GLG UK INCOME FUND

Manager’s Annual Short Report
Year 1 March 2010 to 28 February 2011

ANNUAL REPORT

Fund Managers
John White and Jason MacKay

Investment Objective
The objective of the sub-fund is to achieve a level of income above the FTSE All Share Index together with some capital growth through investing, directly or indirectly, primarily in UK equities or in equities of companies which derive a substantial part of their revenues from activities in the UK.

Investment Policy
To achieve the objective, the sub-fund will be invested primarily in stocks, ADRs and other equity linked instruments including (without limitation) exchange traded or "over the counter" financial derivative instruments such as stock options, equity swaps and contracts for differences. The sub-fund may also invest in transferable money market securities (including certificates of deposit, commercial paper and bankers acceptances), fixed and floating rate government and corporate bonds, bonds convertible into common stock, preferred shares and other fixed income investments. The sub-fund may also hold ancillary liquid assets such as time deposits and may use currency transactions, including forward currency contracts, currency swaps and foreign currencies to alter the exposure characteristics of the transferable securities held by the sub-fund.

Risk Profie
The sub-fund may invest in derivatives, which may increase volatility of the sub-fund producing negative returns. Specifically derivatives in Over-The-Counter (OTC) markets can have uncertain values due to liquidity and volatility. The sub-fund primarily invests in the UK. This approach may reduce diversification and potentially increase the sub-funds risk profile.

Fund Manager Comments
The UK Income Fund was up 19.10%# for the period. Some of the largest overweight positions throughout the year were Lloyds, Intercontinental Hotels, HSBC, BP and Tullow Oil. The largest sector overweights were in consumer discretionary and Financials. The largest underweight names were Royal Dutch Shell and Vodafone.

We began the year in the belief that absolute equity valuations were very supportive. The presence of strong balance sheets increased the chance of further corporate activity in the form of share buybacks, increased dividends and M&A. Combined with investor positioning at record extremes we expected this to provide a very supportive backdrop for equity market performance for the year. However three main macro concerns rattled the markets early in the year. Political risk raised its head as both Barack Obama and Paul Volcker made some very alarming statements about Banking and regulation in the US. Investors also focused on the tightening cycle in China as well as the potential contagion effect from any Greek sovereign default.

Q2 was the 7th worse quarter for equity performance relative to gilts in 20 years. The fund was down 6% in June alone. Sovereign concerns over Greece and fears of a double dip recession in the US were the main drivers. The main single stock story was the Macondo Oil spill in the Gulf of Mexico. We added to the long position in BP in the belief that the market would become more comfortable with its balance sheet position. Despite the performance of the market we remained very excited about the opportunity set that would present itself over the second half of 2010. Rarely could we remember a time where we could buy so many high quality, high returning businesses at such attractive valuations.

August started what was a very strong finish to the year for equities. It all began with Ben Bernanke's speech at Jackson Hole where he flagged the possibility of another large monetary stimulus in the form of Quantitative Easing 2 ("QE2"). In Q3 the market rallied 14% after concerns over a double dip recession in the US were eased following this and a much stronger than expected ISM reading BP was up 13% buoyed by a positive shift in sentiment followed by a well received re entry into the corporate bond market.

In October we reduced risk ahead of the actual QE announcement by the Federal Reserve. We were cognisant of the fact that the market had run strongly, implied volatility was depressed and investor optimism was now even more elevated.

November marked the return of European sovereign concerns as fears over the Irish banking system took hold. We used this sell off in financials to add to our long position in financials Lloyds in particular, and the sell off in the market as a whole to increase our risk levels going into year end. We felt the sell off in Lloyds was overly harsh given the relative safe haven of the UK as a sovereign as well as the attractive capital position of the bank. Rolls Royce also hit some turbulence post a problem with the Trent 900 engine. We viewed this issue as very quantifiable and temporary in its nature and remained happy with our position.

December was a very positive month for equities. Barack Obama extending the George Bush tax cuts, strong US employment data and Jean-Claude Trichets calming words all helped. US GDP estimates for 2011 were all revised up. Our holdings with US exposure all performed strongly, in particular Wolseley, IHG and Carnival.

Q1 2011 has been extremely volatile with an unprecedented number of macro shocks. The unrest in the Middle East and North Africa which resulted in a sudden shift in the oil price. The Japanese earthquake and subsequent emergency at a Nuclear power facility. The ongoing sovereign and banking crisis in peripheral Europe. These events combined have led to a turbulent start to the year. In spite of these however there are still clear signs of an ever self sustaining global economic recovery. There have been signs that the US employment market has finally turned a corner. The tightening policies of the Chinese authorities would have appeared to have peaked without having caused a material slowdown. Equity valuations, both on an absolute and relative basis are low. Balance sheets are strong and are contributing to the large amount of corporate activity in the form of M&A and buybacks we have seen thus far in Q1. For these reasons we remain constructive on Equity markets for the remainder of 2011.

NAV to NAV, net revenue reinvested (Retail accumulation shares) sourced from Lipper. Past performance is not a reliable indicator of future results.

