



# Royal London Equity ICVC Fund

## Short Interim Report to 29 February 2012



# Contents

Important Notes .....	4
Investment Objectives and Policies.....	5
Economic and Stock Market Background.....	7
Royal London Equity ICVC Funds	
Royal London European Growth Fund .....	9
Royal London European Income Fund .....	12
Royal London Far East Fund .....	15
Royal London FTSE® 350 Tracker Fund .....	18
Royal London Japan Growth Fund.....	21
Royal London UK All Share Tracker Fund.....	24
Royal London UK Equity Fund .....	27
Royal London UK Equity Income Fund.....	30
Royal London UK Ethical Equity Fund.....	33
Royal London UK Growth Fund.....	36
Royal London UK Mid Cap Growth Fund .....	39
Royal London UK Opportunities Fund.....	42
Royal London UK Smaller Companies Fund .....	45
Royal London US Tracker Fund .....	48

# Important Notes

Investments in stocks and shares can go down as well as up. This can affect the price of shares within Open Ended Investment Companies and the income from them.

Where overseas securities are held the prices and income may also be affected by changes in currency exchange rates. It is possible that the value of an investment may fall below its original level.

Where funds hold investments in smaller companies it should be noted that by their nature these companies are generally new to the market and may therefore be subject to significant price movements. They may also be difficult for the fund manager to buy and sell.

Past performance should not be seen as a guide to future returns.

The views expressed are the authors own and do not constitute investment advice and are not an indication of future fund performance. Source RLAM unless otherwise stated.

Your holding in an Open Ended Investment Company must be regarded as a medium to long term investment, this means for at least five years.

## Contact Us

Royal London Unit Trust Managers Limited

Freepost RLTZ-LSXH-EJUG

PO Box 9035

Chelmsford

CM99 2XB

[www.rlam.co.uk](http://www.rlam.co.uk)

Customer Services: 0845 02 36 04

Broker Desk: 08456 04 04 04

Telephone calls may be recorded.

# Investment Objectives and Policies

## **Royal London European Growth Fund**

The investment objective and policy of the Fund is to achieve capital growth by investing predominantly in quoted European equities.

To achieve this objective the Fund may hold transferable securities, collective investment schemes (including Exchange Traded Funds), government and public securities, deposits and cash (for the purposes of EPM and redemption of units). It may also hold derivatives for the purposes of EPM only.

## **Royal London European Income Fund**

The investment objective and policy of the Fund is to achieve a combination of income and some capital growth by investing mainly in European higher yielding and other equities such as convertible stocks.

To achieve this objective the Fund may hold transferable securities, including Exchange Traded Funds (but not those which are collective investment schemes), government and public securities, deposits and cash (for the purposes of EPM and redemption of units). It may also hold derivatives for purposes of EPM only.

## **Royal London Far East Fund**

The investment objective and policy of the Fund is to achieve the total return of the FTSE® 350 Index by investing primarily in the securities that make up the FTSE® 350 Index.

The Fund may hold transferable securities and units in collective investment schemes and cash (for the purposes of EPM and redemption of units). It may also hold derivatives for the purposes of EPM only.

## **Royal London FTSE 350 Tracker Fund**

The investment objective and policy of the Fund is to aim to achieve the total return of the FTSE® 350 Index by investing primarily in the securities that make up the FTSE® 350 Index.

To achieve this objective the Fund may hold transferable securities, (including Exchange Traded Funds which are closed ended funds, but not those which are collective investment schemes), government and public securities, deposits and cash (for the purposes of EPM and redemption of units). It may also hold derivatives for the purposes of EPM only.

## **Royal London Japan Growth Fund**

The investment objective and policy of the Fund is to achieve capital growth by investing in quoted Japanese equities.

To achieve this objective the Fund may hold transferable securities, collective investment schemes (including Exchange Traded Funds), government and public securities, deposits and cash (for the purposes of EPM and redemption of units). It may also hold derivatives for the purposes of EPM only.

## **Royal London UK All Share Tracker Fund**

The investment objective and policy of the Fund is to achieve long term total return from capital and income through investment in UK equities from within the All Share Index.

To achieve this objective the Fund may hold transferable securities (including Exchange Traded Funds which are closed-ended funds), government and public securities, deposits and cash (for the purposes of EPM and redemption of units). It may hold derivatives for the purposes of EPM only.

## **Royal London UK Equity Fund**

The investment objective and policy of the Fund is to achieve capital growth by investing primarily in a broad portfolio of quoted UK stocks and shares.

To achieve this objective the Fund may hold transferable securities and units in collective investment schemes and cash (for the purposes of EPM and redemption of units). It may also hold derivatives for the purposes of EPM only.

## **Royal London UK Equity Income Fund**

The investment objective and policy of the Fund is to Achieve a combination of income and some capital growth by investing mainly in UK higher yielding and other equities, as well as convertible stocks.

The Fund may hold transferable securities and units in collective investment schemes and cash (for the purposes of EPM and redemption of units). It may also hold derivatives for the purposes of EPM only.

# Investment Objectives and Policies

## **Royal London UK Ethical Equity Fund**

The Fund seeks to achieve capital growth and income over the medium to long term by investing predominantly in shares of UK companies which meet the Fund's predefined ethical criteria.

A full specification of the ethical criteria is available from the Manager upon request.

The Fund may hold transferable securities, (including Exchange Traded Funds which are closed ended funds, but not those which are collective investment schemes), deposits and cash (for the purposes of EPM and redemption of units). It may also hold derivatives for the purposes of EPM only.

## **Royal London UK Growth Fund**

The investment objective and policy of the Fund is to actively seek capital growth through investing predominantly in UK equities.

To achieve this objective the Fund may hold transferable securities, including Exchange Traded Funds (but not those which are collective investment schemes), government and public securities, deposits and cash (for the purposes of EPM and redemption of units). It may also hold derivatives for purposes of EPM only.

## **Royal London UK Mid Cap Growth Fund**

The investment objective and policy of the Fund is to achieve capital growth, principally through the investment in medium-sized UK companies – although the ACD retains the discretion to invest in larger or smaller companies.

To achieve this objective the Fund may hold transferable securities, including Exchange Traded Funds (but not those which are collective investment schemes), government and public securities, deposits and cash (for the purposes of EPM and redemption of units). It may also hold derivatives for purposes of EPM only.

## **Royal London UK Opportunities Fund**

The investment objective and policy of the Fund is to achieve capital growth by exploiting a concentrated portfolio of UK company shares with the potential for above average returns.

To achieve this objective the Fund may hold transferable securities and cash (for the purposes of EPM and redemption of units). It may also hold derivatives for the purposes of EPM only.

This fund was renamed the UK Opportunities Fund on 21 January 2011. Prior to this it was known as the UK Special Situations Fund.

## **Royal London UK Smaller Companies Fund**

The investment objective and policy of the Fund is to achieve capital growth by investing primarily in UK smaller companies.

The Fund may hold transferable securities and units in collective investment schemes and cash (for the purposes of EPM and redemption of units). It may also hold derivatives for the purposes of EPM only.

## **Royal London US Tracker Fund**

The investment objective and policy of the Fund is to aim to Achieve the capital return of the FTSE® World US Index by investing primarily in the securities that make up the FTSE® World US Index.

To achieve this objective the Fund may hold transferable securities, (including Exchange Traded Funds, but not those which are collective investment schemes), government and public securities, deposits and cash (for the purposes of EPM and redemption of units). It may also hold derivatives for the purposes of EPM only.

## **Risk Profile**

Any stock market investment involves risks. Some of these risks are general, which means that they apply to all investments. Others are specific, which means that they apply to individual Trusts. For full details of the investment risks that affect this Fund please refer to your copy of the Trust's Simplified Prospectus. Before you decide to invest, it is important to understand these risks. If you are unsure, please seek professional advice from a Financial Advisor.

# Economic and Stock Market Background

## Global Economic Backdrop

Over the summer, the slow down across most developed markets was aggravated by fears surrounding the Eurozone debt crisis. Markets worried that a sovereign debt default could cause even worse economic dislocation than after the collapse of Lehman brothers in 2008. Inflated fiscal deficits in many countries meant the cost of borrowing soared in peripheral Europe; markets were questioning the sustainability of the Euro and the ability of the PIIGs to refinance their national debt. In particular Greece needed a second bailout. Despite significant austerity measures, total government debt looked unlikely to fall below 120% of GDP in any foreseeable time scale – the bond market effectively closed to the Greeks. Contagion in Portugal, Spain and Italy escalated the scale of the problem and began to focus the minds of the politicians on addressing their deficits.

As the autumn progressed, Merkel and Sarkozy led crisis meeting after crisis meeting, trying to work out a comprehensive solution to the regions problems. Finally in December all the countries in the Eurozone, bar the UK and Sweden, promised to recommit themselves to stricter fiscal rules and a recapitalisation of their banks following new stress tests. In exchange, the ECB offering unlimited liquidity to the banking system in the form of three year loans at 1.0% interest (LTRO).

Outside of the Eurozone the global economy ebbed and flowed with developments in Europe. Investors feared contagion of the sovereign debt crisis, from the periphery of Europe to the centre, and US and UK government bond yields hit record lows. The resolution reached in Europe by December 2011 – though far from complete – combined with the continuation of loose monetary policies boosted confidence entering 2012.

## UK

Despite a sluggish domestic economy, the government has stuck to their guns in reducing the budget deficit and the markets rewarded them with lower bond yields. Inflation has slowly begun to fall, although it remains above target, the pound was relatively stable. Meanwhile, monetary policy continued in the same vain as the Bank of England instigated QE2 and interest rates remained at 0.5%.

Corporate profit expectations fell somewhat over the period although companies are generally seeing higher margins – in many cases above

previous highs. As it became clear that the market's worst fears about a double dip recession were unfounded, and that the Eurozone would not implode, cyclical companies, that had been sold off, rallied hard in the last three months. On a sector level, Financials and Resources led the rally, with Defensives like telecoms and utilities lagging behind. Strong balance sheets and free cashflows have led to rising dividend payouts and increasing M&A activity.

## US

US economic data began to recover from its summer lull with unemployment falling, consumer confidence picking up and the housing market stabilising. The US banks have generally rebuilt their capital base and are beginning to lend again. US bond yields hit all time lows as the Federal Reserve executed "Operation Twist", buying in long bonds and issuing short term paper – decisive action considering the political stalemate in Congress – the US budget will now not be addressed until 2013. However, market expectations for growth in 2012 rose above 2.5%.

As optimism about the economy and corporate earnings rose, cyclicals outperformed defensives in the US. Technology was a strong performer with Apple up 44%. The company led the market with the success of the iPhone 4S and iPad2. Excitement around the potential valuation ascribed to Facebook also added interest.

## Europe

The debt crisis, politicians and the possibility of a further round of Bank losses all weighed on the market through the first three months under review. Sentiment shifted dramatically from fear of a complete Euro breakup to hope of a resolution, which left the equity market trading at increasingly discounted levels. A total solution is still some way off but the restructuring of Greek debt has reduced the countries future liabilities by nearly 50%, without triggering any bankruptcies in the euro banking sector. Subsequently bond yields in most of the periphery have returned to manageable levels.

The banks are aiming to deleverage their way out of their balance sheet problems and the ECB has provided the much needed liquidity for next three years. Consequently, in Europe the Financial sector has led the rally along with Autos and Industrials.

# Economic and Stock Market Background

## **Far East**

Having tightened monetary policy through most of the year, China followed the trend by loosening its policy in response to the weaker global environment. Similarly, Bank reserve requirements were cut several times as the CPI began to fall (from over 5%) and property prices fell back. Although official growth forecasts for the next decade have come down below 8%, compared with the 8-10% achieved over the past decade, China is still on track to become the biggest economy in the world in the next five years.

Despite the easing in Chinese monetary policy, the equity market has remained nervous on the longer term growth prospects for China, which was de-rated over the period, and is now trading at a big discount to historic valuations. Commodity stocks in both China and Australia weakened over the summer however, they rebounded into 2012. Overall earnings expectations for 2012 remain above 10%, despite some wobbles through the autumn, and we believe that the Far Eastern stock markets are set to continue their spring rally.

## **Japan**

After a very poor start to 2011 with an increasingly strong yen hurting exports, Japanese stocks have enjoyed a strong start to 2012. There was severe disruption in supply chains following the Tsunami, and most analysts were looking for a better second half in Japan. Unfortunately heavy rainfall caused extensive flooding in Thailand, hitting an important part of their offshore production and delaying recovery of corporate earnings in several sectors. However, by the second half of the period a reversal in the yen, particularly against the dollar, as well as an improvement in global trade volumes helped Japanese equities to turn the corner. The market was led down by cyclicals, though as in the rest of the developed world, they rebounded strongly in early 2012.

# Royal London European Growth Fund

## Fund Performance

During the period under review, the portfolio gave a total return of 8.8%, against 4.2% for the benchmark, the FTSE World Europe ex UK, and 7.1% by the IMA Europe ex UK peer group.

growth at an inviting price.

**Neil Wilkinson\***

**Fund Manager**

**April 2012**

## Portfolio Commentary

The European market was broadly flat between August and the end of 2011, but the period contained pockets of extreme volatility as investors feared the sovereign debt crisis would cause another banking collapse. The portfolio was positioned defensively during this period, with a significant overweight in the healthcare sector being the largest contributor to positive relative performance.

The decisive action taken by Mario Draghi in December – when the ECB offered banks vast amounts of three year funding at just 1.0% interest – significantly reduced the likelihood of a liquidity induced crisis. Sentiment also improved as the Greek government and the Troika closed in on an agreement to resolve the Greek debt crisis. The deal was finally signed on February 20<sup>th</sup> and ensures that Greece can at least meet its short term funding commitments.

In response to this improving environment, I reduced the defensive tilt of the portfolio by cutting the healthcare overweight and increasing my holdings in financials. The fund continued to outperform at the beginning of 2012 with automotive stocks being the main positive contributor. Over the six month period the best performing stocks were Seadrill, Oil Services, Renault, French Automotive Services, and Swedbank, the Swedish bank.

## Portfolio Outlook

US Economic data has improved since the start of 2012 and there is continued growth in China, meanwhile the weakness of the Euro since mid 2011 has improved the competitiveness of many European companies, and allowed them to access buoyant overseas markets.

At the same time the political concerns overshadowing the European market have driven it to a significant discount to other developed markets. The current price to book multiple for the FTSE Europe ex UK stands at only 1.3 times compared to the FTSE100 at 1.7 times and S&P500 at 2.3 times. This offers the investor a chance to gain exposure to sectors, such as automotive and consumer goods which benefit from the US recovery and emerging market

\*Neil took over management of the fund in January 2012

# Royal London European Growth Fund

<b>Fund Facts</b>		<b>A Acc Units</b>	<b>B Acc Units</b>
Sedol Number		B52DGB4	B52VBP7
Initial Charge		4.00%	0.00%
Initial Commission		4.00%	0.00%
Annual Management Charge (AMC)		1.25%	0.65%
Total Expense Ratio (TER) <sup>1</sup>	As at 29/02/12	1.30%	0.70%
	As at 31/08/11	1.30%	0.69%
Portfolio Turnover Rate	As at 29/02/12	123%	123%
Min Lump Sum Investment		£1,000	£1,000,000
Min Additional Investment or Sale		£100	£50,000
Min Monthly Investment		£50.00	N/A
ISA Qualifying		Yes	N/A
Launch Date (See notes below)		30/04/2010	30/04/2010
Fund Type		Authorised OEIC Fund	
Domiciled		UK	
Distribution Calculation Dates (XD)		1 Mar & 1 Sep	
Distribution Payment Dates		30 April & 31 Oct	

<sup>1</sup>the total expense ratio: consists of the AMC and any other additional expenses charged to a fund, such as Depositary fees.

## Fund Performance Data

	<b>Fund</b>	<b>A Acc units</b>	<b>B Acc units</b>
Fund Size	£611.48m		
Price*		497.20p	502.80p
Net Asset Value per share as at 28/02/12		496.98p	502.58p
Net Asset Value per share as at 31/08/11		457.11p	460.70p

\* single priced ICVC sub-fund, published price on 29.02.2011

## Net Income Information

	<b>A Acc units</b>	<b>B Acc units</b>
<b>Year</b>	<b>pps</b>	<b>pps</b>
2012*	0.77	2.21
2011	9.05	12.25
2010**	3.86	4.81

\*To 29 February 2012

\*\* From launch on 30 April 2010

## Fund vs Sector Average Out-Performance

	<b>1 year</b>	<b>3 years</b>	<b>5 years</b>
Royal London European Growth Fund A	-9.25%	17.75%	2.13%
IMA Europe ex-UK Sector Average	-7.18%	14.61%	0.40%
<b>Relative Out-Performance</b>	<b>-2.07%</b>	<b>3.14%</b>	<b>1.73%</b>

The sub-fund was launched on 30/04/10 and first priced on 04/05/10, however the performance track record and income information are linked to the previous merging Unit Trust the Royal London European Growth Trust launched on 11/05/87.

