

# Santander Equity Income Unit Trust

Interim Short Report for the six months  
ended 15 August 2013 (unaudited)



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## Fund Facts

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

### Investment Objective

The objective of the Scheme is to achieve an attractive level of income commensurate with capital growth through investing in a wide range of equities, corporate bonds and convertible stocks.

### Investment Policy and Strategy

The Scheme will invest primarily in the UK in line with its investment objective. The Manager manages the Scheme in accordance with the investment and borrowing powers as set out in the Prospectus. The Manager ensures that, taking into account the investment objectives and policy of the Scheme, the property of the Scheme aims to provide a prudent spread of risk.

Derivatives were used during this review period for the purpose of efficient portfolio management. The Scheme holds no derivatives that 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	% of total net assets as at 15/08/13	% of total net assets as at 15/02/13
Basic Materials	7.71	10.06
Consumer Goods	4.96	6.55
Consumer Services	14.29	12.52
Financials	20.21	18.59
Health Care	13.41	12.15
Industrials	5.16	4.77
Oil & Gas	17.64	17.78
Technology	1.40	1.24
Telecommunications	7.67	7.74
Utilities	8.72	9.29
<b>Total UK equities</b>	<b>101.17</b>	<b>100.69</b>
Written Call Options	(0.01)	0.00
Net other assets	(1.16)	(0.69)
<b>Total net assets</b>	<b>100.00</b>	<b>100.00</b>

### Major Holdings

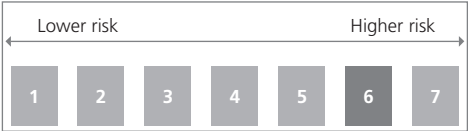
The top 10 holdings at the end of this period and the previous period are shown below.

Holding	% of total net assets as at 15/08/13	Holding	% of total net assets as at 15/02/13
GlaxoSmithKline	6.62	Royal Dutch Shell B	6.78
Royal Dutch Shell B	6.37	BP	6.32
Vodafone Group	5.84	GlaxoSmithKline	6.02
HSBC Holdings	5.77	Vodafone Group	5.99
BP	5.72	HSBC Holdings	5.79
British American Tobacco	3.30	Rio Tinto	3.29
AstraZeneca	3.04	British American Tobacco	3.17
Rio Tinto	2.77	AstraZeneca	2.88
BG Group	2.58	BG Group	2.69
Roche Holding	2.43	BHP Billiton	2.26

# 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 no material exposure to currency or interest rate risks. 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 15 February 2013 to 15 August 2013	
Santander Equity Income Ret Inc	4.34%
FTSE All-Share TR	5.75%

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.

Over the period under review, the scheme delivered an overall positive performance, with gains of 4.34%, but did not outperform the benchmark. Our defensively positioned, large-cap biased portfolio slightly lagged the return from the UK stock market over the period.

## Market Review

The period under review commenced with solid growth in equity markets, supported by strong macro-economic data in the US, fund flows and attractive relative valuations. Equity markets continued an impressive rally throughout the month with all major markets performing well. Despite these positive results, equity markets showed signs of retreat from June onwards. This was fuelled by the assumptions that the Federal Reserve will reduce its program of Quantitative Easing, combined with the current geopolitical tensions regarding the possibility of Western military intervention in Syria.

In February, UK equity markets delivered their ninth consecutive rise. Equities outperformed bonds with all major markets, particularly the US, Asia and Japan, recording positive returns. The FTSE Index delivered a 2.3% gain for the month with Mid-cap stocks recording the highest performance. However, investors remained concerned about the reduction of Quantitative Easing by the US Federal Reserve and the inconclusive results of the Italian general elections, which, combined, led to a rise in volatility levels.

By March, despite most equity markets delivering positive returns, European and Emerging markets lagged. An appetite turn into risk assets was followed by market volatility due to the resumption of systemic risk in Cyprus, as investors were reminded of the lingering risks within the Eurozone.

