Scottish Widows. Overseas Growth Investment Funds ICVC.

Interim Short Report
for the period ended
31 May 2013

Scottish Widows Overseas Growth Investment Funds ICVC.

The Company

Scottish Widows Overseas Growth Investment Funds ICVC
15 Dalkeith Road
Edinburgh
EH16 5WL

Incorporated in Great Britain under registered number IC000164. Authorised and regulated by the Financial Conduct Authority.

Authorised Corporate Director (ACD), Authorised Fund Manager & Registrar

Scottish Widows Unit Trust Managers Limited

Registered Office:

Charlton Place
Andover
SP10 1RE

Head Office:

15 Dalkeith Road
Edinburgh
EH16 5WL

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

Investment Adviser

Scottish Widows Investment Partnership Limited

Registered Office:

33 Old Broad Street
London
EC2N 1HZ

Business Address:

Edinburgh One
60 Morrison Street
Edinburgh
EH3 8BE

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

Depositary

State Street Trustees Limited

Registered Office:

20 Churchill Place
London
E14 5HJ

Correspondence Address:

525 Ferry Road
Edinburgh
EH5 2AW

Authorised and regulated by the Financial Conduct Authority.

Independent Auditors

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

Scottish Widows Overseas Growth Investment Funds ICVC.

Introduction

Twice a year we are required to send you a Short Report of the Investment Company with Variable Capital (ICVC) in which you're invested. The report covers how the Funds in the ICVC have performed and how they are invested. It also includes a review from the Funds' managers. Short Reports are important as not only do they keep you up-to-date with Fund activity and Fund managers' opinion, but they also contain important information about any changes to how Funds operate. However, please note that Short Reports don't contain any details about the value of your personal investment. Information that is personal to you is sent to you annually in your OEIC or ISA statement. The statement gives you the value of your investment. You can also get an up-to-date value of your investment by registering at **www.scottishwidows.co.uk/statements.**

Contents

Copies of the annual and half-yearly Long Form Report and Financial Statements are available on request. If you would like a copy, please telephone Client Services on **0845 300 2244** or download the Financial Statements from the website **www.scottishwidows.co.uk** which is a website maintained by Scottish Widows plc on behalf of Scottish Widows Unit Trust Managers Limited.

Prospectus changes

During the period and up to the date of this report, the following changes were made to the Company and therefore the following changes were reflected in the Prospectus of Scottish Widows Overseas Growth Investment Funds ICVC:

- With effect from 6 April 2013 the dilution adjustment basis for the Funds was changed so that the ACD may now make a dilution adjustment under the following circumstances:
  - on a Fund where there is a net inflow or net outflow on any Dealing Day; or
  - in any other case where the ACD believes that the imposition of a dilution adjustment is required to safeguard the interests of continuing Shareholders.
- Following FSA approval, the American Select Growth Fund merged with the American Growth Fund (a sub-fund of Scottish Widows Overseas Growth Investment Funds ICVC) at 8:01am on 30 November 2012, via a scheme of arrangement. As a result the assets of the American Select Growth Fund transferred to the American Growth Fund. Subsequently, the American Select Growth Fund commenced the process of being terminated and was therefore no longer available for further investment. The termination completion date was on 31 January 2013, following which the ACD issued the termination statements on or before 31 May 2013;
- Following FSA approval, the Japan Select Growth Fund merged with the Japan Growth Fund (a sub-fund of Scottish Widows Overseas Growth Investment Funds ICVC) at 8:01am on 30 November 2012, via a scheme of arrangement. As a result the assets of the Japan Select Growth Fund transferred to the Japan Growth Fund. Subsequently, the Japan Select Growth Fund commenced the process of being terminated and was therefore no longer available for further investment. The termination completion date was on 31 January 2013, following which the ACD issued the termination statements on or before 31 May 2013;
- Following FSA approval, the Euroland Fund merged with the European Growth Fund (a sub-fund of Scottish Widows Overseas Growth Investment Funds ICVC) at 8:01am on 30 November 2012, via a scheme of arrangement. As a result the assets of the Euroland Fund transferred to the European Growth Fund. Subsequently, the Euroland Fund commenced the process of being terminated and was therefore no longer available for further investment. The termination completion date was on 31 January 2013, following which the ACD issued the termination statements on or before 31 May 2013; and
- With effect from 31 May 2013 the prospectus was updated to disclose the associated income arrangements which the parties may receive out of any gross lending income generated from a stock lending transaction, with the split being made between:-
  a) the particular Fund involved in such stock lending transaction (75%);
  b) State Street Bank & Trust Company* as the stock lending agent (20%); and
  c) the ACD for the administration and oversight of the stock lending arrangements (5%).
  *The Depositary appointed State Street Bank & Trust Company to perform stock lending arrangements as agent for the Funds.
  A copy of the Prospectus is available on request.

Important information

Amendments to the UK Regulations governing Open-Ended Investment Companies and the FCA's Collective Investment Schemes sourcebook which require limitation of liability between sub-funds of the Company came into effect on 21 December 2011. The new segregated liability regime is mandatory and it is our intention to apply to the FCA within the transitional period for approval to amend the Company's Prospectus and Instrument of Incorporation which will provide for this change. The transitional implementation period is open until 20 December 2013.

American Growth Fund. for the period ended 31 May 2013

Fund Profile

Fund objectives and investment policy

This Fund aims to give long-term capital growth by investing in a wide portfolio of mainly North American company shares. Investors should aim to hold their investment in this Fund for the medium to long-term (at least five to ten years). Any income received by the Fund is retained in the Fund and has the effect of increasing the share price.

The Fund is allowed to use derivatives (contracts which have a value linked to the price of another asset) for the following reasons:

- To help reduce risk;
- To help reduce cost; and
- To help generate extra capital or income for the Fund with an acceptably low level of risk.

We calculate the value of this Fund at 8am daily on working days in the UK. Our dealing times are from 9am to 5pm each working day. Instructions received before 5pm will receive the next day's price.

Synthetic risk and reward profile

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

This is a separate measure to Scottish Widows' Investment Approaches (where we use our own methodology to take an overall look at funds' risks and aims and categorise our funds as Secure, Cautious, Balanced, Progressive, Adventurous or Specialist). You can read more about them at www.scottishwidows.co.uk/investmentapproaches.

Typically lower rewards, lower risk ← → Typically higher rewards, higher risk

1	2	3	4	5	6	7

This Fund is ranked at 6 because it has experienced high levels of volatility over the past 5 years.

The synthetic risk and reward indicator shown above is accurate as at 31 May 2013 and there have been no changes to this ranking to date.

Investment Manager's Review

US equity markets were strongly up over the six months, with significant gains occurring in the early part of 2013. The net return for the Fund over the reporting period was 22.77%. This is line with the gross return of its benchmark, the S&P 500 index, which was 22.87%.

