

# Hargreaves Lansdown

## Multi-Manager Unit Trusts

### **Manager's Interim Short Report**

for the six month period to 31st March 2014 (unaudited)

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**Hargreaves Lansdown Fund Managers Limited**

One College Square South | Anchor Road | Bristol | BS1 5HL  
Authorised & Regulated by the Financial Conduct Authority

**[www.hl.co.uk](http://www.hl.co.uk)**

## HL Multi-Manager Balanced Managed Trust

### Investment objective

The investment objective of the Trust is to provide long term capital growth.

### Investment policy

It is intended that the Trust will invest principally in collective investment schemes whose underlying investments consist of equities and/or fixed interest securities.

Subject to the Trust's investment objective as set out above, the additional asset classes in which the Trust may directly or indirectly invest include transferable securities, money market instruments and deposits to the extent permitted for non-UCITS Retail Schemes under the Financial Conduct Authority Rules. The Trust may invest in derivative instruments and forward transactions for the limited purposes of hedging.

It is intended that the assets of the Trust will be managed so that it is eligible for quotation within the Investment Management Association's (IMA) Mixed Investment 40-85% Shares Sector. Further details of which can be found via the IMA's [www.investmentfunds.org.uk](http://www.investmentfunds.org.uk) website. The eligibility rules currently state that the Trust should invest in a range of assets with the minimum equity exposure set at 40% and maximum equity exposure restricted to 85%. The assets should be at least 50% invested in established market currencies (US Dollar, Sterling & Euro) of which 25% must be Sterling-denominated investments.

### Performance review

Over the six month period to 31st March 2014 the bid price of the accumulation units has increased from 164.72 pence to 169.43 pence representing a rise of 2.86%. Over the same period the IMA Mixed Investment 40-85% Shares peer group returned an average 3.73%, the FTSE All Share Index increased by 4.79%, the FTSE World ex UK Index by 6.08% and the Markit iBoxx Sterling Corporates Index increased by 2.10%.

Since the close of the initial offer period (5th January 2001) the bid price of the accumulation units has increased from 100 pence to 169.43 pence representing a rise of 69.43%. Over the same period the IMA Mixed Investment 40-85% peer group returned an average 61.43%, the FTSE All Share Index increased by 86.90%, the FTSE World ex UK Index by 77.62% and the Markit iBoxx Sterling Corporates Index by 79.76%.

**Performance review (continued)**

	<i>31/03/09 to 31/03/10</i>	<i>31/03/10 to 31/03/11</i>	<i>31/03/11 to 31/03/12</i>	<i>31/03/12 to 31/03/13</i>	<i>31/03/13 to 31/03/14</i>
HL Multi-Manager Balanced Managed Trust	40.8%	6.5%	-0.1%	14.3%	7.2%
IMA Mixed Investment 40-85% Shares	35.7%	6.4%	0.0%	12.6%	5.6%
FTSE All Share Index	52.3%	8.7%	1.4%	16.8%	8.8%
FTSE World ex UK Index	46.8%	8.2%	0.4%	17.6%	7.7%
Markit iBoxx Sterling Corporates Index	29.7%	4.2%	6.7%	12.0%	1.4%

Past performance is not a guide to future returns.

*Source: Internal/Lipper for Investment Management, bid to bid including net income.*

**Market review**

The six months to 31st March 2014 provided very mixed results for equity investors. While the US and European markets made high single-digit returns, Japanese and emerging market equities fell in sterling terms. The UK stock market sat somewhere in between, with a very respectable return a little short of 5%.

As might be expected against this backdrop, valuations on US and (to a lesser extent) European equities look less attractive than previously with the US looking overvalued. Japanese and emerging market valuations look better but with plenty of question marks and negative news to keep investors worried. In the UK, medium-sized and smaller companies performed very strongly, which helped funds with a bias to these areas.

Bonds had a tough final quarter of 2013 but a solid start in the first quarter of 2014. Overall, bonds were fairly subdued, although European high yield bonds did best and there was something of a rebound in emerging market debt. Any signs of value are fast evaporating in the European high yield market.

**Portfolio review**

After a very strong performance in the previous 12 months, in both absolute terms and relative to the peer group, it was perhaps inevitable the Trust would suffer an unexciting period sooner or later. While the Trust made a positive return, and outpaced inflation, its overall return for the six months was modest and also modestly behind its peer group.

Our three UK All Companies holdings (Axa Framlington UK Select Opportunities, Majedie UK Equity and M&G Recovery) each outperformed the FTSE All Share index, although the M&G fund lagged the IMA UK All Companies peer group. Our two UK Equity Income holdings, Artemis Income and Invesco Perpetual Income, in aggregate outperformed the All Share index but trailed the IMA UK Equity Income peer group.

## Portfolio review (continued)

On 15th October 2013 Invesco Perpetual announced the resignation of Neil Woodford, manager of the Invesco Perpetual Income fund. We retain this holding but allowed the weighting to drift down during the period under review. Woodford is to establish a rival fund during the summer at his own investment firm. While we have no issues with his replacement at Invesco Perpetual, Mark Barnett, we will likely follow a manager who has served the Trust's investors well since early 2007 when the holding was initiated.

Our UK smaller companies funds performed very strongly, comfortably ahead of the IMA UK Smaller Companies peer group and either of the FTSE Small Cap (Excluding Investment Trusts) or Numis Smaller Companies (Excluding Investment Trust) indices. The Old Mutual UK Smaller Companies Focus fund, for example, was the Trust's best performer with gains of around 18% for the six months as a whole.

We established a new position in the Marlborough Nano Cap Growth fund. This is a new launch from a highly regarded smaller company team who have invested on the Trust's behalf since 2011. The fund invests in the smallest UK-listed companies, typically those with market valuations of less than £100m. We believe the team has the potential to add significant value in this part of the market and anticipate this being a long-term holding for the Trust. This position was funded by the sale of our holding in Marlborough Special Situations, which is managed by the same team but is less focused on the very smallest UK-listed companies. The Nano-Cap fund got off to a relatively slow start, as the manager looked to steadily invest the portfolio into relatively illiquid smaller companies, but posted a 12.2% return over its first five months.

Rob Burnett's Neptune European Opportunities performed strongly over the period, returning 16.7% versus the 8.7% return of the FTSE Europe (Excluding UK) index. The manager has been especially positive on the prospects for more economically-sensitive companies in Europe and this was well rewarded over the period. Similarly, the Schroder European Opportunities fund (the renamed Cazenove European fund) also performed strongly, which helped our European exposures to outperformance overall versus their benchmark and peer group. The return from Henderson European Special Situations was more muted by comparison and a little behind the index but the manager's long-term record remains exceptional and our conviction is high. We added to this holding on weakness.

Our Japanese exposure detracted from the Trust's performance, having been a major positive contributor last time we reported. While both holdings lost money, GLG Japan CoreAlpha outperformed Japan's Topix index while Melchior Japan Advantage lagged behind. In aggregate, these positions outperformed the IMA Japan peer group. We continue to believe Japanese equities are cheap and maintain an overweight stance on this market.

Our single US holding, Findlay Park American, had a tough six months compared to the US market and IMA North America peer group, not helped by holding some cash in a rising market and its small Latin American exposure. However, the managers have an exceptional track record and in particular a strong record of outperformance in tough market environments. We believe this is an attractive characteristic and we added to our holding during the period.

Emerging markets generally struggled over the period. Our sole Asian equity holding, First State Asia Pacific Leaders, posted only a very modest gain although it was ahead of both its peer group and benchmark. The Comgest Growth Emerging Markets fund made a modest loss, although it too beat both its peer group and benchmark over the period under review. The Eastern European position hurt the Trust with a double digit loss, as concerns over Russia's actions towards the Ukraine unsettled investors. This position bounced back strongly towards the end of the period. We generally added to these positions as they underperformed.

## **Portfolio review (continued)**

In the bond world, the Kames Investment Grade Bond fund, our only 'sterling investment grade' holding, posted respectable returns and comfortably outpaced both its peer group and benchmark.

The Invesco Perpetual Tactical Bond, M&G Optimal Income and Jupiter Strategic Bond funds all outperformed their IMA £ Strategic Bond peer group. Meanwhile, the Royal London Sterling Extra Yield Bond was the stand-out performer once more with a six month return of more than 7%. However, we reduced exposure to some of our 'strategic' bond positions, which have served the Trust well as we see less value on offer in the bond markets going forward.

