



# SWIP / CAPITAL TRUST

Interim Short Report for the period ended 25 January 2013

# SWIP CAPITAL TRUST

## Manager

SWIP Fund Management Limited

### Registered Office:

33 Old Broad Street  
London  
EC2N 1HZ

### Correspondence Address:

BNY Mellon House  
Ingrave Road  
Brentwood  
Essex  
CM15 8TG

Authorised and regulated by the Financial Services Authority and a member of the Investment Management Association.

## Investment Adviser

Scottish Widows Investment Partnership Limited

### Registered Office:

33 Old Broad Street  
London  
EC2N 1HZ

### Correspondence Address:

Edinburgh One  
60 Morrison Street  
Edinburgh  
EH3 8BE

Authorised and regulated by the Financial Services Authority and a member of the Investment Management Association.

## Trustee

State Street Trustees Limited

### Registered Office:

20 Churchill Place  
Canary Wharf  
London  
E14 5HJ

### Head Office:

525 Ferry Road  
Edinburgh  
EH5 2AW

Authorised and regulated by the Financial Services Authority.

## Registrar (and Unit Dealing)

The Bank of New York Mellon (International) Limited

### Registered Office:

One Canada Square  
London  
E14 5AL

### Unit Dealing:

BNY Mellon House  
Ingrave Road  
Brentwood  
Essex  
CM15 8TG

## Independent Auditors

PricewaterhouseCoopers LLP  
Erskine House  
68-73 Queen Street  
Edinburgh  
EH2 4NH

# SWIP CAPITAL TRUST

## Important Information

The Prospectus, which is available from the Manager free of charge, outlines how the Trust is managed and gives details of the types of assets in which the Trust may invest. During the period there have been no significant changes made to the Prospectus or the Trust Deed of SWIP Capital Trust. Full terms and conditions are available from the Manager.

The Trust currently has claims against several European Governments over tax withheld from some of its investments. It should be noted that the share which the Trust has in these claims is not reflected in the net asset value of the Trust (which is standard UK accounting practice) as they are not guaranteed, may not become payable and may be subject to litigation. In the event that the Trust does receive any assets as a result of a successful pursuit of these claims, they will be paid as a windfall to those unitholders who remain in the Trust at the date of payment of the claim.

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Long reports are available on request. If you would like a copy, please telephone us on **0800 33 66 00** or download the Financial Statements from the website **[www.swip.com](http://www.swip.com)** which is a website maintained by SWIP Limited.

## Fund Profile

### Investment Objective & Policy

The aim of this Trust is to provide investors with long-term capital growth. Income is regarded as of secondary importance.

Investment is made through a spread of UK and overseas companies with above average prospects for capital appreciation.

The Trust may also invest in depositary receipts and shares, other transferable securities, convertibles, warrants, money market instruments, deposits, cash and near cash, derivatives and collective investment schemes.

The Manager does not intend to use derivatives for any purpose other than the efficient portfolio management of the Trust, although it may, subject to obtaining and maintaining the requisite permissions from the FSA under the Financial Services and Markets Act 2000 and on giving not less than 60 days' notice to unitholders in the Trust, use derivatives in pursuit of its investment objective in the future. If derivatives are used for the purpose of meeting the investment objective of the Trust it is not intended that the use of derivatives would raise the risk profile.

It is intended that the Trust will be managed so as to ensure that units in the Trust constitute qualifying investments for the purposes of the various HM Revenue & Customs regulations governing Individual Savings Accounts as may be applied from time to time.

### Risk Profile

The Risk and Reward Indicator ranges from 1 to 7 and demonstrates where the Trust ranks in terms of its potential risk and reward. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Trust. The Trust's ranking was 6 as at 14 February 2013 (Key Investor Information Document).

The Trust has this ranking because the value of the underlying investments are subject to price fluctuations. The lowest category 1 does not mean a risk-free investment.