Late 2012 was characterised by worries over a looming combination of spending cuts and tax hikes. Once this "fiscal cliff" was averted (albeit temporarily), concern turned towards the threat of the sequestration (an automatic reduction in the federal budget). $85 billion of government spending cuts began to be rolled out at the beginning of March.

More recently, encouraging employment figures for April (the US economy added 165,000 jobs, beating estimates of 140,000) helped the S&P 500 to push past the 1,600 mark for the first time ever. House price data were also reassuring: according to a survey by Core Logic, prices increased by 10.5% in March compared to the previous year. The gain represents the thirteenth successive monthly increase.

Investors were left feeling uncertain about the latest monetary policy news, however. Ben Bernanke, the chairman of the Federal Reserve, appeared to hint that the central bank may soon consider the idea of "tapering" its $85 billion-a-month asset-buying programme, should we see a sustained economic improvement.

The Fund combines the best stock ideas of SWIP's high alpha equity team with a quantitative portfolio construction approach. We use a combination of linear constraints and optimisation techniques to ensure that the fund has a diversified risk budget, minimal unintended or unwanted risk and optimal trading efficiency.

Over the reporting period, two of the largest positive contributions to performance were the web-based travel ratings company TripAdvisor and Thermo Fisher Scientific, a maker of analytical instruments. In contrast, among the biggest detractors were CenturyLink, the internet services provider and Teradata, a producer of database software.

American Growth Fund (continued).

Investment Manager's Review (continued)

The USA remains on track for a robust economic upturn which has so far shown itself resilient in the face of fiscal cutbacks. However, the anticipated tapering of quantitative easing this autumn, its subsequent conclusion in the first half of 2014 and the inevitable rise in bond yields have made investors nervous. The Federal Reserve has therefore shifted from being a source of stability for financial markets to one of instability.

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

Ongoing charges figure

	31/05/13 %	30/11/12 %
A Accumulation	1.61	1.62
B Accumulation	1.24	1.25
X Accumulation	0.11	0.12

The ongoing charges figure (OCF) is the total expenses paid by each share class in the period, annualised, against its average net asset value. It excludes the cost of buying or selling assets for the Fund (unless these assets are shares of another fund). The OCF can fluctuate as underlying costs change.

Details of investments

Investments	31/05/13 %	30/11/12 %
Financials	19.17	17.88
Technology	15.06	16.67
Health Care	12.46	10.89
Industrials	11.47	11.72
Consumer Goods	11.40	11.87
Consumer Services	10.93	10.37
Oil & Gas	10.02	10.93
Basic Materials	3.26	3.46
Utilities	3.18	2.93
Telecommunications	2.53	2.87
Derivatives	0.12	(0.01)
Net other assets	0.40	0.42
Total net assets	100.00	100.00

Net asset value

	NAV per share 31/05/13 (p)	NAV per share 30/11/12 (p)	NAV percentage change %
A Accumulation	864.15	703.44	22.85
B Accumulation	914.14	742.71	23.08
X Accumulation	1,016.69	821.46	23.77

Performance record

	01/12/12 to 31/05/13 %	01/12/11 to 30/11/12 %	01/12/10 to 30/11/11 %	01/12/09 to 30/11/10 %	01/12/08 to 30/11/09 %	01/12/07 to 30/11/08 %
American Growth Fund A Accumulation	22.77	15.73	1.98	16.61	19.58	(16.91)
North America Sector Average Return	23.28	13.42	(0.38)	17.11	21.22	(20.96)
Standard and Poor's (S&P) 500 Index	22.87	13.97	6.77	15.85	17.24	(17.05)

Sources: Lipper for American Growth Fund and North America Sector Average Return (funds which invest at least 80% of their assets in North American equities). Basis: Mid to Mid, net revenue reinvested and net of expenses.

Source: Rimes for the Standard and Poor's (S&P) 500 Index (GBP). Basis: Revenue reinvested and gross of expenses.

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

Top five holdings

31/05/13	%	30/11/12	%
1. Exxon Mobil	2.74	Apple	4.27
2. Apple	2.61	Exxon Mobil	3.32
3. Google	2.01	SWIP Sterling Liquidity Fund	1.83
4. SWIP Sterling Liquidity Fund	1.83	General Electric	1.76
5. Microsoft	1.70	Chevron	1.73

Number of holdings: 168 | Number of holdings: 192

Please note: negative figures are shown in brackets.

European Growth Fund.

for the period ended 31 May 2013

Fund Profile

Fund objectives and investment policy

This Fund aims to give long-term capital growth by investing in a wide portfolio of primarily Continental European company shares Investors should aim to hold their investment in this Fund for the medium to long-term (at least five to ten years).
Any income received by the Fund is retained in the Fund and has the effect of increasing the share price.

The Fund is allowed to use derivatives (contracts which have a value linked to the price of another asset) for the following reasons:

- To help reduce risk;
- To help reduce cost; and
- To help generate extra capital or income for the Fund with an acceptably low level of risk.

We calculate the value of this Fund at 8am daily on working days in the UK. Our dealing times are from 9am to 5pm each working day. Instructions received before 5pm will receive the next day's price.

Synthetic risk and reward profile

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

This is a separate measure to Scottish Widows' Investment Approaches (where we use our own methodology to take an overall look at funds' risks and aims and categorise our funds as Secure, Cautious, Balanced, Progressive, Adventurous or Specialist). You can read more about them at www.scottishwidows.co.uk/investmentapproaches.

Typically lower rewards, lower risk ← → Typically higher rewards, higher risk

1	2	3	4	5	6	7

This Fund is ranked at 6 because it has experienced high levels of volatility over the past 5 years.

The synthetic risk and reward indicator shown above is accurate as at 31 May 2013 and there have been no changes to this ranking to date.

Investment Manager's Review

Despite numerous headwinds - both political and economic – European markets have delivered solid returns over the last six months. Primarily driving sentiment has been the extraordinary support provided by the world's central banks. This was typified by Mario Draghi, European Central Bank president, and his pledge last summer to do "whatever it takes" to save the euro. Mr Draghi's proclamation reassured investors that the single currency was incontrovertible. Peripheral government bond yields have fallen and risk-assets, particularly equities, have soared.

Challenges, however, remain. The political mishandling of the Cyprus' bailout in March showed how quickly trouble can flare-up. Further, the eurozone as a whole remains mired in recession, with Germany – Europe's economic engine – only returning to marginal growth in the first quarter. More importantly, smaller companies in southern Europe remain starved of credit, which is hampering growth and stoking unemployment. The recent ECB rate cut – to 0.5% – did little to address this. Nonetheless, markets have enjoyed a strong rally, with the MSCI Europe index adding a 11.0% for the review period.

