	African Barrick Gold	333	0.13
134,367	BHP Billiton	2,663	1.05
95,073	Central Asia Metals^^	155	0.06
1,485,810	Glencore Xstrata	4,849	1.91
1,642,777	Kenmare Resources	197	0.08
210,856	Rio Tinto	7,103	2.81
46,628	Vedanta Resources	450	0.18
		15,750	6.22
<b>Mobile Telecommunications: 2.77% (4.16%)</b>			
163,026	Inmarsat	1,158	0.46
2,692,981	Vodafone^	5,840	2.31
		6,998	2.77
<b>Nonlife Insurance: 4.12% (2.38%)</b>			
42,614	Admiral	603	0.24
520,660	Amlin	2,407	0.95
1,619,166	Direct Line Insurance	3,957	1.56
49,486	Lancashire	319	0.13
120,780	Novae	688	0.27
308,873	Randall & Quilter Investment^^	482	0.19
401,829	RSA Insurance	1,973	0.78
		10,429	4.12
<b>Oil &amp; Gas Producers: 9.31% (11.21%)</b>			
109,721	BC	1,380	0.54
2,395,069	BP	12,045	4.76
408,700	Lekoil Class 'D'^^	276	0.11
60,616	Ophir Energy	154	0.06
207,256	Premier Oil	719	0.28
351,197	Royal Dutch Shell Class 'B'	9,006	3.56
		23,580	9.31
<b>Oil Equipment, Services &amp; Distribution: 1.10% (0.34%)</b>			
81,799	AMEC	969	0.38
264,434	Kentz	1,821	0.72
		2,790	1.10
<b>Pharmaceuticals &amp; Biotechnology: 6.16% (7.13%)</b>			
125,483	AstraZeneca	5,929	2.34
562,026	GlaxoSmithKline	9,213	3.64
14,210	Shire^	465	0.18
		15,607	6.16

# Barclays UK Equity Income (Series 2) Fund (continued)

## Portfolio Statement as at 15 May 2014 (continued)

Holding / Nominal Value	Investment	Market Value £'000	% of Net Assets
<b>UNITED KINGDOM: 87.39% (89.35%) continued</b>			
<b>Real Estate Investment &amp; Services: 0.33% (0.43%)</b>			
1,250,000	Assura	544	0.21
252,628	Belvoir Lettings^^	298	0.12
		842	0.33
<b>Real Estate Investment Trusts: 1.53% (1.46%)</b>			
160,950	Big Yellow	822	0.32
776,850	Hansteen	799	0.32
448,669	Segro	1,613	0.64
110,446	Workspace	630	0.25
		3,864	1.53
<b>Software &amp; Computer Services: 0.69% (0.51%)</b>			
100,283	Computacenter	637	0.25
82,516	Micro Focus International	662	0.26
170,000	Servelec	468	0.18
		1,767	0.69
<b>Support Services: 2.66% (2.78%)</b>			
150,950	Brammer	738	0.29
90,760	Capita	1,001	0.40
317,213	Hogg Robinson	224	0.09
200,964	HomeServe	680	0.27
349,055	Premier Farnell	764	0.30
989,917	Rentokil Initial	1,234	0.49
181,180	Sthree	721	0.28
131,457	Utilitywise^^	431	0.17
382,647	Vianet^	276	0.11
49,350	WS Atkins	649	0.26
		6,718	2.66
<b>Technology Hardware &amp; Equipment: 0.55% (0.56%)</b>			
478,048	Laird	1,382	0.55
<b>Tobacco: 2.83% (3.78%)</b>			
114,210	British American Tobacco	3,959	1.56
121,370	Imperial Tobacco	3,224	1.27
		7,183	2.83
<b>Travel &amp; Leisure: 3.29% (4.19%)</b>			
292,186	888 Holdings	397	0.16
100,160	Compass	995	0.39
42,110	easyJet	653	0.26
32,903	Go-Ahead	622	0.25
149,586	Greene King	1,253	0.49
618,630	TUI Travel	2,621	1.04
529,925	William Hill	1,782	0.70
		8,323	3.29
<b>UNITED KINGDOM: 0.00% (0.00%)</b>			
<b>Open-Ended Fund: 0.00% (0.00%)</b>			
-	Institutional Cash Series - Institutional Sterling Liquidity Fund**	-	-

# Barclays UK Equity Income (Series 2) Fund (continued)

## Portfolio Statement as at 15 May 2014 (continued)

Holding / Nominal Value	Investment	Market Value £'000	% of Net Assets
<b>FUTURES: 0.10% (0.06%)</b>			
76	FTSE 100 Index Future June 2014	244	0.10
<b>FORWARD CURRENCY CONTRACTS: 0.11% (0.10%)</b>			
€(5,496,000)	Sold Euro		
£4,606,308	For Sterling (Expires 20/06/2014)	118	0.05
CHF(4,830,000)	Sold Swiss Franc		
£3,331,747	For Sterling (Expires 20/06/2014)	98	0.04
DKK(11,408,000)	Sold Danish Krone		
£1,281,654	For Sterling (Expires 20/06/2014)	33	0.01
\$(3,698,000)	Sold US Dollar		
£2,228,946	For Sterling (Expires 20/06/2014)	27	0.01
£(295,410)	Sold Sterling		
\$501,000	For US Dollar (Expires 20/06/2014)	3	-
€(320,000)	Sold Euro		
£263,421	For Sterling (Expires 20/06/2014)	2	-
£(192,507)	Sold Sterling		
\$323,000	For US Dollar (Expires 20/06/2014)	-	-
\$(420,000)	Sold US Dollar		
£249,709	For Sterling (Expires 20/06/2014)	-	-
CHF(340,000)	Sold Swiss Franc		
£226,983	For Sterling (Expires 20/06/2014)	(1)	-
£(146,002)	Sold Sterling		
\$244,000	For US Dollar (Expires 20/06/2014)	(1)	-
£(620,155)	Sold Sterling		
\$1,040,000	For US Dollar (Expires 20/06/2014)	(1)	-
£(313,331)	Sold Sterling		
\$524,000	For US Dollar (Expires 20/06/2014)	(1)	-
		277	0.11
	<b>Portfolio of investments*</b>	<b>246,119</b>	<b>97.20</b>
	<b>Net other assets</b>	<b>7,098</b>	<b>2.80</b>
	<b>Net assets</b>	<b>253,217</b>	<b>100.00</b>

\*Including derivative liabilities.

\*\*These securities are open-ended investment trust.

^These securities are quoted on NASDAQ and comprise 3.64% of the Net Asset Value.

^^These securities are quoted on an Alternative Investment Market (AIM) and comprise 1.69% of the Net Asset Value.

†The indicated holdings above are priced with stale prices.

	Year to 15/05/2014
Portfolio Information	
<b>Total purchases for the year</b>	<b>£170,405,745</b>
<b>Total sales for the year</b>	<b>£180,983,143</b>

	Total Global Exposure £
Counterparty	
Goldman Sachs	244,000
Union Bank of Switzerland	10,621,362

# Barclays UK Equity Income (Series 2) Fund (continued)

## Statement of Total Return for the year ended 15 May 2014

	Note	16/05/2013 to 15/05/2014		16/05/2012 to 15/05/2013	
		£'000	£'000	£'000	£'000
<b>Income</b>					
Net capital gains	2		19,384		56,833
Revenue	3	9,670		9,389	
Expenses	4	(3,657)		(3,603)	
Finance costs: Interest	6	(7)		(3)	
Net revenue before taxation		6,006		5,783	
Taxation	5	(78)		(74)	
Net revenue after taxation for the year			5,928		5,709
Total return before distributions			25,312		62,542
Finance costs: Distributions	6		(9,557)		(9,376)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>£15,755</b>		<b>£53,166</b>

## Statement of Change in Net Assets Attributable to Shareholders for the year ended 15 May 2014

	16/05/2013 to 15/05/2014		16/05/2012 to 15/05/2013	
	£'000	£'000	£'000	£'000
<b>Opening net assets attributable to shareholders</b>		<b>242,867</b>		<b>203,122</b>
Movement due to sales and repurchases of shares:				
Amounts receivable on issue of shares	12,695		61,129	
Amounts payable on cancellation of shares	(18,605)		(75,000)	
		(5,910)		(13,871)
Stamp duty reserve tax		(13)		(11)
Change in net assets attributable to shareholders from investment activities		15,755		53,166
Retained distribution on accumulation shares		413		405
Unclaimed distributions		105		56
<b>Closing net assets attributable to shareholders</b>		<b>£253,217</b>		<b>£242,867</b>

# Barclays UK Equity Income (Series 2) Fund (continued)

## Balance Sheet as at 15 May 2014

	Note	15/05/2014 £'000	15/05/2013 £'000
<b>Assets</b>			
Investment Assets		246,123	237,762
Debtors	7	5,309	2,799
Cash and bank balances	8	11,033	9,408
Total other assets		16,342	12,207
<b>Total assets</b>		<b>262,465</b>	<b>249,969</b>
<b>Liabilities</b>			
Investment Liabilities		(4)	(9)
Creditors	9	(3,878)	(1,735)
Bank overdrafts	8	(265)	(539)
Distribution payable on income shares		(5,101)	(4,819)
Total other liabilities		(9,244)	(7,093)
<b>Total liabilities</b>		<b>(9,248)</b>	<b>(7,102)</b>
<b>Net assets attributable to shareholders</b>		<b>£253,217</b>	<b>£242,867</b>

# Barclays UK Equity Income (Series 2) Fund (continued)

## Notes to the Financial Statements

### 1. Accounting policies

The accounting policies can be found on pages 11 and 12.

