

Santander Investment Income Unit Trust

Interim Short Report
for the six months ended 25 September 2013
(unaudited)

Fund Facts

The Manager of the Scheme is Santander Asset Management UK Limited with the immediate holding company being Santander Asset Management UK Holdings Limited.

Investment Objective

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

Investment Policy and Strategy

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

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

The base currency of the Scheme is UK Sterling.

Investment Adviser

Santander Asset Management UK Limited

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

The Long Form Report and Accounts are available on request.

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

Fund Profile

Portfolio of Investments

Spread of investments* Disclosed by rating	% of total net assets as at 25/09/13	% of total net assets as at 25/03/13
AAA to AA	36.43	21.59
AA- to A+	6.31	7.07
A to A-	23.96	30.81
BBB+ to BBB	24.17	18.29
below BBB to unrated	<u>5.02</u>	<u>19.65</u>
Total fixed interest securities	95.89	97.41
Forward currency trades (net)	0.02	(0.06)
Net other assets	<u>4.09</u>	<u>2.65</u>
Total net assets	<u>100.00</u>	<u>100.00</u>

* Source: S&P / Moody's / Fitch

Major Holdings

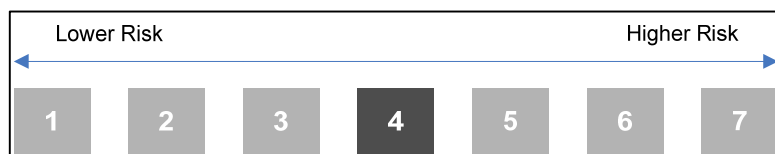
The top 10 holdings at the end of this period and the previous period are shown below.

Holding	% of total net assets as at 25/09/13	Holding	% of total net assets as at 25/03/13
Treasury 4 % 2016	4.34	Treasury 4% 2036	4.32
Treasury 4.25% 2036	4.34	KFW 6% 2028	3.23
KFW 6% 2028	3.44	European Investment Bank 6% 2028	3.22
European Investment Bank 6% 2028	3.27	Treasury 2.75% 2015	3.09
European Investment Bank 5.5% 2025	2.67	Treasury 3.75% 2020	3.01
Treasury 2.75% 2015	2.53	European Investment Bank 5.5% 2025	2.61
GE Capital UK Funding 4.125% 2017	1.76	Treasury 4.25% 2055	2.48
Treasury 3.75% 2020	1.75	Treasury 5% 2014	1.81
Treasury 4.25% 2055	1.64	GE Capital UK Funding 6.75% 2018	1.69
Lloyds Bank 4.875% 2027	1.58	Tesco Property Finance 2 6.0517% 2039	1.56

Risk Profile

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

Risk and Reward Indicator



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

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

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

Fund Performance

Performance Review

Percentage Price Change from 25 March 2013 to 25 September 2013	
Santander Investment Income Unit Trust Rtl Inc	-1.73%
20% FT All Stocks/80% iBoxx £ Non Gilt	-1.52%

Source: Lipper – bid to bid, net revenue reinvested, after fees.

Past performance is not a guarantee of future returns. The value of investments and the revenue from them can go down as well as up and investors may not get back the amount originally invested.

The Scheme delivered a negative return of -1.73% during this challenging environment, and was slightly outperformed by the Scheme's benchmark (20% FT All Stocks/80% iBoxx £ Non Gilt) which returned -1.52%.

Market Review

Throughout the period under review equities outperformed bonds in what was an increasingly challenging environment. Initial concerns over the US Federal Reserve tapering its monetary policies resulted in a sell-off in both bond and equity markets in June. The wave of uncertainty that was evident as a result caused bond prices to fall as demand dropped, yields were affected, and spreads widened. In addition, disappointing Chinese economic data resulted in a negative impact on global bond and equity markets.

Towards the end of the period, there were significant improvements in the majority of global equity markets. The US Federal Reserve did not announce any change to its monetary policy, and the US economy remained strong, driven by the Private sector and housing market. China also provided encouraging economic data on industrial production and exports, helping to push markets higher. Japanese markets also showed improvement, boosted by strong economic activity and a successful bid for the 2020 Olympic Games. Geo-political tensions regarding Syria also relaxed towards the end of the summer, reducing the initial impact on global markets.

Meanwhile, European markets delivered positive returns on the back of strong economic data indicating that the Eurozone was no longer in a recession and the re-election of Chancellor Merkel also aided in the improving stability. However, with unemployment still extremely high, European markets remain volatile. The UK economy also improved gradually in this period, due to strengthening Manufacturing and Housing sectors, and the improvement in unemployment rates.

Despite both government and corporate bonds delivering slightly positive returns at the end of this period, the initial setbacks caused a greater negative return in the second quarter compared to the positive returns in the third quarter. Corporate bonds marginally outperformed government bonds during this period.