The fund is run using an optimised alpha process that combines the best stock ideas of SWIP's high alpha equity team with a quantitative portfolio construction and management approach. The managers continued to ensure that the fund's holdings are well diversified, that it takes minimal unintended risk and that trading is efficiency is maximised.

Our top-ten active positions are: Publicis Groupe, Swatch, Arkema, Sampo, Ryanair, AXA, Zurich Insurance Group, DNB, Continental and Swedish Match. Of those, DNB and Ryanair were the largest positive contributors to performance. The latter updated the market with a strong set of first-half results, with the budget carrier's net profit up a forecast-beating 13%. Helping drive returns was income from Ryanair's optimal charges services, such as checked baggage. Shares in DNB, Norway's largest bank, also climbed after it delivered better-than-expected results and announced a more positive outlook for the remainder of 2013.

Among the largest negative contributors to performance were slight underweights relative to the benchmark in Daimler and Deutsche Bank, and a small overweight in Saipem.

European Growth Fund (continued).

Investment Manager's Review (continued)

Outlook

Looking ahead, after four years of exceptionally loose monetary policy, the Federal Reserve recently gave its clearest indication yet that the days of easy money would soon be over. Currently, the Fed purchases $85 billion of bonds and mortgage-backed securities a month in an attempt to suppress long-term interest rates and inject life into the US economy. Indications are that these efforts are starting to bear fruit. In response to the improving economic picture, Mr Bernanke has said he will soon "taper" the Fed's asset-buying programme, with a hike in interest rates set for as early as the second half of 2014.

Markets reacted badly to the news: equities and emerging market currencies tumbled, while government bond yields rose. It could be argued, however, that the recent sell-off is merely a healthy correction. With so much liquidity sloshing around the system, fears had mounted that asset bubbles had started to form. The Fed's announcement should help quell some of the market's over-exuberance. Nonetheless, volatility has also been rife – and is likely to persist over the short term.

Higher bond yields have implications for Europe, too. They may, for one thing, make it more difficult for Ireland and Portugal to exit their bailout programmes on schedule. Given the state of their finances, the likes of Spain and Italy can also ill-afford rising borrowing costs. With the eurozone economy still mired in recession and unemployment rising, this could spell trouble. Mario Draghi, the ECB president, may eventually have to make good on his promise to do "whatever it takes" to save the euro by purchasing sovereign bonds.

In general, though, the tightening of monetary policy does point to a stronger US economy. It also indicates that the financial system, after years of dysfunction, is returning to pre-crisis normality. This should be, in the long run, beneficial to the global economy as a whole. With Chinese growth slowing (but still relatively strong) and the eurozone, despite having stabilised of late, still hunting for the right answers to its mid-term challenges, most notably on a banking union, this should provide a modicum of succour to investors.

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

European Growth Fund (continued).

Ongoing charges figure

	31/05/13 %	30/11/12 %
A Accumulation	1.62	1.63
B Accumulation	1.25	1.26
X Accumulation	0.13	0.13

The ongoing charges figure (OCF) is the total expenses paid by each share class in the period, annualised, against its average net asset value. It excludes the cost of buying or selling assets for the Fund (unless these assets are shares of another fund). The OCF can fluctuate as underlying costs change.

Details of investments

Investments	31/05/13 %	30/11/12 %
France	21.61	21.23
Germany	19.95	20.28
Switzerland	19.63	20.50
Sweden	7.03	6.69
Spain	6.66	6.63
Netherlands	5.83	5.81
Italy	4.03	4.61
Ireland	3.44	2.70
Belgium	2.96	2.21
Denmark	2.17	2.54
Finland	2.04	2.18
Norway	1.94	1.86
Austria	1.03	0.58
Luxembourg	0.49	1.17
Portugal	0.29	0.66
Bermuda	0.17	-
Derivatives	0.08	0.05
Net other assets	0.65	0.30
Total net assets	100.00	100.00

Net asset value

	NAV per share 31/05/13 (p)	NAV per share 30/11/12 (p)	NAV percentage change %
A Accumulation	419.66	355.09	18.18
B Accumulation	434.96	367.36	18.40
X Accumulation	484.42	406.77	19.09

Performance record

	01/12/12 to 31/05/13 %	01/12/11 to 30/11/12 %	01/12/10 to 30/11/11 %	01/12/09 to 30/11/10 %	01/12/08 to 30/11/09 %	01/12/07 to 30/11/08 %
European Growth Fund A Accumulation	18.30	17.12	(11.37)	(2.45)	29.03	(32.66)
Europe (ex-UK) Sector Average Return	18.87	18.82	(9.64)	2.64	34.01	(33.35)
FTSE Europe (ex-UK) Index	N/A	N/A	N/A	(0.08)	36.47	(33.59)
MSCI Europe (ex-UK) Index*	18.91	13.68	(5.45)	N/A	N/A	N/A

Sources: Lipper for European Growth Fund and Europe (ex-UK) Sector Average Return (funds which invest at least 80% of their assets in European equities and exclude UK securities). Basis: Mid to Mid, net revenue reinvested and net of expenses.

Source: Rimes for the MSCI Europe (ex-UK) Index (GBP). Basis: Revenue reinvested and gross of expenses.

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

Top five holdings

	31/05/13 %		30/11/12 %
1. Nestle	4.45	Nestle	4.98
2. Novartis	3.20	Novartis	3.43
3. Roche	3.15	Roche	2.98
4. Sanofi	2.82	Sanofi	2.54
5. SWIP Sterling Liquidity Fund	2.80	Total	2.31

Number of holdings: 217

Number of holdings: 196

Please note: negative figures are shown in brackets.

European Select Growth Fund. for the period ended 31 May 2013

Fund Profile

Fund objectives and investment policy

This Fund aims to give long-term capital growth by investing in a limited portfolio of primarily Continental European company shares.
The Fund will typically be invested in 30 to 50 holdings.
Investors should aim to hold their investment in this Fund for the medium to long-term (at least five to ten years).
Any income received by the Fund is retained in the Fund and has the effect of increasing the share price.

The Fund is allowed to use derivatives (contracts which have a value linked to the price of another asset) for the following reasons:

- To help reduce risk;
- To help reduce cost; and
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We calculate the value of this Fund at 8am daily on working days in the UK. Our dealing times are from 9am to 5pm each working day. Instructions received before 5pm will receive the next day's price.

Synthetic risk and reward profile

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

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Typically lower rewards, lower risk ← → Typically higher rewards, higher risk

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This Fund is ranked at 6 because it has experienced high levels of volatility over the past 5 years.

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Investment Manager's Review

Despite numerous headwinds – both political and economic – European markets have delivered solid returns over the last six months. Primarily driving sentiment has been the extraordinary support provided by the world's central banks. This was typified by Mario Draghi, European Central Bank president, and his pledge last summer to do "whatever it takes" to save the euro. Mr Draghi's declaration reassured investors that the single currency was incontrovertible. Peripheral government bond yields have fallen and risk-assets, particularly equities, have soared.

