HBOS Specialised Investment Funds ICVC

Short Reports

for the six month period ended 30 November 2013

Contents

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 Class 1 is referenced as SW1.

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 Specialised Investment Funds ICVC:

- With effect from 1 October 2013, for certain share classes of the Scheme (as detailed below) the existing fee charges were changed to allow the fees of auditors, tax, legal and other professional advisors (the Expense) to be paid out of the Scheme property. For share classes A, Institutional and Scottish Widows Share Class 1 for all sub-funds of the Scheme, the ACD amended the Prospectus of the Scheme to allow it to pay the Expense out of the scheme property.

  The ACD has deemed it necessary to make the changes due to increasing costs associated with management of the Scheme where such costs are primarily incurred as a result of investing in and operating in certain overseas jurisdictions where filing of overseas tax returns and reclaims is required through agents in order to provide the optimum returns for the potential benefit of Shareholders in the Scheme. As a result, the costs will be aligned with the benefits accruing to the Scheme.
- With effect from 1 October 2013, the investment and borrowing powers of the Cautious Managed Fund were amended to allow for wider investment in other collective investment schemes (as notified to Shareholders in August 2013).

  The Cautious Managed Fund may now invest up to 20% of the value of its scheme property in other regulated collective investment schemes. Under the FCA rules, the Cautious Managed Fund could be permitted to invest all of its scheme property in other collective investment schemes but, until this change, the Fund was restricted to investing only 10% of its assets in this way. However, we believe that the Fund should take only the flexibility we view as being in the best interests of shareholders, considering the investment objective and policy of the Fund and so we raised the permitted level of investment to 20%. This change is not intended to have any impact on the risk profile of the Fund.

A copy of the Prospectus is available on request.

Important information

Amendments to the UK Regulations governing Open-Ended Investment Companies and the *FCA's Collective Investment Schemes sourcebook which require limitation of liability between sub-funds of the Company came into effect on 21 December 2011. The new segregated liability regime is mandatory and it is our intention to apply to the FCA within the transitional period for approval to amend the Company's Prospectus and Instrument of Incorporation which will provide for this change. The transitional implementation period is open until 20 December 2014.

*FSA was replaced by the Financial Conduct Authority (FCA) on 1 April 2013.

Authorised Corporate Director (ACD) and Registrar*

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Cautious Managed Fund Short Report

for the six month period ended 30 November 2013

Investment objective and policy

The investment objective is to achieve long term growth by investing in a managed portfolio of equities investing mainly in the UK and fixed interest investments such as corporate bonds and gilts.

The Fund will actively manage a balanced mixture of assets between equities and fixed interest investments. The core of the equity assets within the Fund will tend to be invested in large companies whilst maintaining a reasonable presence in medium and small sized companies with above average potential for growth. However, the Fund is not restricted to the choice of company either by size or industry. The fixed interest assets will be invested primarily in a wide range of sterling and euro dominated investment grade interest bearing securities.

Risk profile

The Cautious Managed Fund is a Cautious-Medium risk fund. It benefits from diversification from investing in both equities and fixed interest investments.

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 5 because it has experienced medium to high levels of volatility over the past 5 years.

The synthetic risk and reward indicator shown above is accurate as at 30 November 2013 and there have been no changes to this ranking to date.

Fund manager's comments

The period under review produced mixed returns, although on the whole equities outperformed. The Fund adopts a comparatively cautious approach, which means it did not participate in the equity rally to the same extent as funds that are focussed purely on equities. It generated a gross return of 1.16% over the six months under review.

Looking first at fixed income markets, both government and corporate bonds struggled over the last six months. Yields on government bonds rose, and prices fell throughout much of the reporting period. The initial causes were stronger-than-usual economic data and signs that central banks might start to withdraw their monetary stimulus policies, which have involved the purchase of bonds. However, after the Federal Reserve (Fed) reassured investors that its extraordinary stimulus measures would remain in place for the time being, a large part of the earlier falls were reversed.

Fund manager's comments (continued)

Corporate bonds outperformed their government-issued equivalents, as investors continued on their search for higher yield investments. The Fund's bond holdings are mainly concentrated within corporate bonds, which helped shield investors from some of the losses incurred in the government bond sector.