Fund Facts

Accumulation Dates	31 October & 30 April	
XD Dates	31 August & 28 February	
Total Expense Ratio	**as at 28.02.2010**	**as at 28.02.2011**
Retail Accumulation	1.73%	1.66%
Retail Income	1.69%	1.66%
Professional Accumulation	0.92%	0.89%
Professional Income	0.96%	0.90%
Institutional Accumulation	0.00%	0.00%

Summary

Fund Performance - Share Price

SHARE CLASS	NAV PER SHARE as at 28.02.2010	NAV PER SHARE as at 28.02.2011	% Change
Retail Accumulation	113.30p	134.10p	+18.36%
Retail Income	75.48p	85.21p	+12.89%
Professional Accumulation	119.40p	142.20p	+19.10%
Professional Income	78.09p	88.86p	+13.79%
Institutional Accumulation	123.60p	147.90p	+19.66%

Source: Lipper, NAV prices, net income reinvested.
The price of shares may go down as well as up and you may not get back the amount originally invested. Past performance is not a guide to future performance.

Portfolio Information

TOP FIVE HOLDINGS as at 28.02.2010	%	TOP FIVE HOLDINGS as at 28.02.2011	%
HSBC	6.99	HSBC	8.19
BP	4.68	Rio Tinto	4.66
Barclays	3.81	GlaxoSmithKline	4.30
GlaxoSmithKline	3.43	Vodafone	3.70
Vodafone	3.31	BP & BG	3.56 *

*BP and BG each have a holding representing 3.56% of the fund's portfolio.

TOP TEN SECTOR CLASSIFICATION OF INVESTMENTS

as at 28.02.2010	%	as at 28.02.2011	%
Banks	15.12	Banks	14.04
Oil & Gas Producers	14.32	Oil & Gas Producers	14.00
Mining	8.73	Mining	12.09
Travel & Leisure	6.07	Travel & Leisure	6.22
Pharmaceuticals & Biotechnology	5.33	Support Services	6.04
Support Services	5.31	Pharmaceuticals & Biotechnology	5.48
Food & Drug Retailers	5.07	Food & Drug Retailers	4.34
Media	4.49	Mobile Telecommunications	3.70
Life Insurance	3.52	Tobacco	2.62
Mobile Telecommunications	3.31	Gas, Water & Multiutilities	2.56

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Reports and Accounts

Copies of the long form Report and Financial Statements of the sub-fund are available free of charge from the Manager on request in writing to the registered address or by telephone on 0808 100 2543. They can also be found on www.glg.co.uk.

For more information about the activities and performance of the sub-fund during this and previous periods, please contact us at the address below or by telephone on 0808 100 2543.

Other Information

Professional shares require a minimum investment of £3,000,000.

Institutional shares are only available to investors who enter into a separate agreement with GLG Partners.

Depositary

The Royal Bank of Scotland Plc,
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Authorised and regulated by the Financial Services Authority.

Auditor

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GLG Partners Investment Funds Limited:
Authorised and regulated by
The Financial Services Authority.
FSA Firm Reference
No. 185916

Share price history and income record

SHARE CLASS PRICE	HIGHEST PRICE	LOWEST PRICE	NET INCOME PER SHARE
Retail Accumulation 2006	151.00p	129.90p	4.3520p
Retail Accumulation 2007	158.90p	135.40p	4.7786p
Retail Accumulation 2008	140.20p	77.71p	5.6263p
Retail Accumulation 2009	114.20p	71.04p	4.0875p
Retail Accumulation 2010	132.70p	106.00p	5.3506p
Retail Accumulation 2011	137.10p*	131.60p*	0.7373p#
Retail Income 2006	114.80p	101.00p	3.4873p
Retail Income 2007	119.30p	99.22p	3.6270p
Retail Income 2008	102.70p	54.48p	4.0661p
Retail Income 2009	76.07p	48.25p	2.8729p
Retail Income 2010	84.33p	68.93p	3.5332p
Retail Income 2011	87.16*	83.61p*	0.4610p#
Professional Accumulation 2006	154.80p	131.60p	4.3745p
Professional Accumulation 2007	163.50p	139.80p	5.2478p
Professional Accumulation 2008	144.90p	81.26p	5.8386p
Professional Accumulation 2009	120.20p	74.32p	4.4135p
Professional Accumulation 2010	140.60p	111.90p	5.5526p
Professional Accumulation 2011	145.40p*	139.40p*	0.8976p#
Professional Income 2006	116.40p	102.10p	3.5464p
Professional Income 2007	121.20p	101.00p	3.6581p
Professional Income 2008	104.70p	55.84p	4.2489p
Professional Income 2009	78.63p	49.59p	2.9075p
Professional Income 2010	87.85p	71.53p	3.6434p
Professional Income 2011	90.88p*	87.15p*	0.5616p#
Institutional Accumulation 2006	156.70p	133.50p	4.4709p
Institutional Accumulation 2007	165.80p	142.50p	5.4962p
Institutional Accumulation 2008	147.80p	83.25p	6.1211p
Institutional Accumulation 2009	124.30p	76.39p	4.6656p
Institutional Accumulation 2010	146.00p	115.90p	5.3392p
Institutional Accumulation 2011	151.30p*	145.00p*	1.1108p#

* to 28 February 2011
# to 28 April 2011

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