**Currency Risk:** The Trust may have holdings which are denominated in different currencies and may be affected by movements in exchange rates. Consequently, the value of the Trust's investment may rise or fall in line with exchange rates. They may also cause the value of any income generated to go up or down.

**Derivatives Risk:** Derivatives may be used for efficient portfolio management only. At times, though the use of these instruments could lead to considerable short term fluctuations in price. The impact to the Trust is greater where derivatives are used in an extensive or complex way.

**Operational Risk:** Some of the countries in which the Trust invests means there is a higher element of operational risk due to less well regulated markets and less developed political, economic and legal systems and the Trust may have problems or delays in getting its investments back.

Further details of the risks relating to investment in this Trust can be found in the Prospectus, which is available on request or at our website [swip.com](http://swip.com)

## Investment Manager's Review

The six months under review marked a prosperous time for equity investors. Over the period the Trust produced a return of 16.97%, thereby outperforming the sector average return of 12.38%.

One of the main reasons for the upturn in the fortunes of stock markets has been the improvement in investors' confidence. Much of this improvement stemmed from developments in the eurozone. Share prices across the world took a sharp dip during May 2012 because of fresh concerns about the state of the Greek economy. These concerns grew to encompass Italy and Spain, further affecting stock prices. But in July, European Central Bank president, Mario Draghi pledged to do "whatever it takes" to preserve the euro, fuelling a renewed appetite for riskier investments such as equities. As a result, most major stock markets have produced positive returns over the last six months.

The influence of the US economy on global markets has also been a generally positive one. Investors have been encouraged by signs of growth and the Federal Reserve's recent decision to introduce more monetary easing. This is similar in nature to the "quantitative easing" measures that the Bank of England has put in place recently. The central bank hopes that the move to increase the amount of money in circulation will help to boost the jobs market, which has been flagging, as well as the wider economy.

Ironically, the boost to global stocks failed to extend as far as the local market. US equities have been hampered by worries about the national deficit. At the end of 2012, the so-called "fiscal cliff" dominated the headlines. The term refers to a series of tax rises and spending cuts, which combined could have plunged the world's largest economy into recession. In the end, politicians reached an agreement that pulled the US away from the "cliff" – for the time being.

During this six-month period, the Trust produced a very encouraging performance. The main boost came from asset allocation policy. In recent months, the comparative lack of exposure to the US market proved beneficial, as did the Trust's overweight position in European equities. On the downside, stock selection among the portfolio's UK and emerging markets equities holdings had a negative impact.

Looking ahead, a period of consolidation would not be a surprise following recent gains. There are, however, some reasons to remain optimistic. In Europe, there are signs that politicians and central bankers are starting to get a grip on the problems facing the region. Meanwhile, the US economy is showing further signs of recovery, which could help drive global growth. Several uncertainties remain, including slowing growth in China, the ever-expanding US budget deficit, and how best to deal with the problem countries on Europe's periphery such as Greece and Spain. As a result, more volatility is likely, but we are confident the portfolio is positioned to participate in any further gains during the coming year.

# SWIP CAPITAL TRUST

for the period ended 25 January 2013

## Distribution

XD date	Payment date
26/01/13	25/03/13

## Ongoing Charges Figure

	25/01/13 %	25/07/12 %
Income	1.62	1.63

The Ongoing Charges Figure (OCF) is the total expenses paid by the Trust in the period, annualised, against its average net asset value.

The OCF can fluctuate as underlying costs change.