### 2. Net capital gains

	16/05/2013 to 15/05/2014 £'000	16/05/2012 to 15/05/2013 £'000
The net capital gains on investments during the year comprise:		
Non-derivative securities	18,786	56,224
Derivative contracts	269	1,037
Forward currency contracts	436	(357)
Currency losses	(71)	(55)
Transaction charges	(36)	(16)
Net capital gains	19,384	56,833

### 3. Revenue

	16/05/2013 to 15/05/2014 £'000	16/05/2012 to 15/05/2013 £'000
Franked UK dividends	8,241	8,388
UK REIT dividends	68	79
UK PID income	115	90
Non-taxable overseas dividends	1,244	794
Bond interest	-	21
Bank interest	2	-
Term deposit interest	-	6
Underwriting commission	-	11
Total revenue	9,670	9,389

### 4. Expenses

	16/05/2013 to 15/05/2014 £'000	16/05/2012 to 15/05/2013 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic fee	3,170	3,181
Registration fee	296	327
	3,466	3,508
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fee	30	26
Safe custody fee	21	17
	51	43
Other expenses:		
Administration fee	78	51
Audit fee	12	14
VAT on audit fee	2	3
Printing fee	7	(22)
Tax advice fee	41	6
	140	52
Total expenses	3,657	3,603

# Barclays UK Equity Income (Series 2) Fund (continued)

## Notes to the Financial Statements (continued)

### 5. Taxation

#### (a) Analysis of taxation charge in year

	16/05/2013 to 15/05/2014	16/05/2012 to 15/05/2013
	£'000	£'000
Overseas tax	78	74
Current tax [note 5(b)]	78	74
Deferred tax [note 5(c)]	-	-
Total taxation	78	74

#### (b) Factors affecting taxation charge for the year

The tax assessed for the year is lower than (2013: lower than) the standard rate of corporation tax in the UK for an open-ended investment company (20%). The differences are explained below:

	£'000	£'000
Net revenue before taxation	6,006	5,783
Net revenue before taxation multiplied by the appropriate rate of corporation tax at 20% (2013: 20%)	1,201	1,157
Effects of:		
Overseas tax	78	74
Revenue not subject to taxation	(1,911)	(1,852)
Excess management expenses not utilised	709	695
Excess non trade loan deficit not utilised	1	-
Current tax	78	74

#### (c) Provision for deferred tax

There is no deferred tax provision in the current year (15 May 2013: same).

At the year end, there is a potential deferred tax asset of £9,014,869 (£8,306,312 at 15 May 2013) due to surplus management expenses. It is unlikely the Fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised (15 May 2013: same).

### 6. Finance cost: Distributions and Interest

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares and comprise:

	16/05/2013 to 15/05/2014	16/05/2012 to 15/05/2013
	£'000	£'000
Interim distribution	4,182	4,208
Final distribution	5,331	5,042
Total distribution	9,513	9,250
Add: Revenue deducted on cancellation of shares	149	944
Less: Revenue received on creation of shares	(105)	(818)
Distributions for the year	9,557	9,376
Interest		
Bank overdraft interest	7	3
Total finance costs	9,564	9,379

# Barclays UK Equity Income (Series 2) Fund (continued)

## Notes to the Financial Statements (continued)

### 6. Finance cost: Distributions and Interest (continued)

The differences between the net revenue after taxation and the distribution for the year are as follows:

	16/05/2013 to 15/05/2014	16/05/2012 to 15/05/2013
	£'000	£'000
Net revenue after taxation for the year	5,928	5,709
Add: Expenses transferred to capital	3,657	3,603
Add: Shortfall on income account	-	64
Less: Expenses charged against revenue	(28)	-
Distributions for the year	9,557	9,376

### 7. Debtors

	15/05/2014	15/05/2013
	£'000	£'000
Amounts receivable for creation of shares	1,464	11
Sales awaiting settlement	1,352	505
Accrued revenue	2,278	2,114
Overseas tax recoverable	158	125
Margin interest receivable	-	14
UK tax recoverable on REIT distributions	57	30
	5,309	2,799

### 8. Net uninvested cash

	15/05/2014	15/05/2013
	£'000	£'000
Amounts held at futures clearing houses and brokers	291	378
Bank overdrafts	(265)	(539)
Cash and bank balances	10,742	9,030
Net uninvested cash	10,768	8,869

### 9. Creditors

	15/05/2014	15/05/2013
	£'000	£'000
Amounts payable for cancellation of shares	1,549	437
Purchases awaiting settlement	1,801	744
Accrued expenses	528	554
	3,878	1,735

### 10. Contingent liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (15 May 2013: same).

### 11. Risk in relation to the financial instruments

The Fund's investment objective is stated on page 103. In pursuing its objective, the Fund holds financial instruments which expose it to various types of risk. The main risks, and the ACD's policy for managing these risks are set out below. These were applied consistently throughout the current and preceding year.

# Barclays UK Equity Income (Series 2) Fund (continued)

## Notes to the Financial Statements (continued)

### 11. Risk in relation to the financial instruments (continued)

#### (a) Credit and liquidity risk

Credit risk is the risk of suffering loss due to another party not meeting its financial obligations. The primary source of this risk to the Fund is for trade counterparties to fail to meet their transaction commitments. This risk is managed by appraising the credit profile of financial instruments and trade counterparties.

Liquidity risk relates to the capacity to meet liabilities. The primary source of this risk to the Fund is the liability to Shareholders for any cancellation of shares. This risk is minimised by holding cash and readily realisable securities and via access to overdraft facilities.

#### (b) Market risk

Market risk arises mainly from uncertainty about future prices. The primary source of this risk to the Fund is the potential movement in the value of financial instruments held as a result of price fluctuations. The ACD adheres to the investment guidelines and borrowing powers established in the Prospectus and the COLL. In this way, the ACD monitors and controls the exposure to risk from any type of security, sector or issuer.

The Fund may also use derivative instruments to mitigate risk and/or reduce costs. These instruments are not utilised for speculative purposes. Derivative instruments were utilised during the current and preceding year.

#### (c) Foreign currency risk

Foreign currency risk is the risk of movements in the value of overseas financial instruments as a result of fluctuations in exchange rates. This risk may be managed by the utilisation of forward currency contracts as necessary. Forward currency contracts were utilised during the current and preceding year.

The foreign currency profile of the Fund's net assets at the balance sheet date was:

	Monetary exposure £'000	Non-monetary exposure £'000	Total £'000
15/05/2014			
Currency			
Danish Krone	(1,249)	1,483	234
Euro	(4,748)	11,004	6,256
Norwegian Krone	-	110	110
Swiss Francs	(3,461)	5,267	1,806
US Dollar	(881)	4,870	3,989
	(10,339)	22,734	12,395
15/05/2013			
Currency			
Danish Krone	(1,452)	1,640	188
Euro	(5,128)	6,940	1,812
Swiss Francs	(4,568)	5,180	612
US Dollar	(5,691)	6,322	631
	(16,839)	20,082	3,243

# Barclays UK Equity Income (Series 2) Fund (continued)

## Notes to the Financial Statements (continued)

### 11. Risk in relation to the financial instruments (continued)

#### (d) Interest rate risk

Interest rate risk is the risk of movements in the value of financial instruments as a result of fluctuations in interest rates.

The Fund's only interest bearing financial instruments at the balance sheet date were its bank balances and overdraft facilities as disclosed in note 8.

Cash is deposited, and overdraft facilities utilised, on normal commercial terms and earn or bear interest based on LIBOR or its overseas equivalent.

#### (e) Derivatives - Sensitivity analysis

The Fund invests in FTSE 100 index futures to obtain market exposure to enable it to meet the Fund objectives whilst reducing transaction costs.

The effect of these futures is to increase market exposure by 2.14% (1.59% at 15 May 2013) of net assets. This results in an effective equity exposure at the year end of 99.09% (99.42% at 15 May 2013) of net assets, which means that the gains or losses of the Fund will be 0.9909 (0.9942 at 15 May 2013) times the gains or losses if the Fund was fully invested in equities.

#### (f) Fair value

The fair value of a financial instrument is the amount for which it could be exchanged between knowledgeable, willing parties in an arm's length transaction. There is no significant difference between the value of the financial assets and liabilities, as shown in the financial statements, and their fair value.

### 12. Portfolio transaction costs

	16/05/2013 to 15/05/2014		16/05/2012 to 15/05/2013	
	£'000	£'000	£'000	£'000
Analysis of total purchase costs				
Purchases in year before transaction costs		169,640		196,470
Commissions	141		(249)	
Tax	625		842	
Total purchase costs		766		593
Gross purchase total		170,406		197,063
Analysis of total sales costs				
Gross sales before transaction costs		181,116		213,887
Commissions	(132)		(266)	
Fees	(1)		1	
Total sales costs		(133)		(265)
Total sales net of transaction costs		180,983		213,622

### 13. Ultimate controlling party and related party transactions

The ACD is regarded as controlling party of the Fund by virtue of having the ability to act in concert in respect of Fund operations. The ultimate controlling party of the ACD is Barclays Plc. This entity and its subsidiaries are also related parties of the Fund.

At the year end, the ACD and its associates held 30.77% of the Fund's shares in issue (42.56% at 15 May 2013). Details of all other material related party transactions during the year and any payment amounts outstanding at the balance sheet date are disclosed in notes 4, 7 and 9 to the financial statements, and the Statement of Change in Net Assets Attributable to Shareholders and the Portfolio Statement. Within note 9, accrued expenses (including amounts due to associates and agents) of £433,693 (£487,639 at 15 May 2013) are due to the ACD.

# Barclays UK Equity Income (Series 2) Fund (continued)

## Distribution Tables for the year ended 15 May 2014

Group 1: Shares purchased prior to a distribution period

Group 2: Shares purchased during a distribution period

Equalisation applies only to shares purchased during a distribution period (Group 2 shares). It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital, it is not liable to Income tax but must be deducted from the cost of shares, for Capital Gains tax purposes.