Challenges, however, remain. The political mishandling of the Cyprus' bailout in March showed how quickly trouble can flare-up. Further, the eurozone as a whole remains mired in recession, with Germany – Europe's economic engine – only returning to marginal growth in the first quarter. More importantly, smaller companies in southern Europe remain starved of credit, which is hampering growth and stoking unemployment. The recent ECB rate cut – to 0.5% – did little to address this. Nonetheless, markets have enjoyed a strong rally, with the FTSE Europe ex-UK index adding a 10.6% for the review period.

Turning to the portfolio, DNB and Ryanair were the largest positive contributors to performance. The latter updated the market with a strong set of first-half results, with the budget carrier's net profit up a forecast-beating 13%. Helping drive returns was income from Ryanair's optimal charges services, such as checked baggage. Shares in DNB, Norway's largest bank, also climbed after it delivered better-than-expected results and announced a more positive outlook for the remainder of 2013. Holdings in Sampo and Publicis also impressed.

By contrast, shares in SAP fell back over the review period. Business software sales and operating profits fell short over the opening quarter, thanks to a "perfect storm" in the Asia-Pacific region. Nonetheless, its cloud, data and mobile operations continued to enjoy excellent growth.

European Select Growth Fund (continued).

Investment Manager's Review (continued)

Elsewhere, Arkema, the chemicals specialist, suffered due to a combination of a slow start to the year in European industrial chemicals and litigation over the recent sale of its loss-making PVC division. We continue to see this stock as good value, however, and do not think the legal action will have a material bearing on the business. Our position in Saipem also detracted from performance after a review of its onshore construction business led to a substantial profit warning and management change. We sold our position after this announcement. This proved to be a prudent move: since then, the shares have continued to fall, culminating recently in another profit warning.

Outlook

Looking ahead, after four years of exceptionally loose monetary policy, the Federal Reserve recently gave its clearest indication yet that the days of easy money would soon be over. Currently, the Fed purchases $85 billion of bonds and mortgage-backed securities a month in an attempt to suppress long-term interest rates and inject life into the US economy. Indications are that these efforts are starting to bear fruit. In response to the improving economic picture, Mr Bernanke has said he will soon "taper" the Fed's asset-buying programme, with a hike in interest rates set for as early as the second half of 2014. Markets reacted badly to the news: equities and emerging market currencies tumbled, while government bond yields rose. It could be argued, however, that the recent sell-off is merely a healthy correction. With so much liquidity sloshing around the system, fears had mounted that asset bubbles had started to form. The Fed's announcement should help quell some of the market's over-exuberance. Nonetheless, volatility has also been rife – and is likely to persist over the short term.

Higher bond yields have implications for Europe, too. They may, for one thing, make it more difficult for Ireland and Portugal to exit their bailout programmes on schedule. Given the state of their finances, the likes of Spain and Italy can also ill-afford rising borrowing costs. With the eurozone economy still mired in recession and unemployment rising, this could spell trouble. Mario Draghi, the ECB president, may eventually have to make good on his promise to do "whatever it takes" to save the euro by purchasing sovereign bonds.

In general, though, the tightening of monetary policy does point to a stronger US economy. It also indicates that the financial system, after years of dysfunction, is returning to pre-crisis normality. This should be, in the long run, beneficial to the global economy as a whole. With Chinese growth slowing (but still relatively strong) and the eurozone, despite having stabilised of late, still hunting for the right answers to its mid-term challenges, most notably on a banking union, this should provide a modicum of succour to investors.

What does all this mean for the portfolio? Rising bond yields are traditionally good for the European insurance sector, particularly those firms with a significant US exposure. We have an active weight here, carrying names such as AXA, Scor and Zurich Financial. In general, with the economic recovery probably slower than in previous cycles and better than expected growth likely to remain scarce, we still favour companies with strong pricing power and good cash flow generation. This will allow many to invest in profitable expansion, helping to drive growth for the likes of Ryanair over the coming quarters. Conversely, we continue to avoid bond-proxies that, thanks to onerous regulations, do not control their own destinies. Sectors to avoid include utilities and fixed-line telecoms.

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

European Select Growth Fund (continued).

Ongoing charges figure

	31/05/13 %	30/11/12 %
A Accumulation	1.63	1.63
X Accumulation	0.13	0.13

The ongoing charges figure (OCF) is the total expenses paid by each share class in the period, annualised, against its average net asset value. It excludes the cost of buying or selling assets for the Fund (unless these assets are shares of another fund). The OCF can fluctuate as underlying costs change.

Details of investments

Investments	31/05/13 %	30/11/12 %
France	30.27	35.53
Switzerland	21.70	18.22
Germany	17.86	16.80
Netherlands	5.29	7.40
Sweden	4.07	3.12
Norway	4.00	2.11
Finland	2.83	2.37
Belgium	2.70	3.18
Ireland	2.54	3.78
Spain	2.40	-
Austria	1.55	-
Italy	1.52	3.62
Portugal	-	1.36
Luxembourg	-	1.22
Net other assets	3.27	1.29
Total net assets	100.00	100.00

Net asset value

	NAV per share 31/05/13 (p)	NAV per share 30/11/12 (p)	NAV percentage change %
A Accumulation	1,792.58	1,505.97	19.03
X Accumulation	2,094.28	1,746.38	19.92

Performance record

	01/12/12 to 31/05/13 %	01/12/11 to 30/11/12 %	01/12/10 to 30/11/11 %	01/12/09 to 30/11/10 %	01/12/08 to 30/11/09 %	01/12/07 to 30/11/08 %
European Select Growth Fund A Accumulation	19.00	22.66	(11.54)	(1.63)	29.36	(34.22)
Europe (ex-UK) Sector Average Return	18.87	18.82	(9.64)	2.64	34.01	(33.35)
FTSE Europe (ex-UK) Index	18.66	13.80	(5.92)	(0.08)	36.47	(33.59)

Sources: Lipper for European Select Growth Fund and Europe (ex-UK) Sector Average Return (funds which invest at least 80% of their assets in European equities and exclude UK securities). Basis: Mid to Mid, net revenue reinvested and net of expenses.

Source: Rimes for the FTSE Europe (ex-UK) Index (GBP). Basis: Revenue reinvested and gross of expenses.

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

Top five holdings

	31/05/13 %		30/11/12 %
1. Novartis	4.61	Sanofi	4.92
2. Nestle	4.46	Novartis	4.67
3. Sanofi	4.44	Nestle	4.63
4. Publicis	3.45	Ryanair	3.78
5. Bayer	3.31	Zurich Insurance	3.72

Number of holdings: 38

Number of holdings: 38

Please note: negative figures are shown in brackets.