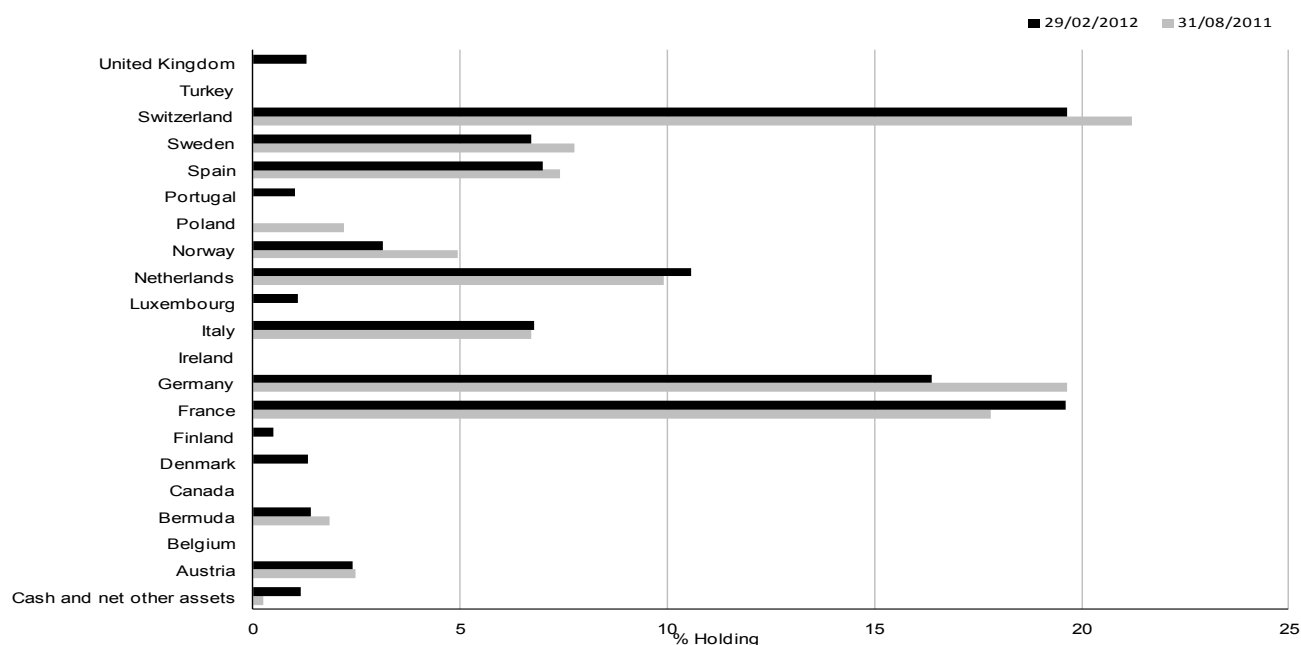
Please note that the above information relates to the past and that past performance is not a reliable indication of future returns.

Performance is cumulative over the period indicated.

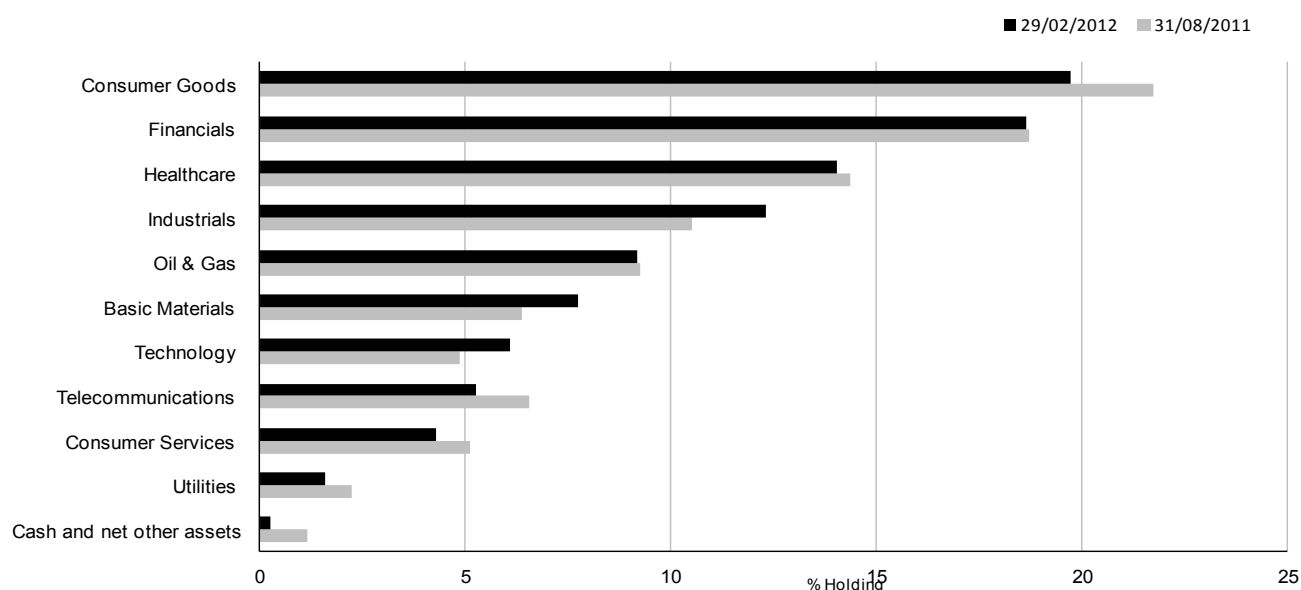
(Source: Lipper Hindsight, Total Return in GBP).

# Royal London European Growth Fund

## Geographical Breakdown



## Sector Breakdown



## Top Ten Holdings

31/08/2010		29/02/2012	
Holding	% Holding	Holding	% Holding
Nestlé	5.91	Nestlé	5.53
Roche Holding - participating	5.62	Roche Holding - participating	5.04
Novartis (registered)	5.35	Novartis (registered)	3.72
Sanofi	3.40	BASF	3.66
ING Groep certificates	3.32	ING Groep certificates	3.27
The Swatch Group 'B'	2.98	Bayer	3.06
BBV Argentaria	2.86	EADS	2.87
Bayer	2.82	Sanofi	2.86
EADS	2.64	BBV Argentaria	2.76
Siemens	2.49	Siemens	2.27

# Royal London European Income Fund

## Fund Performance

During the period under review, the portfolio gave a total return of 7.0%, against 4.2% for the benchmark, the FTSE World Europe ex UK and 7.1% by the IMA Europe ex UK peer group.

growing dividend while also offering value.

**Andrea Williams**

**Fund Manager**

**April 2012**

## Portfolio Commentary

The European market was broadly flat between August and the end of 2011, but the period contained pockets of extreme volatility as investors feared the sovereign debt crisis would cause another banking collapse. The portfolio was positioned relatively defensively during this period, with significant overweight positions in Healthcare, Consumer Staples and Telecoms; which all contributed positively to relative performance.

The decisive action taken by Mario Draghi in December – when the ECB offered banks vast amounts of three year funding at just 1.0% interest – significantly reduced the likelihood of a liquidity induced crisis. Sentiment also improved as the Greek government and the Troika closed in on an agreement to resolve the Greek debt crisis. The deal was finally signed on February 20<sup>th</sup> and ensures that Greece can at least meet its short term funding commitments.

In response to this improving environment, I reduced the defensive tilt of the portfolio by cutting the Telecoms and Tobacco weightings and increasing the holdings in Financials – I bought BNP Paribas and ING – and also by adding some cyclical stocks such as Alstom and SES. Over the six month period the best performing stocks were Seadrill, Oil Services, and the Swedish banks Svenska Handelsbanken and Swedbank.

## Portfolio Outlook

Economic data out of the USA has improved since the start of the year and there is continued growth in China. The weakness of the Euro since mid 2011 has improved the competitiveness of many European companies and enabled them to export their goods into these buoyant overseas markets.

The political concerns overshadowing European markets from the periphery have been simultaneously reduced: decisive action has been taken in Italy to reduce the crippling budget deficit while Spain tackles the problem in its banking sector. The current price to book ratio for the European market stands at only 1.3 times, compared to the US market on 2.3 times and the UK market at 1.7 times. Thus I continue to be optimistic about valuation and I aim to find companies that have growing cash flow to pay a

# Royal London European Income Fund

## Fund Facts

**A Acc units**

Sedol Number		B4W21N1
Initial Charge		4.00%
Initial Commission		3.00%
Annual Management Charge (AMC)		1.25%
Total Expense Ratio (TER) <sup>1</sup>	As at 29/02/12	1.28%
	As at 31/08/11	1.29%
Portfolio Turnover Rate	As at 29/02/12	61%
Min Lump Sum Investment		£1,000
Min Additional Investment or Sale		£100
Min Monthly Investment		£50
ISA Qualifying		Yes
Launch Date (See notes below)		30/10/2009
Fund Type		Authorised OEIC Fund
Domiciled		UK
Distribution Calculation Dates (XD)		1 Mar & 1 Sep
Distribution Payment Dates		30 April & 31 Oct

<sup>1</sup> the total expense ratio: consists of the AMC and any other additional expenses charged to a fund, such as Depositary fees.

## Fund Performance Data

## Net Income information

	<b>Fund</b>	<b>A Inc units</b>
Fund Size	£381.32m	
Price*		93.40p
Net Asset Value per share as at 29/02/12		92.66p
Net Asset Value per share as at 31/08/11		87.35p

<b>Year</b>	<b>A Inc units pps</b>
2012*	0.71
2011	4.53
2010**	3.37

\*To 29 February 2012

\*\* From Launch on 30 October

\* single priced ICVC sub-fund, published price on 29.02.2012

## Fund vs Sector Average Out-Performance

	<b>1 year</b>	<b>3 years</b>	<b>5 years</b>
Royal London European Income Fund A	-7.93%	13.46%	-
IMA Europe ex-UK Sector Average	-7.18%	14.61%	-
<b>Relative Out-Performance</b>	<b>-0.75%</b>	<b>-1.15%</b>	<b>-</b>

The sub-fund was launched on 30/10/09 and first priced on 02/11/09, however the performance track record and income information are linked to the previous merging Unit Trust the Royal London European Income Trust launched on 11/09/08.

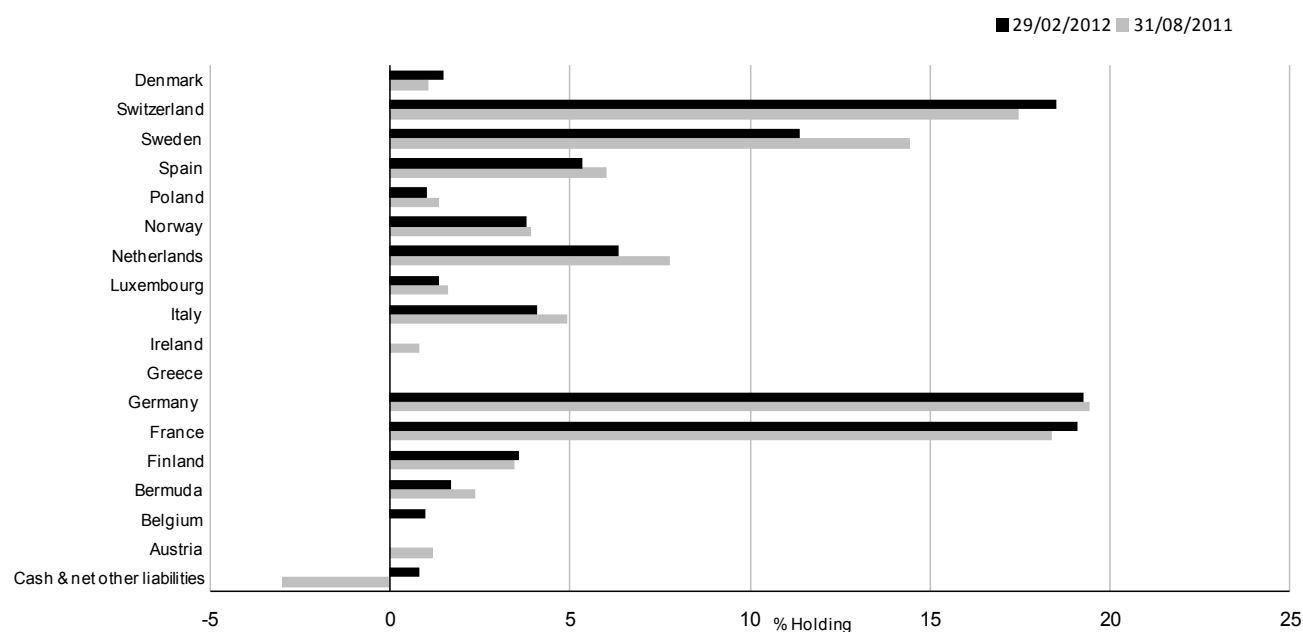
Please note that the above information relates to the past and that past performance is not a reliable indication of future returns.

Performance is cumulative over the period indicated.

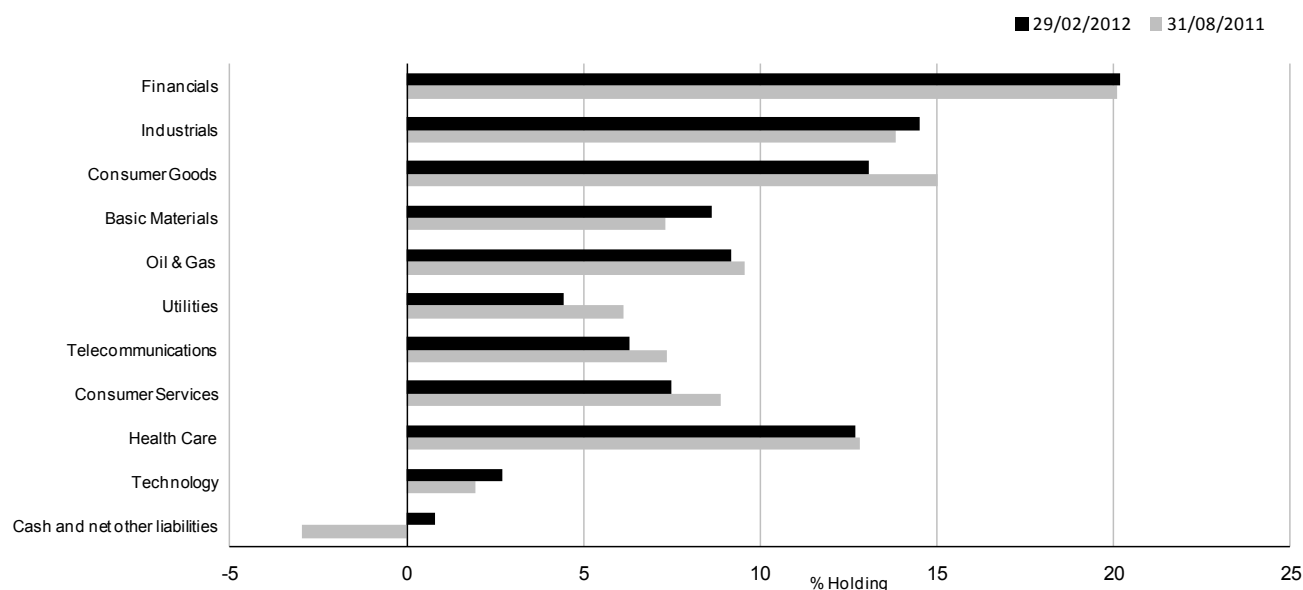
(Source: Lipper Hindsight, Total Return in GBP).

# Royal London European Income Fund

## Geographical Breakdown



## Sector Breakdown



## Top Ten Holdings

31/08/2011		29/02/2012	
Holding	% Holding	Holding	% Holding
Roche Holding - participating	4.79	Roche Holding - participating	4.54
Nestlé	4.71	Nestlé	4.25
Novartis (registered)	4.37	Novartis (registered)	3.86
Swedish Match	2.91	BASF	2.81
Sanofi-Aventis	2.61	Bayer	2.79
Siemens	2.61	Sanofi	2.78
Repsol YPF	2.56	BNP Paribas	2.56
Bayer	2.55	Siemens	2.56
Schneider Electric	2.44	Total SA	2.43
SHB 'A'	2.43	Allianz	2.20

# Royal London Far East Fund

## Fund Performance

During the six month period ending 29<sup>th</sup> February 2012, the fund gave return of 4.3% versus the benchmark (FTSE All World Asia Pacific excluding Japan, India and Pakistan) return of 7.2%, and a return of 5.0% from the IMA Asia Pacific Ex Japan peer group.

