HBOS UK Investment Funds ICVC

Short Reports

for the six month period ended 31 July 2013

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Introduction and Fund Information

Twice a year we are required to send you a Short Report of the Investment Company with Variable Capital (ICVC) in which you are invested. The report covers how the Funds in the ICVC have performed and how they are invested. It also includes a review from the Funds' managers.

Short Reports are important as not only do they keep you up-to-date with fund activity and fund managers' opinion, but they also contain important information about any changes to how the Funds operate. However please note that Short Reports do not contain any details about the value of your personal investment. Information that is personal to you is sent to you in your OEIC or ISA statement.

A longer, more detailed, report called the Long Report is also produced twice-yearly. Copies of the Long Report, the Instrument of Incorporation and the Prospectus for the ICVC are available on request from the ACD (address on page 3).

The information in this report is designed to enable shareholders to make an informed judgement on the activities of the Fund during the period it covers and the results of those activities at the end of the period.

For more information about the activities and performance of the Fund during this and previous periods, please contact the ACD in writing at the address shown on page 3.

Where applicable, Scottish Widows Share Classes 1 and 3 are referenced as SW1 and SW3 respectively.

This report should not be regarded as an offer to sell or an invitation to buy investment products.

Prospectus changes

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

- With effect from 6 April 2013 the dilution adjustment basis for the Funds was changed so that the ACD may now make a dilution adjustment under the following circumstances:
  - on a Fund where there is a net inflow or net outflow on any Dealing Day; or
  - in any other case where the ACD believes that the imposition of a dilution adjustment is required to safeguard the interests of continuing Shareholders;
- The wording in the Prospectus was updated on 6 April 2013 to explain the method used for the calculation of the global exposure of derivative and forward transactions that may be used by the Funds.

Important information

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

HBOS UK Investment Funds ICVC
Short Reports
for the six month period ended 31 July 2013

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Corporate Bond Fund Short Report

for the six month period ended 31 July 2013

Investment objective and policy

The investment objective of the Corporate Bond Fund is to provide an above average income from a diversified portfolio of interest bearing securities.

The portfolio is invested primarily in a wide range of investment grade interest bearing securities, principally Sterling and Euro denominated, offering a yield in excess of the FTSE FTA Government Securities All Stocks Index. If the FTSE FTA Government Securities All Stocks Index is discontinued or the basis of compilation of that index is changed, another index or basis which (as nearly as possible) will give a similar result to that which would have been the case but for the discontinuance or change will be used.

Risk profile

The Corporate Bond Fund is a Cautious-Medium risk fund. It aims to achieve above-average yield, in relation to the FTSE FTA Government Securities All Stocks Index, from primarily investment grade interest bearing securities. The inclusion of up to 20% non investment grade securities will potentially reduce the value of capital in a bear market.

Synthetic risk and reward profile

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

This is a separate measure to the fund Risk Profiles we used to determine our investment portfolios (where we used our own methodology to take an overall look at the funds' risks and aims and group our funds into Cautious/Medium, Medium, Medium/Adventurous, Adventurous Profiles).

Typically lower rewards, lower risk — Typically higher rewards, higher risk

1	2	3	4	5	6	7

This Fund is ranked at 3 because it has experienced low to medium levels of volatility over the past 5 years.

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

Fund manager's comments

The six months under review have brought mixed fortunes for the corporate bond market. Up until April, prices of corporate bonds had moved steadily higher, adding to last year's gains. Demand was buoyed both by investors' quest for higher yields than are available via government bonds and by a scarcity of new issuance relative to demand.

From mid-May onwards, however, returns have deteriorated sharply. Government bond yields moved significantly higher and prices lower, dragging the corporate bond market down with it. This was caused, in the main, by indications by the US Federal Reserve (the US central bank, known as the Fed) that it would start cutting back its quantitative easing (QE) programme. QE is the monetary easing policy used by central banks to stimulate and feed money back into the economy by buying assets such as corporate and government bonds, thereby increasing their prices and pushing down their yields. Currently, the Fed's asset-buying programme amounts to $85 billion a month. After its chairman Ben Bernanke said that he expected to "taper" the purchases in the event that economic data improved, the market reacted dramatically, interpreting the comments as a prelude to more aggressive monetary policy tightening (the opposite of monetary policy easing).

Hitherto, most investors had believed that stimulus measures, such as quantitative easing were destined to remain in place for some time. Once this assumption was questioned, many investors panicked, causing corporate bond prices to fall and yields to move higher.

However, the asset class has enjoyed something of a rebound since June, as general market volatility has subsided. Economic data and corporate earnings have provided encouragement, particularly in the US, while a seasonal lull in supply has added further technical support to prices.

Against this background, the Fund produced a small positive return of 2.22% (gross of tax and charges). The performance of the portfolio was generally boosted by stock selection, although some of the Fund's asset allocation positions were less positive, largely because of exposure to the banking and insurance sectors, which suffered during May and June's sell-off. Exposure to the high yield market has boosted performance. The asset class continues to benefit from strong demand and relatively low default rates among companies.

In terms of activity, we have participated in a number of hybrid new issues which combine two or more different securities. These included a sterling issue from Pennon, owners of South West Water and a euro-denominated hybrid new issue from Hutchison Whampoa. We trimmed euro-denominated holdings in Xstrata and Achmea. We also reduced our overweight in the banking sector, purchasing non-financials such as BG Group, Telefonica and Tesco.