While we still want to back funds such as Jupiter Strategic Bond, M&G Optimal Income and Royal London Sterling Extra Yield Bond, we are mindful of the collapse in yields on offer, particularly from 'high yield' bonds. We increased the exposure to this type of fund back in 2011 when European high yield bonds offered double-digit yields compared with less than 4% yields at the time of writing. We are happy to take profits on these funds, whose returns have competed with the UK stock market's returns over the latest six-month period, while we await more attractive yields to return to the bond market.

The M&G inflation-linked fund was our only 'strategic bond' fund to underperform its peer group but this is entirely as expected, given its more defensive nature. We continue to hold this fund as a way to protect the fixed income portfolio, particularly in the event of an 'inflation surprise' or interest rate rise, which could be painful for more traditional bond funds. We rotated profits into this position during the period.

We still do not expect any notable increase in interest rates in the UK any time soon, although the market has started to anticipate the first rise in 2015. We continue to view the yields on investment grade corporate debt as just about acceptable rather than attractive. The yield on 'high yield' bonds is increasingly unattractive, however, while the yield on gilts (UK government debt) is also uninspiring. As such, we expect to run the Trust's fixed income portfolio on an increasingly defensive basis.

The 'total return' element of the portfolio, comprises Artemis Strategic Assets, Newton Real Return, Odey Allegra International and the Trojan fund. This portion is intended to provide some diversification as well as relative protection in a tougher market environment. The Odey fund performed similarly to global stockmarket indices but returns on the other three funds were relatively subdued. However, we took the opportunity to add to these more defensive positions to increase protection against the potential for tougher times ahead.

With a combination of funds exposed to UK equities along with the major areas of the global equity markets, fixed interest and 'total returns', we feel the Trust remains well positioned to provide solid risk-adjusted returns with a medium to long-term view.

## **Hargreaves Lansdown Fund Managers**

*1st April 2014*

## Risk profile

The primary risk facing the Trust is the risk that the value of investment holdings will fluctuate as a result of changes in market prices. The Trust's underlying investments may also be affected by currency movements, as assets may be denominated in currencies other than Sterling. Bank overdrafts can be used for short-term liquidity. The Trust may have part of its portfolio invested in smaller companies, which are more volatile and sometimes more difficult to trade than larger companies. The Trust may have part of its portfolio invested in emerging markets, which are generally less well regulated than the UK, and may therefore be exposed to higher risks than investing in larger more established markets. The Trust may hold derivatives solely for the purpose of efficient portfolio management and they are not intended to increase the risk profile of the Trust.

## Net Asset Value Per Unit, Distribution Record, Performance Record and Comparative Trust Expense Table

### Net Asset Values

The net asset values for the last three annual accounting dates and current interim date are:

<i>Accounting Date</i>	<i>Total Net Asset Value</i>	<i>Net Assets per Unit</i>	<i>Number of Accumulation Units in Issue</i>
30/09/2011	£460,170,456	125.40p	366,953,909
30/09/2012	£461,679,315	138.25p	333,950,985
30/09/2013	£619,141,670	164.72p	375,864,214
31/03/2014	£689,180,501	169.42p	406,781,711

### Distribution Record

<i>Calendar Year</i>	<i>Net per Accumulation Unit p</i>
2009	1.9585
2010	1.5832
2011	1.4600
2012	1.5093
2013	1.4557
2014†	0.6764

† To 31st March 2014.

## Net Asset Value Per Unit, Distribution Record, Performance Record and Comparative Trust Expense Table (continued)

### Performance Record

Units were first issued at £1 on 22nd December 2000.

<i>Calendar Year</i>	<i>Accumulation Units</i>	
	<i>Highest Offer</i>	<i>Lowest Bid</i>
	<i>p</i>	<i>p</i>
2009	129.07	86.56
2010	145.62	117.91
2011	150.21	121.78
2012	151.85	128.16
2013	176.80	143.74
2014†	180.41	164.36

† To 31st March 2014.

### Total Expense Ratio

	<i>For the half year ended 31/03/14</i>	<i>For the year ended 30/09/13</i>
Manager's periodic charge*	1.00%	1.00%
Other expenses	0.03%	0.04%
Total expense ratio	1.03%	1.04%
Expense on underlying investments	0.75%	0.75%

### Synthetic Total Expense Ratio

**1.78%**

**1.79%**

The Total Expense Ratio (TER) is a figure representing the total operating costs as a percentage of the Trust's value. It includes the annual management fee as well as all of the administrative costs incurred by the Trust. The synthetic TER of the Trust includes the TER (or where available the Ongoing Charges Figure - OCF) of the underlying funds weighted on the basis of their investment proportion.

\* Please note that from 01/03/2014 the manager's periodic charge was reduced from 1.00% to 0.75%. This will have the effect of reducing the synthetic total expense ratio by 0.25% from that date.

## Portfolio Statement

### As at 31st March 2014

<i>Holding</i>	<i>Investment</i>	<i>Bid market valuation £'000</i>	<i>Percentage of total net assets %</i>
	<b>UK – 30.02% (30.25%)</b>		
11,557,295	Artemis Income	36,746	5.33
17,611,872	AXA Framlington UK Select Opportunities	23,529	3.41
1,578,924	Invesco Perpetual Income	43,825	6.36
10,992,071	M&G Recovery	33,330	4.84
28,482,414	Majedie UK Equity	39,779	5.77
13,462,296	Marlborough Nano Cap Growth	14,375	2.09
1,840,396	Old Mutual UK Smaller Companies Focus†	15,290	2.22
		<b>206,874</b>	<b>30.02</b>
	<b>Fixed Interest – 14.98% (15.02%)</b>		
15,147,146	Invesco Perpetual Tactical Bond	20,814	3.02
15,726,143	Jupiter Strategic Bond	13,921	2.02
13,614,051	Kames Investment Grade Bond	20,594	2.99
7,267,383	M&G Optimal Income	13,708	1.99
17,381,446	M&G UK Inflation Linked Corporate Bond	20,315	2.95
13,571,244	Royal London Sterling Extra Yield Bond†	13,840	2.01
		<b>103,192</b>	<b>14.98</b>
	<b>Europe – 12.64% (12.60%)</b>		
27,370,415	Henderson European Special Situations	47,132	6.84
3,587,364	Neptune European Opportunities	17,478	2.54
3,447,772	Schroder European Opportunities	22,459	3.26
		<b>87,069</b>	<b>12.64</b>
	<b>Total Return – 13.84% (13.75%)</b>		
26,644,442	Artemis Strategic Assets	20,191	2.93
19,586,359	Newton Real Return	27,094	3.93
119,685	Odey Allegra International†	20,473	2.97
11,984,793	Trojan Fund	27,669	4.01
		<b>95,427</b>	<b>13.84</b>
	<b>Asia/Emerging – 10.70% (10.65%)</b>		
871,281	Comgest Growth Emerging Markets	16,924	2.46
8,092,087	First State Asia Pacific Leaders	34,472	5.00
497,113	Traditional Funds Plc Eastern European†	22,342	3.24
		<b>73,738</b>	<b>10.70</b>



**Portfolio Statement** (continued)  
**As at 31st March 2014**

<i>Holding</i>	<i>Investment</i>	<i>Bid market valuation £'000</i>	<i>Percentage of total net assets %</i>
	<b>Japan – 9.12% (9.46%)</b>		
44,663,294	GLG Japan CoreAlpha	45,780	6.64
13,356,948	Melchior Japan Advantage	17,117	2.48
		<b>62,897</b>	<b>9.12</b>
	<b>US – 7.32% (7.35%)</b>		
1,180,688	Findlay Park American†	<b>50,471</b>	<b>7.32</b>
	<b>Portfolio of investments – 98.62% (99.08%)</b>	<b>679,668</b>	<b>98.62</b>
	Net other assets – 1.38% (0.92%)	9,513	1.38
	<b>Net assets</b>	<b>689,181</b>	<b>100.00</b>

The percentages in brackets show the equivalent sector comparatives as at 30th September 2013.

All investments are in accumulation shares/units unless otherwise stated.

† Income shares/units.

## HL Multi-Manager Equity & Bond Trust

### Investment objective

The investment objective of the Trust is to provide income and capital growth.

### Investment policy

It is intended that the Trust will invest principally in collective investment schemes whose underlying investments consist of equities and/or fixed interest securities.

Subject to the Trust's investment objective as set out above, the additional asset classes in which the Trust may directly or indirectly invest include transferable securities, money market instruments and deposits to the extent permitted for non-UCITS retail Schemes under the Financial Conduct Authority Rules. The Trust may invest in derivative instruments and forward transactions for the limited purposes of hedging.