## Portfolio Commentary

Markets slumped at the start of the period on concerns over European sovereign debt. The crisis prompted liquidity injections from central banks, most notably the Federal Reserve's 'QE2' and the European Central Bank's Long Term Refinancing Operation. In Asia, falling inflation has allowed the authorities to reverse their tight monetary stance, for instance in China, the bank reserve requirement ratio has been lowered twice since November 2011.

The fund has maintained its overweight position in domestic cyclical and China related stocks during the period. Performance was dragged down by poor stock selections in Hong Kong, Taiwan and Australia. In addition the underweight position in the technology sector, which was reversed to overweight towards the end of the period, was also a negative.

Examples of strong performing stocks which the Fund has held over the year include: Samsung Electronics up 62%, showing strong performance as a result of rapid growth in the Smartphone markets; Sands China, up 51%, as Macau gaming operators benefited from rising Chinese consumer spending; and Hon Hai Precision, up 41%, due to leverage on Apple's products.

## Portfolio Outlook

The problems associated with European sovereign debt will continue to be a major risk factor for the markets in the short to medium term. On the positive side, economic data from the US has been more encouraging and in Asia, with abating inflationary pressure, Asian central banks are beginning to run a more pro-growth monetary policy.

Having rallied from their fourth quarter trough, markets are now within 10% of their July 2011 levels when the 'risks off' trade started to bite. Nevertheless, market valuations are still below average and relaxed monetary policies will continue to support the rally. Inflationary pressures are expected to moderate further in the short to medium term. This will allow the central banks to conduct market supportive policies.

Despite the uncertainties, I remain constructive on the improving global outlook and the recovery of Chinese growth. The fund is adopting a pro-cyclical stance and favours domestic stocks in particular. China remains a top overweight given its attractive valuations.

**Edward Chan**

**Fund Manager**  
**April 2012**

# Royal London Far East Fund

## Fund Facts

		A Acc Units
Sedol Number		B68SHD9
Initial Charge		4.00%
Initial Commission		4.00%
Annual Management Charge (AMC)		1.00%
Total Expense Ratio (TER) <sup>1</sup>	As at 29/02/12	1.05%
	As at 31/08/11	1.05%
Portfolio Turnover Rate	As at 29/02/12	136%
Min Lump Sum Investment		£1,000
Min Additional Investment or Sale		£100
Min Monthly Investment		£50
ISA Qualifying		Yes
Launch Date		05/11/2010
Fund Type		Authorised Unit Trust
Domiciled		UK
Distribution Calculation Dates (XD)		01 Mar & 01 Sept
Distribution Payment Dates		

<sup>1</sup> the total expense ratio: consists of the AMC and any other additional expenses charged to a fund, such as Trustee fees.

## Fund Performance Data

	A Acc units
Fund Size	£540.24m
Price*	356.80p
Net Asset Value per share as at 29/02.12	356.07p
Net Asset Value per share as at 31/08/11	341.59

\* single priced ICVC sub-fund, published price on 29.02.2012

## Net Income Information

Year	Acc units pps
2012*	2.30
2011**	5.68

\* To February 29 2011

\*\* From launch on 5 November 2010

## Fund vs Sector Average Out-Performance

	1 year	3 years	5 years
Royal London Far East Growth Fund A	1.79%	24.60%	10.19%
IMA Asia Pacific ex Japan Companies sector average	4.10%	28.57%	11.31%
<b>Relative Out-Performance</b>	<b>-2.31%</b>	<b>-3.97%</b>	<b>1.12%</b>

The sub-fund was launched on 05/11/10 and first priced on 08/11/10, however the performance track record and income information are linked to the previous merging Unit Trust the Royal London Far East Trust launched on 12/03/90.

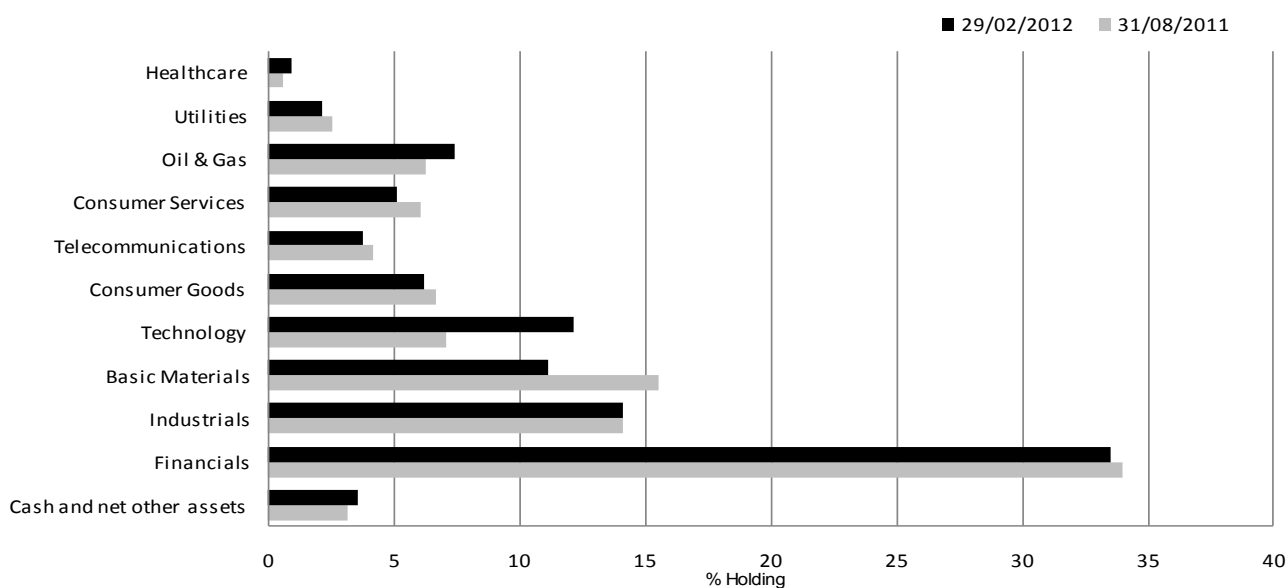
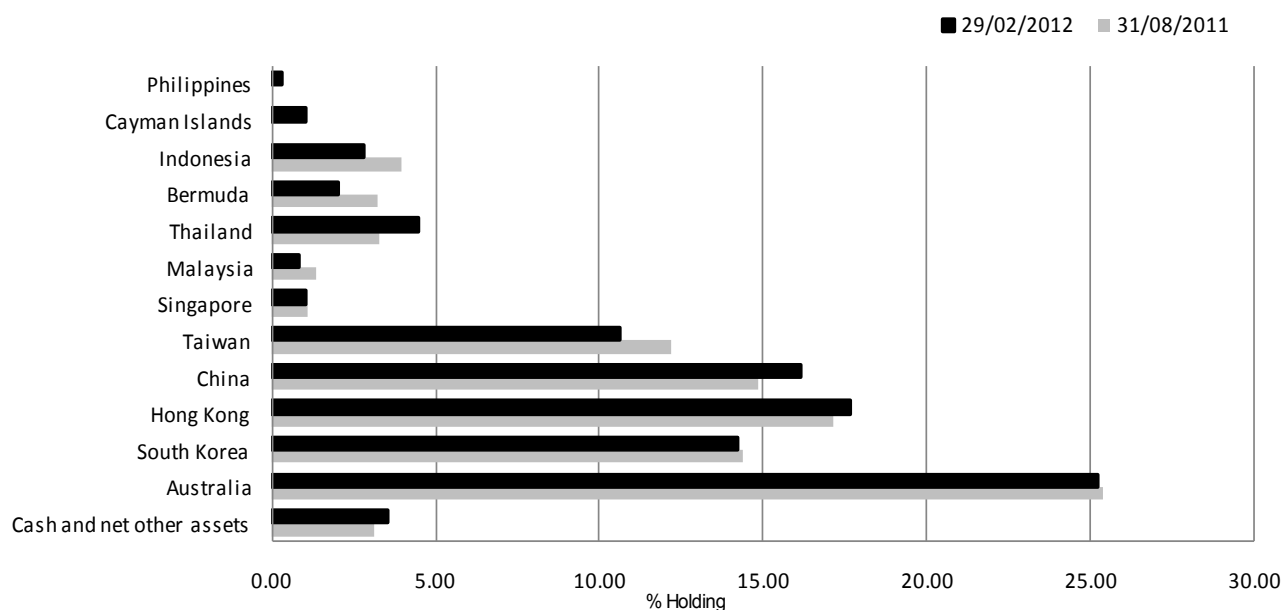
Please note that the above information relates to the past and that past performance is not a reliable indication of future returns.

Performance is cumulative over the period indicated.

(Source: Lipper Hindsight, Total Return in GBP).

# Royal London Far East Fund

## Geographical Breakdown



## Top Ten Holdings

31/08/2011		29/02/2012	
Holding	% Holding	Holding	% Holding
BHP Billiton	3.70	Samsung Electronics	4.92
Samsung Electronics	2.48	Commonwealth Bank of Australia	2.61
China Construction Bank	2.17	Taiwan Semiconductor Manufacturing	2.44
Industrial & Commercial Bank of China	1.93	Australia and New Zealand Banking	2.41
Australia and New Zealand Banking	1.83	China Construction Bank	2.40
Commonwealth Bank of Australia	1.83	BHP Billiton	2.27
Westpac Banking	1.82	Industrial & Commercial Bank of China	2.10
China Mobile (Hong Kong)	1.63	Hon Hai Precision Industry	1.65
Taiwan Semiconductor Manufacturing	1.62	China Mobile (Hong Kong)	1.51
Samsung Heavy Industries	1.42	Ping An Insurance	1.47

# Royal London FTSE® 350 Tracker Fund

## **Fund Performance**

For the six months to the end of February 2012, the return from the Royal London FTSE® 350 Tracker Fund was 12.8%. This compares with a return on the FTSE® 350 Index of 10.5%.

## **Portfolio Commentary**

The aim of the fund is to track the total return of the FTSE® 350 Index. This index comprises the largest 100 companies plus the 250 mid-capitalised companies in the UK market. Together these companies make up approximately 86% of the UK market.

We use an optimiser to help construct a portfolio designed to track the performance of the benchmark without necessarily holding all the constituents in their exact benchmark weights. The optimiser uses an algorithm which minimises tracking risk, based on a multi factor model and associated covariance matrix. This gives the flexibility not to trade every index or cash flow event. In this way we can minimise the trading costs within the fund whilst achieving good index tracking.

Whilst the fund is not fully replicating, in practice it may hold most of the index constituents in weightings very close to the index weights. FTSE® futures are used for cash management purposes.

For further information on economic and stock market backgrounds please see page 7.

**Vicky Harriss**

**Fund Manager  
April 2012**

# Royal London FTSE® 350 Tracker Fund

Fund Facts		A Acc units	C Inc units <sup>2</sup>
Sedol Number		B523MH2	B523R00
Initial Charge		0.50%	0.00%
Initial Commission		0.00%	0.00%
Annual Management Charge (AMC)		0.10%	0.10%
Total Expense Ratio (TER) <sup>1</sup>	As at 29/02/12	0.12%	0.13%
	As at 31/08/11	0.12%	0.12%
Portfolio Turnover Rate	As at 29/02/12	0%	0%
Min Lump Sum Investment		£500,000	£500,000
Min Additional Investment or Sale		£50,000	£50,000
Min Monthly Investment		N/A	N/A
ISA Qualifying		No	N/A
Launch Date (See notes below)		30/04/2010	30/04/2010
Fund Type		Authorised OEIC Fund	
Domiciled		UK	
Distribution Calculation Dates (XD)		1 Mar & 1 Sep	
Distribution Payment Dates		30 April & 31 Oct	

<sup>1</sup>the total expense ratio: consists of the AMC and any other additional expenses charged to a fund, such as Depositary fees.

<sup>2</sup>Note class C is limited issuance and available only at the discretion of the Manager.

## Fund Performance Data

		A Acc units	C Inc units
Fund Size	£2,931.90m		
Price*		105.50p	94.94p
Net Asset Value per share as at 29/02/12		105.64p	93.80p
Net Asset Value per share as at 31/08/11		93.46p	84.10p

\* single priced ICVC sub-fund, published price on 29.02.2012

## Net income Information

	A Acc units	C Inc units
Year	pps	pps
2012*	1.40	1.24
2011	3.01	2.78
2010**	1.68	1.59

\*To 29 February 2012

\*\* From Launch on 26 February 2010

## Fund vs Sector Average Out-Performance

	1 year	3 years	5 years
Royal London FTSE® 350 Tracker Fund A	2.32%	20.60%	-
IMA UK All Companies Sector Average	1.10%	20.10%	-
<b>Relative Out-Performance</b>	<b>1.22%</b>	<b>0.5%</b>	-

The sub-fund was launched on 26/02/10 and first priced on 01/03/10, however the performance track record and income information are linked to the previous merging Unit Trust the Royal London FTSE® 350 Tracker Trust launched on 20/07/07.

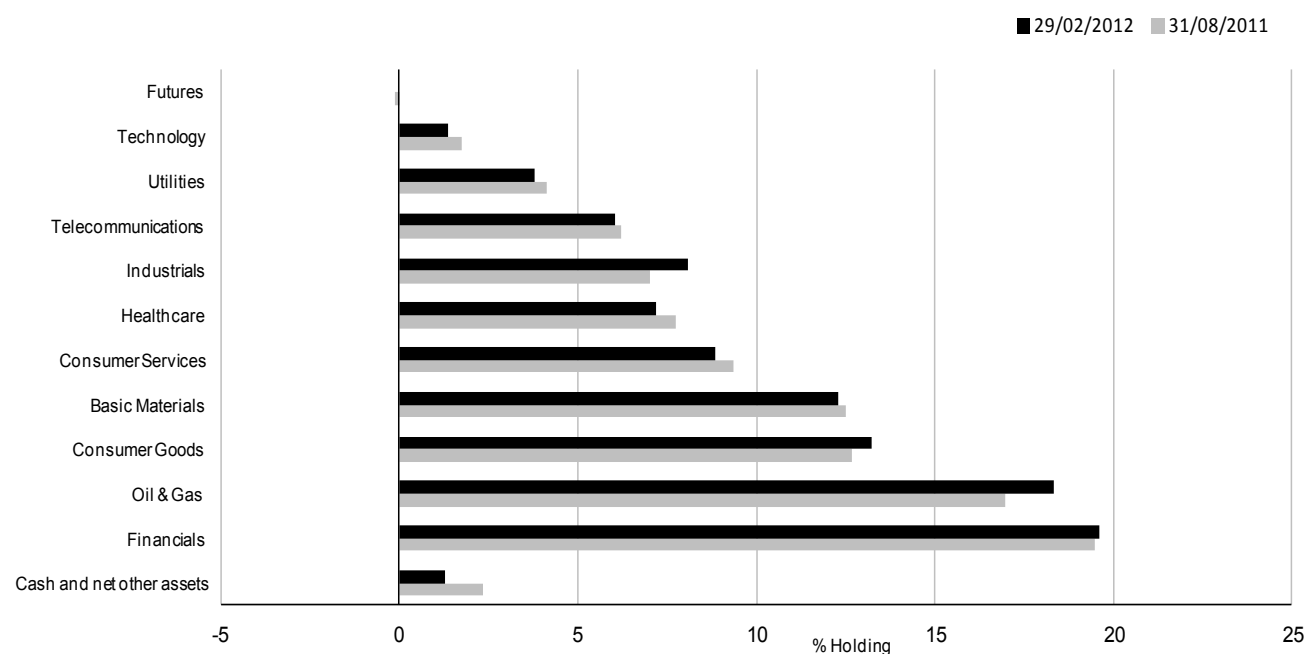
Please note that the above information relates to the past and that past performance is not a reliable indication of future returns.

Performance is cumulative over the period indicated.

(Source: Lipper Hindsight, Total Return in GBP).