Looking ahead, there are risks of further sell-offs. While we believe that the economic fundamentals do not necessarily justify meaningfully higher yields in the near term, we are wary of the market becoming de-stabilised again because of fears about the scaling back of quantitative easing. The Fund benefited from its comparatively short duration position during May and June, which made the portfolio less sensitive to rises in yields. We are minded to maintain this small short duration position for the time being.

As things stand, the Fund currently has an overweight position in high yield bonds, which continue to represent good value given the relatively low default rate. We also have a comparatively large position in hybrid bonds, which are becoming an increasingly large and important part of the market. Despite maintaining an element of caution, we will look to take advantage of attractive valuations during any future periods of market volatility.

Distribution

XD dates:
First quarter – 30 April
Interim – 31 July
Third quarter – 31 October
Final – 31 January

Payment dates:
First quarter – 30 June
Interim – 30 September
Third quarter – 31 December
Final – 31 March

Ongoing charges figure

	31/07/13 %	31/01/13 %
Share Class B	0.76	0.76
Share Class C	1.01	1.01
Share Class D	1.01	1.02
Share Class E	0.76	0.77
Share Class I†	0.00	0.00
Share Class SW1	1.05	1.05
Share Class SW3	1.05	1.05

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

The OCF can fluctuate as underlying costs change.

† Fees are payable by institutional investors in this share class to the ACD outside the Fund.

Fund performance

Net Asset Value

	NAV per share 31/07/13 (p)	NAV per share 31/01/13 (p)	NAV percentage change %
Share Class B	29.05	28.51	1.89
Share Class C	29.19	28.68	1.78
Share Class D	22.50	22.48	0.09
Share Class E	22.11	22.10	0.05
Share Class I	22.50	22.49	0.05
Share Class SW1	69.70	68.49	1.77
Share Class SW3	58.33	58.28	0.09

Classification of investments

	31/07/13	31/01/13
Sterling Denominated Bonds	83.52	85.23
Euro Denominated Bonds	11.48	11.60
US Dollar Denominated Bonds	2.56	1.90
Collective Investment Schemes	0.03	0.02
Derivatives	(0.36)	(0.32)
Net other assets	2.77	1.57
Total net assets	100.00	100.00

Distribution

The distributions for share classes D, E, I and SW3 were paid/are payable on or before the dates shown below and are stated in pence per share. The distributions for share classes B, C and SW1 were/will be credited to the capital of the relevant share class on or before the dates shown below and are stated in pence per share.

	30/09/13 (p)	30/06/13 (p)	30/09/12 * (p)	31/03/13 * (p)
Share Class B	0.2684	0.2555	0.2569	0.2535
Share Class C	0.2550	0.2426	0.2454	0.2429
Share Class D	0.1982	0.1902	0.1968	0.1968
Share Class E	0.2062	0.1980	0.2040	0.2034
Share Class I	0.2454	0.2352	0.2410	0.2399
Share Class SW1	0.6045	0.5725	0.5795	0.5751
Share Class SW3	0.5105	0.4874	0.5059	0.5072

* The distribution rates for the six month period ended 31 July 2012 have been included for comparison.

Performance record

	01/02/13 to 31/07/13 %	01/02/12 to 31/01/13 %	01/02/11 to 31/01/12 %	01/02/10 to 31/01/11 %	01/02/09 to 31/01/10 %	01/02/08 to 31/01/09 %
Corporate Bond Fund	2.22	12.14	4.87	5.82	24.43	(15.39)

Source: Morningstar for Corporate Bond Fund after 1 February 2012 and Lipper for previous periods. Basis: Percentage growth, total return Share Class C (gross of tax and charges) at 12.00pm.

Past performance is not a guide to future performance. The value of an investment and the revenue from it may go up and down and you may get back less than invested.

Portfolio information

Major holdings

The Fund's major holdings at the end of the current period and previous year were as follows:

Holding	Fund value % 31/07/13		Fund value % 31/01/13
UK Treasury 5% 07/03/2025	3.01	HSBC 6.375% 18/10/2022	1.21
UK Treasury 4.25% 07/03/2036	1.47	Delamare Finance 5.5457% 19/02/2029	0.97
HSBC 6.375% 18/10/2022	1.26	Lloyds TSB 6.9625% 29/05/2020	0.96
Lloyds TSB 6.9625% 29/05/2020	1.00	HSBC Bank Capital Funding 5.844% Perpetual	0.96
UK Treasury 4.25% 07/06/2032	0.98	InterContinental Hotels 6% 09/12/2016	0.96

Please note: negative figures are shown in brackets.

UK Equity Income Fund Short Report

for the six month period ended 31 July 2013

Investment objective and policy

The investment objective of the UK Equity Income Fund is to provide an above average income, together with prospects of capital appreciation over the longer term, derived mainly from a portfolio of securities in UK companies.

The investment policy is to select companies with a high probability of providing a rising income and capital growth over the longer term. Convertible stocks and bonds which provide a higher yield than equities are also considered for the portfolio.

Risk profile

The UK Equity Income Fund is a Cautious-Medium risk fund. It aims to achieve above-average yield, in relation to the FTSE All-Share Index, from predominantly larger capitalisation stocks. This is typically a core holding in any portfolio, and may be expected to be less vulnerable during bear markets to capital depreciation when compared to the index as a whole.