The Fund's equity holdings produced stronger returns. The Fund's main equity position is in the UK equity market, which performed well. The main driver of sentiment stemmed from overseas and the ongoing extraordinary support from the world's central bankers. The US Fed, for example, has been ploughing $85 billion-a-month into the world's largest economy in order to spur growth.

But it wasn't only events in the US that occupied UK investors. News that the economy is starting to recover was well received. This proved particularly beneficial for stocks that are sensitive to economic conditions.

Looking ahead, we expect that stock markets will continue to receive support from modest economic improvements, combined with ongoing stimulus measures from central banks. As a result, the Fund retains a comparatively high weighting in equities. However, gains in the coming year appear unlikely to be of the magnitude experienced over the last year and a half and markets looks set for further volatility. For this reason, maintaining a cautiously managed portfolio of diversified holdings remains a sensible strategy.

Distributions

XD dates:	Payment dates:
Interim - 30 November	Interim - 31 January
Final - 31 May	Final - 31 July

Ongoing charges figure

	30/11/13 %	31/05/13 %
Share Class C	1.50	1.50
Share Class F	1.25	1.25
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.

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

Fund performance

Net Asset Value

	NAV per share 30/11/13 (p)	NAV per share 31/05/13 (p)	NAV percentage change %
Share Class C	37.94	37.62	0.85
Share Class F	32.76	32.45	0.96
Share Class G	33.12	32.78	1.04
Share Class I	42.18	41.57	1.47

Distributions

The distributions for share classes C, F, G and I 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.

	31/01/14 (p)	31/01/13* (p)
Share Class C	0.3771	0.3595
Share Class F	0.3577	0.3389
Share Class G	0.3939	0.3710
Share Class I	0.6653	0.6152

*The distribution rates for the six month period ended 30 November 2012 have been included for comparison.

Please note: negative figures are shown in brackets.

Performance record

	01/06/13 to 30/11/13 %	01/06/12 to 31/05/13 %	01/06/11 to 31/05/12 %	01/06/10 to 31/05/11 %	01/06/09 to 31/05/10 %	01/06/08 to 31/05/09 %
Cautious Managed Fund	1.16	20.38	(1.74)	13.77	19.85	(11.36)
Benchmark*	1.71	19.05	1.03	13.68	19.33	(11.79)

Source: Financial Express for Cautious Managed Fund after 1 June 2013, Morningstar between 1 June 2011 and 31 May 2013 and Lipper for previous periods. Basis: Percentage growth, total return Share Class C (gross of tax and charges) at 12.00pm.

*51% FTSE All Share Index, 39.2% iBOXX Sterling Non-Gilt All Stocks Index and 9.8% FTSE Actuaries Government Securities UK Gilts All Stocks Index. Source: Scottish Widows Investment Partnership. 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 and previous period were as follows:

Holding	Fund value % 30/11/13		Fund value % 31/05/13
Scottish Widows Fundamental Index UK Equity Fund X Acc	5.21	SWIP Global Liquidity Fund	6.41
HSBC	2.90	HSBC	3.38
SWIP Sterling Short Term Fund X Acc	2.83	SWIP Sterling Short Term Fund X Acc	2.75
Vodafone	2.57	Vodafone	2.35
BP	2.07	BP	2.35

Classification of investments

	Fund value % 30/11/13	Fund value % 30/05/13
UK Equities	49.08	48.46
Fixed Income	41.27	47.04
Ireland Equities	3.79	0.01
Jersey Equities	2.41	2.07
Guernsey Equities	0.49	0.47
Spain Equities	0.16	0.16
Bermuda Equities	0.15	0.09
Switzerland Equities	0.08	0.00
Isle of Man Equities	0.07	0.08
Luxembourg Equities	0.03	0.00
Cayman Islands Equities	0.03	0.00
India Equities	0.03	0.11
Gibraltar Equities	0.02	0.00
Canada Equities	0.01	0.00
Derivatives	0.01	(0.39)
Net other assets	2.37	1.90
Total net assets	100.00	100.00

Ethical Fund Short Report

for the six month period ended 30 November 2013

Investment objective and policy

The investment objective is to achieve capital growth in the long term by investing in companies whose activities are considered ethical, both in terms of their primary activities as well as in the means of achieving them.

The investment policy is to select an international portfolio of companies with above average potential for growth. The majority of the portfolio will be invested in the following areas:

a. Pollution Control.

b. Environmental Protection.

c. Efficient utilisation of material and energy resources.

d. Clean fuels and alternative energy systems.

e. Healthcare services and medical technology.

f. Enabling technologies considered to be beneficial to society.