# Royal London FTSE® 350 Tracker Fund

## Sector Breakdown



## Top Ten Holdings

Holding	31/08/2011		29/02/2012	
	% Holding		% Holding	
HSBC Holdings (London listed)	5.75	HSBC Holdings (London listed)	5.57	
Vodafone Group	5.07	BP	5.21	
BP	4.58	Vodafone Group	4.78	
Royal Dutch Shell 'A'	4.46	Royal Dutch Shell 'A'	4.67	
GlaxoSmithKline	4.12	GlaxoSmithKline	3.94	
Rio Tinto	3.41	Royal Dutch Shell 'B'	3.50	
Royal Dutch Shell 'B'	3.38	British American Tobacco	3.47	
British American Tobacco	3.30	Rio Tinto	2.97	
BHP Billiton	2.70	BG Group	2.86	
BG Group	2.68	BHP Billiton	2.48	

# Royal London Japan Growth Fund

## Fund Performance

Over the six months to the end of February 2012, the Royal London Japan Growth Fund gave a total return of 7.6%, against a 5.8% gain in the FTSE Japan benchmark and a 5.3% rise in the IMA Japan peer group sector. Although in nominal terms the Topix, a broad index of Japanese shares, rose 8.5% in Yen terms this gain was eroded by a 3.7% depreciation of the yen against sterling.

## Portfolio Commentary

During 2011, the earthquake and other natural events dominated combined with a very strong yen. The fund needed to balance the necessity of a domestic and defensive stance with the desirability of acquiring cheap exporters. Timing worked to the fund's advantage as we effectively raised exposure to machinery and other industrial stocks, while maintaining an overweight stance in autos and electrical which rallied strongly in 2012. Additionally, the fund was well positioned in financials which have also begun 2012 well. We remain cautious while it is still decidedly unclear whether the hubris surrounding better economic figures, mainly from the US, and some sticky-tape resolution to Greece's woes are anything other than a short-term diversion.

One area where there is a different emphasis emerging in the fund's management style is in actively seeking-out enduring competitive strength and reducing or eliminating positions where it is clear that prior competitive strength is waning. The fund does not take strong market views or normally take large allocations to specific sectors, so performance derives principally from individual stock selection and the management of those stock positions. This is not the same as a value or growth style as it is harder to determine the longer-term changes but leads to more enduring performance and less turnover. Although there is some stability in this area in domestically oriented firms a very different picture is to be seen in Japan's international activities. In manufacturing technology, processes and equipment to name but one area, there is a thriving investible arena but in the 'graveyard' of lost competitive edge, consumer goods and commodity electronics in particular, there is still too high an expectation of recovery and, with it, the likelihood of increasingly volatile returns. Japanese auto companies remain very good even though competition is rising but the commodity consumer goods area is now, we would venture, historic.

## Portfolio Outlook

Over the past 3-6 months the Japanese market became extremely cheap relative to both overseas markets and its own history. Domestic and defensive stocks had by contrast become expensive. As the yen has weakened the market has responded to the extent that the market price to book has re-attained the post Lehman average of around 1.1 times. It looks like earnings have now troughed and there remains a reasonable expectation of additional market gains in the next few months. However, we are moving to the point where some correction will occur if the overseas environment were to stumble. We will maintain our weak-yen affected exposure and run the positions, but subsequent buying will more likely be focused on falling domestic and defensive areas.

**Jonathan McClure**

**Fund Manager  
April 2012**

# Royal London Japan Growth Fund

## Fund Facts

		A Acc units	B Acc units
Sedol Number		B52R649	B50ZB51
Initial Charge		4.00%	0.00%
Initial Commission		4.00%	0.00%
Annual Management Charge (AMC)		1.00%	0.50%
Total Expense Ratio (TER) <sup>1</sup>	As at 29/02/12	1.03%	0.53%
	As at 31/08/11	1.03%	0.53%
Portfolio Turnover Rate	As at 29/02/12	95%	95%
Min Lump Sum Investment		£1,000	£1,000,000
Min Additional Investment or Sale		£100	£50,000
Min Monthly Investment		£50	N/A
ISA Qualifying		Yes	N/A
Launch Date (See notes below)		26/02/2010	19/04/2010
Fund Type		Authorised OEIC Fund	
Domiciled		UK	
Distribution Calculation Dates (XD)		1 Mar & 1 Sep	
Distribution Payment Dates		30 April & 31 Oct	

<sup>1</sup>the total expense ratio: consists of the AMC and any other additional expenses charged to a fund, such as Depositary fees.

## Fund Performance Data

	Fund A Acc units	B Acc units
Fund Size	£452.28m	
Price*	128.30p	129.50p
Net Asset Value per share as at 29/02/12	128.34p	129.54p
Net Asset Value per share as at 31/08/11	119.19p	120.02p

\* single priced ICVC sub-fund, published price on 29.02.2012

## Net income Information

	A Acc units	B Acc units
Year	pps	pps
2012*	0.74	1.04
2011	1.23	1.88
2010**	0.63	0.09

\*To 29 February 2012

\*\*From launch on 26 February 2010 for Class A and 20 April 2010 for Class B

## Fund vs Sector Average Out-Performance

	1 year	3 years	5 years
Royal London Japan Growth Fund A	-8.07%	11.44%	0.42%
IMA Japan Sector Average	-6.94%	9.40%	-1.86%
<b>Relative Out-Performance</b>	<b>-1.13%</b>	<b>2.04%</b>	<b>2.28%</b>

The sub-fund was launched on 26/02/10 and first priced on 01/03/10, however the performance track record and income information are linked to the previous merging Unit Trust the Royal London Japan Growth Trust launched on 30/04/85.

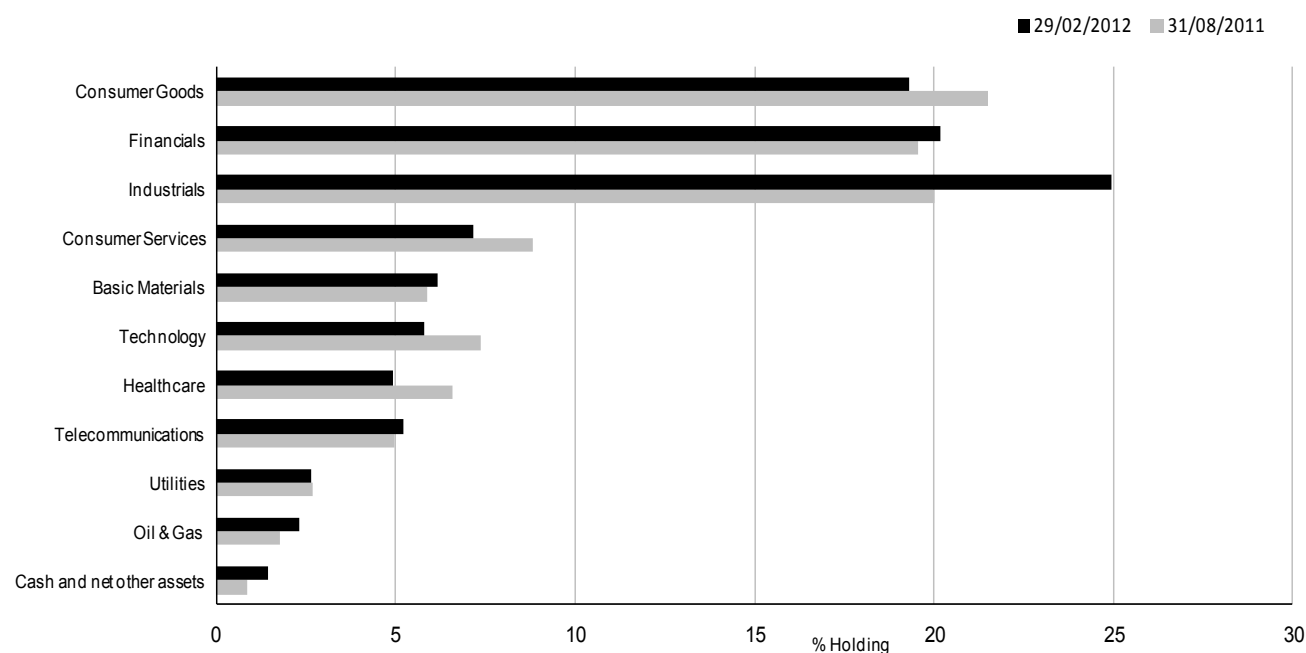
Please note that the above information relates to the past and that past performance is not a reliable indication of future returns.

Performance is cumulative over the period indicated.

(Source: Lipper Hindsight, Total Return in GBP).

# Royal London Japan Growth Fund

## Sector Breakdown



## Top Ten Holdings

Holding	31/08/2011	Holding	29/02/2012
	% Holding		% Holding
Toyota Motor	5.20	Toyota Motor	5.13
Mitsubishi UFJ Financial Group	3.79	Mitsubishi UFJ Financial Group	4.13
Sumitomo Mitsui Financial	2.85	Sumitomo Mitsui Financial Group	2.86
Nippon Telegraph & Telephone	2.82	Honda Motor	2.70
Honda Motor	2.14	Canon	2.65
Mitsui & Company	2.01	Mitsui & Company	1.92
Mitsui Sumitomo	1.97	Astellas Pharma	1.84
Mitsui Fudosan	1.85	East Japan Railw ay	1.83
Tokyo Gas	1.81	Nissan Motor	1.81
East Japan Railw ay	1.80	Mizuho Financial Group	1.78

# Royal London UK All Share Tracker Fund

## **Fund Performance**

For the six months to the end of February 2012, the return from the Royal London UK All share Tracker Fund was 12.8%. This compares with a return on the FTSE All Share Index of 10.3%.

## **Portfolio Commentary**

The aim of the fund is to track the total return of the FTSE® All-Share Index. This index comprises the FTSE® large, mid and small capitalisation indices and represents approximately 98% of the UK market.

We use an optimiser to help construct a portfolio designed to track the performance of the benchmark without necessarily holding all the constituents in their exact benchmark weights. The optimiser uses an algorithm which minimises tracking risk, based on a multi factor model and associated covariance matrix. This gives the flexibility not to trade every index or cash flow event. In this way we can minimise the trading costs within the fund whilst achieving good index tracking.

Whilst the fund is not fully replicating, in practice it may hold most of the index constituents in weightings very close to the index weights. FTSE® futures are used for cash management purposes.

For further information on economic and stock market backgrounds please see page 7.

**Vicky Harriss**

**Fund Manager**  
**April 2012**

# Royal London UK All Share Tracker Fund

## Fund Data

## A Acc Units

Sedol Number		B533V41
Initial Charge		0.00%
Initial Commission		0.00%
Annual Management Charge (AMC)		0.10%
Total Expense Ratio (TER) <sup>1</sup>	As at 29/02/12	0.13%
	As at 31/08/11	0.13%
Portfolio Turnover Rate	As at 29/02/12	0%
Min Lump Sum Investment		£1,000,000
Min Additional Investment or Sale		£50,000
Min Monthly Investment		N/A
ISA Qualifying		N/A
Launch Date (See notes below)		26/02/2010
Fund Type		Authorised OEIC Fund
Domiciled		UK
Distribution Calculation Dates (XD)		1 Mar & 1 Sep
Distribution Payment Dates		30 April & 31 Oct

<sup>1</sup>the total expense ratio: consists of the AMC and any other additional expenses charged to a fund, such as Depositary fees.

## Fund Performance Data

## Net income Information

	Fund A Acc units
Fund Size	£545.04m
Price*	122.60p
Net Asset Value per share as at 29/02/12	122.56p
Net Asset Value per share as at 31/08/10	108.59p

\* single priced ICVC sub-fund, published price on 29.02.2012

Year	Acc units pps
2012*	1.59
2011	3.50
2010**	1.91

\*To 29 February 2012

\*\*From Launch on 26 February 2010

## Fund vs Sector Average Out-Performance

	1 year	3 years	5 years
Royal London UK All Share Tracker Fund A	2.42%	20.83%	-
IMA UK All Companies Sector Average	1.10%	20.10%	-
<b>Relative Out-Performance</b>	<b>1.32%</b>	<b>0.73%</b>	-

The sub-fund was launched on 26/02/10 and first priced on 01/03/10, however the performance track record and income information are linked to the previous merging Unit Trust the Royal London UK All Share Tracker Trust launched on 04/09/08.

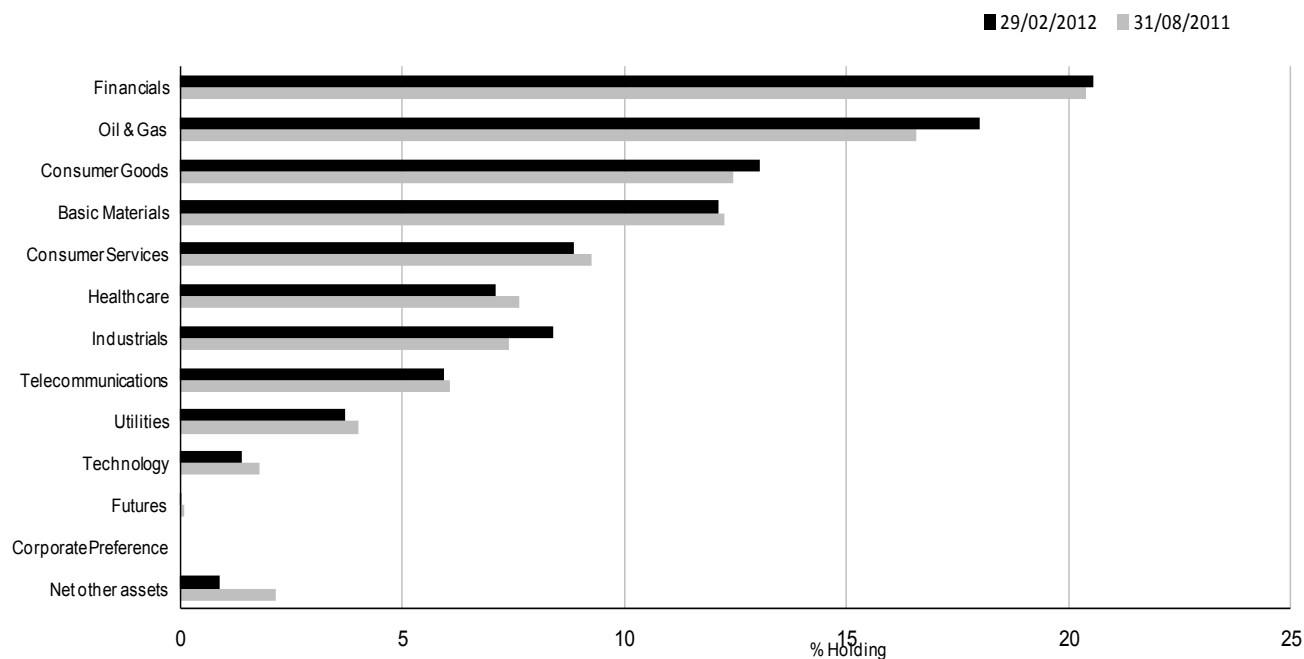
Please note that the above information relates to the past and that past performance is not a reliable indication of future returns.

Performance is cumulative over the period indicated.

(Source: Lipper Hindsight, Total Return in GBP).

# Royal London UK All Share Tracker Fund

## Sector Breakdown



## Top Ten Holdings

31/08/2011		29/02/2012	
Holding	% Holding	Holding	% Holding
HSBC Holdings (London listed)	5.60	HSBC Holdings (London listed)	5.46
Vodafone Group	4.95	BP	5.10
BP	4.46	Vodafone Group	4.68
Royal Dutch Shell 'A'	4.35	Royal Dutch Shell 'A'	4.57
GlaxoSmithKline	4.02	GlaxoSmithKline	3.86
Rio Tinto	3.32	Royal Dutch Shell 'B'	3.43
Royal Dutch Shell 'B'	3.30	British American Tobacco	3.40
British American Tobacco	3.22	Rio Tinto	2.92
BHP Billiton	2.63	BG Group	2.81
BG Group	2.61	BHP Billiton	2.43

# Royal London UK Equity Fund

## Fund Performance

The fund outperformed the benchmark and peer group sector average over the period, returning 13.0%, against a 10.3% return from the FT All Share Index and 12.3% from IMA UK All Companies peer group.

## Portfolio Commentary

Market sentiment oscillated sharply between two conflicting headwinds over the six months. On the one hand, there were fears that the Eurozone sovereign debt crisis would cause economies and the financial sector to implode. On the other hand, there was hope that the US economy would continue to improve, combined with loosening monetary policy in China and co-ordinated support of the Eurozone banks by the ECB. By December it seemed that the politicians and monetary authorities had managed to address, at least in the short term, the Greek fiscal dilemma, so economic and corporate earnings momentum drove up markets through the New Year. Many of the economically sensitive or perceived high risk stocks rallied sharply in the second half of the period which boosted the fund's performance. Oil prices moved higher and the funds overweight in this area as well as good stock selection added to performance. Rockhopper, Falkland Islands, rose 75%, Premier Oil gained 33% and Ophir, an East African E&P company, purchased recently, rose 42%. Morgan Crucible, Johnson Matthey and WPP all recovered well, while not holding Tesco, down 15%, Unilever and MAN group, down 38%, also helped.