## Fund Performance (continued)

### Market Review (continued)

In April and May, UK equity markets continued to deliver positive returns, completing a twelfth consecutive monthly increase. Whilst there were some signs of slowing momentum in global business data, equities were supported by an improvement in the global liquidity environment. During the latter weeks of May, the equity market made moderate gains as volatility levels increased following the growing concerns about the US Federal Reserve 'Tapering' their bond buying program.

After a long period of continuous monthly positive returns, equity markets retreated in June. This period witnessed a wave of risk aversion that hit markets, causing a sell off in global equities. Again, investors' concern over the withdrawal of liquidity by the Federal Reserve was the driver of weakness across all asset classes and cause of volatility around the globe. A month after, equity markets rebounded from the negative results recorded in June and remained focused on developments relating to the global liquidity environment driven by the latest rhetoric from the US Federal Reserve regarding Quantitative Easing 'Tapering', which supported risk assets, and improvement in the Purchasing Managers Index.

At the end of the period under review, the UK economy showed signs of gradual improvement with the manufacturing Purchasing Managers Index beating expectations and the British property sector gaining strength.

### Investment Outlook

Equities remain an attractive asset class on a relative basis. Stock valuations have been re-rated upwards and now require earnings momentum to drive them higher. The economic environment is improving around the world, boding well in this regard. The impact of 'Tapering' of Quantitative Easing by the US Federal Reserve is the key risk.



# Summary of Accounts

Accounting Dates	Distribution Payment Date
15 February/15 August	15 April/15 October

## Distribution Statement

On 15 October 2013 an interim distribution of 4.5000p per unit will be paid to Retail income unit holders and 5.1500p per unit will be paid to Institutional income unitholders.

## 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 15.08.2013	Year to 15.02.2013
<b>Retail income</b>		
Manager’s periodic charge	1.25%	1.25%
Other expenses	0.01%	0.03%
Ongoing Charges Figure (OCF)	1.26%	1.28%
<b>Institutional income</b>		
Manager’s periodic charge	0.65%	0.65%
Other expenses	0.01%	0.03%
Ongoing Charges Figure (OCF)	0.66%	0.68%

## Summary of Accounts (continued)

### Net Asset Values

Accounting Date	Unit Description	Net Value Per Unit (pence)	Number of Units in Issue	Net Asset Value
15 February 2011	Retail income	172.9	87,049,611	150,494,838
	Institutional income	195.7	8,826,353	17,272,317
15 February 2012	Retail income	170.0	83,370,318	141,724,349
	Institutional income	193.7	9,261,382	17,935,227
15 February 2013	Retail income	183.4	78,740,844	144,386,558
	Institutional income	210.2	9,116,606	19,160,132
15 August 2013	Retail income	186.8	77,086,129	144,024,685
	Institutional income	214.8	7,947,860	17,072,558

### Unit Price and Distribution

Calendar Year	Unit Description	Highest Unit Price (pence)	Lowest Unit Price (pence)	Distribution per Unit (pence)
2008	Retail income	212.5	114.3	8.4674
	Institutional income*	158.6	144.6	n/a
2009	Retail income	165.7	103.3	8.4667
	Institutional income	197.9	120.9	6.6854
2010	Retail income	174.0	150.5	8.7072
	Institutional income	201.9	169.0	8.2654
2011	Retail income	179.5	149.0	8.7527
	Institutional income	203.7	170.0	9.2515
2012	Retail income	177.0	157.1	8.3965
	Institutional income	202.3	179.3	10.4141
2013**	Retail income	196.8	174.5	8.2454
	Institutional income	225.9	199.9	9.4191

\* The Institutional income unit class launched on 9 December 2008.

\*\* To 15 August 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

Alan Mathewson (Resigned 11 September 2012)

Juan Alcaraz Lopez

Javier Marin Romano (Resigned 30 May 2013)

Gail 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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