### Interim dividend distribution in pence per share

	Net Revenue	Equalisation	Distribution Paid 15/01/2014	Distribution Paid 15/01/2013
<b>A-Class Distribution</b>				
Group 1	4.7772p	-	4.7772p	4.5276p
Group 2	3.3190p	1.4582p	4.7772p	4.5276p
<b>A-Class Accumulation</b>				
Group 1	7.6690p	-	7.6690p	6.9713p
Group 2	4.5246p	3.1444p	7.6690p	6.9713p
<b>B-Class Distribution</b>				
Group 1	4.7614p	-	4.7614p	4.5049p
Group 2	4.7614p	-	4.7614p	4.5049p
<b>M-Class Distribution</b>				
Group 1	2.2978p	-	2.2978p	2.1480p
Group 2	0.8520p	1.4458p	2.2978p	2.1480p
<b>R-Class Distribution<sup>(1)</sup></b>				
Group 1	4.8098p	-	4.8098p	-
Group 2	0.9266p	3.8832p	4.8098p	-
<b>R-Class Accumulation<sup>(1)</sup></b>				
Group 1	4.9181p	-	4.9181p	-
Group 2	4.4557p	0.4624p	4.9181p	-

### Final dividend distribution in pence per share

	Net Revenue	Equalisation	Distribution Paid 15/07/2014	Distribution Paid 15/07/2013
<b>A-Class Distribution</b>				
Group 1	6.0857p	-	6.0857p	5.6423p
Group 2	4.9766p	1.1091p	6.0857p	5.6423p
<b>A-Class Accumulation</b>				
Group 1	9.9255p	-	9.9255p	8.8636p
Group 2	4.9778p	4.9477p	9.9255p	8.8636p
<b>B-Class Distribution</b>				
Group 1	6.0743p	-	6.0743p	5.6220p
Group 2	6.0743p	-	6.0743p	5.6220p
<b>M-Class Distribution</b>				
Group 1	2.9434p	-	2.9434p	2.7082p
Group 2	1.9492p	0.9942p	2.9434p	2.7082p
<b>R-Class Distribution<sup>(1)</sup></b>				
Group 1	6.1450p	-	6.1450p	5.6516p
Group 2	1.0740p	5.0710p	6.1450p	5.6516p
<b>R-Class Accumulation<sup>(1)</sup></b>				
Group 1	6.3794p	-	6.3794p	5.6500p
Group 2	1.1854p	5.1940p	6.3794p	5.6500p

<sup>(1)</sup> R-Class Distribution and R-Class Accumulation shares launched on 16 November 2012.

# Barclays UK Equity Income (Series 2) Fund (continued)

## Risk and Reward Profile

1	2	3	4	5	6	7
<p>The risk and reward category is calculated using historical data which may not be a reliable indicator of the Fund's future risk profile.</p> <p>The risk and reward category may shift over time and is not a target or a guarantee.</p> <p>The lowest category (i.e. Category 1) does not mean a risk-free investment.</p> <p>The Fund is in Category 5 because of the high range and frequency of price movements (volatility) of the underlying investments in which the Fund invests.</p> <p>The following are additional risks not covered by the risk and reward category.</p> <p>The Fund may be exposed to stock market movements in a single country or region which may be adversely affected by political or economic developments, government action or natural events that do not affect a fund investing in broader markets.</p> <p>The Fund may use financial contracts (known as derivatives) in an attempt to reduce risk (hedging) or for investment purposes. It may be that the use of derivatives causes share prices to fluctuate which may in turn result in loss to the Fund.</p>				<p>The Fund relies upon the performance of one or more investment managers. If the investment managers perform poorly, the value of your investment is likely to be adversely affected.</p> <p>Future legal or regulatory change could have a substantial adverse effect on the Fund and your investment.</p> <p>Stock markets can be volatile, meaning that the prices of shares held by the Fund can change quickly and substantially.</p> <p>The Fund is not guaranteed and your investment is at risk. You may lose some or all of your investment.</p> <p>The Fund may seek to identify and invest in undervalued securities. The identification of investment opportunities in undervalued securities is difficult and there can be no assurance that such opportunities will be successfully identified.</p> <p>The figure for the synthetic risk and reward indicator disclosed in the financial statements is the same as the most up-to-date key investor information document ('KIID').</p> <p>More information in relation to risks in general may be found in the "Risk Factors" section of the Prospectus.</p>		

# Barclays UK Equity Income (Series 2) Fund (continued)

## Fund Facts

### Ongoing Charge Figure

Accounting Date	15/05/2014	15/05/2013
A-Class Distribution	1.74%	1.73%
A-Class Accumulation	1.74%	1.73%
B-Class Distribution	1.49%	1.47%
M-Class Distribution	0.79%	0.79%
R-Class Distribution <sup>(1)</sup>	1.14%	0.08%
R-Class Accumulation <sup>(1)</sup>	1.14%	0.08%

<sup>(1)</sup> R-Class Distribution and R-Class Accumulation shares launched on 16 November 2012. No annual management charge was charged on either share class during the period 16 November 2012 to 15 May 2013. A charge commenced on the R-Class Distribution shares and R-Class Accumulation shares on 16 May 2013 and 5 June 2013 respectively.

The Ongoing Charge Figure ('OCF') represents the annual operating expenses of the Fund expressed as a percentage of average net assets for the period - it does not include initial charges or performance fees. The OCF includes the annual management charge and also the following charges which are deducted directly from the Fund: Directors Fees and Registration Fees.

The OCF is expressed as an annual percentage rate.

### Net Asset Value

	Net Asset Value £'000	Net Asset Value per Share	Number of Shares in Issue '000
<b>15/05/2012</b>			
A-Class Distribution	142,310	214.17p	66,446
A-Class Accumulation	8,836	329.95p	2,678
B-Class Distribution	51,975	213.04p	24,397
M-Class Distribution	1	100.00p	1
<b>15/05/2013</b>			
A-Class Distribution	169,455	271.55p	62,404
A-Class Accumulation	10,966	435.50p	2,518
B-Class Distribution	2,789	270.51p	1,031
M Class Distribution	59,644	130.29p	45,777
R-Class Distribution <sup>(1)</sup>	12	266.08p	5
R-Class Accumulation <sup>(1)</sup>	1	278.86p	1
<b>15/05/2014</b>			
A-Class Distribution	166,204	288.67p	57,576
A-Class Accumulation	10,833	480.61p	2,254
B-Class Distribution	2,553	288.15p	886
M Class Distribution	67,608	139.85p	48,343
R-Class Distribution	5,702	291.96p	1,953
R-Class Accumulation	317	310.78p	102

<sup>(1)</sup> R-Class Distribution and R-Class Accumulation shares launched on 16 November 2012.

**Past performance is not a guide to future performance.**

**The price of shares and the income from them may go down as well as up.**

**Exchange rate changes may cause the value of any overseas investments to rise or fall.**

# Barclays UK Equity Income (Series 2) Fund (continued)

## Share Price Range and Net Revenue

Year	Highest Share Price	Lowest Share Price	Net Revenue per Share
<b>A-Class Distribution</b>			
2009	218.30p	161.40p	10.5580p
2010	233.30p	199.90p	10.0599p
2011	236.79p	199.63p	10.2828p
2012	241.58p	208.90p	9.4532p
2013	290.59p	239.17p	10.1699p
2014 <sup>(1)</sup>	298.37p	281.71p	10.8629p
<b>A-Class Accumulation</b>			
2009	300.70p	211.30p	13.6238p
2010	329.70p	282.10p	13.7043p
2011	344.48p	294.43p	14.6690p
2012	379.49p	321.76p	14.0943p
2013	471.46p	375.71p	15.8349p
2014 <sup>(1)</sup>	486.62p	459.45p	17.5945p
<b>B-Class Distribution</b>			
2009	218.50p	161.80p	10.5879p
2010	232.50p	199.00p	10.0623p
2011	234.92p	198.18p	10.0966p
2012	240.66p	207.82p	9.3910p
2013	289.79p	238.28p	10.1269p
2014 <sup>(1)</sup>	297.79p	281.12p	10.8357p
<b>B-Class Accumulation</b>			
2009 <sup>(4)</sup>	287.80p	211.60p	13.6418p
<b>I-Class Distribution</b>			
2009 <sup>(4)</sup>	127.40p	83.40p	7.2622p
<b>M-Class Distribution</b>			
2009	224.70p	164.90p	10.7591p
2010 <sup>(3)</sup>	240.70p	206.50p	10.3402p
2011 <sup>(3)</sup>	104.50p	94.87p	-
2012	115.44p	99.25p	2.6810p
2013	140.06p	114.32p	4.8562p
2014 <sup>(1)</sup>	144.24p	136.12p	5.2412p
<b>R-Class Distribution</b>			
2012 <sup>(2)</sup>	241.01p	222.67p	-
2013	292.87p	238.74p	5.6516p
2014 <sup>(1)</sup>	301.28p	284.36p	10.9548p
<b>R-Class Accumulation</b>			
2012 <sup>(2)</sup>	241.01p	222.67p	-
2013	302.77p	238.74p	5.6500p
2014 <sup>(1)</sup>	312.81p	295.24p	11.2975p

<sup>(1)</sup> The above table shows the highest and lowest share prices to 15 May 2014 and net revenue per share to 15 July 2014.

<sup>(2)</sup> R-Class Distribution and R-Class Accumulation shares launched on 16 November 2012.

<sup>(3)</sup> M-Class Distribution shares closed on 12 November 2010 and relaunched on 21 October 2011.

<sup>(4)</sup> B-Class Accumulation and I-Class Distribution shares closed on 9 October 2009.

**Past performance is not a guide to future performance.**

**The price of shares and the income from them may go down as well as up.**

**Exchange rate changes may cause the value of any overseas investments to rise or fall.**

# Barclays US Alpha Fund

## Investment Objective and Policy

This Fund seeks superior long-term capital growth primarily through investment in US companies.

The Fund invests primarily in common stock, preferred shares and securities convertible into common stock, of established companies across a range of industries, domiciled in the US or having significant operations in the US, and listed or traded on a regulated market in the US or in an OECD country.

The investment manager and/or sub-investment manager(s) will use stock selection techniques which aim to generate superior long-term capital growth. The allocation to individual companies within the portfolio will be actively managed. While the Fund is not subjected to any capitalisation restrictions, the Fund will seek to invest primarily in large, established companies which meet the investment manager's and/or sub-investment manager(s) selection criteria.

The Fund will invest at least 70% of its assets in the common stocks and preferred shares of US companies. The Fund may, with the remaining portion of the assets (and on an ancillary basis), invest in non-US equity securities, investment grade government and corporate fixed income securities and convertible debt securities (listed or traded on a Regulated Market). The Fund may also invest up to 10% of its net asset value in other collective investment undertakings.

The Fund may also invest in other transferable securities, money market instruments, derivatives, cash and near cash, deposits and units in collective investment schemes (use may be made of stocklending, borrowing, cash holdings, hedging and other investment techniques permitted in the applicable FCA Rules).

The ACD will not invest directly in derivatives for investment purposes, without giving Shareholders at least 60 days' notice of its intention to do so and it is not intended that the use of derivatives will cause the net asset value of the Fund to have higher volatility or otherwise cause the existing risk profile of the Fund to change.

## Investment Report

During the period under review, the net asset value per share attributable to the A-Class Accumulation shares rose by 2.3%.