Fund Performance (continued)

Investment Outlook

Looking ahead, there are a number of structural challenges that the global economy faces over the coming years that will lead to lower levels of growth than we have been used to in the past. Nevertheless, we continue to expect that the global economy will continue to 'muddle through', with growth being driven by the strength of the robust global business confidence cycle. The growth environment has recently improved, whilst inflationary pressures remain subdued, and in combination with accommodative monetary policy, this continues to be a broadly supportive environment for markets. Whilst we expect equity markets to continue to make gains over the medium term, the medium term challenges will mean that volatility levels remain elevated, and that the magnitude of gains will be lower than compared to the recent past.

With regards to bonds; we expect yields to rise (having a negative effect on prices) within fixed interest markets over the medium term; however the key issue is the degree to which yields will rise and the speed of the correction. The Corporate sector remains particularly healthy, with strong balance sheets and high cash flow generation. As a result, we expect that credit spreads will remain stable from this perspective, and therefore that corporate bonds will outperform government.

Summary of Accounts

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

Distribution Statement

On 25 October 2013 a net distribution of 0.2100p per unit will be paid to Retail income unit holders and a net distribution of 0.3000p per unit reinvested on behalf of Retail accumulation unit holders.

Ongoing Charges Figure (OCF)

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

Expense Type	Period to 25.09.13	Year to 25.03.13
Retail income		
Manager's periodic charge	1.00%	1.00%
Other expenses	0.04%	0.08%
Ongoing Charges Figure (OCF)	1.04%	1.08%
Retail accumulation		
Manager's periodic charge	1.00%	1.00%
Other expenses	0.04%	0.08%
Ongoing Charges Figure (OCF)	1.04%	1.08%
Institutional income**		
Manager's periodic charge	n/a	0.50%
Other expenses	n/a	0.08%
Ongoing Charges Figure (OCF)	n/a	0.58%

* The current period OCF is annualised based on the fees suffered during the accounting period.

** The Institutional Income share class closed on 20 March 2013.

Summary of Accounts (continued)

Net Asset Values

Accounting Date	Unit Description	Net Value Per Unit (pence)	Number of Units in Issue	Net Asset Value
25 March 2011	Retail income	89.98	77,878,944	70,074,017
	Retail accumulation	120.8	5,819,990	7,031,677
	Institutional income	164.0	12,283,588	20,151,168
25 March 2012	Retail income	94.66	71,291,662	67,483,632
	Retail accumulation	130.8	5,247,828	6,866,103
	Institutional income	172.6	10,480,674	18,093,949
25 March 2013	Retail income	100.8	65,069,272	65,588,594
	Retail accumulation	143.0	4,782,486	6,840,467
	Institutional income***	n/a	n/a	n/a
25 September 2013	Retail income	97.81	62,103,812	60,742,111
	Retail accumulation	140.7	4,645,129	6,533,462
	Institutional income	n/a	n/a	n/a

Unit Price and Distribution

Calendar Year	Unit Description	Highest Unit Price (pence)	Lowest Unit Price (pence)	Distribution per Unit (pence)
2008	Retail income	95.33	81.09	3.5051
	Retail accumulation	113.5	100.0	4.2467
	Institutional income*	160.4	149.6	n/a
2009	Retail income	89.54	76.99	3.4915
	Retail accumulation	114.9	96.49	3.9895
	Institutional income	192.9	157.9	6.1365
2010	Retail income	94.71	87.55	3.0090
	Retail accumulation	125.0	113.3	4.3517
	Institutional income	195.1	162.8	9.1376
2011	Retail income	95.00	88.87	2.6445
	Retail accumulation	129.7	118.7	3.3514
	Institutional income	175.0	162.6	5.4579
2012	Retail income	101.6	94.28	2.8771
	Retail accumulation	143.0	129.3	3.8975
	Institutional income	190.6	159.6	9.5997
2013**	Retail income	104.5	96.47	1.8096
	Retail accumulation	148.8	138.4	3.0475
	Institutional income***	188.1	101.1	3.3500

* From 9 December 2008.

** To 25 September 2013.

*** The Institutional Income share class closed on 20 March 2013.

Appointments

Manager, Registrar and Investment Adviser

Santander Asset Management UK Limited
287 St. Vincent Street
Glasgow G2 5NB, United Kingdom
Authorised and regulated by the Financial Conduct Authority

Directors

Jeffrey Conrad Scott
Juan Alcaraz Lopez
Javier Marin Romano (Resigned 30 May 2013)
Gail Elizabeth Glen (Appointed 6 June 2013)
Lorna Taylor (Appointed 14 June 2013)
Rami Aboukhair Hurtado
Robert David Askham
David William Stewart

Trustee

National Westminster Bank plc
Trustee and Depositary Services
Younger Building
1st Floor
3 Redheughs Avenue
Edinburgh EH12 9RH, United Kingdom
Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority

Independent Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
Lomond House
9 George Square
Glasgow G2 1QQ, United Kingdom

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