Additionally, the Fund will strive to avoid investments in companies involved in any of the following areas:

Alcohol, animal testing, armaments, banking, child labour, fur trade, gambling, links with undemocratic regimes, nuclear power production, polluting the environment, pornography and tobacco.

Risk profile

The Ethical Fund is a Medium-Adventurous risk fund. This primarily derives from its international nature (i.e. currency risk) and the restriction on the degree of diversification that is possible within the parameters of the investment objectives, which results in higher risk.

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 30 November 2013 and there have been no changes to this ranking to date.

Fund manager's comments

The period under review has been positive for the world's stock markets, with share prices rising over the course of the last six months. Actions by central banks have given investors the confidence to move away from the safe havens of cash and government bonds in favour of assets that carry a slightly higher level of risk. Investors were also emboldened by signs of improvement in the global economy. The Fund produced a gross return of 2.90% over the review period. The comparable return from its benchmark, the FTSE World Index, was 1.66%.

In the UK, the economy is performing better than many had forecast, with most areas on the rise. The housing sector in particular has rebounded strongly, leading many to fear a bubble may be forming. However, the Bank of England has acted, removing its Funding for Lending scheme for mortgage buyers. The Bank has also initiated "forward guidance". This will see interest rates remain low until unemployment hits 7% (currently 7.4%).

Meanwhile, US equities underwent a period of volatility following the Federal Reserve's (the Fed) announcement that it plans to slow its current $85 billion a month quantitative easing programme. Investors have therefore treated some recent positive economic announcements with suspicion, fearing that they may hasten the cuts to the scheme. In November, focus fell on a much better-than-expected jobs report. This time however, the good news failed to dampen investor confidence. Instead, market participants looked to Janet Yellen, the soon-to-be-head of the Fed, for reassurance. She commented that the US jobs market and its wider economy are both performing "far short of their potential". US equity markets surged, reaching a series of record highs before closing for the Thanksgiving holiday.

European equities also delivered robust gains over the period. Forward-looking indicators have improved, but unemployment remains a concern, while credit conditions are poor. Elsewhere, Japanese stocks did well, partly on the back of Tokyo's successful bid for the 2020 Olympics. As a whole, emerging markets lagged behind their developed peers.

At asset level, the holding in ITV made a strongly positive contribution. The stock's performance was boosted by management investment in improving the quality of ITV's television programmes for subsequent distribution to the US and other markets. Orix, a Japanese real estate company, also had a positive influence on returns. We added the stock to the portfolio in June.

Throughout 2013, the Fund has been overweight in the industrials sector, which has continued to benefit from improved spending and industrial activity in domestic US and UK markets. Regionally, we remain overweight in UK equities – which have performed well despite concerns amid wider developed equity markets.

The US and eurozone look set to end 2013 on a weak note, but the similarities end there. For the US, this is mainly a technical correction following a strong third quarter. Congress has struck a deal preventing another government shutdown next year. The debt ceiling remains an issue for spring 2014, but is not expected to derail a recovery underpinned by improving consumer spending, accelerating business investment and a stronger housing market. Nor is asset-purchase tapering, which the Fed has announced will begin in January 2014. The eurozone's problems are more enduring, and we expect a weak expansion next year. Growth will continue to be largely accounted for by exports, leaving the recovery vulnerable to any unexpected euro appreciation.

Distribution

XD date:	Payment date:
Final - 31 May	Final - 31 July

Ongoing charges figure

	30/11/13 %	31/05/13 %
Share Class A	0.50	0.50
Share Class C	1.52	1.52
Share Class F	1.27	1.27
Share Class G	1.02	1.02
Share Class I†	0.00	0.00
Share Class SW1	1.65	1.65

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 30/11/13 (p)	NAV per share 31/05/13 (p)	NAV percentage change %
Share Class A	130.62	124.79	4.67
Share Class C	55.11	52.91	4.16
Share Class F	34.25	32.84	4.29
Share Class G	34.70	33.23	4.42
Share Class I	131.00	124.86	4.92
Share Class SW1	94.89	91.13	4.13

Classification of investments

	Fund value % 30/11/13	Fund value % 31/05/13
Financials	22.24	17.15
Technology	14.85	12.89
Consumer Goods	14.06	11.18
Industrials	13.72	18.72
Health Care	12.79	15.83
Utilities	5.57	2.89
Consumer Services	5.49	6.31
Basic Materials	4.95	8.23
Oil & Gas	4.17	7.04
Telecommunications	1.75	0.00
Net other assets/(liabilities)	0.41	(0.24)
Total net assets	100.00	100.00

Please note: negative figures are shown in brackets.