Synthetic risk and reward profile

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

This is a separate measure to the fund Risk Profiles we used to determine our investment portfolios (where we used our own methodology to take an overall look at the funds' risks and aims and group our funds into Cautious/Medium, Medium, Medium/Adventurous, Adventurous Profiles).

Typically lower rewards, lower risk — Typically higher rewards, higher risk

1	2	3	4	5	6	7

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

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

Fund manager's comments

It was a positive six months for UK equities, although volatility made an unwelcome return over the closing stages. Driving sentiment initially was the ongoing extraordinary support from the world's central bankers. Liquidity and historically low interest rates have encouraged traders into riskier assets, with equities among the main beneficiaries. Markets, however, were thrown into turmoil in May after Ben Bernanke, the chairman of the Federal Reserve (the US central bank, known as the Fed), hinted that his rate-setting institution could soon "taper" its quantitative easing (QE) programme. QE is the monetary easing policy used by central banks to stimulate and feed money back into the economy by buying assets such as corporate and government bonds, thereby increasing their prices and pushing down their yields.

Investors have become accustomed to the Fed's monetary easing support and the thought of it being withdrawn saw traders take fright. Equity markets plunged, while government bonds yields climbed alarmingly. Since then, though, Mr Bernanke has sought to reassure investors. He stated that the curtailment of QE would be entirely data-dependent. He also said that a slowing of asset purchases does not constitute monetary policy tightening (the opposite of monetary policy easing). Not to be outdone, Mark Carney, the new Bank of England governor, introduced his brand of "forward guidance". This will see interest rates remain low until unemployment falls below 7%. The declaration came with several caveats, however, and investors' reactions have been fairly muted. On the markets, financials did well as a number of high-street names returned to profit. By contrast, miners continued to suffer on fears of a slowdown in China. Overall, the FTSE All-Share was up 8.92% over the review period.

Turning to the portfolio, a holding in Travis Perkins, the builders' merchant, boosted returns. The company had an excellent six months as the fortunes of the UK housing market improved after a long period in the doldrums. Travis Perkins' market value rose impressively, culminating in the firm entering the FTSE 100 Index. Meanwhile, ITV's shares hit a record high in June after the group delivered an upbeat outlook statement. The free-to-air broadcaster also received a number of positive broker comments. Other highlights included BAE Systems, GlaxoSmithKline and Reed Elsevier. By contrast, BT Group's shares slipped after it delivered uninspiring first-quarter numbers, with revenues and profits down. Nonetheless, the roll-out of the firm's new BT Sports offering has been well received and should help lift future returns. Meanwhile, Lloyds Banking Group found its shares in demand after updating the market with a positive set of results. Evidence that the UK housing market is healing also lifted the stock. Our relative underweight here therefore hurt performance. The Fund's holdings in Indus Gas, KSK Power and Rio Tinto disappointed.

The outlook for the UK economy has improved in recent months. Second-quarter GDP (gross domestic product – the market value of all goods and services produced within a country) has been revised to 0.7% by the ONS (Office for National Statistics), building on the 0.3% recorded over the first three months of 2013. The services sector was once again the main driver of growth, up 0.6% for the period. The sector is now only marginally below its early-2008 peak. Manufacturing, meanwhile, grew at its fastest rate in over two years. The MARKIT/ CIPS purchasing managers' index (a key benchmark indicator for measuring business and economic conditions) jumped to 54.6 in July from 52.9 in June. Any reading above 50 denotes a sector expanding. The UK housing market is also showing signs of a broad-based recovery, with prices at a four-year high.

Challenges, however, remain. While the UK outlook has improved, the great rebalancing from services to exports remains some way off. We believe the nation's economy will only be on solid footing once this occurs. Elsewhere, China is slowing as its government cracks down on lending practices and continues to steer its economy towards domestic consumption. The eurozone crisis could also flair up at any point, as illustrated by the mishandled Cyprus bailout and the ongoing political scandal in Spain. The Middle East also remains a tinderbox. How well the market will cope with any eventual Fed tapering is also a concern.

Against this gradually improving but volatile backdrop, we continue to prefer companies that exhibit above-average earnings visibility. This can come from a variety of sources, such as a benign regulatory environment or a strong end markets. We also like companies where management can support earnings by self help. At the same time, it remains important to show discipline and bank your profits where they arise and where you feel that the potential for continued positive surprises is diminishing.

Distribution

XD dates:

First quarter – 30 April

Interim – 31 July

Third quarter – 31 October

Final – 31 January

Payment dates:

First quarter – 30 June

Interim – 30 September

Third quarter – 31 December

Final – 31 March

Ongoing charges figure

	31/07/13 %	31/01/13 %
Share Class A	0.50	0.50
Share Class B	1.00	1.00
Share Class C	1.50	1.53
Share Class D	1.50	1.52
Share Class E	1.25	1.26
Share Class F	1.25	1.25
Share Class G	1.00	1.00
Share Class I†	0.00	0.00
Share Class SW1	1.60	1.60
Share Class SW3	1.60	1.61

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

The OCF can fluctuate as underlying costs change.

† Fees are payable by institutional investors in this share class to the ACD outside the Fund.