Over the period I continued to buy companies with attractive long term growth prospects and strong market positions. Diageo, the global branded spirits and Beer Company has delivered good earnings growth despite testing economic times and has recently further upgraded its sales and margin targets over the medium term. DS Smith, the UK packaging company has made a transformation acquisition buying SCA Packaging from its Swedish parent. Not only is this deal 40% eps accretive in 2014, it also offers entry into complementary European markets and continues the consolidation of a previously fragmented industry. Unite is the leading provider of student accommodation in the UK, a specialist and growing segment of the property market. Its plans to grow its stock of residencies combined with 5% plus rental growth per annum should see it deliver mid teens growth in book value, yet it trades on a big discount to NAV.

## Portfolio Outlook

As long as the potential of a further financial dislocation in the Eurozone recedes, the markets will focus on the generally supportive macro data and improving corporate earnings, coupled with very low valuations in both absolute terms and relative to other asset classes such as bonds and cash. In my central scenario of slow global recovery, with an extended period of low interest rates, equity markets should re-rate – many attractive investment opportunities remain in the UK equity market.

**Jane Coffey**

**Fund Manager  
April 2012**

# Royal London UK Equity Fund

## Fund Facts

## A Acc Units

Sedol Number		B66DT18
Initial Charge		4.00%
Initial Commission		4.00%
Annual Management Charge (AMC)		1.25%
Total Expense Ratio (TER) <sup>1</sup>	As at 29/02/12	1.30%
	As at 31/08/11	1.30%
Portfolio Turnover Rate	As at 29/02/12	49%
Min Lump Sum Investment		£1,000
Min Additional Investment or Sale		£100
Min Monthly Investment		£50
ISA Qualifying		Yes
Launch Date (See notes below)		05/11/2010
Fund Type		Authorised OEIC Fund
Domiciled		UK
Distribution Calculation Dates (XD)		1 Mar & 1 Sep
Distribution Payment Dates		30 April & 31 Oct

<sup>1</sup>the total expense ratio: consists of the AMC and any other additional expenses charged to a fund, such as Depositary fees.

## Fund Performance Data

## Net income Information

Fund A Acc units	
Fund Size	£377.74m
Price*	728.10p
Net Asset Value per share as at 29/02/12	727.63p
Net Asset Value per share as at 31/08/11	643.84p

Year	Acc units pps
2012*	6.38
2011**	10.47

\*To 29 February 2011

\*\* From launch on 5 November 2010

\* single priced ICVC sub-fund, published price on

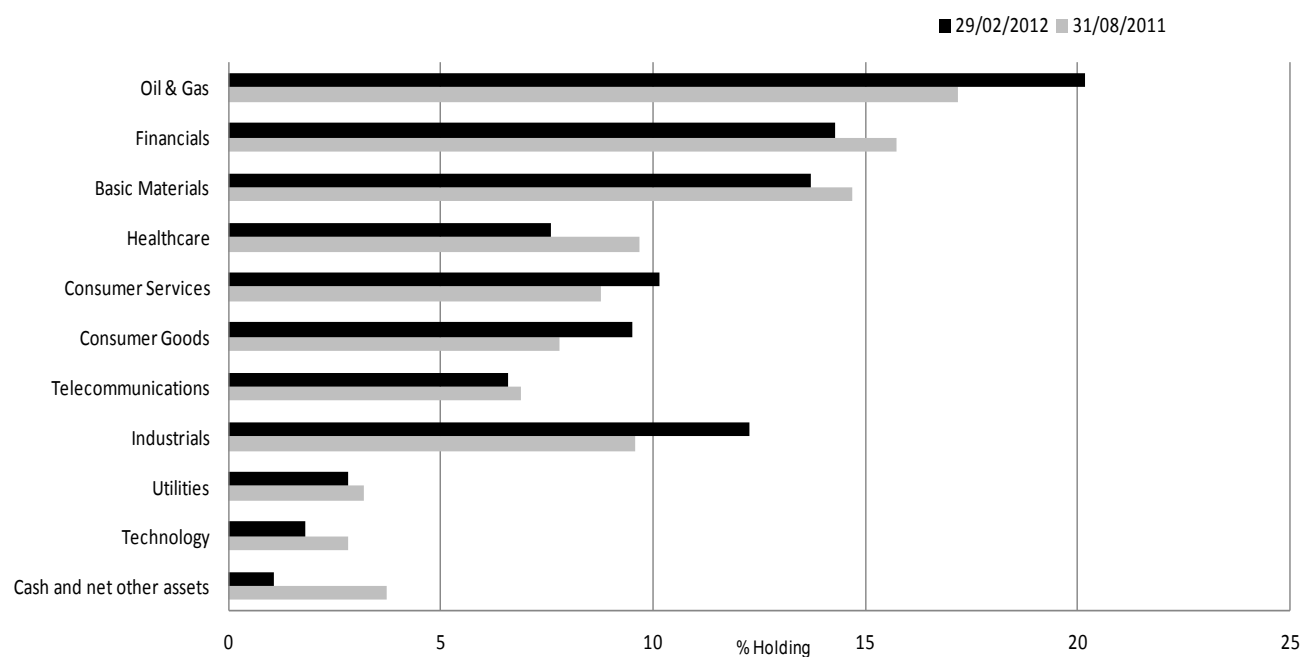
## Fund vs Sector Average Out-Performance

	1 year	3 years	5 years
Royal London UK Equity Fund	1.50%	19.04%	2.80%
IMA UK All Companies sector	1.10%	20.10%	1.41%
<b>Relative Out-Performance</b>	<b>0.40%</b>	<b>-1.06%</b>	<b>1.39%</b>

The sub-fund was launched on 05/11/10 and first priced on 08/11/10, however the performance track record and income information are linked to the previous merging Unit Trust the Royal London UK Equity Trust launched on 01/08/97.  
Please note that the above information relates to the past and that past performance is not a reliable indication of future returns.  
Performance is cumulative over the period indicated. (Source: Lipper Hindsight, Total Return in GBP).

# Royal London UK Equity Fund

## Sector Breakdown



## Top Ten Holdings

Holding	31/08/2011	Holding	29/02/2012
	% Holding		% Holding
Royal Dutch Shell 'B'	6.40	Royal Dutch Shell 'B'	6.18
Rio Tinto	5.74	HSBC Holdings (London listed)	5.19
Vodafone Group	5.52	Vodafone Group	4.87
HSBC Holdings (London listed)	4.84	Rio Tinto	4.81
GlaxoSmithKline	4.37	BP	4.52
BP	3.51	GlaxoSmithKline	4.24
BG Group	3.31	BG Group	3.87
Xstrata	3.01	Xstrata	2.97
British American Tobacco	2.39	Imperial Tobacco Group	2.68
Compass Group	2.36	Diageo	2.66

# Royal London UK Equity Income Fund

## Fund Performance

During the 6 month period ending 29<sup>th</sup> February 2012, the fund gave a total return of 12.7%, versus the benchmark, FTSE All Share Index, return of 10.3% and IMA UK Equity Income peer group return of 10.1%.

The fund's performance against competitor funds over the last six months has been assisted by a range of positive stock contributions, including: Johnson Matthey, Atkins (WS), Experian, Filtrona, Informa, BT Group and AZ Electronics. In addition, not holding Tesco was a positive for performance as the stock that fell sharply following a profits warning. Astra Zeneca and Segro were detractors from performance.

## Portfolio Commentary

During the period under review the fund has continued to target companies that offer sustainable and growing dividends, with a focus on cashflow, robust balance sheets and international earnings.

Over the last six months the shape of the fund has remained broadly unchanged. The fund has continued to favour quality industrial stocks due to their international earnings and exposure to faster growing emerging economies. While maintaining this bias, the fund started a new holding in Diploma during the six months of review, following a positive meeting with management. With good cash conversion of profits and net cash on the balance sheet, they have plenty of scope to do value creating acquisitions funded by their free cashflow.

More recently the fund started new holdings in Booker and Cineworld. Booker has net cash and is operating in the fragmented and growing food services market where many competitors are over leveraged. In my opinion dividends should grow strongly over the next few years. Cineworld had lagged the stockmarket on the back of a less commercial film release schedule in early 2012. I believe this will improve as the year progresses and its 6% dividend yield is secure and attractive.

## Portfolio Outlook

Economic indicators coming out of the US continue to reassure, with fourth quarter growth close to 3% on an annualised basis. The Fed has confirmed that US interest rates are likely to stay at very low levels until late 2014. In Europe the euro crisis has rumbled on over the last six months and

quantitative easing continues with a large take-up of the LTRO scheme. This assists European bank funding and reinforces the firewall to prevent sovereign debt default contagion to the broader economy. Downside scenarios now look much less likely. My central view remains one of economic 'muddle through', with anaemic growth in developed economies for a number of years. However the peripheral eurozone – a very small part of the global economy – is in for a tough time in 2012.

I remain relatively upbeat on stock market prospects, though stock selection will be important moving forward. The overall strength of corporate balance sheets and ongoing cashflows should encourage M&A activity in due course, which will be supportive of the market. With dividend growth my central scenario for 2012, the yield on the market looks attractive in a world where interest rates will stay close to zero for a number of years. I continue to target those companies I believe will be corporate survivors and remain wary of financially distressed companies.

**Martin Cholwill**

**Fund Manager  
April 2012**

# Royal London UK Equity Income Fund

Fund Facts		A Inc Units	B Inc units
Sedol Number		B67N865	B3M9JJ7
Initial Charge		4.00%	0.00%
Initial Commission		4.00%	0.00%
Annual Management Charge (AMC)		1.25%	0.65%
Total Expense Ratio (TER) <sup>1</sup>	As at 29/02/12	1.32%	0.68%
	As at 31/08/11	1.32%	0.71%
Portfolio Turnover Rate	As at 29/02/12	28%	28%
Min Lump Sum Investment		£1,000	£1,000,000
Min Additional Investment or Sale		£100	£50,000
Min Monthly Investment		£50	N/A
ISA Qualifying		Yes	N/A
Launch Date		05/11/2010	05/11/2010
Fund Type		Authorised Unit Trust	
Domiciled		UK	
Distribution Calculation Dates (XD)		01 Sep, 01 Dec, 01 Mar, 01Jun	
Distribution Payment Dates		31 Oct, 31 Jan, 30 Apr, 31 Jul	

<sup>1</sup>the total expense ratio: consists of the AMC and any other additional expenses charged to a fund, such as Trustee fees.

## Fund Performance Data

	Fund	A Inc units	B Inc Units
Fund Size	£257.89m		
Price*		494.80p	498.70p
Net Asset Value per share as at 29/02/12		490.98p	494.89p
Net Asset Value per share as at 31/08/11		444.43p	446.62p

\* single priced ICVC sub-fund, published price on 29.02.2012

## Net income Information

	A Inc Units	B Inc units
Year	pps	pps
2012*	3.31	3.33
2011	21.14	21.22
2010**	0.91	0.91

\* To 29 February 2012

\*\* From launch on 5 November 2010

## Fund vs Sector Average Out-Performance

	1 year	3 years	5 years
Royal London UK Equity Income Fund	5.04%	20.89%	2.72%
IMA UK Equity Income sector average	2.05%	17.68%	0.19%
<b>Relative Out-Performance</b>	<b>2.99%</b>	<b>3.21%</b>	<b>2.53%</b>

The sub-fund was launched on 05/11/10 and first priced on 08/11/10, however the performance track record and income information are linked to the previous merging Unit Trust the Royal London Equity Income Trust launched on 11/04/84.

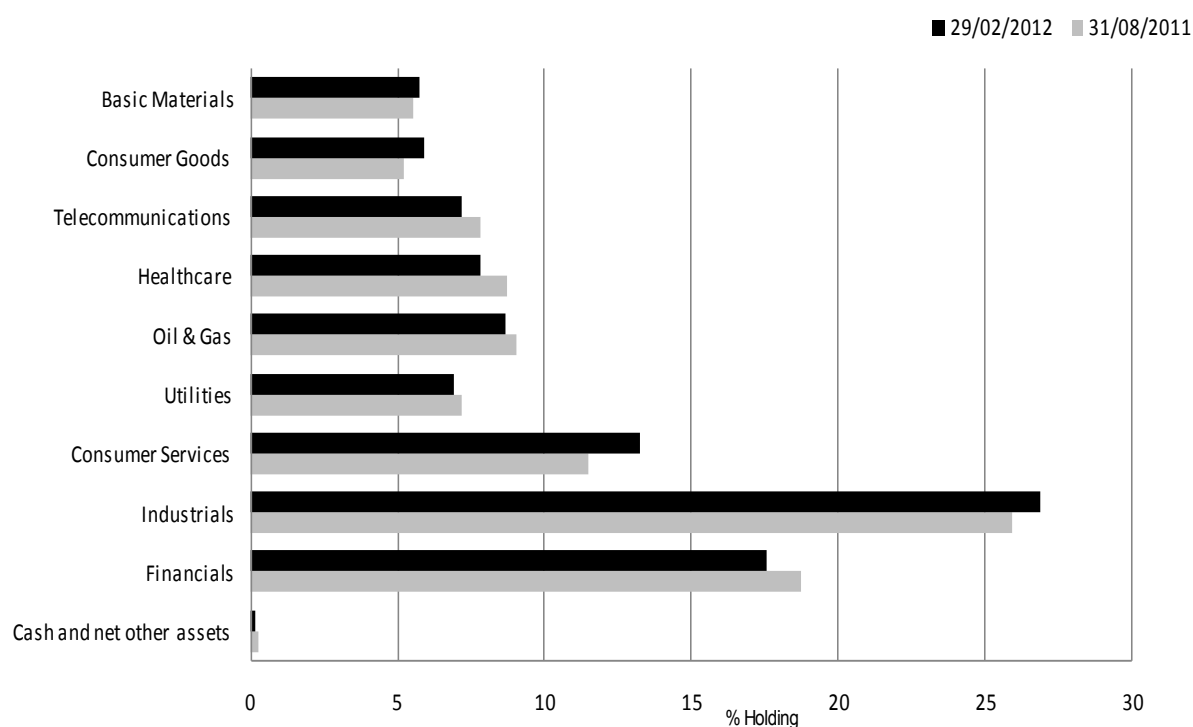
Please note that the above information relates to the past and that past performance is not a reliable indication of future returns.

Performance is cumulative over the period indicated.

(Source: Lipper Hindsight, Total Return in GBP).

# Royal London UK Equity Income Fund

## Sector Breakdown



## Top Ten Holdings

Holding	31/08/2011	Holding	29/02/2012
	% Holding		% Holding
Vodafone Group	5.51	Royal Dutch Shell 'B'	5.12
Royal Dutch Shell 'B'	5.41	Vodafone Group	4.95
AstraZeneca	5.19	AstraZeneca	4.33
BP	3.65	BP	3.56
GlaxoSmithKline	3.56	GlaxoSmithKline	3.48
HSBC Holdings (London listed)	3.56	HSBC Holdings (London listed)	3.16
British American Tobacco	3.23	British American Tobacco	3.07
Severn Trent	3.07	Severn Trent	2.82
Pennon Group	2.79	Pennon Group	2.64
Resolution	2.67	Resolution	2.33

# Royal London UK Ethical Equity Fund

## Fund Performance

The fund outperformed the benchmark during the period, giving a total return of 16.1%, against 10.3% for the index, the FTSE All Share, and 12.3% for the IMA UK All Companies peer group.

## Portfolio Commentary

Equity markets were volatile during the period under review reflecting the ebb and flow of the Euro zone crisis. For most of the summer we saw rising bond yields across Southern Europe as the Greek crisis intensified and spilt over into Portugal, Spain and eventually Italy. Italian yields reached the allegedly unsupportable level of 7%, the Government then fell, being replaced by an unelected "Technocrat" administration; this was also the case in Greece. The result was equity investors sold aggressively out of anything perceived as cyclical or 'risky'.

This was clearly an unhelpful market backdrop for the fund, which was heavily overweight in the Mining and Industrial sectors, and underweight in the more defensive areas of the market. Obviously some traditional defensive sectors such as Tobacco and Beverage are excluded from consideration by the fund, which added to the challenge. The crisis probably peaked in September, which proved a very difficult period for the fund. However, the investment style is to focus on the core fundamentals, both macro and micro, while seeking to screen out the short term noise from the market, often associated with sentiment and momentum.

The fund kept faith with its' pro-cyclical bias mainly due to the continued strong macro data from the USA – throughout the period under review the data from the world's largest economy went from strength to strength, particularly in terms of employment and outlook. Indeed, despite all the focus on Greece, U.S economic prospects and U.S corporate earnings improved throughout the autumn and winter. As the intensity of the Euro Zone crisis fell back from its early October peak (and we have to be clear on this, it hasn't gone away), markets found the confidence to focus more on valuation and fundamentals, which played to the funds' core strengths. So after a difficult September the fund embarked on a steady period of outperformance as cyclical sectors such as Mining, and particularly industrials, led the market.