Performance record

	01/06/13 to 30/11/13 %	01/06/12 to 31/05/13 %	01/06/11 to 31/05/12 %	01/06/10 to 31/05/11 %	01/06/09 to 31/05/10 %	01/06/08 to 31/05/09 %
Ethical Fund	2.90	28.89	(2.15)	10.29	26.45	(20.42)
FTSE World Index	1.66	29.40	(5.95)	12.40	29.06	(19.59)

Source: Financial Express for Ethical Fund and FTSE World Index after 1 June 2013, Morningstar between 1 June 2011 and 31 May 2013 and Lipper for previous periods.

Basis: For Ethical Fund, percentage growth, total return Share Class C (gross of tax and charges) at 12.00pm.

Basis: For FTSE World Index, 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.

Distributions

There are no distributions payable for the six month period ended 30 November 2013 as the Fund distributes annually in July.

Portfolio information

Major Holdings

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

Holding	Fund value % 30/11/13		Fund value % 31/05/13
Google	4.05	Hexcel	3.25
Continental	3.54	Bayer	3.20
ORIX	3.36	American Express	3.14
McKesson	3.17	Google	3.11
Fresenius Medical Care	3.00	Fresenius Medical Care	3.09

Geographical spread

	Fund value % 30/11/13	Fund value % 31/05/13
United States	45.33	57.07
United Kingdom	15.39	15.40
Switzerland	9.74	4.55
Germany	9.13	6.29
Japan	8.97	4.00
Hong Kong	4.91	0.00
China	2.29	0.00
Isle of Man	2.21	1.86
Taiwan	1.62	0.00
Denmark	0.00	2.49
France	0.00	2.26
Ireland	0.00	1.88
Norway	0.00	1.83
Canada	0.00	1.55
Brazil	0.00	1.06
Net other assets/(liabilities)	0.41	(0.24)
Total net assets	100.00	100.00

Fund of Investment Trusts Short Report

for the six month period ended 30 November 2013

Investment objective and policy

The investment objective is to achieve capital growth in the long term by investing mainly in investment trust companies.

The investment policy is to select investment trust companies which the managers believe are investing in attractive markets and having a manager expected to outperform the relevant asset category. The portfolio will also include trusts that are likely to benefit from reconstruction.

Risk profile

The Fund of Investment Trusts is a Medium-Adventurous risk fund. Although internationally invested, there is a significant degree of diversification provided by the underlying investment of the investment trusts in a large number of different companies.

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 30 November 2013 and there have been no changes to this ranking to date.

Fund manager's comments

The period under review has been positive for the world's stock markets, with share prices rising over the course of the last six months. Actions by central banks have given investors the confidence to move away from the safe havens of cash and government bonds in favour of assets that carry a slightly higher level of risk. Investors were also energised by signs of improvement in the global economy. The Fund produced a gross return of 4.55% over the period. This compares to a benchmark* return of 3.40%.

In the UK, the economy is performing better than many had forecast, with most areas on the rise. The housing sector in particular has rebounded strongly, leading many to fear a bubble may be forming. However, the Bank of England has acted, removing its Funding for Lending scheme for mortgage buyers. The Bank has also initiated "forward guidance". This will see interest rates remain low until unemployment hits 7% (currently 7.4%). The pick up in the domestic economy was reflected in the strong performance of the Fund's small and mid cap-focussed holdings. Trusts such as BlackRock Smallers, Herald and Diverse Income were notable contributors to returns. We locked in profits in these and other UK-oriented funds and, as a result, net exposure to the UK market edged up only slightly during the period.

Fund manager's comments (continued)

Meanwhile, US equities underwent a period of volatility following the Federal Reserve's announcement that it plans to slow its current $85 billion a month quantitative easing programme. Markets surged towards the end of the period, however, reaching a series of record highs before closing for the Thanksgiving holiday. There was little movement in the Fund's US allocation during the period. Riverstone Energy, BACIT and JPMorgan Global Convertibles Income Fund, all of which were acquired via initial public offering (IPO) during the period, offer unique exposure to attractive asset classes with a focus on US securities.