## Market/Economic Review

US equity markets have enjoyed a very strong 12 months despite the domestic economic recovery still struggling to move out of first gear for much of the period. Following a weak first quarter in 2014 for GDP growth, impacted heavily by bad weather, sentiment still remains positive and more recent data suggests that the US economy could reaccelerate. At the same time, the inflation picture is not as muted as it seems on the surface.

Strong corporate earnings growth continued to underpin the stock market and the market has rallied strongly. US equities rose as a result, shrugging off concerns as the Federal Reserve ('Fed') introduced the concept of reducing its asset purchase program. The market has continued to rise, often regardless of whether economic data releases pointed to strength or potential weakness in the economy. The S&P500 Index has continued to touch a series of highs throughout the period with the S&P500 Total Return Index gaining 15.2% over the period amid much improved risk sentiment.

In terms of sector performance, only Telecommunication Services failed to produce a positive return over the period. The top performing sector has been Industrials with a return of 23.4%, closely followed by Information Technology returning 20.1%. The sector was buoyed by positive market sentiment amid a number of Initial Public Offerings (IPOs) and increased merger and acquisition (M&A) activity. Materials, a sector whose fortunes are tied closely to the global economy, registered a 19.3% increase.

(Source: Factset, Barclays)

## Fund Review

The manager of the Fund, INTECH, has a mathematical investment approach. They do not pick individual stocks or forecast stock performance. Instead, they use stock price volatility and the correlation between stocks aiming to generate a return greater than the S&P 500 benchmark. The process attempts to outperform benchmarks over the long term and to limit the magnitude and frequency of periods of underperformance.

INTECH's relative performance is typically impacted by two factors: the market's relative volatility structure and size (market diversity). Relative volatility refers to stocks moving relative to one another or relative to a benchmark. Size (market diversity) is a measure of how capital is distributed among stocks in a market or an index. At INTECH, sector and stock-specific weightings are a residual of the investment process.

# Barclays US Alpha Fund (continued)

## Fund Review (continued)

A slight rise in market diversity over the early part of the period reflected a change in the distribution of capital in which smaller stocks marginally outperformed larger stocks, on average. U.S. equity markets exhibited relatively stable stock volatility. INTECH's investment process typically benefits from rising diversity and a more stable relative volatility environment. Fundamental factors, which can impact shorter-term performance, had a positive effect on the Fund's relative performance and the Fund was slightly ahead of the S&P500 benchmark.

Stock selection in the Financials and Information Technology sectors contributed to the Fund's relative performance. In addition, an overweight allocation to the Consumer Discretionary and Materials sectors contributed to the portfolio's relative return. Conversely, stock selection within the Energy and Consumer Discretionary sectors and an overweight allocation to Utilities detracted from the Fund's relative performance. Underweight positions in Microsoft (Information Technology) and Exxon Mobil (Energy) were notable contributors to the Fund's relative performance. Additionally, an underweight position in Apple (Information Technology) and overweight in Marathon Petroleum Corp. (Energy) detracted from the portfolio's relative return.

Around the middle of the period, the Fund was ahead of the S&P500 Index. Stock selection in the Financials sector was the primary contributor to the Fund's relative outperformance. In addition, an overweight allocation to Consumer Staples and an underweight position in Energy were the primary contributors to the portfolio's relative return. Conversely, stock selection within the Consumer Discretionary sector, as well as an overweight allocation to Financials and an underweight allocation to Telecommunication Services detracted from the Fund's relative performance. An underweight position in IBM (Information Technology) contributed to the portfolio's relative return. Underweight positions in Google (Information Technology) and Apple (Information Technology) were notable detractors to the Fund's relative performance around the middle of the period.

An increase in market diversity at the start of the year in 2014 reflected a change in the distribution of capital in which smaller stocks outperformed larger stocks, on average. U.S. equity markets exhibited relatively stable stock volatility. INTECH's investment process typically benefits from rising diversity and a more stable relative volatility environment and the Fund was ahead of the S&P500 Index to start the year in 2014. Stock selection in the Consumer Staples and Industrials sectors contributed to the Fund's relative outperformance. In addition, an underweight allocation to Energy and an overweight allocation to Utilities positively contributed to the portfolio's relative return. Conversely, stock selection and an overweight allocation within the Consumer Discretionary sector detracted from the Fund's relative performance. An underweight position in Exxon Mobil (Energy) and in GE (Industrials) contributed to the portfolio's relative return. An overweight position in Best Buy (Consumer Discretionary) detracted from the Fund's relative performance.

More recently, the Fund was slightly behind the index. Stock selection in the Consumer Staples and Healthcare sectors were the most notable detractors to the Fund's performance. In addition, an underweight allocation to Energy and an overweight allocation to the Consumer Discretionary sector were the largest detractors to the portfolio's relative return. Conversely, stock selection within Energy and an overweight allocation within the Utilities sector were the most notable contributors to the Fund's relative performance. An overweight position in Hershey Company (Consumer Staples) and an underweight in Allergan Inc. (Healthcare) detracted from the portfolio's relative return. An overweight position in Cabot Oil & Gas Corp. (Energy) contributed to the Fund's relative performance.

(Source: Factset, Barclays)

## Outlook

The US economy continues to look the strongest compared to the other major developed economies, and we believe this will help support the US equity market going forward. The region continues to be one of our most favoured. The corporate sector is in fairly good health while concerns about growth have been overdone. Valuations are higher but still not stretched and earnings headroom remains.

Barclays  
Wealth and Investment Management  
(Investment Adviser)  
June 2014

# Barclays US Alpha Fund (continued)

## Portfolio Statement as at 15 May 2014

All investments are in ordinary shares unless stated otherwise. The percentages in brackets show the equivalent sector holdings at 15 May 2013.

Holding / Nominal Value	Investment	Market Value £'000	% of Net Assets
	<b>CENTRAL AMERICA: 0.00% (0.98%)</b>		
	<b>PANAMA: 0.00% (0.98%)</b>		
	<b>Travel &amp; Leisure: 0.00% (0.98%)</b>		
	<b>CONTINENTAL EUROPE: 4.22% (1.82%)</b>		
	<b>IRELAND: 2.34% (0.95%)</b>		
	<b>Electronic &amp; Electrical Equipment: 0.23% (0.00%)</b>		
3,466	Allegion	100	0.23
	<b>General Industrials: 0.00% (0.12%)</b>		
	<b>Industrial Engineering: 0.45% (0.67%)</b>		
5,700	Ingersoll-Rand	194	0.45
	<b>Nonlife Insurance: 0.06% (0.16%)</b>		
1,300	XL Group	25	0.06
	<b>Pharmaceuticals &amp; Biotechnology: 1.45% (0.00%)</b>		
3,900	Actavis	477	1.12
1,800	Perrigo	142	0.33
		619	1.45
	<b>Technology Hardware &amp; Equipment: 0.15% (0.00%)</b>		
2,100	Seagate Technology^	64	0.15
	<b>NETHERLANDS: 0.96% (0.85%)</b>		
	<b>Chemicals: 0.56% (0.85%)</b>		
4,200	LyondellBasell Industries Class 'A'	238	0.56
	<b>Media: 0.40% (0.00%)</b>		
6,100	Nielsen	169	0.40
	<b>SWITZERLAND: 0.92% (0.02%)</b>		
	<b>Electronic &amp; Electrical Equipment: 0.18% (0.00%)</b>		
2,300	TE Connectivity	78	0.18
	<b>Industrial Engineering: 0.33% (0.00%)</b>		
3,200	Pentair	141	0.33
	<b>Nonlife Insurance: 0.04% (0.02%)</b>		
300	ACE	18	0.04
	<b>Support Services: 0.09% (0.00%)</b>		
1,600	Tyco International	40	0.09
	<b>Technology Hardware &amp; Equipment: 0.28% (0.00%)</b>		
3,700	Garmin^	121	0.28
	<b>UNITED KINGDOM: 0.43% (0.50%)</b>		
	<b>Nonlife Insurance: 0.43% (0.09%)</b>		
3,600	Aon	185	0.43
	<b>Oil Equipment, Services &amp; Distribution: 0.00% (0.41%)</b>		
	<b>NORTH AMERICA: 90.49% (93.41%)</b>		
	<b>BERMUDA: 0.09% (0.00%)</b>		
	<b>Oil Equipment, Services &amp; Distribution: 0.09% (0.00%)</b>		
2,500	Nabors Industries	37	0.09

# Barclays US Alpha Fund (continued)

## Portfolio Statement as at 15 May 2014 (continued)

Holding / Nominal Value	Investment	Market Value £'000	% of Net Assets
<b>NORTH AMERICA: 90.49% (93.41%) continued</b>			
<b>UNITED STATES: 90.04% (93.41%)</b>			
<b>Aerospace &amp; Defense: 4.24% (2.02%)</b>			
3,300	Boeing	258	0.60
5,000	FLIR Systems^	100	0.24
1,100	General Dynamics	74	0.17
3,700	L-3 Communications	256	0.60
4,400	Lockheed Martin	428	1.00
4,400	Northrop Grumman	312	0.73
400	Precision Castparts	58	0.14
5,700	Raytheon	326	0.76
		1,812	4.24
<b>Alternative Energy: 0.00% (0.14%)</b>			
<b>Automobiles &amp; Parts: 1.88% (0.27%)</b>			
3,400	BorgWarner	120	0.28
11,100	Delphi Automotive	436	1.02
1,700	Genuine Parts	86	0.20
9,700	Goodyear Tire & Rubber^	143	0.34
400	Harley-Davidson	17	0.04
		802	1.88
<b>Banks: 2.97% (5.28%)</b>			
4,900	BB&T	107	0.25
3,700	Comerica	101	0.24
12,400	Fifth Third Bancorp^	149	0.35
7,800	Hudson City Bancorp^	45	0.11
18,500	Huntington Bancshares^	99	0.23
15,800	KeyCorp	124	0.29
2,400	M&T Bank	170	0.40
11,500	People's United Financial^	97	0.23
17,700	Regions Financial	106	0.25
11,000	US Bancorp	266	0.62
		1,264	2.97
<b>Beverages: 1.79% (2.13%)</b>			
3,600	Brown-Forman Class 'B'	194	0.45
8,800	Coca-Cola Enterprises	244	0.57
6,900	Constellation Brands Class 'A'	328	0.77
		766	1.79
<b>Chemicals: 2.96% (1.58%)</b>			
1,700	Airgas	107	0.25
6,200	Ecolab	391	0.92
4,600	FMC	198	0.46
1,200	International Flavors & Fragrances	69	0.16
2,900	PPG Industries	336	0.79
400	Praxair	31	0.07
2,300	Sigma-Aldrich^	131	0.31
		1,263	2.96