Several of our core long term positions performed particularly well during the market rally and were

key factors in the performance of the fund. I would specifically highlight Ashtead, which saw rising prices for its US industrial plant rental business, and Rockhopper, which saw further drilling success off the Falklands.

## Portfolio Outlook

I can offer two core positives and one cause for caution. Firstly, Equity valuations remain very attractive, despite the recent rally. Secondly, the market offers good value both on an absolute basis and relative to other asset classes. Meanwhile the US economic prospects continue to brighten – but the cause for caution? The song remains the same; we have a lull in the Euro Zone crisis, not a solution.

**Bradley Mitchell**

**Fund Manager**  
**April 2012**

# Royal London UK Ethical Equity Fund

Fund Facts		A Acc units
Sedol Number		B5B49T7
Initial Charge		0.00%
Initial Commission		0.00%
Annual Management Charge (AMC)		0.70%
Total Expense Ratio (TER) <sup>1</sup>	As at 29/02/12	1.09%
	As at 31/08/11	1.05%
Portfolio Turnover Rate	As at 29/02/12	143%
Min Lump Sum Investment		£1,000,000
Min Additional Investment or Sale		£50,000
Min Monthly Investment		-
ISA Qualifying		No
Launch Date (See notes below)		09/05/2011
Fund Type		Authorised OEIC Fund
Domiciled		UK
Distribution Calculation Dates (XD)		1st Nov
Distribution Payment Dates		31-Oct

<sup>1</sup>the total expense ratio: consists of the AMC and any other additional expenses charged to a fund, such as Depositary fees.

## Fund Performance Data

## Net income Information

	B Acc units
Fund Size	£5.72m
Price*	101.30p
Net Asset Value per share as at 29/02/12	99.89p
Net Asset Value per share as at 31/08/11	87.13p

Year	B Acc units pps
2012*	1.32
2011**	0.97

\* To 29 February 2012

\*\* From launch on 9 May 2011

\* single priced ICVC sub-fund, published price on 29.02.2012

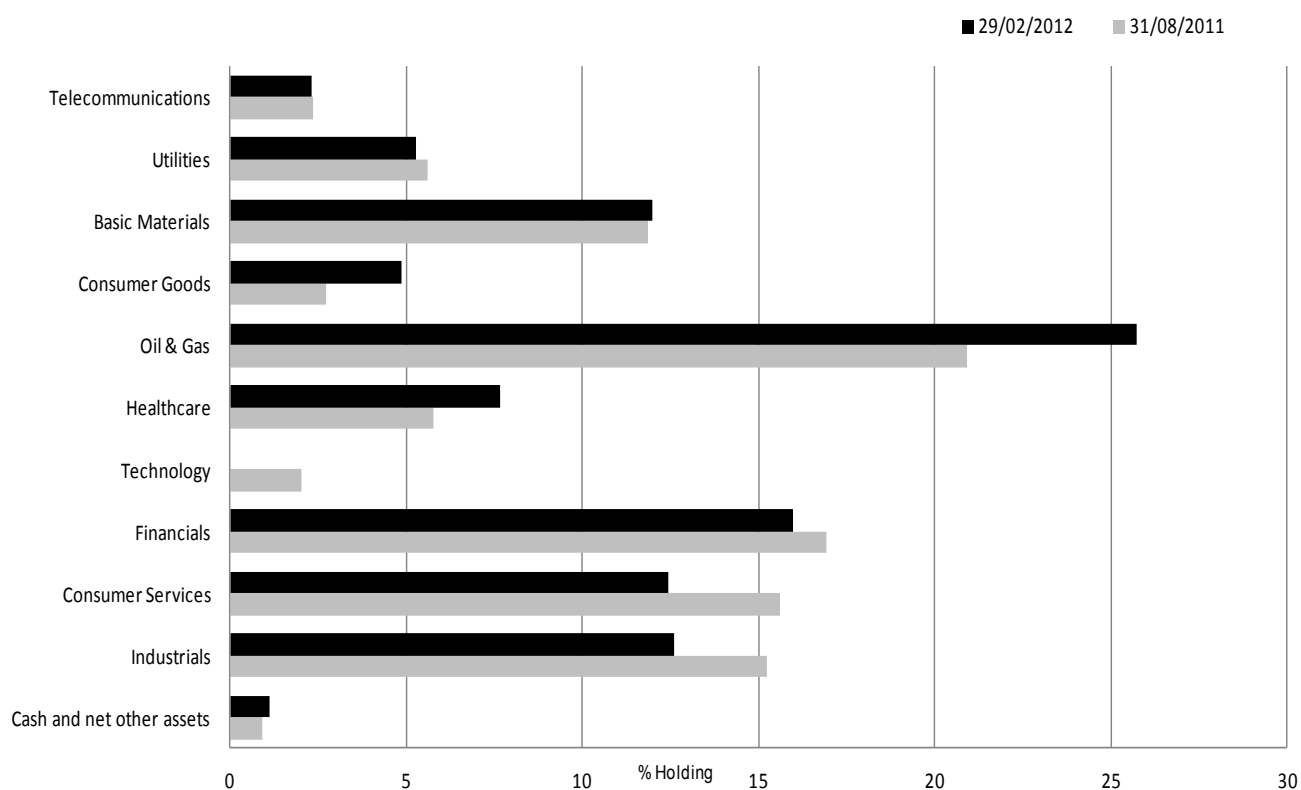
## Fund vs Sector Average Out-Performance

	Since Inception
Royal London UK Ethical Equity Fund	-11.82%
IMA UK All Companies sector average	-10.67%
<b>Relative Out-Performance</b>	<b>-1.15%</b>

The sub-fund was launched on 09/05/11 and first priced on 10/05/11,  
Please note that the above information relates to the past and that past performance is not a reliable indication of future returns.  
Performance is cumulative over the period indicated.  
(Source: Lipper Hindsight, Total Return in GBP).

# Royal London UK Ethical Equity Fund

## Sector Breakdown



## Top Ten Holdings

Holding	31/08/2011		29/02/2012	
	% Holding	Holding	% Holding	Holding
Royal Dutch "B"	7.10	Royal Dutch Shell 'B'	6.80	
BG Group	5.50	BP	6.35	
HSBC Holdings (London listed)	5.27	BG Group	5.72	
Rio Tinto	5.17	HSBC Holdings (London listed)	5.28	
AstraZeneca	4.09	Rio Tinto	5.05	
Xstrata	3.95	Xstrata	3.77	
BP	3.72	AstraZeneca	3.34	
Pennon Group	2.87	Spectris	3.08	
IMI	2.87	Informa	2.86	
Go-Ahead Group	2.87	Tate & Lyle	2.78	

# Royal London UK Growth Fund

## Fund Performance

The fund outperformed the benchmark during the period, giving a total return of 16.7%, against 10.3% for the index, the FTSE All Share and 12.3% for the IMA UK All Companies peer group.

## Portfolio Commentary

Equity markets were volatile during the period under review reflecting the ebb and flow of the Euro zone crisis. For most of the summer we saw rising bond yields across Southern Europe as the Greek crisis intensified and spilt over into Portugal, Spain and eventually Italy. Italian yields allegedly reached the unsupportable level of 7%, the Government then fell, being replaced by an unelected "Technocrat" administration; this was also the case in Greece. The result was equity investors sold aggressively out of anything perceived as cyclical or 'risky'.

This was clearly an unhelpful market backdrop for the fund, which was heavily overweight in the Mining and Industrial sectors, and underweight in the more defensive areas of the market. The crisis probably peaked in September, which proved a very challenging period for the fund. However, the investment style is to focus on the core fundamentals, both macro and micro, while seeking to screen out the short term noise from the market, often associated with sentiment and momentum.

The fund kept faith with its' pro-cyclical bias mainly due to the continued strong macro data from the USA – indeed throughout the period under review the data from the world's largest economy went from strength to strength. Despite all the focus on Greece, US economic prospects and US corporate earnings improved throughout the Autumn and Winter. As the intensity of the Euro Zone crisis fell back from its early October peak (and we have to be clear on this, it hasn't gone away), markets found the confidence again to focus more on valuation and fundamentals, which played to the funds' core strengths. So, after a difficult September the fund embarked on a steady period of outperformance as cyclical sectors such as Mining, and particularly industrials, led the market.

Several of our core long term key positions performed particularly well during the market rally and were key factors in the performance of the fund. I would specifically highlight: Ashtead, rising with prices for its US industrial plant rental business; Rockhopper, which benefited from further drilling success off the Falklands; and ITV

advertising prospects improved.

## Portfolio Outlook

I can offer two core positives and one cause for caution. Firstly, Equity valuations remain very attractive, despite the recent rally. Secondly, The market offers good value both on an absolute basis and relative to other asset classes. Meanwhile the US economic prospects continue to brighten – but the cause for caution? The song remains the same; we have a lull in the Euro Zone crisis, not a solution.

**Bradley Mitchell**

**Fund Manager  
April 2012**

# Royal London UK Growth Fund

## Fund Facts

		A	Acc Units
Sedol Number			B63H3D3
Initial Charge			4.00%
Initial Commission			4.00%
Annual Management Charge (AMC)			1.25%
Total Expense Ratio (TER) <sup>1</sup>	As at 29/02/12		1.34%
	As at 31/08/11		1.34%
Portfolio Turnover Rate	As at 29/02/12		112%
Min Lump Sum Investment			£1,000
Min Additional Investment or Sale			£100
Min Monthly Investment			£50
ISA Qualifying			Yes
Launch Date			30/04/2010
Fund Type			Authorised Unit Trust
Domiciled			UK
Distribution Calculation Dates (XD)			01 Sep, 01 Mar
Distribution Payment Dates			31 Oct, 30 Apr

<sup>1</sup>the total expense ratio: consists of the AMC and any other additional expenses charged to a fund, such as Trustee fees.

## Fund Performance Data

	A	Acc units
Fund Size	£181.74m	
Price*		221.10p
Net Asset Value per share as at 29/02/12		220.82p
Net Asset Value per share as at 31/08/11		189.32p

\* single priced ICVC sub-fund, published price on 29.02.2012

## Net income Information

	A	Acc units
Year		pps
2012*		1.18
2011		2.93
2010**		1.41

\*To 29 February 2012

\*\* From launch on 30 April 2010

## Fund vs Sector Average Out-Performance

	1 year	3 years	5 years
Royal London UK Growth Fund	2.02%	23.31%	3.61%
IMA UK All Companies Sector Average	1.10%	20.10%	1.41%
<b>Relative Out-Performance</b>	<b>1.08%</b>	<b>3.21%</b>	<b>2.20%</b>

The sub-fund was launched on 30/04/10 and first priced on 04/05/10, however the performance track record and income information are linked to the previous merging Unit Trust the Royal London UK Growth Trust launched on 04/08/97.

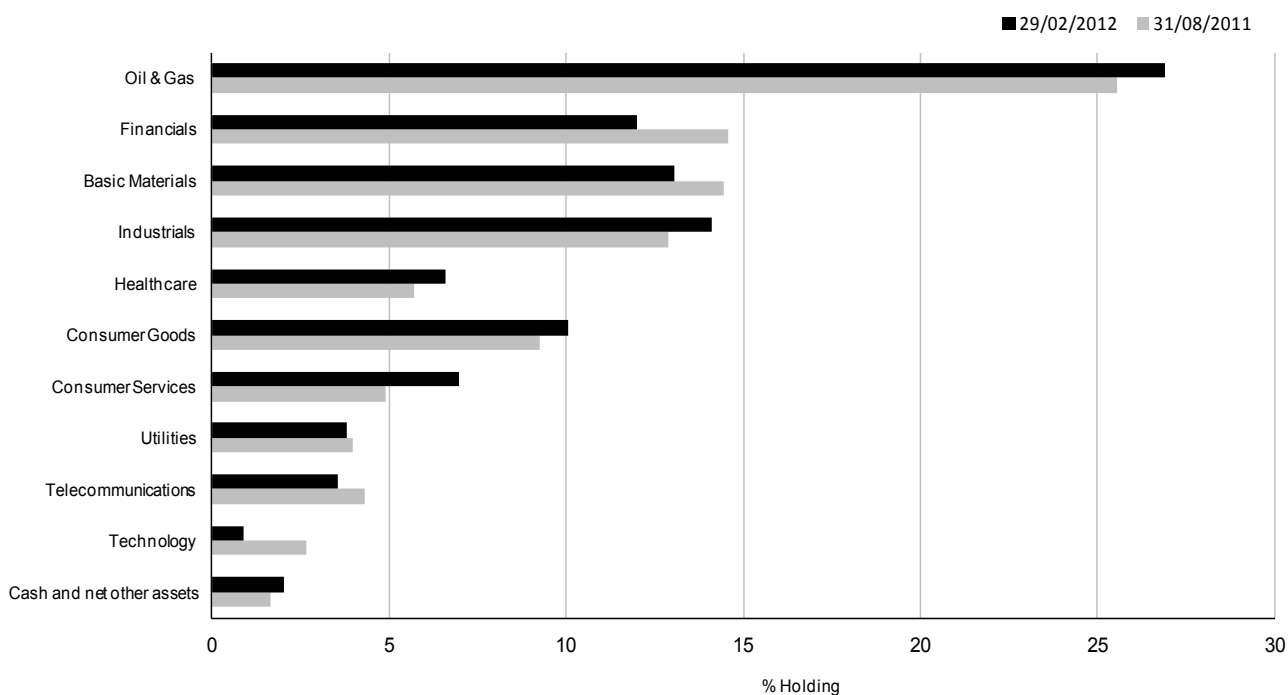
Please note that the above information relates to the past and that past performance is not a reliable indication of future returns.

Performance is cumulative over the period indicated.

(Source: Lipper Hindsight, Total Return in GBP).

# Royal London UK Growth Fund

## Sector Breakdown



## Top Ten Holdings

Holding	31/08/2011		29/02/2012	
	% Holding		% Holding	
Royal Dutch Shell 'B'	6.71	Royal Dutch Shell 'B'	6.33	
Rio Tinto	6.20	BG Group	4.92	
HSBC Holdings (London listed)	5.01	Rio Tinto	4.64	
BG Group	4.96	HSBC Holdings (London listed)	4.44	
Vodafone Group	4.32	Imperial Tobacco Group	4.40	
Imperial Tobacco Group	4.06	Xstrata	4.18	
Xstrata	4.03	BP	3.94	
Rockhopper Exploration	3.59	Rockhopper Exploration	3.77	
BP	3.03	Vodafone Group	3.56	
Reckitt Benckiser	3.03	GlaxoSmithKline	3.26	

# Royal London UK Mid Cap Growth Fund

## Fund Performance

The fund outperformed its benchmark and peer group sector average during the period, giving a total return of 20.3%, against 11.1% by the FTSE 250 Mid(X It) benchmark, and 12.3% by the IMA UK All Companies peer group. Strong performance was helped by both positive stock and sector selection.

## Portfolio Commentary

US growth surprised to the upside over the six months with evidence of a sustained pickup in the economy – business surveys strengthened and the jobless number fell sharply. However, it was the introduction of the ECB's Long Term Refinancing Operation (LTRO), in December, that changed the market dynamic. The LTRO greatly reduced the tail risk of an implosion of the banking system, by allowing the market significant breathing space from worries about a sovereign debt default. Entering 2012 investors have been looking forward positively.

Behind the fund's good performance was exposure to cyclicals, such as Persimmon, and Fenner, and oil stocks such as Rockhopper and Premier Oil. Ashtead was among the top contributors as the US is seeing structural growth in the equipment hire market. Previously, companies bought rather than rented equipment, but in a poor construction market, they are looking to reduce costs and outsource more. Rockhopper also returned to winning ways. Several companies including Cairn Energy and Anadarko are believed to be interested in farming in to the company – this should close the discount between the current share price and our valuation.

Among the deals in the period was the purchase of Ophir Energy. The company, whose portfolio of assets is off the east coast of Africa, is entering a very active exploration and appraisal period over the next 18 months. A well is due to be found every 6-8 weeks from their acreage in Tanzania and Equatorial Guinea. The fund bought Ophir in January at 300p, it rose to 424p by the end of February – helped by a bid in the sector for Cove Energy. Cove and Ophir are drilling for gas and oil in the same area of East Africa, and Ophir could be the next bid target. With the oil price at current levels, it is cheaper for large oil companies to bid for producing assets than to drill for oil themselves

## Portfolio Outlook

It is easy to take profits in the higher beta names that have performed well. However, most of these companies, especially industrials, are generally confident about their outlook, despite being cautious about the economy. Evidence of this can be seen in record margins, impressive dividend growth, and record cashflow, which will ensure a pick-up in M&A. The default direction for UK equities remains upwards, but we need a new catalyst to get the market higher, earnings upgrades, or M&A are the most likely candidates. The outlook for economic growth in 2012 is poor – my focus remains on companies that have strong balance sheets and can generate earnings growth with a growing yield.