IPOs (and secondary fund raisings) were a particular feature of the six months under review, as investors sought higher returns than those available on bonds and cash. We participated in a number of issues with a focus on those funds which offer attractive yields, based on our view that this should help prevent them from trading at too wide a discount in the event of a market correction.

European equities also delivered robust gains over the period. Forward-looking indicators have improved, but unemployment remains a concern, while credit conditions are poor. We took advantage of a narrowing of discounts to net asset value in a number of European funds to lock in profits but, even so, the Fund's European allocation increased modestly during the period. Elsewhere, Japanese stocks did well, partly on the back of Tokyo's successful bid for the 2020 Olympics. As a whole, emerging markets lagged behind their developed peers. We made a further reduction in BlackRock World Mining as part of a lessening of the Fund's emerging market exposure.

After another good period for investors in investment trusts (buoyed by narrowing discounts and some IPO enthusiasm), it is natural to be a little cautious in terms of outlook. Nevertheless, equities continue to offer good value relative to bonds and cash. Stock market bulls will be further encouraged by the fact that we are starting to see a pick up in take-over activity. On balance, we feel it is appropriate to remain fully invested with a continuing focus on growth-oriented trusts, a stance that has served us well throughout the year.

*50% FTSE All Share Index and 50% FTSE World ex UK Index.

Distributions

XD dates:	Payment dates:
Interim - 30 November	Interim - 31 January
Final - 31 May	Final - 31 July

Ongoing charges figure

	30/11/13 %	31/05/13 %
Share Class A	0.50	0.50
Share Class C	1.51	1.51
Share Class F	1.26	1.26
Share Class G	1.01	1.01
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.

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

Fund performance

Net Asset Value

	NAV per share 30/11/13 (p)	NAV per share 31/05/13 (p)	NAV percentage change %
Share Class A	639.76	607.31	5.34
Share Class C	73.92	70.06	5.51
Share Class F	33.20	31.43	5.63
Share Class G	33.67	31.84	5.75
Share Class I	639.92	607.42	5.35

Distributions

The distributions for share class 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.

	31/01/14 (p)	31/01/13* (p)
Share Class A	4.2444	3.9272
Share Class C	0.1391	0.1713
Share Class F	0.0992	0.1037
Share Class G	0.1404	0.1380
Share Class I	5.7506	5.1169

*The distribution rates for the six month period ended 30 November 2012 have been included for comparison.

Performance record

	01/06/13 to 30/11/13 %	01/06/12 to 31/05/13 %	01/06/11 to 31/05/12 %	01/06/10 to 31/05/11 %	01/06/09 to 31/05/10 %	01/06/08 to 31/05/09 %
Fund of Investment Trusts	4.55	28.54	(10.17)	24.78	25.86	(27.88)
Benchmark*	3.40	29.80	(6.59)	15.72	26.40	(20.38)

Source: Financial Express for Fund of Investment Trusts after 1 June 2013, Morningstar between 1 June 2011 and 31 May 2013 and Lipper for previous periods. Basis: Percentage growth, total return Share Class C (gross of tax and charges) at 12.00pm.

*50% FTSE All Share Index and 50% FTSE World ex UK Index. Source: Scottish Widows Investment Partnership. 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 and previous period were as follows:

Holding	Fund value % 30/11/13		Fund value % 31/05/13
Monks Investment Trust	4.18	Monks Investment Trust	6.31
Foreign & Colonial Investment Trust	3.81	Foreign & Colonial Investment Trust	4.04
North American Income Trust	3.80	North American Income Trust	3.97
Electra Private Equity	3.66	Electra Private Equity	3.61
Scottish Mortgage Investment Trust	3.34	Scottish Mortgage Investment Trust	3.14

Classification of investments

	Fund value % 30/11/13	Fund value % 31/05/13
UK Equities	99.37	96.05
UK Fixed Interest Bonds	0.60	0.68
Switzerland Equities	0.14	0.00
Derivatives	(0.01)	0.04
Net other (liabilities)/assets	(0.10)	3.23
Total net assets	100.00	100.00

Please note: negative figures are shown in brackets.