Fund performance

Net Asset Value

	NAV per share 31/07/13 (p)	NAV per share 31/01/13 (p)	NAV percentage change %
Share Class A	233.93	217.93	7.34
Share Class B	25.12	23.46	7.08
Share Class C	66.58	60.93	9.27
Share Class D	51.42	48.15	6.79
Share Class E	24.81	23.20	6.94
Share Class F	31.37	28.67	9.42
Share Class G	31.68	28.92	9.54
Share Class I	247.12	229.65	7.61
Share Class SW1	91.09	83.40	9.22
Share Class SW3	75.79	71.00	6.75

Classification of investments

	31/07/13	31/01/13
Financials	19.60	19.53
Oil & Gas	15.88	18.29
Consumer Goods	13.85	13.00
Consumer Services	10.74	8.91
Health Care	9.98	11.61
Industrials	9.78	6.56
Telecommunications	8.25	5.37
Basic Materials	5.34	7.15
Utilities	4.71	6.75
Technology	2.34	2.71
Derivatives	-	0.08
Net other assets	(0.47)	0.04
Total net assets	100.00	100.00

Distribution

The distributions for share classes A, B, D, E, I and SW3 were paid/are payable on or before the dates shown below and are stated in pence per share. For share classes C, F, G and SW1, the distributions were/will be credited to the capital of the relevant share class on or before the dates shown below and are stated in pence per share.

	30/09/13 (p)	30/06/13 (p)	30/09/12 * (p)	31/03/13* (p)
Share Class A	2.0940	3.1630	1.7522	3.0575
Share Class B	0.2249	0.3409	0.1887	0.3294
Share Class C	0.5913	0.8848	0.4788	0.8240
Share Class D	0.4608	0.6992	0.3895	0.6791
Share Class E	0.2222	0.3370	0.1873	0.3259
Share Class F	0.2785	0.4165	0.2263	0.3869
Share Class G	0.2811	0.4203	0.2272	0.3896
Share Class I	2.2100	3.3350	1.8327	3.2129
Share Class SW1	0.8098	1.2088	0.6609	1.1325
Share Class SW3	0.6787	1.0291	0.5784	1.0094

* The distribution rates for the six month period ended 31 July 2012 have been included for comparison.

Performance record

	01/02/13 to 31/07/13 %	01/02/12 to 31/01/13 %	01/02/11 to 31/01/12 %	01/02/10 to 31/01/11 %	01/02/09 to 31/01/10 %	01/02/08 to 31/01/09 %
UK Equity Income Fund	10.11	13.52	(2.09)	17.90	32.36	(21.85)
FTSE All Share Index	8.92	16.30	(0.31)	18.13	33.24	(27.75)

Source: Morningstar for UK Equity Income Fund after 1 February 2012 and Lipper for previous periods. Basis: Percentage growth, total return Share Class C (gross of tax and charges) at 12.00pm.

Source: Morningstar for the FTSE All Share Index. Basis: Revenue reinvested and gross of expenses at close of business.

Past performance is not a guide to future performance. The value of an investment and the revenue from it may go up and down and you may get back less than invested.

Portfolio information

Major holdings

The Fund's major holdings at the end of the current period and previous year were as follows:

Holding	Fund value % 31/07/13		Fund value % 31/01/13
Royal Dutch Shell 'B' Shares	7.61	Royal Dutch Shell 'B' Shares	7.17
GlaxoSmithKline	6.59	GlaxoSmithKline	5.81
Vodafone	5.99	BP	5.50
HSBC	5.53	Vodafone	5.37
British American Tobacco	4.39	British American Tobacco	4.22

Please note: negative figures are shown in brackets.

UK FTSE 100 Index Tracking Fund Short Report

for the six month period ended 31 July 2013

Investment objective and policy

The investment objective of the UK FTSE 100 Index Tracking Fund is to aim to match as closely as possible, subject to the effect of charges and regulations in force from time to time, the capital performance and net income yield of the FTSE 100 Index.

The portfolio is invested primarily in companies comprising the FTSE 100 Index. Index futures may be used for efficient portfolio management purposes only.

Risk profile

The UK FTSE 100 Index Tracking Fund is a Cautious-Medium risk fund. It benefits from the significant diversification of investing in the 100 stocks comprising the FTSE 100 Index.

Tracking Error

Tracking Error measures the standard deviation of the relative returns. It is the annualised standard deviation of the returns of a fund minus those of its benchmark (relative returns) and not the standard deviation of each fund's unique returns. The lower the tracking error of a fund, the more the fund resembles its benchmark or the market regarding risk and return characteristics.

The size of the Fund's tracking error for the period ended 31 July 2013 was 0.05%.

Synthetic risk and reward profile

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

This is a separate measure to the fund Risk Profiles we used to determine our investment portfolios (where we used our own methodology to take an overall look at the funds' risks and aims and group our funds into Cautious/Medium, Medium, Medium/Adventurous, Adventurous Profiles).

Typically lower rewards, lower risk — Typically higher rewards, higher risk

1	2	3	4	5	6	7

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

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

Fund manager's comments

It was a positive six months for UK equities, although volatility made an unwelcome return over the closing stages. Initially, performance was driven by ongoing extraordinary support from the world's central bankers. Liquidity and historically low interest rates have encouraged traders into riskier assets, with equities among the main beneficiaries. Markets, however, were thrown into turmoil in May after Ben Bernanke, the chairman of the Federal Reserve (the US central bank, known as the Fed), hinted that his rate-setting institution could soon "taper" its quantitative easing (QE) programme. QE is the monetary easing policy used by central banks to stimulate and feed money back into the economy by buying assets such as corporate and government bonds, thereby increasing their prices and pushing down their yields.