**Derek Mitchell**

**Fund Manager**  
**April 2012**

# Royal London UK Mid Cap Growth Fund

Fund Facts		A Acc units	B Acc units
Sedol Number		B4V70S5	B5BRW42
Initial Charge		4.00%	0.00%
Initial Commission		4.00%	0.00%
Annual Management Charge (AMC)		1.40%	0.70%
Total Expense Ratio (TER) <sup>1</sup>	As at 29/02/12	1.44%	0.74%
	As at 31/08/11	1.44%	0.74%
Portfolio Turnover Rate	As at 29/02/12	91%	91%
Min Lump Sum Investment		£1,000	£1,000,000
Min Additional Investment or Sale		£100	£50,000
Min Monthly Investment		£50	N/A
ISA Qualifying		Yes	N/A
Launch Date (See notes below)		30/10/2009	11/11/2009
Fund Type		Authorised OEIC Fund	
Domiciled		UK	
Distribution Calculation Dates (XD)		01-Sep	
Distribution Payment Dates		31-Oct	

<sup>1</sup>the total expense ratio: consists of the AMC and any other additional expenses charged to a fund, such as Depositary fees.

## Fund Performance Data

## Net income Information

		A Acc units	B Acc units		
		pps	pps		
Fund	Year	A Acc units	B Acc units		
Fund Size	£83.70m				
Price*		189.00p	191.90p		
Net Asset Value per share as at 29/02/12		188.74p	191.66p		
Net Asset Value per share as at 31/08/11		156.95p	159.00p		

\* single priced ICVC sub-fund, published price on 29.02.2012

\*To 29 February 2012

\*\*From launch on 30 October 2009 for Class A and 11 November 2009 for Class B

## Fund vs Sector Average Out-Performance

	1 year	3 years	5 years
Royal London UK Mid-Cap Growth Fund A	8.66%	30.43%	9.12%
IMA UK All Companies Sector Average	1.10%	20.10%	1.41%
<b>Relative Out-Performance</b>	<b>7.56%</b>	<b>10.33%</b>	<b>7.71%</b>

The sub-fund was launched on 30/10/09 and first priced on 02/11/09, however the performance track record and income information are linked to the previous merging Unit Trust the Royal London UK Mid Cap Trust launched on 02/06/06.

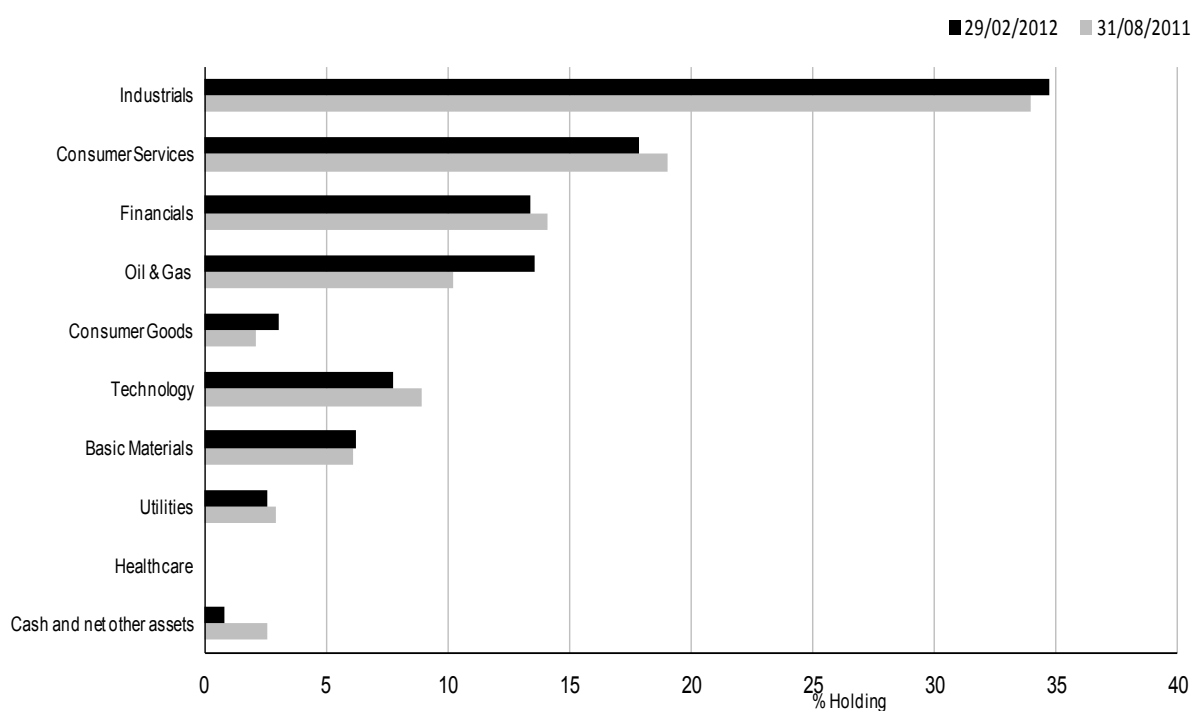
Please note that the above information relates to the past and that past performance is not a reliable indication of future returns.

Performance is cumulative over the period indicated.

(Source: Lipper Hindsight, Total Return in GBP).

# Royal London UK Mid Cap Growth Fund

## Sector Breakdown



## Top Ten Holdings

		31/08/2011			29/02/2012
Holding		% Holding	Holding		% Holding
Meggitt		3.11	Rockhopper Exploration		3.22
FirstGroup		3.04	Informa		3.17
Stagecoach		2.98	Persimmon		3.06
Babcock International Group		2.97	Kenmare Resources (London listed)		3.03
Pennon Group		2.95	Spectris		3.02
Domino's Pizza		2.85	Lancashire		2.91
Informa		2.83	Atkins (WS)		2.85
Fenner		2.81	Fenner		2.80
Cape		2.75	Ashtead Group		2.77
Spectris		2.74	Hunting		2.75

# Royal London UK Opportunities Fund

## Fund Performance

The fund outperformed its benchmark and peer group sector average during the period, giving a total return of 16.4%, against 10.3% by the FTSE All-Share benchmark and 12.3% by the IMA UK All Companies peer group. Strong performance was helped by both positive stock and sector selection.

## Portfolio Commentary

US growth surprised to the upside over the six months with evidence of a sustained pickup in the economy – business surveys strengthened and the jobless number fell sharply. However, it was the introduction of the ECB's Long Term Refinancing Operation (LTRO), in December, that changed the market dynamic. The LTRO greatly reduced the tail risk of an implosion of the banking system, by allowing the market significant breathing space from worries about a sovereign debt default. Entering 2012 investors have been looking forward positively.

Exposure to cyclicals, such as Melrose, and oil stocks such as Tullow and Premier Oil, were behind the fund's good performance. Rockopper was among the best contributors to performance. Several companies, including Cairn Energy and Anadarko, are believed to be interested in farming in to the company. This should close the discount between the current share price and our valuation.

Among the deals in the period was the purchase of Ophir Energy. The company, whose portfolio of assets is off the east coast of Africa, is entering a very active exploration and appraisal period over the next 18 months. A well is due to be found every 6-8 weeks from their acreage in Tanzania and Equatorial Guinea. The fund bought Ophir in January at 300p, it rose to 424p by the end of February – helped by a bid in the sector for Cove Energy and Ophir could be the next bid target. With the oil price at current levels, it is cheaper for large oil companies to bid for producing assets than to drill for oil themselves. The fund also bought into DS Smith after it announced a transformational deal that would double the size of the business, and take it into new regions. The synergies released by the company are very conservative, and should be surpassed.

## Portfolio Outlook

It is easy to take profits in the higher beta names that have performed well. However, most of these companies, especially industrials, are generally confident about their outlook, despite being

cautious about the economy. Evidence of this can be seen in record margins, impressive dividend growth, and record cashflow, which will ensure a pick-up in M&A. The default direction for UK equities remains upwards but we need a new catalyst to get the market higher, with earnings upgrades, or M&A the most likely candidates. The outlook for economic growth in 2012 is poor – the focus remains on companies that have strong balance sheets, can generate earnings growth, and have a growing yield.

**Derek Mitchell**

**Fund Manager  
April 2012**

# Royal London UK Opportunities Fund

Fund Facts		A Acc units	B Acc Units	D Inc units
Sedol Number		B4WMW05	B5BRWC0	B4MB138
Initial Charge		4.00%	0.00%	0.00%
Initial Commission		4.00%	0.00%	0.00%
Annual Management Charge (AMC)		1.40%	0.70%	0.70%
Total Expense Ratio (TER) <sup>1</sup>	As at 29/02/12	1.42%	0.72%	0.72%
	As at 31/08/11	1.41%	0.72%	0.71%
Portfolio Turnover Rate	As at 29/02/12	76%	76%	76%
Min Lump Sum Investment		£1,000	£1,000,000	£1,000,000
Min Additional Investment or Sale		£100	£50,000	£50,000
Min Monthly Investment		£50	N/A	N/A
ISA Qualifying		Yes	N/A	N/A
Launch Date (See notes below)		30/10/2009	30/10/2009	10/11/2010
Fund Type		Authorised OEIC Fund		
Domiciled		UK		
Distribution Calculation Dates (XD)		01-Sep		
Distribution Payment Dates		31-Oct		

<sup>1</sup>the total expense ratio: consists of the AMC and any other additional expenses charged to a fund, such as Depositary fees.

## Fund Performance Data

## Net income Information

		A Acc units	B Acc units	D Inc units		A Acc units	B Acc units	D Inc units
		units	units	units	Year	pps	pps	pps
Fund Size	£466.23m				2012*	-	-	-
Price*		119.90p	121.60p	103.00p	2011**	1.44	2.26	1.65
Net Asset Value per share as at 29/02/12		119.87p	121.51p	102.90p	2010***	0.81	0.57	-
Net Asset Value per share as at 31/08/11		102.97p	104.06p	88.06p				

\*To 29 February 2012

\*\*From launch on 10 November 2010 for Class D

\*\*\* From launch on 14 April 2010 for Class B

\* single priced ICVC sub-fund, published price on 29.02.2012

## Fund vs Sector Average Out-Performance

	1 year	3 years	5 years
Royal London UK Opportunities Fund A	1.78%	24.03%	-
IMA UK All Companies Sector Average	1.10%	20.10%	-
<b>Relative Out-Performance</b>	0.68%	3.93%	-

The sub-fund was launched on 30/10/09 and first priced on 02/11/09, however the performance track record and income information are linked to the previous merging Unit Trust the Royal London UK Special Situations Trust launched on 20/07/07.

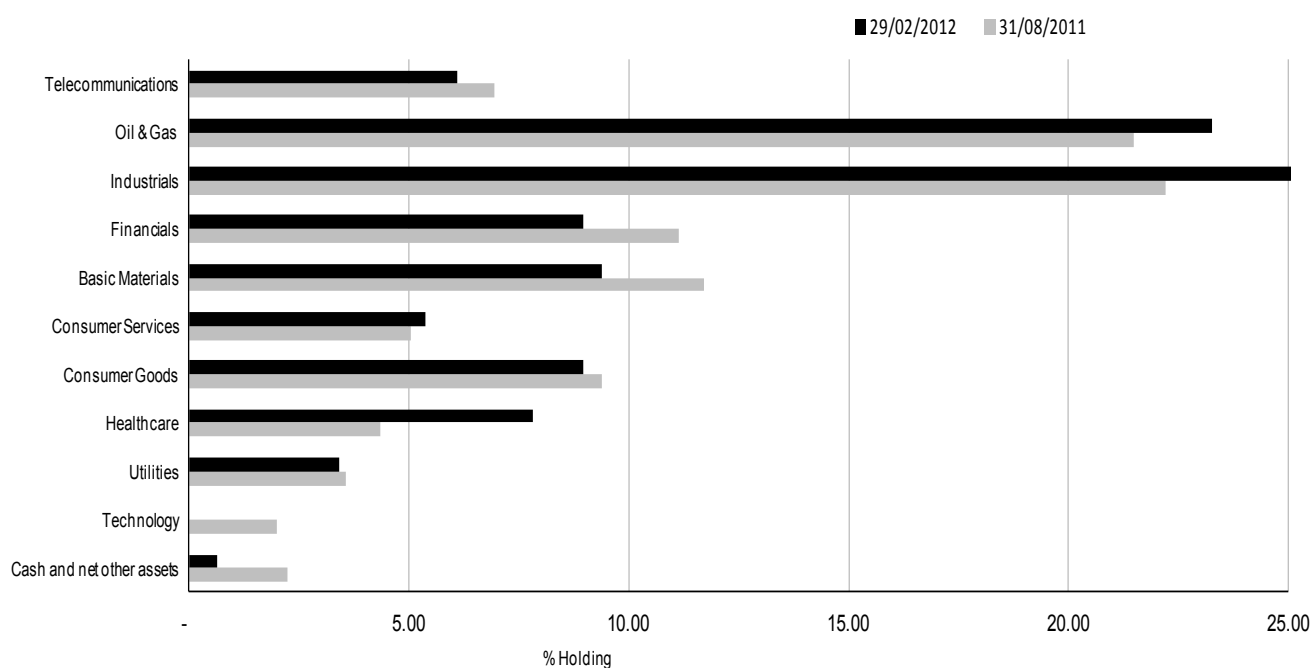
Please note that the above information relates to the past and that past performance is not a reliable indication of future returns.

Performance is cumulative over the period indicated.

(Source: Lipper Hindsight, Total Return in GBP).

# Royal London UK Opportunities Fund

## Sector Breakdown



## Top Ten Holdings

31/08/2011		29/02/2012	
Holding	% Holding	Holding	% Holding
Vodafone Group	4.73	BG Group	4.56
Shire	4.34	Imperial Tobacco Group	4.42
BG Group	4.24	GlaxoSmithKline	4.04
Rio Tinto	3.82	BP	3.98
BP	3.68	Shire	3.78
Pennon Group	3.56	Vodafone Group	3.65
HSBC Holdings (London listed)	3.53	Compass Group	3.44
Imperial Tobacco Group	3.50	Xstrata	3.42
Xstrata	3.37	Pennon Group	3.40
Babcock International Group	3.33	Experian Group	3.33

# Royal London UK Smaller Companies Fund

## Fund Performance

Over the six months to the end of February 2011, the return from the Royal London Smaller Companies Fund was up 11.3%. This compares with a return on the FTSE Small Cap ex-Investment Trust Index of 3.2%, and 9.5%, from the IMA UK smaller companies peer group. Our strategy is to out attractively priced companies with sustainable growth potential and it paid substantial dividends over the period.

## Portfolio Commentary

The period under review splits into two parts; the first three months were dominated by the ongoing concerns with regard to the European Sovereign debt crisis and markets continued their downward path following a very weak summer. As risk aversion soared to a peak in November, the fund's bias to quality growth companies delivered considerable outperformance. A number of the stocks with positive stock specific developments include: Optos, which brought a new product to market; Eros, which benefitted from new box office hits; Dunelm Group, a continued beneficiary from survivor bias; and Galiford Try, strong earnings momentum from profit margin recovery helped performance. The fund took the opportunity to lock in some profit from each of these top performers. We also took the opportunity to top up holdings in favoured stocks which had lagged the benchmark – although only where we are still confident of delivery on profit forecasts (Unite Group, CVS Group, Genus and Hydrodec).

During the second part of the period attention focused on a possible resolution of the Greek debt crisis, recovering US GDP growth and some moderating of the UK inflation outlook. The change in perception of the economic and financial backdrop led to an increase in equity risk appetite –generating nearly 20% rally in the benchmark index. Against this background the fund's limited exposure to the oil and mining exploration performed well, with Kenmare Resources recovering its summer losses, and Rockhopper reaching a 12 month high on continuing positive exploration news. Other holdings such as Diploma, Spectris and Hyder Consulting were also strong. However, the change in sentiment meant of number of benchmark stocks not held by the fund also rebounded strongly causing an overall drag to relative performance.