# Barclays US Alpha Fund (continued)

## Portfolio Statement as at 15 May 2014 (continued)

Holding / Nominal Value	Investment	Market Value £'000	% of Net Assets
	<b>NORTH AMERICA: 90.49% (93.41%) continued</b>		
	<b>UNITED STATES: 90.04% (93.41%) continued</b>		
	<b>Construction &amp; Materials: 0.73% (1.78%)</b>		
900	Jacobs Engineering	29	0.07
2,400	Sherwin-Williams	283	0.66
		312	0.73
	<b>Electricity: 2.80% (4.50%)</b>		
10,100	CMS Energy	176	0.41
3,400	Dominion Resources	142	0.33
6,100	DTE Energy	275	0.64
1,400	Edison International	46	0.11
500	Exelon	10	0.02
4,700	NextEra Energy	269	0.63
2,100	Northeast Utilities	57	0.14
3,900	NRG Energy	78	0.18
4,200	PPL	84	0.20
2,500	Public Service Enterprise	57	0.14
		1,194	2.80
	<b>Electronic &amp; Electrical Equipment: 1.23% (0.00%)</b>		
1,600	Agilent Technologies	52	0.12
200	F5 Network^	12	0.03
4,500	PerkinElmer	115	0.27
4,200	Roper Industries	347	0.81
		526	1.23
	<b>Financial Services: 8.80% (4.57%)</b>		
3,500	American Express	183	0.43
4,400	Ameriprise Financial	284	0.67
11,700	Charles Schwab Corp	174	0.41
7,700	CME^	319	0.75
10,500	Discover Financial Services	354	0.83
11,300	E*TRADE Financial^	133	0.31
5,200	Equifax	218	0.51
3,005	IntercontinentalExchange	338	0.79
6,500	MasterCard	283	0.66
8,000	McGraw Hill Financial	364	0.85
3,100	Moody's	150	0.35
5,000	NASDAQ OMX Group^	108	0.25
18,200	Navient^	170	0.40
500	Northern Trust^	18	0.04
1,500	State Street	56	0.13
4,300	Visa Class 'A'	531	1.24
8,100	Western Union	77	0.18
		3,760	8.80
	<b>Fixed Line Telecommunications: 0.03% (2.64%)</b>		
3,700	Frontier Communications^	13	0.03
	<b>Food &amp; Drug Retailers: 4.10% (0.66%)</b>		
9,600	AmerisourceBergen	386	0.90

# Barclays US Alpha Fund (continued)

## Portfolio Statement as at 15 May 2014 (continued)

Holding / Nominal Value	Investment	Market Value £'000	% of Net Assets
<b>NORTH AMERICA: 90.49% (93.41%) continued</b>			
<b>UNITED STATES: 90.04% (93.41%) continued</b>			
<b>Food &amp; Drug Retailers: 4.10% (0.66%) continued</b>			
6,400	Cardinal Health	247	0.58
5,300	CVS Caremark	238	0.56
13,400	Kroger	369	0.86
2,800	McKesson	296	0.69
7,900	Safeway	161	0.38
1,400	Walgreen	57	0.13
		1,754	4.10
<b>Food Producers: 3.91% (4.69%)</b>			
1,200	Archer-Daniels-Midland	31	0.07
1,800	Campbell Soup Class 'C'	48	0.11
6,900	General Mills	219	0.51
6,400	Hershey	368	0.86
5,500	Hormel Foods	160	0.38
4,100	JM Smucker	238	0.56
4,700	Kellogg	188	0.44
3,100	McCormick & Company	130	0.30
100	Monsanto	7	0.02
11,700	Tyson Foods	283	0.66
		1,672	3.91
<b>Forestry &amp; Paper: 0.00% (0.14%)</b>			
<b>Gas, Water &amp; Multiutilities: 2.61% (1.29%)</b>			
4,500	AGL Resources	141	0.33
2,300	Ameren	54	0.13
500	Duke Energy	21	0.05
12,000	NiSource	259	0.61
7,600	Sempra Energy	443	1.04
2,200	Spectra Energy	52	0.12
5,200	Wisconsin Energy	141	0.33
		1,111	2.61
<b>General Industrials: 0.67% (0.31%)</b>			
1,200	3M	101	0.24
1,100	Ball	39	0.09
4,100	Bemis	100	0.23
400	Honeywell International	22	0.05
1,400	Sealed Air	27	0.06
		289	0.67
<b>General Retailers: 6.42% (8.61%)</b>			
600	AutoZone	187	0.44
1,700	Bed Bath & Beyond^	63	0.15
9,100	Best Buy	138	0.32
3,400	Costco Wholesale^	231	0.54
1,700	Dollar General	56	0.13
5,100	Dollar Tree^	155	0.36

# Barclays US Alpha Fund (continued)

## Portfolio Statement as at 15 May 2014 (continued)

Holding / Nominal Value	Investment	Market Value £'000	% of Net Assets
<b>NORTH AMERICA: 90.49% (93.41%) continued</b>			
<b>UNITED STATES: 90.04% (93.41%) continued</b>			
<b>General Retailers: 6.42% (8.61%) continued</b>			
200	Family Dollar Stores	7	0.02
3,800	GameStop Class 'A'	81	0.19
1,700	H&R Block	28	0.06
7,900	Home Depot	359	0.84
100	Kohl's	3	0.01
6,400	L Brands	217	0.51
5,800	Lowe's	154	0.36
1,100	Netflix^	225	0.53
3,700	O'Reilly Automotive^	322	0.75
1,400	PetSmart^	54	0.13
1,100	Ross Stores^	45	0.11
10,600	TJX	367	0.86
1,300	Tractor Supply^	49	0.11
		2,741	6.42
<b>Health Care Equipment &amp; Services: 7.74% (1.99%)</b>			
9,155	Aetna	407	0.95
2,600	Becton Dickinson	179	0.42
32,900	Boston Scientific	248	0.58
8,000	CareFusion	199	0.47
10,400	Cigna	540	1.27
400	C.R. Bard	35	0.08
100	DaVita HealthCare Partners Class 'I'	4	0.01
800	DENTSPLY International^	22	0.05
1,700	Express Scripts ^	69	0.16
4,500	Humana	320	0.75
2,700	Laboratory Corporation of America	160	0.37
800	Medtronic	29	0.07
1,400	Patterson^	34	0.08
700	Quest Diagnostics	24	0.06
3,700	St Jude Medical	139	0.33
5,300	Thermo Fisher Scientific	365	0.85
4,700	UnitedHealth	214	0.50
4,600	WellPoint	287	0.67
500	Zimmer	30	0.07
		3,305	7.74
<b>Household Goods &amp; Home Construction: 1.28% (3.09%)</b>			
3,600	Clorox	189	0.44
12,000	Newell Rubbermaid	209	0.49
2,200	Snap-on	149	0.35
		547	1.28
<b>Industrial Engineering: 1.17% (0.68%)</b>			
3,000	Dover	153	0.36
5,700	Flowserve	252	0.59
1,800	Illinois Tool Works	92	0.22
		497	1.17

# Barclays US Alpha Fund (continued)

## Portfolio Statement as at 15 May 2014 (continued)

Holding / Nominal Value	Investment	Market Value £'000	% of Net Assets
<b>NORTH AMERICA: 90.49% (93.41%) continued</b>			
<b>UNITED STATES: 90.04% (93.41%) continued</b>			
<b>Industrial Metals &amp; Mining: 0.23% (0.00%)</b>			
3,200	Alcoa	25	0.06
4,900	United States Steel	74	0.17
		99	0.23
<b>Industrial Transportation: 0.58% (0.43%)</b>			
1,800	Union Pacific	205	0.48
700	United Parcel Service Class 'B'	42	0.10
		247	0.58
<b>Leisure Goods: 1.31% (0.18%)</b>			
3,400	Electronic Arts^	68	0.16
2,500	Harman International Industries	156	0.37
2,400	Hasbro^	77	0.18
11,100	Mattel^	256	0.60
		557	1.31
<b>Life Insurance: 2.40% (0.66%)</b>			
5,800	Aflac	214	0.50
2,800	Assurant	112	0.26
5,900	Genworth Financial Class 'A'	63	0.15
6,000	Lincoln National	169	0.40
4,600	Principal Financial	124	0.29
300	Prudential Financial	14	0.03
3,900	Torchmark	185	0.43
7,500	Unum	146	0.34
		1,027	2.40
<b>Media: 6.42% (9.38%)</b>			
1,500	Cablevision Systems Class 'A'	15	0.04
9,300	CBS Class 'B'	312	0.73
7,200	Comcast Class 'A'^	216	0.51
4,000	Discovery Communications Class 'A'^	173	0.41
1,400	Dun & Bradstreet Corp	87	0.20
200	Graham	79	0.18
12,000	Interpublic Group	125	0.29
11,950	News Corp Class 'A'^	120	0.28
2,700	Omnicom	109	0.25
3,800	Scripps Networks Interactive Class 'A'	168	0.39
9,000	Time Warner	367	0.86
3,800	Time Warner Cable	310	0.73
16,600	Twenty-First Century Fox^	336	0.79
5,100	Viacom Class 'B'^	252	0.59
1,500	Walt Disney	72	0.17
		2,741	6.42
<b>Mining: 0.05% (0.00%)</b>			
800	CONSOL Energy	21	0.05