Smaller Companies Fund Short Report

for the six month period ended 30 November 2013

Investment objective and policy

The investment objective is to achieve long term capital growth through investing mainly in smaller companies, principally in the UK.

The investment policy is to concentrate the core of the portfolio on smaller companies with above average potential for growth.

Risk profile

The Smaller Companies Fund is a Medium-Adventurous risk fund. This Fund should be considered by those able to accept a higher level of volatility, although our objective is to invest in better quality stocks that should offer fundamental value.

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 30 November 2013 and there have been no changes to this ranking to date.

Fund manager's comments

UK smaller companies delivered robust returns over the six month review period. Driving sentiment was the ongoing extraordinary support from the world's central banks and the improving economic landscape. In the former camp, the US Federal Reserve has been particularly active, buying $85 billion-a-month of bonds and other securities. This programme is designed to keep long-term interest rates subdued, while flooding the market with liquidity. As a result of these measures, equity markets in the developed world have been on a mostly upward trajectory as yield-hungry investors have sought superior returns.

This policy has been so influential that fears that it could be curtailed – or "tapered" – created pockets of turbulence in the market throughout the review period. Indeed, shares dropped dramatically in June after the idea was first mooted by US Federal Reserve (Fed) Chairman Ben Bernanke. At the time of writing, Mr Bernanke announced that the scheme would be reduced by $10 billion a month, starting in January 2014. Markets took the news in their stride.

Fund manager's comments (continued)

Closer to home, the UK economic recovery is "taking hold" – so confirmed an upbeat Mark Carney as he delivered his second quarterly Inflation Report as governor of the Bank of England (BoE). Growth was revised higher, with 1.6% now pencilled in for this year, up from the 1.4% predicted in August. Inflation, meanwhile, is "under control". Small-caps, which tend to perform better when an economy is resurgent, were the main beneficiaries of this improving landscape.

Turning to performance, a position in Sports Direct boosted the Fund's showing. The company's share price hit an all-time high after it announced excellent annual earnings and delivered an upbeat outlook statement. Elsewhere, fashion retailer Ted Baker also saw its shares in demand after delivering excellent first-half results. Pre-tax profits were almost double for the period, while sales were up a third year-on-year. The firm attributed the strong performance to its ongoing international expansion. Positions in Howden Joinery, Robert Walters and Topps Tiles also did well.

By contrast, international recruitment firm SThree had a tough six months. Its stock sold off after the company updated the market with a disappointing set of results, with SThree reporting softness in the technology sector as a negative factor. Meanwhile, the Fund's lack of exposure to Atkins, BTG and Ocado Group relative to the benchmark was a drag on performance. The latter, an online grocer, saw its stock price soar on booming sales.

Looking ahead, after several false starts the UK economy is finally gathering momentum, with growth in 2014 expected to reach a seven-year high. We anticipate UK GDP of 2.4% next year, up from 1.4% in 2013. So far, the recovery has been narrowly focused on the consumer sector and housing market. A recent flattening off of retail sales points to continued pressure on household incomes from weak wage growth, emphasising the need for a broadening out of activity next year to investment and exports.

Meanwhile, the BoE has launched "forward guidance". This stipulates that rates will remain low until unemployment reaches 7%. But with the jobless rate falling faster than the Bank had forecast (currently 7.4%), some think this could arrive earlier than expected, thereby undermining the policy. That said, Mr Carney has said time and again that the 7% level was a "way station" at which point policy would be rethought, rather than an automatic trigger for action. Nonetheless, UK plc looks in good shape as we head into 2014.

As for the portfolio, as we approached year-end we continued to take profits from those stocks that will no longer be constituents in the Numis Smaller Companies Index in 2014. To that end, we have sold our shareholdings in Close Brothers and Playtec. We are currently reviewing those stocks that will come into the benchmark index on 1 January 2014 in order to identify any undervalued companies.

Distributions

XD dates:	Payment dates:
Interim - 30 November	Interim - 31 January
Final - 31 May	Final - 31 July

Ongoing charges figure

	30/11/13 %	31/05/13 %
Share Class A	0.50	0.50
Share Class C	1.51	1.51
Share Class F	1.26	1.26
Share Class G	1.01	1.01
Share Class I†	0.00	0.00
Share Class SW1	1.60	1.60

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 30/11/13 (p)	NAV per share 31/05/13 (p)	NAV percentage change %
Share Class A	178.02	154.22	15.43
Share Class C	80.71	69.56	16.03
Share Class F	41.56	35.78	16.15
Share Class G	41.24	35.46	16.30
Share Class I	178.10	154.26	15.45
Share Class SW1	130.67	112.57	16.08

Distributions

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, 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.