Fund Profile

Fund objectives and investment policy

This Fund aims to give long-term capital growth by investing in a wide portfolio of primarily company shares in any geographical area, including the UK.
Investors should aim to hold their investment in this Fund for the medium to long-term (at least five to ten years).
Any income received by the Fund is retained in the Fund and has the effect of increasing the share price.

The Fund is allowed to use derivatives (contracts which have a value linked to the price of another asset) for the following reasons:

- To help reduce risk;
- To help reduce cost; and
- To help generate extra capital or income for the Fund with an acceptably low level of risk.

We calculate the value of this Fund at 8am daily on working days in the UK. Our dealing times are from 9am to 5pm each working day. Instructions received before 5pm will receive the next day's price.

Synthetic risk and reward profile

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

This is a separate measure to Scottish Widows' Investment Approaches (where we use our own methodology to take an overall look at funds' risks and aims and categorise our funds as Secure, Cautious, Balanced, Progressive, Adventurous or Specialist). You can read more about them at www.scottishwidows.co.uk/investmentapproaches.

Typically lower rewards, lower risk ← → Typically higher rewards, higher risk

1	2	3	4	5	6	7

This Fund is ranked at 6 because it has experienced high levels of volatility over the past 5 years.

The synthetic risk and reward indicator shown above is accurate as at 31 May 2013 and there have been no changes to this ranking to date.

Investment Manager's Review

The world's equity markets have enjoyed strong returns over the last six months. The run higher has been propelled by the quantitative easing policies pursued by a variety of central banks. The net return of the Scottish Widows Global Growth Fund was 20.52%. This is in line with the return of its benchmark, the MSCI World index, which gained 20.13% over the reporting period.

Notwithstanding the strong performance of equity markets, the global economy faced a number of challenges. In the US, late 2012 was characterised by worries over a looming combination of spending cuts and tax hikes. Once this fiscal cliff was averted (albeit temporarily), concern turned towards the threat of the sequestration. $85 billion of government spending cuts began to be rolled out at the beginning of March.

In the eurozone, negotiations over Greece's bailout were the main talking point in late 2012. A deal was eventually done, however, and attention turned towards political uncertainty in Italy. In Cyprus, a deposit levy designed to fund the country's own contribution to its international bailout was rejected by parliament, leading to last-minute negotiations over a new deal to avoid a threatened withdrawal of emergency funds by the European Central Bank (ECB).

Nevertheless, positive economic developments in the world's largest economies, particularly the United States, helped investors to stay relatively sanguine in early 2013. At this point, the world's major central banks were continuing to signal their commitment to exceptional monetary stimulus over an extended period. This was particularly evident in Japan, which is now pursuing a more aggressive brand of monetary policy.

Investors were left feeling uncertain about the latest monetary policy news, however. Ben Bernanke, the chairman of the Federal Reserve, appeared to hint that the central bank may soon consider the idea of "tapering" its $85 billion-a-month asset-buying programme, should we see a sustained economic improvement.

The Fund combines the best stock ideas of SWIP's high alpha equity team with a quantitative portfolio construction approach. We use a combination of linear constraints and optimisation techniques to ensure that the fund has a diversified risk budget, minimal unintended or unwanted risk and optimal trading efficiency.

Global Growth Fund (continued).

Investment Manager's Review (continued)

At asset level, Ryanair had a positive influence on the Fund's returns over the six months. The budget airline delivered good first-quarter results, while it also has excellent pricing power and good cash flow. This should help it to fund expansion plans in the coming months.

Marathon Petroleum, the Ohio-based refiner, was another strong performer. The stock benefited from a strong fourth-quarter earnings report with earnings per share that were well ahead of consensus. The company attributed the better-than-expected results to favourable market conditions and increased earnings in all its segments.

In contrast, detractors from performance included SolarWinds, a provider of network management solutions and RSA Insurance Group.

Recently, equity markets have surrendered some of their recent gains. Investors had been confident in the ability of central bankers to co-ordinate a sustainable recovery in the major international economies, and to successfully address obstacles such as the tapering of quantitative easing (QE)in the USA and intermittent political crises in Europe. But central banks have also become a source of market volatility.

The USA remains on track for a robust economic upturn which has so far shown itself resilient in the face of fiscal cutbacks. However, the anticipated tapering of QE this autumn, its subsequent conclusion in the first half of 2014 and the inevitable rise in bond yields has made investors nervous. The Federal Reserve has therefore shifted from being a source of stability for financial markets to one of instability.

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

Ongoing charges figure

	31/05/13 %	30/11/12 %
A Accumulation	1.62	1.62
B Accumulation	1.37	1.37
G Accumulation	1.61	1.61
X Accumulation	0.12	0.12

The ongoing charges figure (OCF) is the total expenses paid by each share class in the period, annualised, against its average net asset value. It excludes the cost of buying or selling assets for the Fund (unless these assets are shares of another fund). The OCF can fluctuate as underlying costs change.

Details of investments

Investments	31/05/13 %	30/11/12 %
United States	51.41	52.49
United Kingdom	14.02	9.79
Ireland	7.86	12.69
Japan	5.66	2.55
Germany	4.60	3.13
Switzerland	3.85	5.13
France	2.91	3.24
Singapore	1.79	1.87
Australia	1.34	1.37
India	1.09	1.06
Cayman Islands	1.09	0.98
Netherlands	0.91	0.97
Hong Kong	0.89	1.04
Canada	0.61	1.38
Norway	0.57	-
Belgium	0.51	0.51
Austria	0.38	-
Spain	0.21	-
South Korea	-	1.05
Net other assets	0.30	0.75
Total net assets	100.00	100.00

Please note: negative figures are shown in brackets.

Performance record

	01/12/12 to 31/05/13 %	01/12/11 to 30/11/12 %	01/12/10 to 30/11/11 %	01/12/09 to 30/11/10 %	01/12/08 to 30/11/09 %	01/12/07 to 30/11/08 %
Global Growth Fund A Accumulation	20.52	13.22	(3.51)	7.66	20.30	(23.14)
Global Sector Average Return	19.01	11.66	(5.54)	13.28	28.10	(28.68)
MSCI World Index	20.13	12.18	1.01	12.25	24.01	(23.55)

Sources: Lipper for Global Growth Fund and Global Sector Average Return (funds which invest at least 80% of their assets globally in equities. Funds must be diversified by geographic region). Basis: Mid to Mid, net revenue reinvested and net of expenses.

Source: Rimes for the MSCI World Index (GBP). Basis: Revenue reinvested and gross of expenses.