It is intended that the assets of the Trust will be managed so that it is eligible for quotation within the Investment Management Association's (IMA) Mixed Investment 20-60% Shares Sector. Further details of which may be found via the IMA's [www.investmentfunds.org.uk](http://www.investmentfunds.org.uk) website. The eligibility rules currently state that the Trust should invest in a range of assets with the minimum equity exposure set at 20%, the maximum equity exposure restricted to 60% and with at least 30% invested in fixed interest and cash. The assets should be at least 30% invested in Sterling-denominated investments with at least 60% in established market currencies (US Dollar, Sterling & Euro).

### Performance review

Over the six month period to 31st March 2014 the bid price of the Trust's accumulation units increased from 129.92 pence to 135.05 pence per unit, a rise of 3.95%. Over the same period the IMA Mixed Investment 20-60% Shares peer group recorded an average 3.06% return, the FTSE All Share Index increased by 4.79% and the Markit iBoxx Sterling Corporates Index increased by 2.10%.

Since close of the initial offer period (2nd June 2006) the bid price of the accumulation units has increased from 95 pence to 135.05 pence, a rise of 42.16%. Over the same period the IMA Mixed Investment 20-60% Shares peer group recorded an average 30.93% return, the FTSE All Share Index has increased by 59.30% and the Markit iBoxx Sterling Corporates Index has increased by 33.65%.

	<i>31/03/09 to 31/03/10</i>	<i>31/03/10 to 31/03/11</i>	<i>31/03/11 to 31/03/12</i>	<i>31/03/12 to 31/03/13</i>	<i>31/03/13 to 31/03/14</i>
HL Multi-Manager Equity & Bond Trust	31.2%	6.5%	5.0%	14.0%	7.8%
IMA Mixed Investment 20-60% Shares	27.5%	4.8%	1.5%	10.2%	3.5%
FTSE All Share Index	52.3%	8.7%	1.4%	16.8%	8.8%
Markit iBoxx Sterling Corporates Index	29.7%	4.2%	6.7%	12.0%	1.4%

Past performance is not a guide to future returns.

*Source: Internal/Lipper for Investment Management, bid to bid, including net income.*

## Market review

The six months to 31st March 2014 provided very mixed results for equity investors. While the US and European markets made high single-digit returns, Japanese and emerging market equities fell in sterling terms. The UK stock market sat somewhere in between, with a very respectable return a little short of 5%.

As might be expected against this backdrop, valuations on US and (to a lesser extent) European equities look less attractive than previously with the US looking overvalued. Japanese and emerging market valuations look better but with plenty of question marks and negative news to keep investors worried. In the UK, medium-sized and smaller companies performed very strongly, which helped funds with a bias to these areas.

Bonds had a tough final quarter of 2013 but a solid start in the first quarter of 2014. Overall, bonds were fairly subdued, although European high yield bonds did best and there was something of a rebound in emerging market debt. Any signs of value are fast evaporating in the European high yield market.

## Portfolio review

We are pleased, once more, to be able to report a positive return along with outperformance of funds within the IMA Mixed Investment 20-60% Shares peer group over the six months to 31st March 2014.

The Trust benefited from stellar performance on the Old Mutual UK Dynamic Equity fund, which is primarily exposed to medium-sized companies in the UK. Given this fund is generally closed to new investment, we allowed our exposure to this fund to rise modestly since we may not be able to add to this position further down the line. However, despite our conviction in the manager Luke Kerr, this potentially volatile fund remains a relatively small part of the overall portfolio. The Marlborough Multi Cap Income fund also posted double-digit returns and we took the opportunity to book some profits on this investment.

The core of the portfolio remains focused on UK Equity Income funds, which in general did well over the period. We are pleased to report the PSigma Income fund bounced back to outperform the market and the IMA UK Equity Income peer group over the period. This follows a change in the fund's management line up after PSigma's merger with Miton, which saw respected smaller companies specialist Gervais Williams add input to the stock selection process.

Shortly after the start of the period under review (on 15th October 2013) Invesco Perpetual announced the resignation of Neil Woodford, the highly-regarded manager of the Invesco Perpetual Income and Invesco Perpetual High Income funds. Through these two funds, Woodford managed the Trust's largest allocation to any individual fund manager. We have allowed this exposure to reduce from 14.2% at the start of the period to 10.73% by the end of the period. Woodford is to establish a rival fund during the summer at his own investment firm. While we have no issues with his replacement at Invesco Perpetual, Mark Barnett, we will likely follow a manager who has served the Trust's investors very well since its launch in June 2006.

We let the Trust's cash position reduce modestly, as we introduced a new holding in the form of the Jupiter Strategic Reserve fund, managed by Miles Geldard and Lee Manzi. The managers themselves describe this as "a cowardly fund", which aims to deliver modest positive returns but with a very clear aim to protect investors from losses. Geldard and Manzi are among the very few managers who can say they protected investors well during the 2008/09 global financial crisis. The fund is mainly invested in relatively conservative bond positions, although the manager has some exposure to Japanese equities since he shares our view this market is undervalued.

## Portfolio review (continued)

We have initiated this position as the next step in protecting investors' assets against potential future market setbacks. Indeed, the 'total return' element of the portfolio, comprising Artemis Strategic Assets, Newton Real Return, Old Mutual UK Dynamic Equity and Trojan alongside this fund, has increased from 15.3% to 20.4% over the last six months. Each of these funds has looked relatively boring over this period. However, we look to these funds (alongside holdings such as the M&G UK Inflation Linked Corporate Bond fund) to help provide some relative protection should equity markets stumble and we are comfortable increasing exposure following strong performances from some of our equity positions.

This Jupiter Strategic Reserve position was in part funded through a reduction in the Trust's fixed interest fund exposure. We reduced exposure to both our investment grade sterling corporate bond funds (Fidelity MoneyBuilder Income and Kames Investment Grade Bond). We also reduced exposure to several 'strategic' bond funds, which have served the Trust well. While we still want to back funds such as Jupiter Strategic Bond, M&G Optimal Income and Royal London Sterling Extra Yield Bond, we are mindful of the low yields on offer from 'high yield' bonds. We are happy to take profits on these funds, whose returns have competed with the UK stock market's returns over the period, and rotate the proceeds into more defensive holdings while we await more attractive yields to return to the bond market. The Trust will always retain a minimum 30% exposure to fixed income and cash assets, as required by the Investment Management Association's sector rules, to maintain diversification away from equity market risk.

Richard Pease's Henderson European Special Situations fund was uncharacteristically dull, with a total return of 'only' 6.22% against 8.67% on the FTSE Europe (Excluding UK) index. We maintain our exposure to this fund and expect Pease's ability to outperform to reassert itself over time. The First State Asian Equity Plus fund was not immune to negative investor sentiment in relation to Asian markets so the trust had a lacklustre period, although it eked out a modest gain.

Following the strong performance in the previous six months from our Japanese selection, Stephen Harker's GLG Japan CoreAlpha fund, this was the only holding to lose money over the period. It suffered a modest 3% fall versus a 5.74% loss on Japan's Topix index in sterling terms and an average 6.9% loss from his peer group. We retain faith in the manager and continue to believe Japanese equities to be cheap so we took the opportunity to top up this position at lower prices.

The Trust continues to offer exposure to a quality selection of income-oriented UK equity managers, selected overseas equity portfolios, experienced bond managers in charge of flexible funds and some diversified total return options. We believe this combination can offer investors a 'one-stop shop' portfolio able to continue to outperform over the long term.

## Hargreaves Lansdown Fund Managers

*1st April 2014*

## Risk profile

The primary risk facing the Trust is the risk that the value of investment holdings will fluctuate as a result of changes in market prices. The Trust's underlying investments may also be affected by currency movements, as assets may be denominated in currencies other than Sterling. Bank overdrafts can be used for short-term liquidity. Where investments are held in bond funds, they may contain exposure to both investment grade and non-investment grade bonds. Non-investment grade bonds carry a higher risk of default which can, in turn, affect the value of the Trust. A proportion of the charges of the Trust are taken from capital, which may increase the level of distributable revenue, but may erode capital growth. The Trust may hold derivatives solely for the purpose of efficient portfolio management and they are not intended to increase the risk profile of the Trust.

## Net Asset Value Per Unit, Distribution Record, Performance Record and Comparative Trust Expense Table

### Net Asset Values

The net asset values for the last three annual accounting dates and current interim date are:

<i>Accounting Date</i>	<i>Total Net Asset Value</i>	<i>Net Assets per Income Unit</i>	<i>Net Assets per Accumulation Unit</i>	<i>Number of Income Units in Issue</i>	<i>Number of Accumulation Units in Issue</i>
30/09/2011	£79,555,696	83.32p	100.26p	23,872,750	59,509,517
30/09/2012	£53,651,438	91.44p	113.50p	10,274,636	38,992,328
30/09/2013	£82,190,474	101.33p	129.77p	14,606,691	51,929,472
31/03/2014	£109,523,594	103.94p	134.92p	20,691,727	65,237,460

### Distribution Record

<i>Calendar Year</i>	<i>Net per Income Unit</i> <i>p</i>	<i>Net per Accumulation Unit</i> <i>p</i>
2009	3.9856	4.4095
2010	2.8999	3.3716
2011	2.7626	3.3061
2012	3.0594	3.7851
2013	2.6638	3.4004
2014†	0.4414	0.5729

† To 31st March 2014.