Investors have become accustomed to the Fed's monetary easing support and the thought of it being withdrawn saw traders take fright. Equity markets plunged, while government bonds yields climbed alarmingly. Since then, though, Mr Bernanke has sought to reassure investors. He stated that the curtailment of QE would be entirely data-dependent. He also said that a slowing of asset purchases does not constitute monetary policy tightening (the opposite of monetary policy easing). Not to be outdone, Mark Carney, the new Bank of England governor, introduced his brand of "forward guidance". This will see interest rates remain low until unemployment falls below 7%. The declaration came with several caveats, however, and investors' reactions have been fairly muted.

On the markets, financials did well as a number of high-street names returned to profit. By contrast, miners continued to suffer on fears of a slowdown in China. Overall, the FTSE 100 Index was up 7.71% in total return terms. The top ten performing companies in the index over the reporting period were Persimmon, Easyjet, Kingfisher, ITV, GKN, Hargreaves Lansdown, Travis Perkins, BT Group, International Consolidated Airlines and William Hill. The bottom ten performing companies in the index were Fresnillo, Eurasian Natural Resources, Glencore Xstrata, Anglo American, Antofagasta, Randgold Resources, Petrofac, G4S, Rio Tinto and BHP Billiton.

In terms of activity and composition, the Fund continued to mirror the FTSE 100 index. We therefore periodically rebalanced its holdings in accordance with the changes that index provider FTSE made at its quarterly reviews. In March, Kazakhmys and Intu Properties were demoted to the FTSE 250 index and were replaced in the FTSE 100 index by Easyjet and the London Stock Exchange. In June, Evraz and Polymetal International were ousted, while Persimmon and Travis Perkins were promoted. Our sales and purchases reflected these changes.

The outlook for the UK economy has improved in recent months. Nevertheless, challenges persist with the great rebalancing from services to exports remaining some way off. Elsewhere, China is slowing as its government cracks down on lending practices and continues to steer its economy towards domestic consumption. The eurozone crisis could also flare up at any point, as illustrated by the mishandled Cyprus bailout and the ongoing political scandal in Spain. The Middle East also remains a tinderbox.

On a wider note, the timing of the Fed's eventual "tapering" remains a constant concern for investors, which means bouts of market volatility are likely to persist in the coming months.

Distribution

XD dates:

Interim – 31 July

Final – 31 January

Payment dates:

Interim – 30 September

Final – 31 March

Ongoing charges figure

	31/07/13 %	31/01/13 %
Share Class A	0.50	0.50
Share Class B	1.00	1.00
Share Class C*	1.00	1.35
Share Class D	1.00	1.34
Share Class F*	1.00	1.16
Share Class I†	0.00	0.00

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

The OCF can fluctuate as underlying costs change.

* The change in OCF is due to a decrease in ACD fee from 1.5% to 1% for C Accumulation and from 1.25% to 1% for F Accumulation on 12 October 2012.

† Fees are payable by institutional investors in this share class to the ACD outside the Fund.

Fund performance

Net Asset Value

	NAV per share 31/07/13 (p)	NAV per share 31/01/13 (p)	NAV percentage change %
Share Class A	84.93	80.77	5.15
Share Class B	31.62	29.61	6.79
Share Class C	46.40	43.45	6.79
Share Class D	40.07	37.52	6.80
Share Class F	30.43	28.50	6.77
Share Class I	84.95	80.79	5.15

Classification of investments

	31/07/13	31/01/13
Financials	21.85	21.33
Oil & Gas	16.83	18.26
Consumer Goods	15.26	14.94
Consumer Services	9.38	8.33
Health Care	8.44	7.86
Basic Materials	8.16	10.83
Industrials	7.58	6.74
Telecommunications	7.11	6.42
Utilities	4.22	4.08
Technology	0.96	1.00
Derivatives	0.07	0.10
Net other assets	0.14	0.11
Total net assets	100.00	100.00

Distribution

The distributions for share classes A and I were paid/are payable on or before the dates shown below and are stated in pence per share. For share classes B, C, D and F the distributions were/will be credited to the capital of the relevant share class on or before the dates shown below, and are stated in pence per share.

	30/09/13 (p)	30/09/12* (p)
Share Class A	1.5531	1.4764
Share Class B	0.4929	0.4614
Share Class C	0.7234	0.5806
Share Class D	0.6247	0.5037
Share Class F	0.4745	0.4128
Share Class I	1.7623	1.6585

* The distribution rates for the six month period ended 31 July 2012 have been included for comparison.

Performance record

	01/02/13 to 31/07/13 %	01/02/12 to 31/01/13 %	01/02/11 to 31/01/12 %	01/02/10 to 31/01/11 %	01/02/09 to 31/01/10 %	01/02/08 to 31/01/09 %
FTSE 100 Index Tracking Fund	7.63	14.91	1.55	16.79	29.74	(26.61)
FTSE 100 Index	7.71	14.79	0.38	16.78	30.40	(26.33)

Source: Morningstar for UK FTSE 100 Index Tracking Fund after 1 February 2012 and Lipper for previous periods. Basis: Percentage growth, total return Share Class C (gross of tax and charges) at 12.00pm.