	31/01/14 (p)	31/01/13* (p)
Share Class A	1.8417	1.3938
Share Class C	0.4718	0.3487
Share Class F	0.2849	0.2115
Share Class G	0.3280	0.2440
Share Class I	2.2329	1.6935
Share Class SW1	0.8068	0.4750

* The distribution rates for the six month period ended 30 November 2012 have been included for comparison

Please note: negative figures are shown in brackets.

Performance record

	01/06/13 to 30/11/13 %	01/06/12 to 31/05/13 %	01/06/11 to 31/05/12 %	01/06/10 to 31/05/11 %	01/06/09 to 31/05/10 %	01/06/08 to 31/05/09 %
Smaller Companies Fund	12.55	39.37	(7.24)	27.21	30.43	(27.16)
Benchmark*	14.43	39.31	(9.36)	22.10	21.06	(27.61)

Source: Financial Express for Smaller Companies Fund after 1 June 2013, Morningstar between 1 June 2011 and 31 May 2013 and Lipper for previous periods. Basis: Percentage growth, total return Share Class C (gross of tax and charges) at 12.00pm.

*Numis Smaller Companies ex Investment Trusts Index after 1 July 2012 and FTSE Smaller Companies ex Investment Trusts Index up to 30 June 2012. Source: Scottish Widows Investment Partnership. 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 and previous period were as follows:

Holding	Fund value % 30/11/13		Fund value % 31/05/13
Beazley	2.78	Beazley	2.86
Fenner	2.60	Hansteen	2.73
Paragon	2.60	Howden Joinery	2.71
Keir	2.60	Bellway	2.67
Hansteen	2.37	Carphone Warehouse	2.55

Classification of investments

	Fund value % 30/11/13	Fund value % 31/05/13
Industrials	30.12	26.20
Consumer Services	27.77	26.43
Financials	19.28	23.49
Consumer Goods	5.18	5.87
Technology	4.90	6.95
Oil & Gas	4.48	3.84
Telecommunications	3.57	5.63
Health Care	1.61	1.74
Basic Materials	1.43	0.06
Utilities	0.18	0.50
Derivatives	0.01	0.00
Net other assets/(liabilities)	1.47	(0.71)
Total net assets	100.00	100.00

Special Situations Fund Short Report

for the six month period ended 30 November 2013

Investment objective and policy

The investment objective is to achieve capital growth by active investment in UK companies with above average potential for growth.

The investment policy is to select and actively manage a portfolio of large, medium and small sized companies with above average potential for capital growth. Advantage will be taken of opportunities offered by management pressures, recovery situations and market anomalies.

Risk profile

The Special Situations Fund is a Medium-Adventurous risk fund. This Fund can be expected to be more volatile than the market average and should only be chosen by those able to accept the above-average risk.

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 30 November 2013 and there have been no changes to this ranking to date.

Fund manager’s comments

UK equity markets recorded modest gains over the period, with the FTSE up a mere 1%. Sentiment has been driven by extremely accommodative central bank monetary policy (such as quantitative easing, historically low interest rates, etc.) and improving economic conditions. In the former camp, the US Federal Reserve (Fed) has been particularly active, buying $85 billion-a-month of bonds and other securities. This programme is designed to keep long-term interest rates subdued, while flooding the market with liquidity. As a result of these measures, equity markets in the developed world have been
o n
a mostly upward trajectory as yield-hungry investors have sought superior returns.

This policy has been so influential that fears that it could be curtailed – or “tapered” – created pockets of turbulence in the market throughout the review period. Indeed, shares dropped dramatically in June tapering was first mooted by Fed

Fund manager's comments (continued)

Chairman Ben Bernanke.

Closer to home, the UK economic recovery is "taking hold" – so confirmed an upbeat Mark Carney as he delivered his second quarterly Inflation Report as governor of the Bank of England (BoE). Growth was revised higher, with 1.6% now pencilled in for this year, up from the 1.4% predicted in August. Inflation, meanwhile, is "under control". On the markets, consumer discretionaries had a good second half of 2013. By contrast, mining and industrial metal firms struggled.