## Net Asset Value Per Unit, Distribution Record, Performance Record and Comparative Trust Expense Table (continued)

### Performance Record

Units were first issued at £1 on 5th June 2006.

<i>Calendar Year</i>	<i>Income Units</i>		<i>Accumulation Units</i>	
	<i>Highest Offer</i>	<i>Lowest Bid</i>	<i>Highest Offer</i>	<i>Lowest Bid</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
2009	87.88	67.73	99.40	73.69
2010	93.53	80.29	109.52	93.30
2011	95.00	81.57	113.62	98.62
2012	97.96	85.20	122.72	104.13
2013	109.21	92.09	138.70	116.38
2014†	110.52	101.72	143.45	132.03

† To 31st March 2014.

### Total Expense Ratio

	<i>For the half year ended 31/03/14</i>	<i>For the year ended 30/09/13</i>
Manager's periodic charge*	1.00%	1.00%
Other expenses	0.08%	0.14%
Total expense ratio	1.08%	1.14%
Expense on underlying investments	0.61%	0.61%

### Synthetic Total Expense Ratio

**1.69%**

**1.75%**

The Total Expense Ratio (TER) is a figure representing the total operating costs as a percentage of the Trust's value. It includes the annual management fee as well as all of the administrative costs incurred by the Trust. The synthetic TER of the Trust includes the TER (or where available the Ongoing Charges Figure - OCF) of the underlying funds weighted on the basis of their investment proportion.

\* Please note that from 01/03/2014 the manager's periodic charge was reduced from 1.00% to 0.75%. This will have the effect of reducing the synthetic total expense ratio by 0.25% from that date.

## Portfolio Statement

### As at 31st March 2014

<i>Holding</i>	<i>Investment</i>	<i>Bid market valuation £'000</i>	<i>Percentage of total net assets %</i>
	<b>UK – 36.22% (38.72%)</b>		
3,507,317	Artemis Income	7,049	6.44
1,295,269	Invesco Perpetual High Income	5,378	4.91
388,254	Invesco Perpetual Income	6,377	5.82
3,195,774	JO Hambro UK Equity Income	5,551	5.07
3,441,125	Marlborough Multi Cap Income	5,158	4.71
4,152,228	PSigma Income	3,784	3.45
9,505,243	Threadneedle UK Equity Alpha Income	6,371	5.82
		<b>39,668</b>	<b>36.22</b>
	<b>Fixed Interest – 30.50% (32.90%)</b>		
5,866,289	Fidelity MoneyBuilder Income	6,658	6.08
4,456,572	Invesco Perpetual Tactical Bond	5,344	4.88
4,218,227	Jupiter Strategic Bond	2,792	2.55
5,086,242	Kames Investment Grade Bond	5,664	5.17
3,245,798	M&G Optimal Income	4,684	4.28
4,707,332	M&G UK Inflation Linked Corporate Bond	5,382	4.91
2,479,724	Royal London Sterling Extra Yield Bond	2,885	2.63
		<b>33,409</b>	<b>30.50</b>
	<b>Europe – 2.48% (2.56%)</b>		
1,771,078	Henderson European Special Situations	<b>2,715</b>	<b>2.48</b>
	<b>Total Return – 20.44% (15.27%)</b>		
5,808,992	Artemis Strategic Assets†	4,402	4.02
10,567,148	Jupiter Strategic Reserve	5,606	5.12
4,106,595	Newton Real Return	4,819	4.40
948,508	Old Mutual UK Dynamic Equity	2,693	2.46
2,449,466	Trojan Fund	4,865	4.44
		<b>22,385</b>	<b>20.44</b>
	<b>Asia/Emerging – 3.46% (3.40%)</b>		
169,482	First State Asian Equity Plus	<b>3,791</b>	<b>3.46</b>
	<b>Japan – 4.46% (4.50%)</b>		
3,251,316	GLG Japan CoreAlpha	<b>4,884</b>	<b>4.46</b>

**Portfolio Statement** (continued)  
**As at 31st March 2014**

	<i>Bid market valuation £'000</i>	<i>Percentage of total net assets %</i>
<b>Portfolio of investments – 97.56% (97.35%)</b>	<b>106,852</b>	<b>97.56</b>
Net other assets – 2.44% (2.65%)	2,672	2.44
<b>Net assets</b>	<b>109,524</b>	<b>100.00</b>

The percentages in brackets show the equivalent sector comparatives as at 30th September 2013.

All investments are in income shares/units unless otherwise stated.

† Accumulation shares/units.



## HL Multi-Manager Income & Growth Trust

### Investment objective

The investment objective of the Trust is to provide income and capital growth.

### Investment policy

It is intended that the Trust will invest principally in collective investment schemes whose underlying investments consist of equities and/or fixed interest securities.

Subject to the Trust's investment objective as set out above, the additional asset classes in which the Trust may directly or indirectly invest include transferable securities, money market instruments and deposits to the extent permitted for non-UCITS Retail Schemes under the Financial Conduct Authority Rules. The Trust may invest in derivative instruments and forward transactions for the limited purposes of hedging.

### Performance review

Over the six month period to 31st March 2014 the bid price of the accumulation units increased from 139.58 pence to 147.85 pence representing a positive return of 5.92%. Over the same period the IMA UK Equity Income peer group returned an average 7.19% and the FTSE All Share Index increased by 4.79%. Since the close of the initial offer period (18th October 2002) the bid price of the accumulation units has increased from 50 pence to 147.85 pence, a gain of 195.70%. Over the same period the IMA UK Equity Income peer group returned an average 160.72% and the FTSE All Share Index increased by 168.01%.

	<i>31/03/09</i>	<i>31/03/10</i>	<i>31/03/11</i>	<i>31/03/12</i>	<i>31/03/13</i>
	<i>to</i>	<i>to</i>	<i>to</i>	<i>to</i>	<i>to</i>
	<i>31/03/10</i>	<i>31/03/11</i>	<i>31/03/12</i>	<i>31/03/13</i>	<i>31/03/14</i>
HL Multi-Manager Income & Growth Trust	39.3%	8.2%	5.4%	18.5%	15.1%
IMA UK Equity Income	45.6%	9.4%	2.3%	17.8%	13.4%
FTSE All Share Index	52.3%	8.7%	1.4%	16.8%	8.8%

Past performance is not a guide to future returns.

*Source: Lipper for Investment Management, bid to bid, including net income.*

### Market review

The six months to 31st March 2014 provided very mixed results for equity investors. While the US and European markets made high single-digit returns, Japanese and emerging market equities fell in sterling terms. The UK stock market sat somewhere in between, with a very respectable return a little short of 5%.

As might be expected against this backdrop, valuations on US and (to a lesser extent) European equities look less attractive than previously with the US looking overvalued. Japanese and emerging market valuations look better but with plenty of question marks and negative news to keep investors worried. In the UK, medium-sized and smaller companies performed very strongly, which helped funds with a bias to these areas.

## Portfolio review

The Trust produced a solid absolute return over the six-month period, which was characterised by a stronger market up to the end of 2013 and a more tentative start to 2014.

We have a good spread of management styles across the nine UK equity income funds we hold including the dedicated small and medium-sized company focus of the Marlborough Multi Cap Income, the multi-cap exposure of Majedie Asset Management UK Income, a more contrarian high yield approach from JO Hambro and what we would term traditional, often more defensive, equity income funds such as the two Invesco Perpetual holdings, PSigma and Artemis. During the period under review any fund with a smaller company bias had a tailwind as smaller quoted equities outperformed. While pleasing to benefit from managers with this bias, no style outperforms at all times and this is why we maintain diversification across investment styles.

Over this period Artemis Income has been the weakest of our UK equity income performers, rising by 4.4%. This fund has been held in the Trust since our launch in 2002 and as a core holding has delivered exceptional returns. We are cognisant of the need not to 'fall in love' with any fund but we do not consider the recent underperformance to be a reason to reduce our holding at this time. It is of note that, even without peer group-leading performance, the Artemis fund has matched the strong returns of the FTSE All-Share Index over the last five years while taking a relatively defensive stance.