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

Top five holdings

31/05/13	%	30/11/12	%
1. iShares MSCI World	6.09	iShares MSCI World	9.15
2. Scottish Widows Emerging Markets Fund X Acc	3.07	Wells Fargo	2.60
3. Sanofi	2.22	Syngenta	2.60
4. BG	2.09	BG	2.44
5. LKQ	2.01	WW Grainger	2.42

Number of holdings: 100

Number of holdings: 85

Net asset value

	NAV per share 31/05/13 (p)	NAV per share 30/11/12 (p)	NAV percentage change %
A Accumulation	102.58	85.03	20.64
B Accumulation	105.35	87.21	20.80
G Accumulation	122.56	101.61	20.62
X Accumulation	119.87	98.62	21.55

Fund Profile

Fund objectives and investment policy

This Fund aims to give long-term capital growth by investing in a limited portfolio of primarily company shares in any geographical area, including the UK. Typically the Fund will be invested in 50 to 90 holdings.
Investors should aim to hold their investment in this Fund for the medium to long-term (at least five to ten years).
Any income received by the Fund is retained in the Fund and has the effect of increasing the share price.

The Fund is allowed to use derivatives (contracts which have a value linked to the price of another asset) for the following reasons:

- To help reduce risk;
- To help reduce cost; and
- To help generate extra capital or income for the Fund with an acceptably low level of risk.

We calculate the value of this Fund at 8am daily on working days in the UK. Our dealing times are from 9am to 5pm each working day. Instructions received before 5pm will receive the next day's price.

Synthetic risk and reward profile

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

This is a separate measure to Scottish Widows' Investment Approaches (where we use our own methodology to take an overall look at funds' risks and aims and categorise our funds as Secure, Cautious, Balanced, Progressive, Adventurous or Specialist). You can read more about them at www.scottishwidows.co.uk/investmentapproaches.

Typically lower rewards, lower risk ← → Typically higher rewards, higher risk

1	2	3	4	5	6	7

This Fund is ranked at 6 because it has experienced high levels of volatility over the past 5 years.

The synthetic risk and reward indicator shown above is accurate as at 31 May 2013 and there have been no changes to this ranking to date.

Investment Manager's Review

The world's equity markets have enjoyed strong returns over the last six months. The run higher has been propelled by the quantitative easing policies pursued by a variety of central banks. The net return of the Scottish Widows Global Select Growth Fund was 25.60%. This represents a significant outperformance versus its benchmark, the MSCI All-Country World index, which had a gross return of 18.03% over the six months.

Notwithstanding the strong performance of equity markets, the global economy faced a number of challenges. In the US, late 2012 was characterised by worries over a looming combination of spending cuts and tax hikes. Once this fiscal cliff was averted (albeit temporarily), concern turned towards the threat of the sequestration. $85 billion of government spending cuts began to be rolled out at the beginning of March.

In the eurozone, negotiations over Greece's bailout were the main talking point in late 2012. A deal was eventually done, however, and attention turned towards political uncertainty in Italy. In Cyprus, a deposit levy designed to fund the country's own contribution to its international bailout was rejected by parliament, leading to last-minute negotiations over a new deal to avoid a threatened withdrawal of emergency funds by the European Central Bank (ECB).

Nevertheless, positive economic developments in the world's largest economies, particularly the United States, helped investors to stay relatively sanguine in early 2013. At this point, the world's major central banks were continuing to signal their commitment to exceptional monetary stimulus over an extended period. This was particularly evident in Japan, which is now pursuing a more aggressive brand of monetary policy.

Investors were left feeling uncertain about the latest monetary policy news, however. Ben Bernanke, the chairman of the Federal Reserve, appeared to hint that the central bank may soon consider the idea of "tapering" its $85 billion-a-month asset-buying programme, should we see a sustained economic improvement.

At asset level, our holding in TripAdvisor performed well. The company recently produced a solid earnings report, while the stock benefitted from the decision by a large existing shareholder to increase their stake in the company at a substantial premium to the current share price.

Global Select Growth Fund (continued).

Investment Manager's Review (continued)

Marathon Petroleum, the Ohio-based refiner, was another strong performer. The stock benefited from a strong fourth-quarter earnings report with earnings per share that were well ahead of consensus. The company attributed the better-than-expected results to favourable market conditions and increased earnings in all its segments.

Given equity markets' strong start in 2013, a mid-year pause for breath is not unexpected. We remain positive on the US and have a more constructive view than previously on Europe. In contrast, our caution towards emerging markets has increased. Having increased our exposure to Japanese stocks at the start of the year, we have taken advantage of the market pull-back to add to more of the country's domestically-orientated economically sensitive stocks. Finally, we have increased our exposure to the industrial, financial and information technology sectors.

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

Ongoing charges figure

	31/05/13 %	30/11/12 %
A Accumulation	1.62	1.62
B Accumulation	1.39	1.37
X Accumulation	0.14	0.12

The ongoing charges figure (OCF) is the total expenses paid by each share class in the period, annualised, against its average net asset value. It excludes the cost of buying or selling assets for the Fund (unless these assets are shares of another fund). The OCF can fluctuate as underlying costs change.

Details of investments

Investments	31/05/13 %	30/11/12 %
United States	55.01	56.57
Japan	9.78	3.01
Germany	8.18	5.14
United Kingdom	8.15	8.51
Ireland	4.74	4.18
France	2.05	5.29
Singapore	1.87	1.90
India	1.77	1.71
Switzerland	1.73	2.63
Australia	1.71	2.01
Spain	1.57	-
Austria	0.96	-
Norway	0.86	-
Hong Kong	0.69	2.56
South Korea	-	2.60
Canada	-	1.42
Brazil	-	0.67
Net other assets	0.93	1.80
Total net assets	100.00	100.00

Net asset value

	NAV per share 31/05/13 (p)	NAV per share 30/11/12 (p)	NAV percentage change %
A Accumulation	597.24	475.69	25.55
B Accumulation	610.29	487.75	25.12
X Accumulation	692.52	550.04	25.90

Performance record

	01/12/12 to 31/05/13 %	01/12/11 to 30/11/12 %	01/12/10 to 30/11/11 %	01/12/09 to 30/11/10 %	01/12/08 to 30/11/09 %	01/12/07 to 30/11/08 %
Global Select Growth Fund A Accumulation	25.60	15.01	(6.04)	8.05	20.71	(23.65)
Global Sector Average Return	19.01	11.66	(5.54)	13.28	28.10	(28.68)
MSCI World Index	18.03	12.18	1.01	12.25	24.01	(23.55)

Sources: Lipper for Global Growth Fund and Global Sector Average Return (funds which invest at least 80% of their assets globally in equities. Funds must be diversified by geographic region). Basis: Mid to Mid, net revenue reinvested and net of expenses.

Source: Rimes for the MSCI World Index (GBP). Basis: Revenue reinvested and gross of expenses.