Turning to the portfolio, programme maker and broadcaster ITV continued its remarkable turnaround since its low point in March 2009. The firm is starting to find success with its production business, ITV Studios, which is internationalising ITV's revenues and reducing the company's reliance on cyclical advertising. Elsewhere, a holding in GKN, the car and aerospace engineer, did well. The company delivered better-than-expected profits for the second quarter, prompting a series of upgrades. Other highlights included Whitbread and Resolution.

By contrast, KSK Power and Great Eastern Energy had another difficult six months thanks to ongoing challenges in the domestic Indian power market. Meanwhile, our relative lack of exposure to Vodafone was a negative for the portfolio. Shares in the firm climbed strongly after it announced it was selling its US wireless stake to partner Verizon for $124 billion.

Looking ahead, while equity markets have struggled to push meaningfully higher in recent months, they are still predominantly in economic-recovery mode. Indeed, latest surveys suggest the UK economy is gaining momentum. Corporate confidence is also strengthening, as surveys report an improving export outlook (helped by the EU finally exiting recession) and increasing investment intentions.

There is talk that some cyclical stocks may have run a bit too far and that valuations are becoming stretched. Investors, though, are loath to miss the next leg of the rally, which continues to drive momentum. As for Fed tapering, at the time of writing Mr Bernanke announced that the scheme would be reduced by $10 billion-a-month, starting January 2014. Markets took the news in their stride. In general, we remain relatively upbeat about the prospects for UK markets. That said, the economic landscape remains fragile and susceptible to shocks. As such, clear communication from the world's central bankers will remain of primary importance into 2014.

Distribution

XD date:	Payment date:
Final - 31 May	Final - 31 July

Ongoing charges figure

	30/11/13 %	31/05/13 %
Share Class A	0.50	0.50
Share Class C	1.51	1.51
Share Class F	1.26	1.26
Share Class G	1.01	1.01
Share Class I†	0.00	0.00
Share Class SW1	1.60	1.60

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 30/11/13 (p)	NAV per share 31/05/13 (p)	NAV percentage change %
Share Class A	148.76	143.53	3.64
Share Class C	43.21	41.90	3.13
Share Class F	27.77	26.90	3.23
Share Class G	28.16	27.24	3.38
Share Class I	149.18	143.59	3.89
Share Class SW1	91.78	89.04	3.08

Distributions

There are no distributions payable for the six month period ended 30 November 2013 as the Fund distributes annually in July.

Please note: negative figures are shown in brackets.

Performance record

	01/06/13 to 30/11/13 %	01/06/12 to 31/05/13 %	01/06/11 to 31/05/12 %	01/06/10 to 31/05/11 %	01/06/09 to 31/05/10 %	01/06/08 to 31/05/09 %
Special Situations Fund	4.95	25.24	(16.99)	26.84	20.51	(26.72)
FTSE All Share Index	3.84	30.11	(8.00)	19.57	23.03	(23.37)

Source: Financial Express for Special Situations Fund and FTSE All Share Index after 1 June 2013, Morningstar between 1 June 2011 and 31 May 2013 and Lipper for previous periods.

Basis: For Special Situations Fund, percentage growth, total return Share Class C (gross of tax and charges) at 12.00pm.

Basis: For FTSE All Share Index, 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 and previous period were as follows:

Holding	Fund value % 30/11/13		Fund value % 31/05/13
GlaxoSmithKline	5.91	AstraZeneca	6.01
BT	4.44	GlaxoSmithKline	5.61
HSBC	4.28	BP	5.18
Barclays	3.93	Reed Elsevier	4.55
Royal Dutch Shell 'B'	3.87	Royal Dutch Shell 'B'	4.18

Classification of investments

	Fund value % 30/11/13	Fund value % 31/05/13
Financials	21.41	18.93
Consumer Services	17.50	12.92
Oil & Gas	13.70	20.00
Health Care	12.38	11.62
Industrials	10.05	10.43
Basic Materials	6.12	6.46
Consumer Goods	6.05	12.20
Telecommunications	4.44	0.00
Utilities	4.44	5.51
Technology	1.39	2.82
Net other assets/(liabilities)	2.52	(0.89)
Total net assets	100.00	100.00