Even with a more defensive stance some other funds have delivered higher returns through better stock picking more recently. It is particularly pleasing to note the PSigma Income fund's improvement in performance generating a 7.6% return, outperforming the index and peer group average. The PSigma Income fund had experienced a long period of weaker relative performance, which culminated last year in a number of changes to the management of the fund including the removal of one of the main managers and the introduction of an experienced replacement (Gervais Williams). We viewed these changes positively and the early evidence of an improvement in performance is good to see.

Shortly after the start of the period under review (on 15th October 2013) Invesco Perpetual announced the resignation of Neil Woodford, the highly-regarded manager of the Invesco Perpetual Income and Invesco Perpetual High Income funds. Through these two funds, Woodford managed the Trust's largest allocation to any individual fund manager at the start of the period. We have allowed this exposure to reduce from 20.4% at the start of the period to 17.1% by the end of the period. Woodford is to establish a rival fund during the summer at his own investment firm. While we have no issues with his replacement at Invesco Perpetual, Mark Barnett, we will likely follow a manager who has served the Trust's investors very well since its launch in 2002.

The weakest returns within the fund came from the three small overseas positions we have (Newton Global Higher Income, First State Asian Equity Plus and GLG Japan CoreAlpha). All of these have been ranked amongst the top performers in previous reports, however, over this period UK equity income stood its ground against most global markets and the strength of sterling meant overseas investments when converted back into sterling underperformed. There are specific reasons for holding each of these individual funds, however in a wider sense we value the diversification we get by having a proportion of the fund invested in overseas companies. By having a certain amount of flexibility to invest away from traditional UK equity income funds we can either increase the income (Newton Global Higher Income) or invest in areas we believe are undervalued (GLG Japan CoreAlpha) or have the potential for exceptional long-term dividend and capital appreciation (First State Asian Equity Plus).

## **Outlook**

The bull market of the last five years may be long in the tooth; however, with only low yields available on cash deposits and from fixed interest assets we still believe equity income remains a very attractive proposition for medium-to-long-term investors.

## **Hargreaves Lansdown Fund Managers**

*1st April 2014*

## Risk profile

The primary risk facing the Trust is the risk that the value of investment holdings will fluctuate as a result of changes in market prices. The Trust's underlying investments may also be affected by currency movements, as assets may be denominated in currencies other than sterling. Bank overdrafts can be used for short-term liquidity. The Trust may have part of its portfolio invested in smaller companies, which are more volatile and sometimes more difficult to trade than larger companies. A proportion of the charges of the Trust are taken from capital, which may increase the level of distributable revenue, but may erode capital growth. The Trust may hold derivatives solely for the purpose of efficient portfolio management and they are not intended to increase the risk profile of the Trust.

## Net Asset Value Per Unit, Distribution Record, Performance Record and Comparative Trust Expense Table

### Net Asset Values

The net asset values for the last three annual accounting dates and current interim date are:

<i>Accounting Date</i>	<i>Total Net Asset Value</i>	<i>Net Assets per Income Unit</i>	<i>Net Assets per Accumulation Unit</i>	<i>Number of Income Units in Issue</i>	<i>Number of Accumulation Units in Issue</i>
30/09/2011	£691,846,120	69.11p	96.28p	613,971,694	277,862,315
30/09/2012	£918,598,411	77.04p	112.28p	780,994,094	282,243,399
30/09/2013	£1,475,675,190	91.43p	138.76p	1,047,033,415	373,607,111
31/03/2014	£1,856,090,040	95.07p	147.14p	1,204,787,547	482,982,888

### Distribution Record

<i>Calendar Year</i>	<i>Net per Income Unit</i> <i>p</i>	<i>Net per Accumulation Unit</i> <i>p</i>
2009	3.8187	4.8030
2010	3.1306	4.1530
2011	3.1893	4.4186
2012	3.3564	4.8609
2013	3.4963	5.2833
2014†	0.7337	1.1355

† To 31st March 2014.

## Net Asset Value Per Unit, Distribution Record, Performance Record and Comparative Trust Expense Table (continued)

### Performance Record

Units were first issued at £0.50 on 30th September 2002.

<i>Calendar Year</i>	<i>Income Units</i>		<i>Accumulation Units</i>	
	<i>Highest Offer</i>	<i>Lowest Bid</i>	<i>Highest Offer</i>	<i>Lowest Bid</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
2009	74.19	53.43	95.54	65.57
2010	80.41	64.24	108.31	85.84
2011	82.17	66.09	113.78	92.06
2012	83.36	70.96	122.60	101.80
2013	97.99	77.57	148.71	115.51
2014†	103.29	93.02	159.86	143.91

† To 31st March 2014.

### Total Expense Ratio

	<i>For the half year ended 31/03/14</i>	<i>For the year ended 30/09/13</i>
Manager's periodic charge*	1.00%	1.00%
Other expenses	0.03%	0.03%
Total expense ratio	1.03%	1.03%
Expense on underlying investments	0.60%	0.62%

### Synthetic Total Expense Ratio

**1.63%**

**1.65%**

The Total Expense Ratio (TER) is a figure representing the total operating costs as a percentage of the Trust's value. It includes the annual management fee as well as all of the administrative costs incurred by the Trust. The synthetic TER of the Trust includes the TER (or where available the Ongoing Charges Figure - OCF) of the underlying funds weighted on the basis of their investment proportion.

\* Please note that from 01/03/2014 the manager's periodic charge was reduced from 1.00% to 0.75%. This will have the effect of reducing the synthetic total expense ratio by 0.25% from that date.

## Portfolio Statement

### As at 31st March 2014

<i>Holding</i>	<i>Investment</i>	<i>Bid market valuation £'000</i>	<i>Percentage of total net assets %</i>
	<b>UK – 93.75% (92.99%)</b>		
170,770,004	Artemis Income	343,196	18.49
36,663,892	Invesco Perpetual High Income	152,239	8.20
10,100,438	Invesco Perpetual Income	165,907	8.94
152,237,187	JO Hambro UK Equity Income	264,436	14.25
64,067,899	Liontrust Macro Equity Income	121,646	6.55
75,070,938	Majedie Asset Management UK Income	114,438	6.17
147,190,642	Marlborough Multi Cap Income	220,639	11.89
116,153,349	PSigma Income	105,839	5.70
375,446,495	Threadneedle UK Equity Alpha Income	251,662	13.56
		<b>1,740,002</b>	<b>93.75</b>
	<b>Asia/Emerging – 1.98% (2.17%)</b>		
1,643,632	First State Asian Equity Plus	<b>36,768</b>	<b>1.98</b>
	<b>Global – 2.20% (2.53%)</b>		
27,532,923	Newton Global Higher Income	<b>40,864</b>	<b>2.20</b>
	<b>Japan – 1.91% (1.99%)</b>		
23,559,976	GLG Japan CoreAlpha	<b>35,387</b>	<b>1.91</b>
	<b>Portfolio of investments – 99.84% (99.68%)</b>	<b>1,853,021</b>	<b>99.84</b>
	Net other assets – 0.16% (0.32%)	3,069	0.16
	<b>Net assets</b>	<b>1,856,090</b>	<b>100.00</b>

The percentages in brackets show the equivalent sector comparatives as at 30th September 2013.

All investments are in income shares/units.

## HL Multi-Manager Special Situations Trust

### Investment objective

The investment objective of the Trust is to provide long term capital growth.

### Investment policy

It is intended that the Trust will invest principally in collective investment schemes whose underlying investments consist of equities and/or fixed interest securities.

Subject to the Trust's investment objective as set out above, the additional asset classes in which the Trust may directly or indirectly invest include transferable securities, money market instruments and deposits to the extent permitted for non-UCITS Retail Schemes under the Financial Conduct Authority Rules. The Trust may invest in derivative instruments and forward transactions for the limited purposes of hedging.

The Trust will invest principally in funds of boutique fund management groups, defined as fund management operations where the portfolio managers have a clear and substantial financial interest in the performance of their portfolios and/or the fund management group. More traditional fund management operations will be used in certain circumstances.

### Performance review

Over the six month period to 31st March 2014, the bid price of the Trust's accumulation units increased from 231.33 pence to 240.39 pence, a rise of 3.92%. Over the same period the IMA Global peer group returned an average 4.61%, the FTSE All Share Index increased by 4.79% and the FTSE World ex UK Index increased by 6.08%.

Since the close of the initial offer period (3rd April 2001) the bid price has increased from 100 pence to 240.39 pence, a rise of 140.39%. Over the same period the IMA Global peer group returned an average 68.99%, the FTSE All Share Index has increased by 109.36% and the FTSE World ex UK Index has increased by 100.08%.