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

Top five holdings

	31/05/13 %		30/11/12 %
1. American Express	3.86	American Express	3.09
2. Citigroup	3.29	Allianz	2.91
3. Bayer	3.12	Harley-Davidson	2.77
4. McKesson	3.00	McKesson	2.73
5. Allianz	2.99	Airgas	2.72

Number of holdings: 50 Number of holdings: 52

Please note: negative figures are shown in brackets.

Fund Profile

Fund objectives and investment policy

This Fund aims to give long-term capital growth by investing in a wide portfolio of primarily Japanese company shares.
Investors should aim to hold their investment in this Fund for the medium to long-term (at least five to ten years).
Any income received by the Fund is retained in the Fund and has the effect of increasing the share price.

The Fund is allowed to use derivatives (contracts which have a value linked to the price of another asset) for the following reasons:

- To help reduce risk;
- To help reduce cost; and
- To help generate extra capital or income for the Fund with an acceptably low level of risk.

We calculate the value of this Fund at 8am daily on working days in the UK. Our dealing times are from 9am to 5pm each working day. Instructions received before 5pm will receive the next day's price.

Synthetic risk and reward profile

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

This is a separate measure to Scottish Widows' Investment Approaches (where we use our own methodology to take an overall look at funds' risks and aims and categorise our funds as Secure, Cautious, Balanced, Progressive, Adventurous or Specialist). You can read more about them at www.scottishwidows.co.uk/investmentapproaches.

Typically lower rewards, lower risk ← → Typically higher rewards, higher risk

1	2	3	4	5	6	7

This Fund is ranked at 6 because it has experienced high levels of volatility over the past 5 years.

The synthetic risk and reward indicator shown above is accurate as at 31 May 2013 and there have been no changes to this ranking to date.

Investment Manager's Review

Japanese equity markets made extraordinary gains over the reporting period. The net return of the Scottish Widows Japan Growth Fund over the six months was 26.16%. This compares to a gross return of 27.6% from its benchmark, the MSCI Japan index.

Initially, the returns were driven by the victory of Shinzo Abe and the Liberal Democratic Party (LDP) in the Japanese general election on 16 December. Mr Abe later encouraged investors with his move to nominate Haruhiko Kuroda, current head of the Asian Development Bank and another advocate of aggressive monetary easing as the new governor of the Bank of Japan (BoJ). The central bank set a new inflation target of 2% and promised to begin a new programme of quantitative easing, similar to that operated by the Federal Reserve. The new stimulus will not come into effect until next year, however, when the current asset purchase scheme ends. Later, the BoJ decided decision to double the amount of these purchases to ¥7 trillion a month. It also plans to increase its purchases of other assets such as real estate investment trusts and exchange-traded funds.

The last month was less encouraging for Tokyo stocks, however. On 23 May, Japanese indices experienced their sharpest one-day declines since the tsunami in March 2011. Fears had arisen that the US may cut stimulus measures, while a spike in the yield of Japanese government bonds led to speculation that borrowing costs may soon increase.

Nevertheless, some recent economic reports have been heartening. The latest data on growth revealed an annual expansion of 3.5% and quarter-on-quarter growth of 0.9% over the first three months of the year, significantly outstripping analysts' estimates.

The managers employ a quantitative investment process. Factor-based strategies are developed and combined, with the aim of outperforming throughout the market cycle. Sophisticated portfolio construction techniques ensure that we spend our risk budget on the factors we believe will outperform, while simultaneously minimising unintended or unwanted risk and maximising trading efficiency.

For over two decades investors in Japan had become accustomed to sluggish gross domestic product growth, mild deflationary pressures, very low bond yields and a weak equity market. They are now faced with a radical and far reaching government strategy which aims to transform deflation into inflation over a compressed time horizon using policy tools on a hitherto unseen scale. This revolution has caused enormous volatility in currency, bond and equity markets.

Japan Growth Fund (continued).

Investment Manager's Review (continued)

The corporate sector has an important role to play – one of the biggest tests of this new approach to monetary policy will be its effects on earnings. So far, the signs are encouraging, judging by the direction of earnings sentiment indicators.

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

Ongoing charges figure

	31/05/13 %	30/11/12 %
A Accumulation	1.63	1.65
B Accumulation	1.26	1.27
X Accumulation	0.13	0.15

The ongoing charges figure (OCF) is the total expenses paid by each share class in the period, annualised, against its average net asset value. It excludes the cost of buying or selling assets for the Fund (unless these assets are shares of another fund). The OCF can fluctuate as underlying costs change.

Details of investments

Investments	31/05/13 %	30/11/12 %
Consumer Goods	22.00	19.73
Financials	21.04	20.62
Industrials	18.29	20.86
Consumer Services	8.92	9.60
Technology	8.59	7.50
Basic Materials	6.72	7.16
Health Care	5.68	6.29
Telecommunications	3.97	2.62
Utilities	3.21	2.89
Oil & Gas	0.69	0.97
Derivatives	(0.02)	(0.02)
Net other assets	0.91	1.78
Total net assets	100.00	100.00

Net asset value

	NAV per share 31/05/13 (p)	NAV per share 30/11/12 (p)	NAV percentage change %
A Accumulation	85.13	67.38	26.34
B Accumulation	89.67	70.85	26.56
X Accumulation	101.07	79.40	27.29

Performance record

	01/12/12 to 31/05/13 %	01/12/11 to 30/11/12 %	01/12/10 to 30/11/11 %	01/12/09 to 30/11/10 %	01/12/08 to 30/11/09 %	01/12/07 to 30/11/08 %
Japan Growth Fund A Accumulation	26.16	(0.57)	(9.87)	10.74	7.34	(18.29)
Japan Sector Average Return	28.23	0.35	(5.66)	14.15	5.57	(16.39)
MSCI Japan Index	27.60	1.83	(9.32)	14.06	6.74	(15.63)

Sources: Lipper for Japan Growth Fund and Japan Sector Average Return (funds which invest at least 80% of their assets in Japanese equities). Basis: Mid to Mid, net revenue reinvested and net of expenses.

Source: Rimes for the MSCI Japan Index (GBP). Basis: Revenue reinvested and gross of expenses.

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

Top five holdings

31/05/13	%	30/11/12	%
1. Toyota Motor	6.24	Toyota Motor	5.60
2. Mitsubishi UFJ Financial	2.97	SWIP Sterling Liquidity Fund	3.83
3. Softbank	2.48	Mitsubishi UFJ Financial	2.92
4. Honda Motor	2.23	Sumitomo Mitsui Financial	2.26
5. Sumitomo Mitsui Financial	2.14	Honda Motor	2.25

Number of holdings: 331

Number of holdings: 189

Please note: negative figures are shown in brackets.