Source: Morningstar for the FTSE All Share Index. Basis: Revenue reinvested and gross of expenses at close of business.

Past performance is not a guide to future performance. The value of an investment and the revenue from it may go up and down and you may get back less than invested.

Portfolio information

Major holdings

The Fund's major holdings at the end of the current period and previous year were as follows:

Holding	Fund value % 31/07/13		Fund value % 31/01/13
HSBC	8.08	HSBC	8.19
Vodafone	5.55	BP	5.60
BP	5.03	Vodafone	5.24
Royal Dutch Shell 'A' Shares	4.92	Royal Dutch Shell 'A' Shares	5.21
GlaxoSmithKline	4.83	GlaxoSmithKline	4.41

Please note: negative figures are shown in brackets.

UK FTSE All-Share Index Tracking Fund Short Report

for the six month period ended 31 July 2013

Investment objective and policy

The investment objective of the UK FTSE All-Share Index Tracking Fund is to aim to match as closely as possible, subject to the effect of charges and regulations in force from time to time, the capital performance and net income yield of the FTSE All-Share Index.

The investment policy is to invest partially in companies comprising the FTSE All-Share Index. Index futures may be used for efficient portfolio management purposes only.

Risk profile

The UK FTSE All-Share Index Tracking Fund is a Cautious-Medium risk fund. It benefits from the significant diversification of investing in a representative selection of the stocks comprising the FTSE All-Share Index.

Tracking Error

Tracking Error measures the standard deviation of the relative returns. It is the annualised standard deviation of the returns of a fund minus those of its benchmark (relative returns) and not the standard deviation of each fund's unique returns. The lower the tracking error of a fund, the more the fund resembles its benchmark or the market regarding risk and return characteristics.

The size of the Fund's tracking error for the period ended 31 July 2013 was 0.08%.

Synthetic risk and reward profile

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

This is a separate measure to the fund Risk Profiles we used to determine our investment portfolios (where we used our own methodology to take an overall look at the funds' risks and aims and group our funds into Cautious/Medium, Medium, Medium/Adventurous, Adventurous Profiles).

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

1	2	3	4	5	6	7

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

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

Fund manager's comments

It was a positive six months for UK equities, although volatility made an unwelcome return over the closing stages. Initially, performance was driven by ongoing extraordinary support from the world's central bankers. Liquidity and historically low interest rates have encouraged traders into riskier assets, with equities among the main beneficiaries. Markets, however, were thrown into turmoil in May after Ben Bernanke, the chairman of the Federal Reserve (the US central bank, known as the Fed), hinted that his rate-setting institution could soon "taper" its quantitative easing (QE) programme. QE is the monetary easing policy used by central banks to stimulate and feed money back into the economy by buying assets such as corporate and government bonds, thereby increasing their prices and pushing down their yields.

Investors have become accustomed to the Fed's monetary easing support and the thought of it being withdrawn saw traders take fright. Equity markets plunged, while government bonds yields climbed alarmingly. Since then, though, Mr Bernanke has sought to reassure investors. He stated that the curtailment of QE would be entirely data-dependent. He also said that a slowing of asset purchases does not constitute monetary policy tightening (the opposite of monetary policy easing). Not to be outdone, Mark Carney, the new Bank of England governor, introduced his brand of "forward guidance". This will see interest rates remain low until unemployment falls below 7%. The declaration came with several caveats, however, and investors' reactions have been fairly muted.

On the markets, financials did well as a number of high-street names returned to profit. By contrast, miners continued to suffer on fears of a slowdown in China. Overall, the FTSE All-Share Index returned 8.92% in total return terms.

At a stock level, the top ten performing companies in the index over the year were Xaar, Ocado, Thomas Cook, Super Group, Sports Direct, Dixons Retail, UK Mail Group, Porvair, Gleeson and Ted Baker. The bottom ten performing companies in the index were New World Resources, Petropavlovsk, African Barrick Gold, Evraz, Kazakhmys, Hochschild Mining, Talvivaara Mining, Imagination Technologies and Polymetal Industries and Frsenillo.

In terms of activity, the Fund continued to track the FTSE All-Share index. We therefore periodically rebalanced its holdings in accordance with the changes made by index provider FTSE at its quarterly reviews.

The outlook for the UK economy has improved in recent months. Nevertheless, challenges persist with the great rebalancing from services to exports remaining some way off. Elsewhere, China is slowing as its government cracks down on lending practices and continues to steer its economy towards domestic consumption. The eurozone crisis could also flare up at any point, as illustrated by the mishandled Cyprus bailout and the ongoing political scandal in Spain. The Middle East also remains a tinderbox.

On a wider note, the timing of the Fed's eventual "tapering" remains a constant concern for investors, which means bouts of market volatility are likely to persist in the coming months.

Distribution

XD dates:

Interim – 31 July

Final – 31 January

Payment dates:

Interim – 30 September

Final – 31 March

Ongoing charges figure

	31/07/13 %	31/01/13 %
Share Class A	0.50	0.50
Share Class C*	1.00	1.36
Share Class F*	1.00	1.17
Share Class G	1.00	1.00
Share Class I†	0.00	0.00

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

The OCF can fluctuate as underlying costs change.