	<i>31/03/09</i>	<i>31/03/10</i>	<i>31/03/11</i>	<i>31/03/12</i>	<i>31/03/13</i>
	<i>to</i>	<i>to</i>	<i>to</i>	<i>to</i>	<i>to</i>
	<i>31/03/10</i>	<i>31/03/11</i>	<i>31/03/12</i>	<i>31/03/13</i>	<i>31/03/14</i>
HL Multi-Manager Special Situations Trust	47.0%	11.9%	-1.5%	17.4%	9.6%
IMA Global	44.2%	7.5%	-2.4%	15.2%	7.1%
FTSE All Share Index	52.3%	8.7%	1.4%	16.8%	8.8%
FTSE World ex UK Index	46.8%	8.2%	0.4%	17.6%	7.7%

Past performance is not a guide to future returns.

*Source: Lipper for Investment Management, bid to bid, including net income.*

## Market review

The six months to 31st March 2014 provided very mixed results for equity investors. While the US and European markets made high single-digit returns, Japanese and emerging market equities fell in sterling terms. The UK stock market sat somewhere in between, with a very respectable return a little short of 5%.

As might be expected against this backdrop, valuations on US and (to a lesser extent) European equities look less attractive than previously with the US looking overvalued. Japanese and emerging market valuations look better but with plenty of question marks and negative news to keep investors worried. In the UK, medium-sized and smaller companies performed very strongly, which helped funds with a bias to these areas.

## Portfolio review

After strong performance from the Trust as reported in the last interim and annual report, we delivered a modest return of 3.92% during the six months under review, slightly behind the global peer group and relevant indices.

Once again the Trust benefited from its UK weighting and it is pleasing to report all holdings in this area outperformed the FTSE All Share index. Exposure to funds biased towards medium and smaller-sized businesses was particularly beneficial. Our decision to top up Marlborough UK Micro Cap Growth after a tough spell of performance during the last reporting period proved advantageous as this was the best performing holding during the six months under review. It returned 21.5% compared with 9.7% for the FTSE SmallCap (Excluding Investment Trusts) index.

We established a new position in the Marlborough Nano-Cap Growth fund. This is a new launch from a highly regarded smaller company team who have been represented in the Trust since the end of 2004. The fund invests in the smallest UK-listed companies, typically those with market valuations of less than £100m. We believe the team has the ability to add significant value in this part of the market and anticipate this being a long-term holding for the Trust. This position was funded by the sale of Marlborough Special Situations, which is managed by the same team but is less focused on the very smallest UK-listed companies.

On 15th October 2013 Invesco Perpetual announced the resignation of Neil Woodford, manager of the Invesco Perpetual High Income fund. We allowed the holding's weighting to drift down during the period under review but continue to value its larger company focus and relatively defensive characteristics, as a complement to more aggressive holdings elsewhere in the portfolio. Woodford is to establish a rival fund during the summer at his own investment firm. While we have no issues with Woodford's replacement at Invesco Perpetual, Mark Barnett, we will likely follow a manager who has served the Trust's investors well since early 2008 when the holding was initiated.

In other activity, having previously reduced our position in the Saracen Growth fund we sold our remaining units in November 2013. The proceeds were re-allocated across the Trust's holdings where we have higher levels of conviction.

The Trust benefited from its European exposure during the last six months. Rob Burnett's Neptune European Opportunities fund performed strongly, returning 16.7% versus the 8.7% return of the FTSE Europe (ex UK) index. The manager has been especially positive on the prospects for more economically-sensitive companies in Europe and this was well rewarded over the period. The return from Henderson European Special Situations was muted by comparison and a little behind the index but the manager's long-term record remains exceptional and our conviction is high. We added to this holding.



## **Portfolio review (continued)**

Our Japanese exposure detracted from performance, having been a major positive contributor last time we reported. While both holdings lost money, GLG Japan CoreAlpha outperformed Japan's Topix index but Melchior Japan Advantage lagged behind. We continue to believe Japanese equities are cheap and used the market weakness as an opportunity to add to both holdings.

The Trust's emerging market allocation detracted from performance. First State Asia Pacific Leaders generated a small positive return and outperformed its benchmark. The other holdings produced negative returns with Traditional Funds Plc Eastern European the worst performer with a double digit-loss, although this was only fractionally behind the eastern European market return. The Traditional Funds holding suffered as concerns over Russia's actions towards the Ukraine unsettled investors, but remains a strong positive contributor to performance since it was first purchased for the Trust in 2001. Broadly, it appears sentiment towards the emerging markets has deteriorated, however we feel we have a particularly experienced line-up of managers and added to these holdings.

Our global fund holding, Odey Allegra International, performed similarly to global indices and we added to our position over the period. Findlay Park American, our single US holding, assisted the Trust's performance but had a tough six months compared to the US market, not helped by holding some cash in a rising market and having a small exposure to Latin America. However, the managers have an impressive track record and in particular have demonstrated the ability to outperform in tough market environments. We believe this is an attractive characteristic and we added to our holding.

The Trust's approach continues to be to invest with exceptional fund managers on an unconstrained, global basis. In a world of low interest rates on cash and low yields on fixed income securities we feel equities are the asset class of choice for investors with a long-term investment horizon.

## **Hargreaves Lansdown Fund Managers**

*1st April 2014*

## Risk profile

The primary risk facing the Trust is the risk that the value of investment holdings will fluctuate as a result of changes in market prices. The Trust's underlying investments may also be affected by currency movements, as assets may be denominated in currencies other than sterling. Bank overdrafts can be used for short-term liquidity. The Trust may have part of its portfolio invested in emerging markets, which are generally less well regulated than the UK, and may therefore be exposed to higher risks than investing in larger more established markets. The Trust may have part of its portfolio invested in smaller companies, which are more volatile and sometimes more difficult to trade than larger companies. The Trust may hold derivatives solely for the purpose of efficient portfolio management and they are not intended to increase the risk profile of the Trust.

## Net Asset Value Per Unit, Distribution Record, Performance Record and Comparative Trust Expense Table

### Net Asset Values

The net asset values for the last three annual accounting dates and current interim date are:

<i>Accounting Date</i>	<i>Total Net Asset Value</i>	<i>Net Assets per Unit</i>	<i>Number of Accumulation Units in Issue</i>
30/09/2011	£445,552,623	166.41p	267,748,646
30/09/2012	£485,087,092	185.35p	261,708,357
30/09/2013	£687,295,183	231.34p	297,087,443
31/03/2014	£799,874,851	240.38p	332,747,823

### Distribution Record

<i>Calendar Year</i>	<i>Net per Accumulation Unit p</i>
2009	0.8530
2010	0.4126
2011	0.4340
2012	0.7498
2013	0.5360
2014†	0.0207

† To 31st March 2014.

## Net Asset Value Per Unit, Distribution Record, Performance Record and Comparative Trust Expense Table (continued)

### Performance Record

Units were first issued at £1 on 3rd April 2001.

<i>Calendar Year</i>	<i>Accumulation Units</i>	
	<i>Highest Offer</i>	<i>Lowest Bid</i>
	<i>£</i>	<i>£</i>
2009	167.67	107.06
2010	199.94	152.69
2011	206.90	160.19
2012	205.69	169.44
2013	246.70	194.83
2014†	255.63	231.07

† To 31st March 2014.

### Total Expense Ratio

	<i>For the half year ended 31/03/14</i>	<i>For the year ended 30/09/13</i>
Manager's periodic charge*	1.00%	1.00%
Other expenses	0.04%	0.04%
Total expense ratio	1.04%	1.04%
Expense on underlying investments	0.85%	0.84%

### Synthetic Total Expense Ratio

**1.89%**

**1.88%**

The Total Expense Ratio (TER) is a figure representing the total operating costs as a percentage of the Trust's value. It includes the annual management fee as well as all of the administrative costs incurred by the Trust. The synthetic TER of the Trust includes the TER (or where available the Ongoing Charges Figure - OCF) of the underlying funds weighted on the basis of their investment proportion.

\* Please note that from 01/03/2014 the manager's periodic charge was reduced from 1.00% to 0.75%. This will have the effect of reducing the synthetic total expense ratio by 0.25% from that date.