# Barclays US Alpha Fund (continued)

## Portfolio Statement as at 15 May 2014 (continued)

Holding / Nominal Value	Investment	Market Value £'000	% of Net Assets
<b>NORTH AMERICA: 90.49% (93.41%) continued</b>			
<b>UNITED STATES: 90.04% (93.41%) continued</b>			
<b>Mobile Telecommunications: 0.00% (2.61%)</b>			
<b>Nonlife Insurance: 2.87% (1.96%)</b>			
11,500	Allstate	394	0.92
2,900	Chubb	159	0.37
5,200	Cincinnati Financial^	150	0.35
5,700	Hartford Financial Services	116	0.27
8,200	Marsh & McLennan	238	0.56
3,800	Progressive Corp	57	0.13
2,100	Travelers	115	0.27
		1,229	2.87
<b>Oil &amp; Gas Producers: 2.00% (11.17%)</b>			
13,800	Cabot Oil & Gas	306	0.72
6,600	Chesapeake Energy	114	0.27
4,800	EQT	295	0.69
1,100	Exxon Mobil	66	0.15
400	Oneok	15	0.04
500	Range Resources	27	0.06
1,100	Southwestern Energy	30	0.07
		853	2.00
<b>Oil Equipment, Services &amp; Distribution: 0.31% (0.36%)</b>			
1,900	Helmerich & Payne	119	0.28
500	Williams	14	0.03
		133	0.31
<b>Personal Goods: 2.12% (1.25%)</b>			
2,600	Colgate-Palmolive	103	0.24
3,800	Kimberly-Clark	251	0.59
1,800	Nike	78	0.18
600	Under Armour	17	0.04
12,300	VF	457	1.07
		906	2.12
<b>Pharmaceuticals &amp; Biotechnology: 2.23% (9.95%)</b>			
2,000	AbbVie	63	0.15
500	Biogen Idec^	86	0.20
4,800	Bristol-Myers Squibb	140	0.33
1,300	Celgene^	115	0.27
1,800	Forest Laboratories	99	0.23
1,200	Gilead Sciences^	57	0.13
300	Hospira	8	0.02
1,500	Merck	50	0.12
9,800	Mylan^	280	0.65
2,500	Pfizer	44	0.10
300	Varian Medical	14	0.03
		956	2.23

# Barclays US Alpha Fund (continued)

## Portfolio Statement as at 15 May 2014 (continued)

Holding / Nominal Value	Investment	Market Value £'000	% of Net Assets
<b>NORTH AMERICA: 90.49% (93.41%) continued</b>			
<b>UNITED STATES: 90.04% (93.41%) continued</b>			
<b>Real Estate Investment Trusts: 0.12% (2.01%)</b>			
500	Crown Castle International	23	0.05
300	Public Storage	30	0.07
		53	0.12
<b>Software &amp; Computer Services: 2.04% (1.89%)</b>			
3,000	Adobe Systems^	107	0.25
3,200	CA^	55	0.13
2,200	Cognizant Technology Solutions Class 'A'^	62	0.15
1,200	Computer Sciences	44	0.10
3,000	Intuit^	132	0.31
4,900	VeriSign^	141	0.33
16,300	Yahoo!^	328	0.77
		869	2.04
<b>Support Services: 4.64% (0.81%)</b>			
1,200	Alliance Data Systems	168	0.39
9,100	Automatic Data Processing^	416	0.97
4,000	Cintas^	143	0.34
9,200	Fidelity National Information Services	295	0.69
10,800	Fiserv^	384	0.90
5,900	Paychex^	142	0.33
1,200	Republic Services	25	0.06
900	Stericycle^	60	0.14
6,100	Total System Services	113	0.26
2,700	Waste Management	71	0.17
100	W.W. Grainger	15	0.04
20,800	Xerox	147	0.35
		1,979	4.64
<b>Technology Hardware &amp; Equipment: 3.82% (2.19%)</b>			
800	Apple^	280	0.66
7,900	Applied Materials^	88	0.21
4,300	Harris	192	0.45
700	Juniper Networks	10	0.02
2,300	Linear Technology^	61	0.14
300	Microchip Technology^	8	0.02
26,400	Micron Technology^	406	0.95
5,000	Motorola Solutions	197	0.46
2,200	NetApp^	45	0.11
7,400	Pitney Bowes	114	0.27
3,000	Western Digital^	152	0.35
2,900	Xilinx^	78	0.18
		1,631	3.82

# Barclays US Alpha Fund (continued)

## Portfolio Statement as at 15 May 2014 (continued)

Holding / Nominal Value	Investment	Market Value £'000	% of Net Assets
<b>NORTH AMERICA: 90.49% (93.41%) continued</b>			
<b>UNITED STATES: 90.04% (93.41%) continued</b>			
<b>Tobacco: 0.97% (1.84%)</b>			
4,100	Altria	98	0.23
3,400	Lorillard	115	0.27
6,000	Reynolds American	202	0.47
		415	0.97
<b>Travel &amp; Leisure: 2.60% (0.35%)</b>			
600	Chipotle Mexican Grill	177	0.42
6,200	Delta Air Lines	141	0.33
400	Marriott International^	14	0.03
100	Priceline Group^	68	0.16
24,800	Southwest Airlines	366	0.86
2,600	Starbucks^	108	0.25
1,400	TripAdvisor^	70	0.16
1,400	Wynn Resorts^	168	0.39
		1,112	2.60
<b>VIRGIN ISLANDS: 0.36% (0.00%)</b>			
<b>Personal Goods: 0.36% (0.00%)</b>			
2,800	Michael Kors	152	0.36
<b>FUTURES: 0.04% (0.15%)</b>			
37	S&P 500 E-Mini Future June 2014	18	0.04
<b>Portfolio of investments*</b>		<b>40,655</b>	<b>95.18</b>
<b>Net other assets</b>		<b>2,058</b>	<b>4.82</b>
<b>Net assets</b>		<b>42,713</b>	<b>100.00</b>

\*Including derivatives.

^ These securities are quoted on NASDAQ and comprise 20.37% of the Net Asset Value.

Portfolio Information	Year to 15/05/2014
<b>Total purchases for the year</b>	<b>£46,729,540</b>
<b>Total sales for the year</b>	<b>£56,915,974</b>

Counterparty	Total Global Exposure £
Goldman Sachs	18,000

# Barclays US Alpha Fund (continued)

## Statement of Total Return for the year ended 15 May 2014

	Note	16/05/2013 to 15/05/2014		16/05/2012 to 15/05/2013	
		£'000	£'000	£'000	£'000
<b>Income</b>					
Net capital gains	2		1,183		12,584
Revenue	3	745		994	
Expenses	4	(320)		(331)	
Finance costs: Interest	6	(1)		(1)	
Net revenue before taxation		424		662	
Taxation	5	(105)		(142)	
Net revenue after taxation for the year			319		520
Total return before distributions			1,502		13,104
Finance costs: Distributions	6		(335)		(520)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>£1,167</b>		<b>£12,584</b>

## Statement of Change in Net Assets Attributable to Shareholders for the year ended 15 May 2014

		16/05/2013 to 15/05/2014		16/05/2012 to 15/05/2013	
		£'000	£'000	£'000	£'000
<b>Opening net assets attributable to shareholders</b>			<b>52,570</b>		<b>44,753</b>
Movement due to sales and repurchases of shares:					
Amounts receivable on issues of shares		5,293		1,492	
Amounts payable on cancellation of shares		(16,318)		(6,261)	
			(11,025)		(4,769)
Change in net assets attributable to shareholders from investment activities			1,167		12,584
Retained distribution on accumulation shares			1		-
Unclaimed distributions			-		2
<b>Closing net assets attributable to shareholders</b>			<b>£42,713</b>		<b>£52,570</b>

# Barclays US Alpha Fund (continued)

## Balance Sheet as at 15 May 2014

	Note	15/05/2014 £'000	15/05/2013 £'000
<b>Assets</b>			
Investment Assets		40,655	50,920
Debtors	7	1,229	79
Cash and bank balances	8	3,350	3,248
Total other assets		4,579	3,327
<b>Total assets</b>		<b>45,234</b>	<b>54,247</b>
<b>Liabilities</b>			
Creditors	9	(1,323)	(139)
Bank overdrafts	8	(881)	(1,031)
Distribution payable on income shares		(317)	(507)
Total other liabilities		(2,521)	(1,677)
<b>Total liabilities</b>		<b>(2,521)</b>	<b>(1,677)</b>
<b>Net assets attributable to shareholders</b>		<b>£42,713</b>	<b>£52,570</b>

# Barclays US Alpha Fund (continued)

## Notes to the Financial Statements

### 1. Accounting policies

The accounting policies can be found on pages 11 and 12.

### 2. Net capital gains

	16/05/2013 to 15/05/2014 £'000	16/05/2012 to 15/05/2013 £'000
The net capital gains on investments during the year comprise:		
Non-derivative securities	892	12,308
Derivative contracts	397	297
Currency (losses)/gains	(83)	2
Transaction charges	(23)	(23)
Net capital gains	1,183	12,584

### 3. Revenue

	16/05/2013 to 15/05/2014 £'000	16/05/2012 to 15/05/2013 £'000
Overseas REIT dividends	13	25
Unfranked UK dividends	1	-
Non-taxable overseas dividends	730	969
Bank interest	1	-
Total revenue	745	994

### 4. Expenses

	16/05/2013 to 15/05/2014 £'000	16/05/2012 to 15/05/2013 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic fee	216	247
Registration fee	19	19
	235	266
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fee	5	5
Safe custody fee	3	5
	8	10
Other expenses:		
Administration fee	55	24
Audit fee	12	14
VAT on audit fee	2	3
Printing fee	7	11
Tax advice fee	1	3
	77	55
Total expenses	320	331

# Barclays US Alpha Fund (continued)

## Notes to the Financial Statements (continued)

### 5. Taxation

#### (a) Analysis of taxation charge in year

	16/05/2013 to 15/05/2014	16/05/2012 to 15/05/2013
	£'000	£'000
Overseas tax	105	142
Current tax [note 5(b)]	105	142
Deferred tax [note 5(c)]	-	-
Total taxation	105	142

#### (b) Factors affecting taxation charge for the year

The tax assessed for the year is higher than (2013: higher than) the standard rate of corporation tax in the UK for an open-ended investment company (20%). The differences are explained below:

	£'000	£'000
Net revenue before taxation	424	662
Net revenue before taxation multiplied by the appropriate rate of corporation tax at 20% (2013: 20%)	85	132
Effects of:		
Overseas tax	105	142
Revenue not subject to taxation	(146)	(193)
Excess management expenses not utilised	61	61
Current tax	105	142

#### (c) Provision for deferred tax

There is no deferred tax provision in the current year (15 May 2013: same).

At the year end, there is a potential deferred tax asset of £502,575 (£440,188 at 15 May 2013) due to surplus management expenses. It is unlikely the Fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised (15 May 2013: same).