* The change in OCF is due to a decrease in ACD fee from 1.5% to 1% for C Accumulation and from 1.25% to 1% for F Accumulation on 12 October 2012.

† Fees are payable by institutional investors in this share class to the ACD outside the Fund.

Fund performance

Net Asset Value

	NAV per share 31/07/13 (p)	NAV per share 31/01/13 (p)	NAV percentage change %
Share Class A	59.25	55.60	6.56
Share Class C	51.54	47.67	8.12
Share Class F	31.81	29.43	8.09
Share Class G	32.14	29.73	8.11
Share Class I	59.31	55.65	6.58

Classification of investments

	31/07/13	31/01/13
Financials	24.50	23.42
Oil & Gas	14.48	16.39
Consumer Goods	13.72	13.67
Consumer Services	10.30	9.49
Industrials	9.60	9.12
Basic Materials	7.61	10.00
Health Care	7.37	7.15
Telecommunications	6.31	5.77
Utilities	3.72	3.80
Technology	1.64	1.77
Derivatives	0.09	0.03
Net other assets/(liabilities)	0.66	(0.61)
Total net assets	100.00	100.00

Distribution

The distributions for share classes A and I were paid/are payable on or before the dates shown below and are stated in pence per share. For share classes C, F and G the distributions were/will be credited to the capital of the relevant share class on or before the dates shown below, and are stated in pence per share.

	30/09/13 (p)	30/09/12* (p)
Share Class A	1.0227	0.9687
Share Class C	0.7595	0.6080
Share Class F	0.4662	0.4054
Share Class G	0.4710	0.4414
Share Class I	1.1640	1.0870

* The distribution rates for the six month period ended 31 July 2012 have been included for comparison.

Performance record

	01/02/13 to 31/07/13 %	01/02/12 to 31/01/13 %	01/02/11 to 31/01/12 %	01/02/10 to 31/01/11 %	01/02/09 to 31/01/10 %	01/02/08 to 31/01/09 %
FTSE All-Share Index Tracking Fund	8.95	16.69	0.47	18.57	33.02	(24.88)
FTSE All Share Index	8.92	16.30	(0.31)	18.13	33.24	(27.75)

Source: Morningstar for UK FTSE All Share Index Tracking Fund after 1 February 2012 and Lipper for previous periods. Basis: Percentage growth, total return Share Class C (gross of tax and charges) at 12.00pm.

Source: Morningstar for the FTSE All Share Index. Basis: Revenue reinvested and gross of expenses at close of business.

Past performance is not a guide to future performance. The value of an investment and the revenue from it may go up and down and you may get back less than invested.

Portfolio information

Major holdings

The Fund's major holdings at the end of the current period and previous year were as follows:

Holding	Fund value % 31/07/13		Fund value % 31/01/13
HSBC	6.69	HSBC	6.86
Vodafone	4.66	BP	4.92
BP	4.17	Vodafone	4.50
GlaxoSmithKline	4.02	Royal Dutch Shell 'A' Shares	4.34
Royal Dutch Shell 'A' Shares	3.99	GlaxoSmithKline	3.87

Please note: negative figures are shown in brackets.

UK Growth Fund Short Report

for the six month period ended 31 July 2013

Investment objective and policy

The investment objective of the UK Growth Fund is to achieve long term capital growth by investing mainly in UK companies.

The investment policy is to concentrate the core of the portfolio on large companies whilst maintaining a reasonable presence in medium and small sized companies with above average potential for growth.

Risk profile

The UK Growth Fund is a Cautious-Medium risk fund. The Fund is likely to be a core holding in any portfolio where investment in the UK's larger capitalisation stocks is required.

Synthetic risk and reward profile

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

This is a separate measure to the fund Risk Profiles we used to determine our investment portfolios (where we used our own methodology to take an overall look at the funds' risks and aims and group our funds into Cautious/Medium, Medium, Medium/Adventurous, Adventurous Profiles).

Typically lower rewards, lower risk — Typically higher rewards, higher risk

1	2	3	4	5	6	7

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

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

Fund manager's comments

It was a positive six months for UK equities, although volatility made an unwelcome return over the closing stages. Initially, performance was driven by ongoing extraordinary support from the world's central bankers. Liquidity and historically low interest rates have encouraged traders into riskier assets, with equities among the main beneficiaries. The Fund generated a gross return of 9.31% (gross of tax and charges) over the reporting period. This compares to the 8.92% return of its benchmark, the FTSE All-Share Index.

Markets, however, were thrown into turmoil in May after Ben Bernanke, the chairman of the Federal Reserve (the US central bank, known as the Fed), hinted that his rate-setting institution could soon "taper" its quantitative easing (QE) programme. QE is the monetary easing policy used by central banks to stimulate and feed money back into the economy by buying assets such as corporate and government bonds, thereby increasing their prices and pushing down their yields.

Investors have become accustomed to the Fed's monetary easing support and the thought of it being withdrawn saw traders take fright. Equity markets plunged, while government bonds yields climbed alarmingly. Since then, though, Mr Bernanke has sought to reassure investors. He stated that the curtailment of QE would be entirely data-dependent. He also said that a slowing of asset purchases does not constitute monetary policy tightening (the opposite of monetary policy easing). Not to be outdone, Mark Carney, the new Bank of England governor, introduced his brand of "forward guidance". This will see interest rates remain low until unemployment falls below 7%. The declaration came with several caveats, however, and investors' reactions have been fairly muted. On the markets, financials did well as a number of high-street names returned to profit. By contrast, miners continued to suffer on fears of a slowdown in China.