Pacific Growth Fund.

for the period ended 31 May 2013

Fund Profile

Fund objectives and investment policy

This Fund aims to give long-term capital growth by investing in a wide portfolio of primarily Asian and Australasian company shares (excluding Japan).
Investors should aim to hold their investment in this Fund for the medium to long-term (at least five to ten years).
Any income received by the Fund is retained in the Fund and has the effect of increasing the share price.

The Fund is allowed to use derivatives (contracts which have a value linked to the price of another asset) for the following reasons:

- To help reduce risk;
- To help reduce cost; and
- To help generate extra capital or income for the Fund with an acceptably low level of risk.

We calculate the value of this Fund at 8am daily on working days in the UK. Our dealing times are from 9am to 5pm each working day. Instructions received before 5pm will receive the next day's price.

Synthetic risk and reward profile

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

This is a separate measure to Scottish Widows' Investment Approaches (where we use our own methodology to take an overall look at funds' risks and aims and categorise our funds as Secure, Cautious, Balanced, Progressive, Adventurous or Specialist). You can read more about them at www.scottishwidows.co.uk/investmentapproaches.

← Typically lower rewards, lower risk   Typically higher rewards, higher risk →

1	2	3	4	5	6	7

This Fund is ranked at 6 because it has experienced high levels of volatility over the past 5 years.

The synthetic risk and reward indicator shown above is accurate as at 31 May 2013 and there have been no changes to this ranking to date.

Investment Manager's Review

Equities in the Asia Pacific region were up over the reporting period, although they lagged behind other developed markets. The net return of the Scottish Widows Pacific Growth Fund over the six months was 7.49%. This compares to the 9.16% gross return of its benchmark, the MSCI All-Country Asia Pacific (ex Japan) index.

March brought positive employment news from Australia: the economy added 71,500 jobs in February, a huge increase on the expected figure of 10,000. More recently, the country's central bank surprised markets with its decision to cut its benchmark interest rate to a record low of 2.75%. The Reserve Bank of Australia wants to defy slowing growth in the country's mining sector.

Elsewhere in Asia, market sentiment was hurt by weak manufacturing data from China. May began with the news that the official purchasing managers' index (PMI) had fallen to 50.6 in April, from 50.9 the month before. The end of the month offered little comfort: HSBC's flash manufacturing PMI for May read 49.6 – below the 50% level that indicates expansion. In addition, the International Monetary Fund announced that it had cut this year's growth forecast for China to 7.75% from its previous estimate of 8%.

In South Korea, the government announced a new stimulus package in April. The scheme, which is worth around £10 billion, is aimed at spurring the property market and reviving the economy. It is aimed at small and medium-sized exporters and aims to help to create up to 40,000 jobs.

The managers employ a quantitative investment process. Factor-based strategies are developed and combined, with the aim of outperforming throughout the market cycle. Sophisticated portfolio construction techniques ensure that we spend our risk budget on the factors we believe will outperform, while simultaneously minimising unintended or unwanted risk and maximising trading efficiency.

Australia is now in transition: the peak in resource-sector investment is likely to occur this year, giving scope for other areas of demand to grow faster over the next couple of years without triggering inflation. Unemployment has picked up, credit growth has slowed and house prices have fallen. Upon announcing its latest rate cut, the RBA said that it was aiming to underpin a

Pacific Growth Fund (continued).

Investment Manager's Review (continued)

strengthening in consumer spending and "modest firming" of property investment. No doubt it is also hoping that its actions will weaken the currency, providing some relief for sectors such as manufacturing and tourism.

Meanwhile, weak Chinese data suggest that achieving solid, sustainable GDP growth may require further policy intervention. However, authorities' concerns over asset bubbles leave the nature and timing of such moves unclear. In both cases, comments from officials – alongside data either reinforcing or confounding market expectations - could cause further jitters.

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

Ongoing charges figure

	31/05/13 %	30/11/12 %
A Accumulation	1.71	1.67
B Accumulation	1.47	1.42
X Accumulation	0.23	0.18

The ongoing charges figure (OCF) is the total expenses paid by each share class in the period, annualised, against its average net asset value. It excludes the cost of buying or selling assets for the Fund (unless these assets are shares of another fund). The OCF can fluctuate as underlying costs change.

Details of investments

Investments	31/05/13 %	30/11/12 %
Australia	24.10	23.38
South Korea	15.07	14.07
Hong Kong	13.62	11.68
Taiwan	11.01	9.74
China	10.50	9.24
India	6.51	6.15
Singapore	4.87	4.46
Malaysia	3.58	2.92
Indonesia	2.86	2.54
Thailand	2.66	2.06
Cayman Islands	1.91	3.47
Ireland	1.67	6.61
Philippines	1.05	0.96
Bermuda	0.82	1.38
New Zealand	0.38	0.27
Mauritius	0.08	0.10
Isle of Man	0.02	0.17
Derivatives	(0.12)	0.37
Net other (liabilities)/assets	(0.59)	0.43
Total net assets	100.00	100.00

Net asset value

	NAV per share 31/05/13 (p)	NAV per share 30/11/12 (p)	NAV percentage change %
A Accumulation	914.07	849.68	7.58
B Accumulation	933.54	866.70	7.71
X Accumulation	1,050.03	968.56	8.41

Performance record

	01/12/12 to 31/05/13 %	01/12/11 to 30/11/12 %	01/12/10 to 30/11/11 %	01/12/09 to 30/11/10 %	01/12/08 to 30/11/09 %	01/12/07 to 30/11/08 %
Pacific Growth Fund A Accumulation	7.49	14.42	(12.45)	21.17	60.84	(38.60)
Asia Pacific (ex-Japan) Sector Average Return	11.06	16.37	(12.54)	21.13	64.27	(40.56)
MSCI AC Asia Pacific (ex-Japan) Index	9.16	16.79	(10.55)	21.04	70.68	(41.21)

Sources: Lipper for Pacific Growth Fund and Asia Pacific (ex-Japan) Sector Average Return (funds which invest at least 80% of their assets in Asia Pacific equities and exclude Japanese securities). Basis: Mid to Mid, net revenue reinvested and net of expenses.

Source: Rimes for the MSCI AC Asia Pacific (ex-Japan) Index (GBP). Basis: Revenue reinvested and gross of expenses.

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

Top five holdings

31/05/13	%	30/11/12	%
1. Samsung Electronics	3.26	SWIP Sterling Liquidity Fund	5.54
2. Westpac Banking	2.61	Samsung Electronics	3.69
3. Australia & New Zealand Banking	2.31	BHP Billiton	2.94
4. BHP Billiton	2.18	Commonwealth Bank of Australia	2.43
5. Commonwealth Bank of Australia	2.03	Taiwan Semiconductor Manufacturing	2.11

Number of holdings: 583

Number of holdings: 488

Please note: negative figures are shown in brackets.