### 6. Finance cost: Distributions and Interest

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares and comprise:

	16/05/2013 to 15/05/2014	16/05/2012 to 15/05/2013
	£'000	£'000
Final distribution	318	507
Add: Revenue deducted on cancellation of shares	34	27
Less: Revenue received on creation of shares	(17)	(14)
Distributions for the year	335	520
Interest		
Bank overdraft interest	1	1
Total finance costs	336	521

# Barclays US Alpha Fund (continued)

## Notes to the Financial Statements (continued)

### 6. Finance cost: Distributions and Interest (continued)

The differences between the net revenue after taxation and the distribution for the year are as follows:

	16/05/2013 to 15/05/2014 £'000	16/05/2012 to 15/05/2013 £'000
Net revenue after taxation for the year	319	520
Add: Shortfall on income account	17	-
Less: Expenses charged against revenue	(1)	-
Distributions for the year	335	520

### 7. Debtors

	15/05/2014 £'000	15/05/2013 £'000
Amounts receivable for creation of shares	208	-
Sales awaiting settlement	985	-
Accrued revenue	28	69
Overseas tax recoverable	5	3
Margin interest receivable	-	7
Amounts receivable on FX contracts	3	-
	1,229	79

### 8. Net uninvested cash

	15/05/2014 £'000	15/05/2013 £'000
Amounts held at futures clearing houses and brokers	393	174
Bank overdrafts	(881)	(1,031)
Cash and bank balances	2,957	3,074
Net uninvested cash	2,469	2,217

### 9. Creditors

	15/05/2014 £'000	15/05/2013 £'000
Amounts payable for cancellation of shares	204	37
Purchases awaiting settlement	1,023	-
Accrued expenses	92	102
Amounts payable on FX contracts	4	-
	1,323	139

### 10. Contingent liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (15 May 2013: same).

### 11. Risk in relation to the financial instruments

The Fund's investment objective is stated on page 123. In pursuing its objective, the Fund holds financial instruments which expose it to various types of risk. The main risks, and the ACD's policy for managing these risks are set out below. These were applied consistently throughout the current and preceding year.

# Barclays US Alpha Fund (continued)

## Notes to the Financial Statements (continued)

### 11. Risk in relation to the financial instruments (continued)

#### (a) Credit and liquidity risk

Credit risk is the risk of suffering loss due to another party not meeting its financial obligations. The primary source of this risk to the Fund is for trade counterparties to fail to meet their transaction commitments. This risk is managed by appraising the credit profile of financial instruments and trade counterparties.

Liquidity risk relates to the capacity to meet liabilities. The primary source of this risk to the Fund is the liability to Shareholders for any cancellation of shares. This risk is minimised by holding cash and readily realisable securities and via access to overdraft facilities.

#### (b) Market risk

Market risk arises mainly from uncertainty about future prices. The primary source of this risk to the Fund is the potential movement in the value of financial instruments held as a result of price fluctuations. The ACD adheres to the investment guidelines and borrowing powers established in the Prospectus and the COLL. In this way, the ACD monitors and controls the exposure to risk from any type of security, sector or issuer.

The Fund may also use derivative instruments to mitigate risk and/or reduce costs. These instruments are not utilised for speculative purposes. Derivative instruments were utilised during the current and preceding year.

#### (c) Foreign currency risk

Foreign currency risk is the risk of movements in the value of overseas financial instruments as a result of fluctuations in exchange rates. This risk may be managed by the utilisation of forward currency contracts as necessary. Forward currency contracts were not utilised during the current and preceding year.

The foreign currency profile of the Fund's net assets at the balance sheet date was:

	Monetary exposure £'000	Non-monetary exposure £'000	Total £'000
15/05/2014			
Currency			
Euro	4	-	4
US Dollar	494	40,594	41,088
	498	40,594	41,092
15/05/2013			
Currency			
US Dollar	547	50,918	51,465
	547	50,918	51,465

#### (d) Interest rate risk

Interest rate risk is the risk of movements in the value of financial instruments as a result of fluctuations in interest rates. The Fund's only interest bearing financial instruments at the balance sheet date were its bank balances and overdraft facilities as disclosed in note 8.

Cash is deposited, and overdraft facilities utilised, on normal commercial terms and earn or bear interest based on LIBOR or its overseas equivalent.

#### (e) Derivatives - Sensitivity analysis

The Fund invests in S&P 500 E-Mini futures to obtain market exposure to enable it to meet the Fund objectives whilst reducing transaction costs.

# Barclays US Alpha Fund (continued)

## Notes to the Financial Statements (continued)

### 11. Risk in relation to the financial instruments (continued)

#### (f) Fair value

The fair value of a financial instrument is the amount for which it could be exchanged between knowledgeable, willing parties in an arm's length transaction. There is no significant difference between the value of the financial assets and liabilities, as shown in the financial statements, and their fair value.

### 12. Portfolio transaction costs

	16/05/2013 to 15/05/2014		16/05/2012 to 15/05/2013	
	£'000	£'000	£'000	£'000
Analysis of total purchase costs				
Purchases in year before transaction costs		46,711		57,128
Commissions	19		25	
Total purchase costs		19		25
Gross purchase total		46,730		57,153
Analysis of total sales costs				
Gross sales before transaction costs		56,938		61,359
Commissions	(21)		(26)	
Fees	(1)		(1)	
Total sales costs		(22)		(27)
Total sales net of transaction costs		56,916		61,332

### 13. Ultimate controlling party and related party transactions

The ACD is regarded as controlling party of the Fund by virtue of having the ability to act in concert in respect of Fund operations. The ultimate controlling party of the ACD is Barclays Plc. This entity and its subsidiaries are also related parties of the Fund.

At the year end, the ACD and its associates held 2.36% of the Fund's shares in issue (2.26% at 15 May 2013). Details of all other material related party transactions during the year and any payment amounts outstanding at the balance sheet date are disclosed in notes 4, 7 and 9 to the financial statements, and the Statement of Change in Net Assets Attributable to Shareholders and the Portfolio Statement. Within note 9, accrued expenses (including amounts due to associates and agents) of £27,706 (£54,405 15 May 2013) are due to the ACD.

# Barclays US Alpha Fund (continued)

## Distribution Table for the year ended 15 May 2014

Group 1: Shares purchased prior to a distribution period

Group 2: Shares purchased during a distribution period

Equalisation applies only to shares purchased during the distribution year (Group 2 shares). It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital.

Being capital, it is not liable to Income tax but must be deducted from the cost of shares for Capital Gains tax purposes.

### Final dividend distribution in pence per share

	Net Revenue	Equalisation	Distribution Paid 15/07/2014	Distribution Paid 15/07/2013
<b>A-Class Distribution</b>				
Group 1	-	-	-	0.0127p
Group 2	-	-	-	0.0127p
<b>A-Class Accumulation</b>				
Group 1	-	-	-	0.0158p
Group 2	-	-	-	0.0158p
<b>B-Class Distribution</b>				
Group 1	-	-	-	0.5936p
Group 2	-	-	-	0.5936p
<b>I-Class Distribution</b>				
Group 1	1.2177p	-	1.2177p	1.9723p
Group 2	0.2469p	0.9708p	1.2177p	1.9723p
<b>M-Class Distribution</b>				
Group 1	2.3631p	-	2.3631p	2.9517p
Group 2	1.3217p	1.0414p	2.3631p	2.9517p
<b>R-Class Distribution</b>				
Group 1	3.3000p	-	3.3000p	2.1779p
Group 2	0.0121p	3.2879p	3.3000p	2.1779p
<b>R-Class Accumulation</b>				
Group 1	0.7612p	-	0.7612p	2.1779p
Group 2	0.0033p	0.7579p	0.7612p	2.1779p

# Barclays US Alpha Fund (continued)

## Risk and Reward Profile

1	2	3	4	5	6	7
<p>The risk and reward category is calculated using historical data which may not be a reliable indicator of the Fund's future risk profile.</p> <p>The risk and reward category may shift over time and is not a target or a guarantee.</p> <p>The lowest category (i.e. Category 1) does not mean a risk-free investment.</p> <p>The Fund is in Category 6 because of the high range and frequency of price movements (volatility) of the underlying investments in which the Fund invests.</p> <p>The following are additional risks not covered by the risk and reward category.</p> <p>The Fund may be exposed to stock market movements in a single country or region which may be adversely affected by political or economic developments, government action or natural events that do not affect a fund investing in broader markets.</p> <p>The Fund may use financial contracts (known as derivatives) in an attempt to reduce risk (hedging) or for investment purposes. It may be that the use of derivatives causes share prices to fluctuate which may in turn result in loss to the Fund.</p>					<p>The Fund relies upon the performance of one or more investment managers. If the investment managers perform poorly, the value of your investment is likely to be adversely affected.</p> <p>Future legal or regulatory change could have a substantial adverse effect on the Fund and your investment.</p> <p>Stock markets can be volatile, meaning that the prices of shares held by the Fund can change quickly and substantially.</p> <p>The Fund is not guaranteed and your investment is at risk. You may lose some or all of your investment.</p> <p>If you purchase shares in the Fund through a clearing or settlement system, you will be bound by its terms and conditions, which may include the payment of additional fees.</p> <p>The Fund may seek to identify and invest in undervalued securities. The identification of investment opportunities in undervalued securities is difficult and there can be no assurance that such opportunities will be successfully identified.</p> <p>The figure for the synthetic risk and reward indicator disclosed in the financial statements is the same as the most up-to-date key investor information document ('KIID').</p> <p>More information in relation to risks in general may be found in the "Risk Factors" section of the Prospectus.</p>	

# Barclays US Alpha Fund (continued)

## Fund Facts

### Ongoing Charge Figure

Accounting Date	15/05/2014	15/05/2013
A-Class Distribution	1.91%	1.91%
A-Class Accumulation	1.91%	1.91%
B-Class Distribution	1.66%	1.66%
I-Class Distribution	1.06%	1.06%
M-Class Distribution	0.66%	0.66%
R-Class Distribution <sup>(1)</sup>	0.26%	0.26%
R-Class Accumulation <sup>(1)</sup>	1.30%	0.26%

<sup>(1)</sup> R-Class Distribution and R-Class Accumulation shares launched on 16 November 2012. No annual management charge was charged on either share class during the period from 16 November 2012 to 15 May 2013. A charge commenced on the R-Class Distribution shares and R-Class Accumulation shares on 15 May 2014 and 15 June 2013 respectively.