The portfolio managers continued to employ a range of enhancement strategies based on quantitative analysis (a technique which employs complex mathematical and statistical modelling, measurement and research). This process identifies strategies – or "tilts" – that we expect to outperform over the long run and identifies stocks that provide exposure to each theme. Tilts are then combined to produce diversification benefits (i.e. the benefits of spreading a portfolio across a combination of stocks which are likely to perform differently in any particular set of market conditions, thereby spreading the risk and reducing the volatility of the portfolio).

Of these strategies, the "financial strength" bias outperformed. This invests in stocks with improving profitability, increasing liquidity and decreasing leverage (i.e. falling debt). The "industry momentum" strategy also did well. It gives a bias towards stocks in industries that have performed relatively well in recent months. The "core value" tilt was another strong performer. In contrast, "value in combination with quality" strategy, which is based on the belief that cheap, efficiently run companies generate excess returns, underperformed.

The outlook for the UK economy has improved in recent months. Nevertheless, challenges persist with the great rebalancing from services to exports remaining some way off. Elsewhere, the Chinese economy is slowing as its government cracks down on lending practices and continues to steer it towards domestic consumption. The eurozone crisis could also flare up at any point, as illustrated by the mishandled Cyprus bailout and the ongoing political scandal in Spain. The Middle East also remains a tinderbox.

On a wider note, the timing of the Fed's eventual "tapering" remains a constant concern for investors, which means bouts of market volatility are likely to persist in the coming months.

Distribution

XD dates:

Interim – 31 July

Final – 31 January

Payment dates:

Interim – 30 September

Final – 31 March

Ongoing charges figure

	31/07/13 %	31/01/13 %
Share Class A	0.50	0.50
Share Class B	0.50	0.51
Share Class C	1.50	1.51
Share Class F	1.25	1.25
Share Class G	1.00	1.00
Share Class I†	0.00	0.00
Share Class SW1	1.05	1.05

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

The OCF can fluctuate as underlying costs change.

† Fees are payable by institutional investors in this share class to the ACD outside the Fund.

Fund performance

Net Asset Value

	NAV per share 31/07/13 (p)	NAV per share 31/01/13 (p)	NAV percentage change %
Share Class A	253.11	236.34	7.10
Share Class B	69.68	63.93	8.99
Share Class C	59.97	55.28	8.48
Share Class F	31.60	29.10	8.59
Share Class G	31.99	29.43	8.70
Share Class I	253.19	236.40	7.10
Share Class SW1	99.64	91.66	8.71

Classification of investments

	31/07/13	31/01/13
Financials	27.41	24.36
Oil & Gas	14.39	16.73
Consumer Goods	12.70	12.49
Consumer Services	10.53	10.03
Industrials	10.22	9.27
Health Care	7.92	7.75
Basic Materials	7.10	10.25
Telecommunications	6.62	5.80
Utilities	2.39	2.48
Technology	1.64	1.63
Corporate Bonds	0.01	0.01
Derivatives	(0.01)	0.09
Net other liabilities	(0.92)	(0.89)
Total net assets	100.00	100.00

Distribution

The distributions for share classes A and I were paid/are payable on or before the dates shown below and are stated in pence per share. For share classes B, C, F, G and SW1 the distributions were/will be credited to the capital of the relevant share class on or before the dates shown below and are stated in pence per share.

	30/09/13 (p)	30/09/12* (p)
Share Class A	4.5096	4.1294
Share Class B	1.2208	1.0812
Share Class C	0.7729	0.7055
Share Class F	0.4422	0.4021
Share Class G	0.4853	0.4371
Share Class I†	5.1141	4.6347
Share Class SW1	1.4871	1.3421

* The distribution rates for the six month period ended 31 July 2012 have been included for comparison.

Performance record

	01/02/13 to 31/07/13 %	01/02/12 to 31/01/13 %	01/02/11 to 31/01/12 %	01/02/10 to 31/01/11 %	01/02/09 to 31/01/10 %	01/02/08 to 31/01/09 %
UK Growth Fund	9.31	16.41	0.56	17.83	31.33	(24.24)
FTSE All Share Index	8.92	16.30	(0.31)	18.13	33.24	(27.75)

Source: Morningstar for UK Growth Fund after 1 February 2012 and Lipper for previous periods. Basis: Percentage growth, total return Share Class C (gross of tax and charges) at 12.00pm.

Source: Morningstar for the FTSE All Share Index. Basis: Revenue reinvested and gross of expenses at close of business.

Past performance is not a guide to future performance. The value of an investment and the revenue from it may go up and down and you may get back less than invested.

Portfolio information

Major holdings

The Fund's major holdings at the end of the current period and previous year were as follows:

Holding	Fund value % 31/07/13		Fund value % 31/01/13
HSBC	7.02	HSBC	7.02
Vodafone	4.90	BP	5.39
BP	4.55	Royal Dutch Shell 'A' Shares	4.91
Royal Dutch Shell 'A' Shares	4.24	Vodafone	4.48
British American Tobacco	3.41	GlaxoSmithKline	3.58

Please note: negative figures are shown in brackets.