## Portfolio Statement

### As at 31st March 2014

<i>Holding</i>	<i>Investment</i>	<i>Bid market valuation £'000</i>	<i>Percentage of total net assets %</i>
	<b>UK – 34.59% (34.83%)</b>		
6,553,356	Franklin UK Mid Cap†	31,588	3.94
8,010,651	Invesco Perpetual High Income	57,247	7.16
44,134,665	Majedie UK Equity	61,638	7.71
24,735,890	Marlborough Nano-Cap Growth	26,413	3.30
12,330,898	Marlborough UK Micro-Cap Growth	53,977	6.75
5,513,606	Old Mutual UK Smaller Companies Focus†	45,806	5.73
		<b>276,669</b>	<b>34.59</b>
	<b>Europe – 12.06% (11.98%)</b>		
38,376,532	Henderson European Special Situations	66,084	8.26
6,237,322	Neptune European Opportunities	30,388	3.80
		<b>96,472</b>	<b>12.06</b>
	<b>Total Return – 11.04% (11.12%)</b>		
328,297	Odey Allegra International†	56,158	7.02
11,331,534	Old Mutual UK Dynamic Equity†	32,176	4.02
		<b>88,334</b>	<b>11.04</b>
	<b>Asia/Emerging – 22.26% (22.51%)</b>		
1,429,058	Aberdeen Global Asian Smaller Companies	37,316	4.66
1,394,223	Comgest Growth Emerging Markets	27,082	3.39
14,826,931	First State Asia Pacific Leaders	63,161	7.90
1,122,124	Traditional Funds Plc Eastern Europe†	50,433	6.31
		<b>177,992</b>	<b>22.26</b>
	<b>Japan – 10.91% (10.63%)</b>		
58,363,665	GLG Japan CoreAlpha	59,823	7.48
21,381,344	Melchior Japan Advantage	27,400	3.43
		<b>87,223</b>	<b>10.91</b>
	<b>US – 8.43% (8.24%)</b>		
1,578,627	Findlay Park American†	67,482	8.43

**Portfolio Statement** (continued)  
**As at 31st March 2014**

	<i>Bid market valuation £'000</i>	<i>Percentage of total net assets %</i>
<b>Portfolio of investments – 99.29% (99.31%)</b>	<b>794,172</b>	<b>99.29</b>
Net other assets – 0.71% (0.69%)	5,703	0.71
<b>Net assets</b>	<b>799,875</b>	<b>100.00</b>

The percentages in brackets show the equivalent sector comparatives as at 30th September 2013.

All investments are in accumulation shares/units unless otherwise stated.

† Income shares/units.

## HL Multi-Manager Strategic Bond Trust

### Investment objective

The investment objective of the Trust is to maximise total returns principally in the form of income.

### Investment policy

It is intended that the Trust will invest principally in collective investment schemes whose underlying investments consist of floating and fixed interest securities.

The Trust may directly or indirectly invest in other assets including transferable securities, money market instruments and deposits to the extent permitted for non-UCITS Retail Schemes under the Financial Conduct Authority Rules. The Trust may invest in derivative instruments and forward transactions for the limited purposes of efficient portfolio management including hedging.

The Trust has the flexibility to hold a broad spectrum of fixed interest including funds invested into UK corporate bonds, UK high yield bonds, non-UK sovereign bonds, non-UK corporate bonds, convertible bonds, preference shares, gilts and index linked gilts along with individual gilts, individual index linked gilts and cash. The Trust will use this flexibility to seek to achieve the goals above.

This broad strategy currently means the Trust will be included within the Investment Management Association's (IMA) £ Strategic Bond sector. The eligibility criteria currently states the Trust should invest at least 80% of its assets in Sterling denominated (or hedged back to Sterling) fixed interest securities. This excludes convertibles, preference shares and Permanent Interest Bearing Shares (PIBS). At any point in time the asset allocation of the Trust could theoretically place the Trust in one of the other IMA fixed interest sectors. The Trust will remain in this sector on these occasions since it is the manager's stated intention to retain the right to invest across the Sterling fixed interest credit risk spectrum.

### Performance review

Over the six month period to 31st March 2014 the bid price of the Trust's accumulation units has increased from 156.42 pence to 161.64 pence, a rise of 3.34%. Over the same period the IMA £ Strategic Bond peer group returned an average 3.65%, the Bank of England's base rate delivered a 0.20% return, the FTSE A British Government All Stocks Index increased by 0.41% and the Markit iBoxx Sterling Corporates Index increased by 2.10%.

Since close of the initial offer period (2nd February 2009) the bid price of the accumulation units has increased from 100 pence to 161.64 pence, a rise of 61.64%. Over the same period the IMA £ Strategic Bond peer group returned an average 61.62%, the Bank of England's base rate delivered 2.12%, the FTSE A British Government All Stocks Index increased by 23.91% and the Markit iBoxx Sterling Corporates Index increased by 55.73%.

**Performance review (continued)**

	<i>31/03/09</i>	<i>31/03/10</i>	<i>31/03/11</i>	<i>31/03/12</i>	<i>31/03/13</i>
	<i>to</i>	<i>to</i>	<i>to</i>	<i>to</i>	<i>to</i>
	<i>31/03/10</i>	<i>31/03/11</i>	<i>31/03/12</i>	<i>31/03/13</i>	<i>31/03/14</i>
HL Multi-Manager Strategic Bond Trust	29.9%	6.2%	4.7%	9.9%	3.5%
IMA £ Strategic Bond	32.8%	4.3%	4.7%	9.7%	3.4%
Markit iBoxx Sterling Corporates Index	29.7%	4.2%	6.7%	12.0%	1.4%
FTSE A British Government All Stocks Index	-0.1%	4.3%	13.6%	4.5%	-3.3%
Bank of England Base Rate	0.4%	0.4%	0.4%	0.4%	0.4%

Past performance is not a guide to future returns.

*Source: Internal/Lipper for Investment Management, bid to bid, including net income.*

**Market review**

The six months to 31st March 2014 provided very mixed results for equity investors. While the US and European markets made high single-digit returns, Japanese and emerging market equities fell in sterling terms. The UK stock market sat somewhere in between, with a very respectable return a little short of 5%.

As might be expected against this backdrop, valuations on US and (to a lesser extent) European equities look less attractive than previously with the US looking overvalued. Japanese and emerging market valuations look better but with plenty of question marks and negative news to keep investors worried. In the UK, medium-sized and smaller companies performed very strongly, which helped funds with a bias to these areas.

Bonds had a tough final quarter of 2013 but a solid start in the first quarter of 2014. Overall, bonds were fairly subdued, although European high yield bonds did best and there was something of a rebound in emerging market debt. Any signs of value are fast evaporating in the European high yield market.

**Portfolio review**

We are pleased to report a respectable positive total return, comfortably above the rate of inflation once more, although the Trust modestly lagged its peer group. We continue to run the portfolio on a relatively defensive basis since it is increasingly difficult to find good value in the bond markets. Consequently, we will be unsurprised if the fund underperforms in strongly rising bond markets or outperforms if bond markets fall.

Investment grade bond funds generally had a relatively tough six months, with initial gains entirely given back by early 2014 before another modest rally in the first quarter of the year. The Kames Investment Grade Bond and M&G Strategic Corporate Bond funds both outperformed the peer group over the six months as a whole while the Fidelity MoneyBuilder Income fund lagged moderately.

## Portfolio review (continued)

We added a new position in the Morgan Stanley UK Sterling Corporate Bond fund. This is a relatively conservative fund focused on sterling investment grade corporate bonds, although it can also invest into government bonds and to a small extent into high yield bonds. It is managed by a large and experienced team. The fund was made all the more attractive as we secured a very good price (with combined fees and expenses of just 0.22%). With bond yields subdued, the overall cost of investing will become increasingly important in the coming months. We reduced exposure to each of the Trust's three other investment grade holdings to build this position (Fidelity, Kames and M&G). The Morgan Stanley fund outperformed its peer group both over the period and since we added the position.

We also introduced a new holding in the form of the Jupiter Strategic Reserve fund, managed by Miles Geldard and Lee Manzi. The managers themselves describe this as "a cowardly fund", which aims to deliver modest positive returns but with a very clear aim to protect investors from losses. Geldard and Manzi are among the very few managers who can say they protected investors well during the 2008/09 global financial crisis. The fund is mainly invested in relatively conservative bond positions, although the fund can hold some exposure to equities (as a reminder, the Trust must maintain a minimum 80% exposure to bonds, although it will typically invest 90% or more into these assets).

We have initiated this position as the next step in protecting investors' assets against potential future problems. We look to funds like this (alongside holdings such as the M&G UK Inflation Linked Corporate Bond fund) to help provide some relative protection should bond markets stumble. We remain comfortable increasing exposure following strong performances from some of our positions more exposed to high yield bonds.

The M&G UK Inflation-Linked Corporate Bond fund was our only 'strategic bond' fund to underperform its peer group but this is entirely as expected, given its more defensive nature. We continue to hold this fund as a way to protect the portfolio, particularly in the event of an 'inflation surprise' or interest rate rise, which could be painful for more traditional bond funds.