## Net asset value

	NAV per unit 25/01/13 (p)	NAV per unit 25/07/12 (p)	NAV percentage change %
Income	324.99	278.43	16.72

## Distribution

	Interim 25/01/13 (p)
Income	1.2798

## Top five holdings

	25/01/13 %		25/07/12 %
1. HSBC	3.20	Royal Dutch Shell 'B' Shares	3.20
2. Royal Dutch Shell 'B' Shares	2.77	HSBC	2.72
3. BP	2.37	BP	2.61
4. Vodafone	2.12	Vodafone	2.61
5. GlaxoSmithKline	1.87	GlaxoSmithKline	2.23

Number of holdings: 1,170      Number of holdings: 1,148

## Details of investments

Investments	25/01/13 %	25/07/12 %
United Kingdom	40.60	41.67
United States	18.64	20.10
Netherlands	4.47	4.88
Japan	4.01	4.24
Switzerland	3.88	3.58
France	3.60	3.25
Germany	3.55	3.08
Jersey, C.I.	1.79	1.64
Australia	1.75	1.79
Spain	1.39	0.98
Guernsey, C.I.	1.35	1.67
Sweden	1.12	1.25
Hong Kong	1.00	1.08
South Korea	0.90	0.97
China	0.89	0.77
Italy	0.85	0.63
Brazil	0.81	0.88
Taiwan	0.65	0.69
Ireland	0.58	0.29
India	0.53	0.49
Russia	0.47	0.45
Denmark	0.45	0.37
South Africa	0.42	0.44
Mexico	0.39	0.39
Belgium	0.37	0.35
Singapore	0.35	0.37
Finland	0.35	0.31
Norway	0.32	0.28
Derivatives	0.25	(0.07)
Luxembourg	0.24	0.21
Malaysia	0.23	0.24
Indonesia	0.18	0.18
Turkey	0.16	0.11
Bermuda	0.15	0.17
Isle of Man	0.12	0.16
Poland	0.11	0.07
Thailand	0.11	0.15
Portugal	0.11	0.11
Austria	0.10	0.08
Colombia	0.06	0.04
Philippines	0.05	0.05
Hungary	0.02	0.02
Czech Republic	0.02	0.02
New Zealand	0.02	0.03
Virgin Islands, British	0.01	0.12
Gibraltar	-	0.01
Total other assets	2.58	1.41
Total net assets	100.00	100.00

## Performance record

	26/07/12 to 25/01/13 %	26/07/11 to 25/07/12 %	26/07/10 to 25/07/11 %	26/07/09 to 25/07/10 %	26/07/08 to 25/07/09 %	26/07/07 to 25/07/08 %
Net Return#	16.97	(9.66)	14.17	18.52	(12.81)	(14.06)
Sector Average						
Return~*	12.38	(6.17)	14.62	17.18	(10.51)	(12.69)

#SWIP Capital Trust unit price movement in GBP at valuation point; Revenue (net of tax) reinvested and net of expenses; Source: Lipper. ~Flexible Investment Sector Average Return - Funds that are expected to have a range of different investments. However, the fund manager has significant flexibility over what to invest in. There is no minimum or maximum requirement for investment in company shares (equities) and there is scope for funds to have a high proportion of shares. The manager is accorded a significant degree of discretion over asset allocation and is allowed to invest up to 100% in equities at their discretion; Revenue (net of tax) reinvested and net of expenses; Source: Lipper.

\*As of 1 January 2012 the Active Managed Sector was renamed Flexible Investment Sector and as part of an industry wide harmonisation announced by the Investment Management Association (IMA) the sector definition has also been updated.

Past performance is not a guide to future performance. The value of an investment and any revenue from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

SWIP Fund Management Limited (SWIP FM) is registered in England and Wales, Company No. 406604. Registered Office is at 33 Old Broad Street, London EC2N 1HZ. Tel: 0131 655 8500. SWIP FM is a unit trust, OEIC and ISA Manager, is authorised and regulated by the Financial Services Authority and is entered on their register under number 122135 ([www.fsa.gov.uk/register](http://www.fsa.gov.uk/register)).

Scottish Widows Investment Partnership Limited (SWIP) is registered in England and Wales, Company No. 794936. Registered Office is at 33 Old Broad Street, London EC2N 1HZ. Tel: 0131 655 8500. SWIP is authorised and regulated by the Financial Services Authority and is entered on their register under number 193707 ([www.fsa.gov.uk/register](http://www.fsa.gov.uk/register)).

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