Of the stocks that left the portfolio over the period, there were a number of small holdings which were unlikely to recover from deterioration in their operating environment on a meaningful timescale,

this included: RSM Tenon, Hampson and Flybe. Holidaybreak and Axis-Shield were sold as take-over bids were concluded for both firms during the period. Conversely, the fund added some new names, which fit our strategy of self-determined growth, but also add some extra gearing to the economic recovery. Brammer is a distributor of industrial products with good dividend yield support and they are currently successfully consolidating market share in the highly fragmented power transmission market. Low and Bonar also had good yield support, and is a manufacturer of specialist industrial materials, which following a strategic review, has good scope for improving margins and profitability. More speculatively, we took a small holding in a medical technology company, Sphere Medical, during its Initial Public Offering. The firm has a revolutionary product which is able to provide blood gas monitoring at the patient's side rather than on a lab bench, providing significantly more efficient care delivery in the Intensive Care Unit. Most significantly however, Sphere already has meaningful commercial partner interest in this product and a clear path to market.

## Portfolio Outlook

We have a positive outlook for the equity markets in general and believe that a rising equity market with improving economic fundamentals favours smaller companies over large. The fund maintains its pro-cyclical bias through a portfolio of diverse businesses, which should benefit from a combination of self-help strategies and a continued improvement in the economic backdrop leading to a rise in corporate profitability and market valuations.

**Victoria Stewart**

**Fund Manager**

**April 2012**

# Royal London UK Smaller Companies Fund

## Fund Facts

		A Acc units
Sedol Number		B694M64
Initial Charge		4.00%
Initial Commission		4.00%
Annual Management Charge (AMC)		1.40%
Total Expense Ratio (TER) <sup>1</sup>	As at 29/02/12	1.44%
	As at 31/08/11	1.43%
Portfolio Turnover Rate	As at 29/02/12	39%
Min Lump Sum Investment		£1,000
Min Additional Investment or Sale		£100
Min Monthly Investment		£50
ISA Qualifying		Yes
Launch Date (See notes below)		05/11/2010
Fund Type		Authorised OEIC Fund
Domiciled		UK
Distribution Calculation Dates (XD)		01 Sep, 01 Mar
Distribution Payment Dates		31 Oct, 30 Apr

<sup>1</sup> the total expense ratio: consists of the AMC and any other additional expenses charged to a fund, such as Depositary fees.

## Fund Performance Data

	A Acc units
Fund Size	£75.88m
Price*	98.75p
Net Asset Value per share as at 29/02/12	98.20p
Net Asset Value per share as at 31/08/11	88.24p

\* single priced ICVC sub-fund, published price on 29.02.2012

## Net income Information

Year	A Acc units pps
2012*	0.20
2011**	0.60

\*To 29 February 2012

\*\* From launch on 5 November 2010

## Fund vs Sector Average Out-Performance

	1 year	3 years	5 years
Royal London UK Smaller Companies Fund A	3.63%	23.46%	-
IMA UK Smaller Companies Sector Average	1.23%	27.77%	-
<b>Relative Out-Performance</b>	<b>2.40%</b>	<b>-4.31%</b>	-

The sub-fund was launched on 05/11/10 and first priced on 08/11/10, however the performance track record and income information are linked to the previous merging Unit Trust the Royal London UK Smaller Companies Trust launched on 20/07/07.

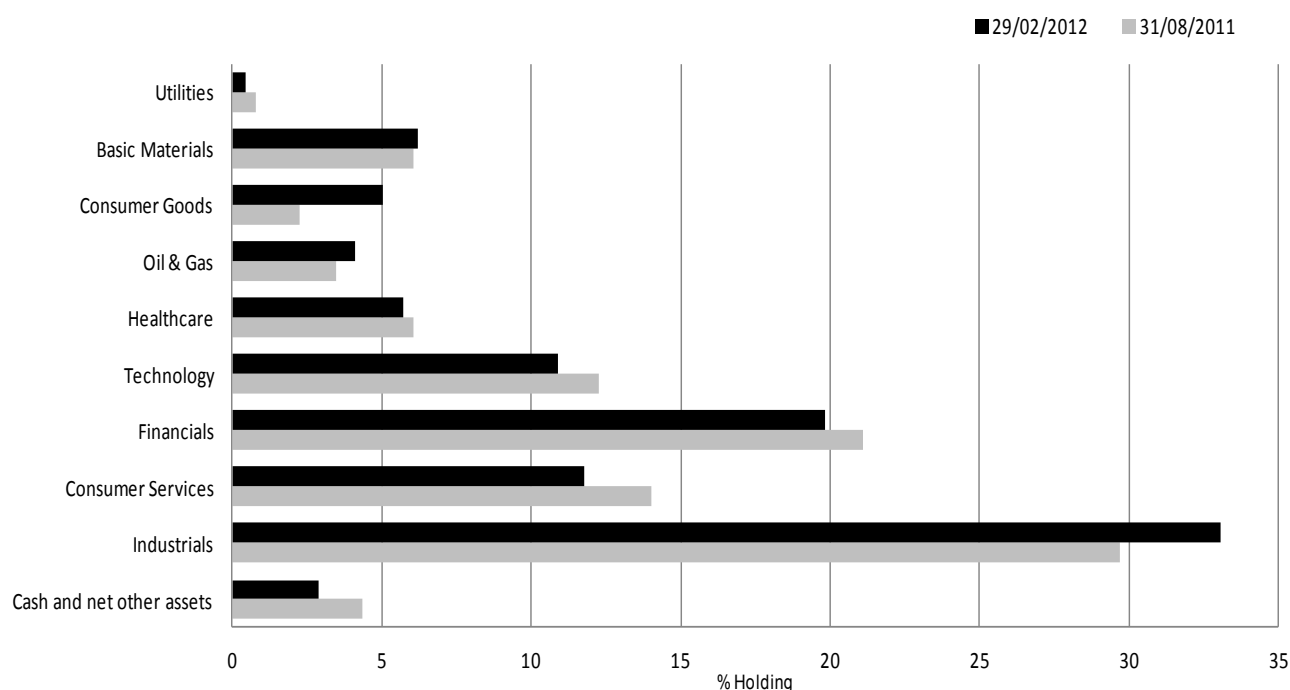
Please note that the above information relates to the past and that past performance is not a reliable indication of future returns.

Performance is cumulative over the period indicated.

(Source: Lipper Hindsight, Total Return in GBP).

# Royal London UK Smaller Companies Fund

## Sector Breakdown



## Top Ten Holdings

Holding	31/08/2011		29/02/2012	
	% Holding		% Holding	
Cinew orld	3.32	Cinew orld	3.07	
Vitec Group	2.73	Optos	2.66	
Workspace Group REIT	2.68	Vitec Group	2.61	
Optos	2.45	Diploma	2.50	
Montanaro UK Smaller Companies	2.40	Galliford Try	2.46	
SDL	2.31	Genus	2.44	
BlackRock Smaller Companies Investment Trust	2.30	SDL	2.39	
Eros International	2.29	Spectris	2.39	
Elementis	2.28	Hyder Consulting	2.35	
Berendsen	2.28	Workspace Group REIT	2.25	

# Royal London US Tracker Fund

## **Fund Performance**

For the six months to the end of February 2012, the return from the Royal London US Tracker Fund was 16.6%, compared with a return of 14.3% by the FTSE World US Index.

## **Portfolio Commentary**

The fund manager uses an optimised portfolio to track the capital return of the FTSE® World US Index. We take the view that full replication may result in too much costly trading, which could outweigh the benefit of perfect replication.

We use an optimiser to help construct a portfolio designed to track the performance of the benchmark without necessarily holding all the constituents in their exact benchmark weights. The optimiser uses an algorithm which minimises tracking risk, based on a multi factor model and associated covariance matrix.

In practice, the Royal London US Tracker Fund holds most of its benchmark's names as well as having holdings in futures and cash.

For further information on economic and stock market backgrounds please see page 7.

**Symon Bradford**

**Fund Manager**  
**April 2012**

# Royal London US Tracker Fund

## Fund Facts

		A Acc units
Sedol Number		B5172X1
Initial Charge		0.00%
Initial Commission		0.00%
Annual Management Charge (AMC)		0.20%
Total Expense Ratio (TER) <sup>1</sup>	As at 29/02/12	0.23%
	As at 31/08/11	0.23%
Portfolio Turnover Rate	As at 29/02/12	1%
Min Lump Sum Investment		£1,000,000
Min Additional Investment or Sale		£50,000
Min Monthly Investment		N/A
ISA Qualifying		N/A
Launch Date (See notes below)		26/02/2010
Fund Type		Authorised OEIC Fund
Domiciled		UK
Distribution Calculation Dates (XD)		01-Sep
Distribution Payment Dates		31-Oct

<sup>1</sup>the total expense ratio: consists of the AMC and any other additional expenses charged to a fund, such as Depositary fees.

## Fund Performance Data

	A Acc units
Fund Size	£1,229.33m
Price*	128.30p
Net Asset Value per share as at 29/02/12	128.34p
Net Asset Value per share as at 31/08/11	110.02p

\* single priced ICVC sub-fund, published price on 29.02.2012

## Net income Information

Year	A Acc units pps
2012*	-
2011	1.50
2010**	0.78

\* To 29 February 2012

\*\* From launch on 26 February 2010

## Fund vs Sector Average Out-Performance

	1 year	3 years	5 years
Royal London US Tracker Fund A	7.52%	19.43%	-
IMA North America Sector Average	4.15%	18.16%	-
<b>Relative Out-Performance</b>	<b>3.37%</b>	<b>1.27%</b>	-

The sub-fund was launched on 26/02/10 and first priced on 01/03/10, however the performance track record and income information are linked to the previous merging Unit Trust the Royal London US Index Tracker Trust launched on 24/08/07.

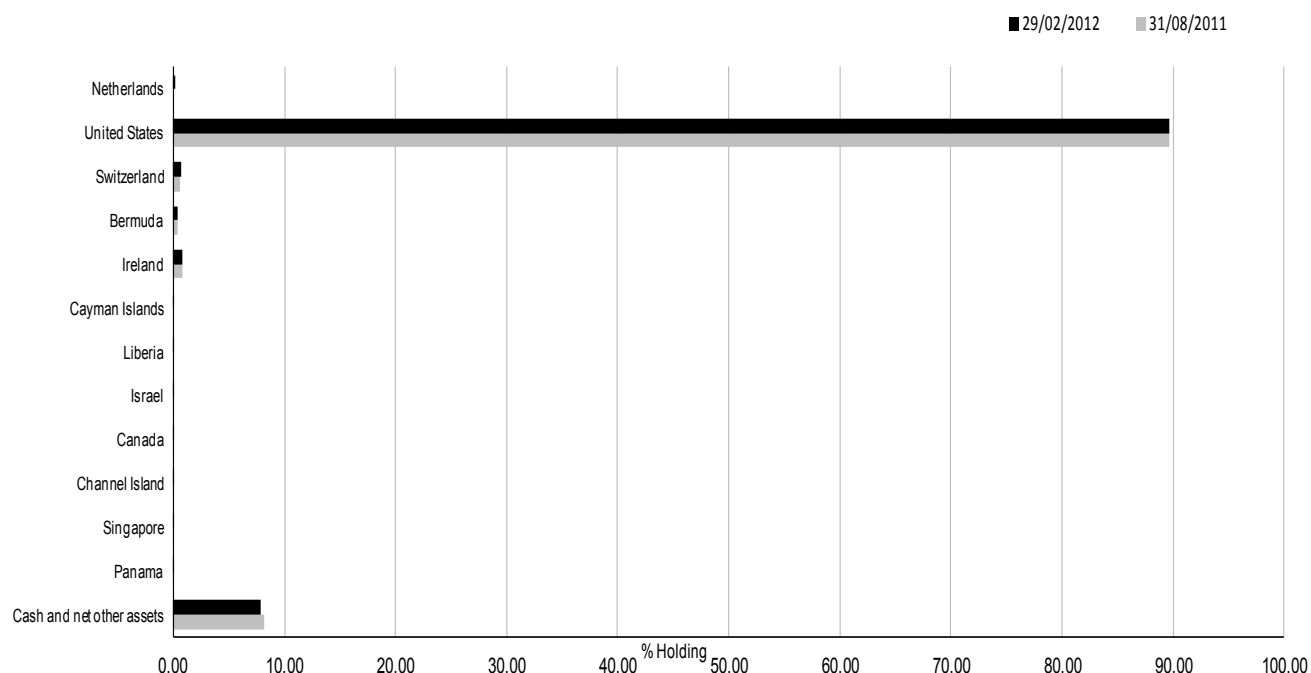
Please note that the above information relates to the past and that past performance is not a reliable indication of future returns.

Performance is cumulative over the period indicated.

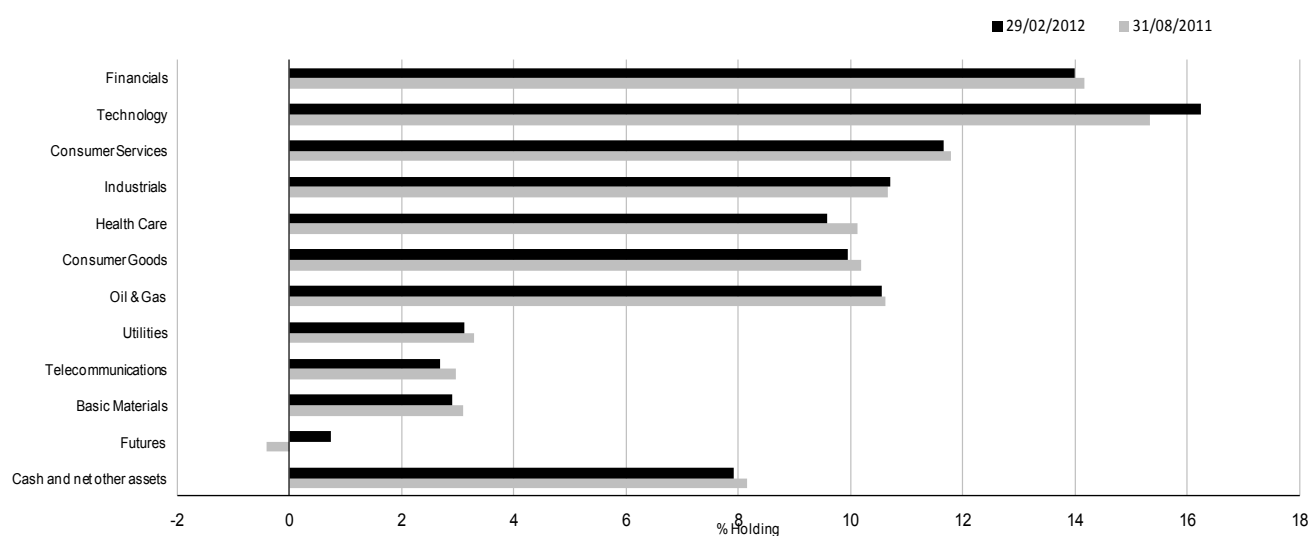
(Source: Lipper Hindsight, Total Return in GBP).

# Royal London US Tracker Fund

## Geographical Breakdown



## Sector Breakdown



## Top Ten Holdings

Holding	31/08/2011		29/02/2012
	% Holding		% Holding
Exxon Mobil	2.79	Apple	3.38
Apple	2.77	Exxon Mobil	2.85
Microsoft	1.72	Microsoft	1.84
International Business Machines	1.61	International Business Machines	1.56
Chevron	1.52	Chevron	1.50
Johnson & Johnson	1.40	General Electric	1.38
Procter & Gamble	1.39	Procter & Gamble	1.26
AT & T	1.37	AT & T	1.24
General Electric	1.34	Johnson & Johnson	1.22
Coca-Cola	1.25	Wells Fargo & Co	1.13



**A copy of the Long Form Report and Accounts is available on request.**

**The Authorised Corporate Director (ACD) of the Royal London Equity ICVC Fund is Royal London Unit Trust Managers Ltd.**

55 Gracechurch Street  
London EC3V 0UF  
Dealing line: 08456 04 04 04  
Website: [www.rlam.co.uk](http://www.rlam.co.uk)

**The Depositary of the Royal London Equity ICVC Fund is HSBC Bank plc.**

8 Canada Square  
Canary Wharf  
London E14 5HQ

**The Auditor of the Royal London Equity ICVC Fund is Price Waterhouse Coopers LLP.**

Erskine House  
69 - 73 Queen Street  
Edinburgh EH2 4NH

RLAM is a marketing brand which incorporates Royal London Unit Trust Managers Limited (RLUTM). RLUTM are managers and distributors of Royal London's range of OEICs, unit trusts and ISAs. RLUTM is authorised and regulated by the Financial Services Authority (FSA registration number 144037). Member of the Royal London Group. Registered in England and Wales No. 2372439. FSA Register number 117672. Registered office: 55 Gracechurch Street, London EC3V 0UF, United Kingdom.  
(198-RET-04/2012-ER)