We reduced exposure to several other 'strategic' bond funds, which have served the Trust well. The Invesco Perpetual Tactical Bond, M&G Optimal Income, Jupiter Strategic Bond and Artemis Strategic Bond funds all outperformed their IMA £ Strategic Bond peer group. Meanwhile, the Royal London Sterling Extra Yield Bond was the stand-out performer once more with a six month return of more than 7%.

While we still want to back funds such as Jupiter Strategic Bond, M&G Optimal Income and Royal London Sterling Extra Yield Bond, we are mindful of the collapse in yields on offer, particularly from 'high yield' bonds. We notably increased exposure to this type of fund back in 2011 when European high yield bonds offered double-digit yields compared with less than 4% yields at the time of writing. We are happy to take profits on these funds, whose returns have competed with the UK stock market's returns over the latest six-month period, while we await more attractive yields to return to the bond market. We almost doubled our cash position (to 4.39%) over the period as a result.

We still do not expect any notable increase in interest rates in the UK any time soon, although the market has started to anticipate the first rise in 2015. We continue to view the yields on investment grade corporate debt as just about acceptable rather than attractive. The yield on 'high yield' bonds is increasingly unattractive, however, the yield on gilts (UK government debt) is also uninspiring. As such, we expect to run the Trust's portfolio on an increasingly defensive basis.

## Hargreaves Lansdown Fund Managers

*1st April 2014*



## Risk profile

The primary risk facing the Trust is the risk that the value of investment holdings will fluctuate as a result of changes in market prices. The Trust's underlying investments may also be affected by currency movements, as assets may be denominated in currencies other than Sterling. Bank overdrafts can be used for short-term liquidity. Where investments are held in bond funds, they may contain exposure to both investment grade and non-investment grade bonds. Non-investment grade bonds carry a higher risk of default which can, in turn, affect the value of the Trust. The Trust may hold derivatives solely for the purpose of efficient portfolio management and they are not intended to increase the risk profile of the Trust.

## Net Asset Value Per Unit, Distribution Record, Performance Record and Comparative Trust Expense Table

### Net Asset Values

The net asset values for the last three annual accounting dates and current interim date are:

<i>Accounting Date</i>	<i>Total Net Asset Value</i>	<i>Net Assets per Income Unit</i>	<i>Net Assets per Accumulation Unit</i>	<i>Number of Income Units in Issue</i>	<i>Number of Accumulation Units in Issue</i>
30/09/2011	£349,069,894	120.61p	131.35p	167,935,703	111,555,893
30/09/2012	£470,449,794	131.96p	148.11p	258,404,573	87,410,438
30/09/2013	£571,551,828	135.46p	155.79p	311,479,122	96,045,279
31/03/2014	£631,435,593	138.58p	161.10p	338,721,692	100,570,755

### Distribution Record

<i>Calendar Year</i>	<i>Net per Income Unit</i>	<i>Net per Accumulation Unit</i>
	<i>p</i>	<i>p</i>
2010	4.2609	4.4665
2011	3.9934	4.3277
2012	3.5536	3.9712
2013	3.0285	3.4716
2014†	0.5458	0.6344

† To 31st March 2014.

## Net Asset Value Per Unit, Distribution Record, Performance Record and Comparative Trust Expense Table (continued)

### Performance Record

Units were first issued at £1 on 2nd February 2009.

<i>Calendar Year</i>	<i>Income Units</i>		<i>Accumulation Units</i>	
	<i>Highest Offer</i>	<i>Lowest Bid</i>	<i>Highest Offer</i>	<i>Lowest Bid</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
2010	131.63	118.07	139.55	122.22
2011	132.22	119.60	142.48	130.90
2012	139.78	121.99	157.61	134.97
2013	143.38	133.23	163.82	152.49
2014†	143.34	136.17	166.64	158.34

† To 31st March 2014.

### Total Expense Ratio

	<i>For the half year ended 31/03/14</i>	<i>For the year ended 30/09/13</i>
Manager's periodic charge*	1.00%	1.00%
Other expenses	0.04%	0.04%
Total expense ratio	1.04%	1.04%
Expense on underlying investments	0.53%	0.54%

### Synthetic Total Expense Ratio

**1.57%** **1.58%**

The Total Expense Ratio (TER) is a figure representing the total operating costs as a percentage of the Trust's value. It includes the annual management fee as well as all of the administrative costs incurred by the Trust. The synthetic TER of the Trust includes the TER (or where available the Ongoing Charges Figure - OCF) of the underlying funds weighted on the basis of their investment proportion.

\* Please note that from 01/03/2014 the manager's periodic charge was reduced from 1.00% to 0.75%. This will have the effect of reducing the synthetic total expense ratio by 0.25% from that date.

## Portfolio Statement

### As at 31st March 2014

<i>Holding</i>	<i>Investment</i>	<i>Bid market valuation £'000</i>	<i>Percentage of total net assets %</i>
	<b>Fixed Interest – 95.61% (97.43%)</b>		
48,491,964	Artemis Strategic Bond	26,646	4.22
73,877,942	Fidelity MoneyBuilder Income	83,925	13.29
95,776,173	Invesco Perpetual Tactical Bond	57,447	9.10
84,309,013	Jupiter Strategic Bond	55,796	8.84
53,744,250	Jupiter Strategic Reserve	28,511	4.51
76,256,350	Kames Investment Grade Bond	84,919	13.45
40,435,432	M&G Optimal Income	58,352	9.24
83,337,285	M&G Strategic Corporate Bond	59,670	9.45
84,449,574	M&G UK Inflation Linked Corporate Bond	96,543	15.29
936,082	Morgan Stanley UK Sterling Corporate Bond	13,308	2.11
33,155,091	Royal London Sterling Extra Yield Bond	38,566	6.11
		<b>603,683</b>	<b>95.61</b>
	<b>Portfolio of investments – 95.61% (97.43%)</b>	<b>603,683</b>	<b>95.61</b>
	Net other assets – 4.39% (2.57%)	27,753	4.39
	<b>Net assets</b>	<b>631,436</b>	<b>100.00</b>

The percentages in brackets show the equivalent sector comparatives as at 30th September 2013.

All investments are in income shares/units.

## General Information for all Trusts

### *Accounting Periods:*

First interim - 31st December†

Interim - 31st March

Third interim - 30th June†

Final - 30th September

### *Distribution Dates:*

First interim - 28th February†

Interim - 31st May

Third interim - 31st August†

Final - 30th November

## Report and Financial Statements

The full reports and financial statements for each Multi-Manager Unit Trust are available on our website: [www.hl.co.uk](http://www.hl.co.uk) or by telephone on **0117 900 9000**.

### **Trustee:**

National Westminster Bank plc  
Trustee and Depositary Services  
7th Floor, 135 Bishopsgate  
London EC2M 3UR

*Authorised by the Prudential Regulation Authority and Regulated by the Financial Conduct Authority and the Prudential Regulation Authority*

### **Dealing and Registration:**

Hargreaves Lansdown Fund Managers Limited  
P.O. Box 3733  
Royal Wootton Bassett  
Swindon SN4 4BG  
Telephone: 0870 870 7503  
Fax: 020 7982 3924

### **Auditors:**

Ernst & Young LLP  
1 More London Place  
London SE1 2AF

† Income & Growth Trust, Equity & Bond Trust and Strategic Bond Trust only.

## **Important Investment Notes**

The price of units and also the revenue from them can go down as well as up and you may get back less than you invested. Because stock market prices can go down as well as up, investment in a unit trust must be regarded as long-term, and is not suitable for funds which may be needed at short notice.

Past performance is not a guide to future performance. Neither income nor capital are guaranteed or fixed. Where returns have been quoted, investors may not receive the actual return due to the spread and dealing charges.

Changes in interest rates in the market selected could affect the capital value of your units.

This document is provided solely to enable investors to make their own investment decisions. It is not personal advice. These investments are not suitable for everyone. If you are in any doubt about suitability, you should seek expert advice. Please ensure you read the full Key Features before placing any investment instruction.

The Key Features for the Trust are published on Hargreaves Lansdown's website, [www.hl.co.uk/funds/multi-manager-funds](http://www.hl.co.uk/funds/multi-manager-funds). Copies may be obtained from Hargreaves Lansdown Fund Managers Limited, P.O. Box 3733, Royal Wootton Bassett, Swindon, SN4 4BG or directly from the Manager - Hargreaves Lansdown Fund Managers Limited, One College Square South, Anchor Road, Bristol, BS1 5HL.

# **Hargreaves Lansdown Multi-Manager Unit Trusts**

## **Manager's Interim Short Report**

for the six month period to 31st March 2014 (unaudited)