The Ongoing Charge Figure ('OCF') represents the annual operating expenses of the Fund expressed as a percentage of average net assets for the period - it does not include initial charges or performance fees. The OCF includes the annual management charge and also the following charges which are deducted directly from the Fund: Directors Fees and Registration Fees.

The OCF is expressed as an annual percentage rate.

### Net Asset Value

	Net Asset Value £'000	Net Asset Value per Share	Number of Shares in Issue '000
<b>15/05/2012</b>			
A-Class Distribution	643	207.42p	310
A-Class Accumulation	3,052	212.39p	1,437
B-Class Distribution	439	208.06p	211
I-Class Distribution	181	208.05p	87
M-Class Distribution	40,438	212.03p	19,072
<b>15/05/2013</b>			
A-Class Distribution	681	271.31p	251
A-Class Accumulation	3,587	278.06p	1,290
B-Class Distribution	532	272.82p	195
I-Class Distribution	200	273.97p	73
M-Class Distribution	47,568	278.29p	17,093
R-Class Distribution <sup>(1)</sup>	1	272.88p	-*
R-Class Accumulation <sup>(1)</sup>	1	275.08p	-*
<b>15/05/2014</b>			
A-Class Distribution	561	277.72p	202
A-Class Accumulation	2,979	284.53p	1,047
B-Class Distribution	481	279.65p	172
I-Class Distribution	181	278.46p	65
M-Class Distribution	38,200	285.99p	13,357
R-Class Distribution	33	275.00p	12
R-Class Accumulation	278	283.67p	98

<sup>(1)</sup> R-Class Distribution and R-Class Accumulation shares launched on 16 November 2012.

\* The number of shares in issue at the year end for this share class is less than 500 units and therefore not rounded up to the nearest thousands for disclosure purposes.

**Past performance is not a guide to future performance.**

**The price of shares and the income from them may go down as well as up.**

**Exchange rate changes may cause the value of any overseas investments to rise or fall.**

# Barclays US Alpha Fund (continued)

## Share Price Range and Net Revenue

Year	Highest Share Price	Lowest Share Price	Net Revenue per Share
<b>A-Class Distribution</b>			
2009	187.70p	127.90p	0.1585p
2010	209.70p	174.50p	-
2011	215.77p	172.18p	-
2012	225.25p	201.77p	-
2013	280.86p	217.29p	0.0127p
2014 <sup>(1)</sup>	287.17p	266.55p	-
<b>A-Class Accumulation</b>			
2009	192.30p	131.10p	0.1767p
2010	214.90p	178.70p	-
2011	221.04p	176.39p	-
2012	230.75p	206.70p	-
2013	287.73p	222.60p	0.0158p
2014 <sup>(1)</sup>	294.21p	273.08p	-
<b>B-Class Distribution</b>			
2009	189.60p	129.40p	-
2010	210.80p	175.70p	-
2011	216.54p	172.85p	-
2012	226.26p	202.73p	0.4569p
2013	282.46p	218.47p	0.5936p
2014 <sup>(1)</sup>	288.99p	268.15p	-
<b>I-Class Distribution</b>			
2009	189.70p	129.90p	0.8369p
2010	210.90p	175.80p	-
2011	216.75p	173.11p	-
2012	226.87p	203.41p	1.6187p
2013	283.91p	219.38p	1.9723p
2014 <sup>(1)</sup>	290.87p	269.70p	1.2177p
<b>M-Class Distribution</b>			
2009	191.20p	130.60p	2.0882p
2010	214.80p	177.70p	1.5270p
2011	220.82p	176.51p	1.5005p
2012	231.51p	207.74p	2.2981p
2013	290.15p	224.08p	2.9517p
2014 <sup>(1)</sup>	297.55p	275.75p	2.3631p
<b>R-Class Distribution</b>			
2012 <sup>(2)</sup>	221.72p	214.72p	-
2013	285.19p	218.85p	2.1779p
2014 <sup>(1)</sup>	292.72p	271.16p	3.3000p
<b>R-Class Accumulation</b>			
2012 <sup>(2)</sup>	221.72p	214.72p	-
2013	285.87p	218.85p	2.1779p
2014 <sup>(1)</sup>	292.72p	271.49p	0.7612p

<sup>(1)</sup> The above table shows the highest and lowest share prices to 15 May 2014 and net revenue per share to 15 July 2014.

<sup>(2)</sup> R-Class Distribution and R-Class Accumulation shares launched on 16 November 2012.

**Past performance is not a guide to future performance.**

**The price of shares and the income from them may go down as well as up.**

**Exchange rate changes may cause the value of any overseas investments to rise or fall.**

# General Information

## Barclays UK Lower Cap Fund

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### Constitution

Launch date:	May 1987
Period end dates for distributions:	15 May
Distribution dates:	15 July
Minimum initial lump sum investment:	A-Class - £500 B-Class - £100,000 M-Class - N/A R-Class - £2,000,000
Minimum monthly contribution:	A-Class - £50 B-Class - N/A M-Class - N/A R-Class - N/A
Valuation point:	1 am
Annual management charges:	A-Class - 1.50% B-Class - 1.25% M-Class - Capped at 0.90% R-Class - 1.05%
Initial charges:	A-Class - 4.50% B-Class - N/A M-Class - N/A R-Class - 2.00%

## Barclays Sterling Bond Fund

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### Constitution

Launch date:	November 1982
Period end dates for distributions:	15 February 15 May 15 August 15 November
Distribution dates:	15 January 15 April 15 July 15 October
Minimum initial lump sum investment:	A-Class - £500 B-Class - £100,000 M-Class - N/A I-Class - £2,000,000 R-Class - £2,000,000
Minimum monthly contribution:	A-Class - £50 B-Class - N/A M-Class - N/A I-Class - N/A R-Class - N/A
Valuation point:	1 am
Annual management charges:	A-Class - 1.00% B-Class - 0.85% M-Class - Capped at 0.90% I-Class - Capped at 1.15% R-Class - 0.60%
Initial charges:	A-Class - 4.00% B-Class - 2.00% M-Class - N/A I-Class - N/A R-Class - 2.00%

# General Information (continued)

## Barclays UK Alpha (Series 2) Fund

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### Constitution

Launch date:	November 1972
Period end dates for distributions:	15 May
Distribution dates:	15 July
Minimum initial lump sum investment:	A-Class - £500 B-Class - £100,000 M-Class - N/A I-Class - £2,000,000 R-Class - £2,000,000
Minimum monthly contribution:	A-Class - £50 B-Class - N/A M-Class - N/A I-Class - N/A R-Class - N/A
Valuation point:	1am
Annual management charges:	A-Class - 1.50% B-Class - 1.25% M-Class - Capped at 0.90% I-Class - Capped at 1.15% R-Class - 0.90%
Initial charges:	A-Class - 4.50% B-Class - N/A M-Class - N/A I-Class - N/A R-Class - 2.00%

## Barclays Europe (ex-UK) Alpha Fund

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### Constitution

Launch date:	February 2000
Period end dates for distributions:	15 May
Distribution dates:	15 July
Minimum initial lump sum investment:	A-Class - £500 B-Class - £100,000 M-Class - N/A R-Class - £2,000,000
Minimum monthly contribution:	A-Class - £50 B-Class - N/A M-Class - N/A R-Class - N/A
Valuation point:	1am
Annual management charges:	A-Class - 1.50% B-Class - 1.25% M-Class - Capped at 0.90% R-Class - 0.90%
Initial charges:	A-Class - 4.50% B-Class - N/A M-Class - N/A R-Class - 2.00%

# General Information (continued)

## Barclays UK Equity Income (Series 2) Fund

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### Constitution

Launch date:	April 1972
Period end dates for distributions:	15 May 15 November
Distribution dates:	15 January 15 July
Minimum initial lump sum investment:	A-Class - £500 B-Class - £100,000 M-Class - N/A R-Class - £2,000,000
Minimum monthly contribution:	A-Class - £50 B-Class - N/A M-Class - N/A R-Class - N/A
Valuation point:	1am
Annual management charges:	A-Class - 1.50% B-Class - 1.25% M-Class - Capped at 0.90% R-Class - 0.90%
Initial charges:	A-Class - 4.50% B-Class - 2.00% M-Class - N/A R-Class - 2.00%

## Barclays US Alpha Fund

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### Constitution

Launch date:	June 1989
Period end dates for distributions:	15 May
Distribution dates:	15 July
Minimum initial lump sum investment:	A-Class - £500 B-Class - £100,000 M-Class - N/A I-Class - £2,000,000 R-Class - £2,000,000
Minimum monthly contribution:	A-Class - £50 B-Class - N/A M-Class - N/A I-Class - N/A R-Class - N/A
Valuation point:	1am
Annual management charges:	A-Class - 1.50% B-Class - 1.25% M-Class - Capped at 0.90% I-Class - Capped at 1.15% R-Class - 0.90%
Initial charges:	A-Class - 4.50% B-Class - N/A M-Class - N/A I-Class - N/A R-Class - 2.00%

# General Information (continued)

## Pricing and Dealing

The Funds are valued at 1am daily. Prices are available on the internet at: [www.barclaysinvestments.co.uk](http://www.barclaysinvestments.co.uk).

Dealing in shares takes place on a forward pricing basis, from 9:00am to 5:30pm, Monday to Friday, excluding Bank Holidays.

## Buying and Selling Shares

Shares may be bought on any business day from the ACD or through financial adviser by telephoning or by completing an application form. Shares may normally be sold back to the ACD on any business day at the price calculated at the following valuation point.

## Prospectus and ACD's Reports

The ACD will send to all persons on the Shareholder Register annual and interim reports.

Copies of the Prospectus and the most recent annual or interim reports are available free of charge by telephoning 0845 300 4003 or by writing to the ACD.

Do you have difficulty in reading information in print because of a disability? If so, we can help. We are able to produce information for our clients in large print and braille. If you would like to discuss your particular requirements, please contact us on 0845 300 4003.

Calls charges will vary. We may record and monitor calls.

This item can be provided in Braille, large print or audio by calling 0800 400 100\* (via TextDirect if appropriate).  
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