SCOTTISH WIDOWS

Scottish Widows Tracker and Specialist Investment Funds ICVC

Interim Short Report for the six month period ended 30 September 2013

Scottish Widows Tracker and Specialist Investment Funds ICVC

The Company

Scottish Widows Tracker and Specialist Investment Funds ICVC
15 Dalkeith Road
Edinburgh
EH16 5WL

Incorporated in Scotland under registered number SI000014. Authorised and regulated by the Financial Conduct Authority.

Authorised Corporate Director (ACD), Authorised Fund Manager & Registrar

Scottish Widows Unit Trust Managers Limited

Registered Office:

Charlton Place
Andover
SP10 1RE

Head Office:

15 Dalkeith Road
Edinburgh
EH16 5WL

Authorised and regulated by the Financial Conduct 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

Business Address:

Edinburgh One
60 Morrison Street
Edinburgh
EH3 8BE

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

Depositary

State Street Trustees Limited

Registered Office:

20 Churchill Place
London
E14 5HJ

Correspondence Address:

525 Ferry Road
Edinburgh
EH5 2AW

Authorised and regulated by the Financial Conduct Authority.

Independent Auditors

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

Introduction

Twice a year we are required to send you a Short Report of the Investment Company with Variable Capital (ICVC) in which you're 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 don't contain any details about the value of your personal investment. Information that is personal to you is sent to you annually in your OEIC or ISA statement. The statement gives you the value of your investment. You can also get an up-to-date value of your investment by registering at **www.scottishwidows.co.uk/statements.**

Contents

Long reports are available on request. If you would like a copy, please telephone Client Services on **0845 300 2244** or download the Financial Statements from the website **www.scottishwidows.co.uk** which is a website maintained by Scottish Widows plc on behalf of Scottish Widows Unit Trust Managers Limited.

Daily fund prices can also be found at the above website.

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 Scottish Widows Tracker and Specialist Investment Funds ICVC:

- With effect from 6 April 2013 the dilution adjustment basis for the Funds was changed so that the ACD may now make a dilution adjustment under the following circumstances:
  - on a Fund where there is a net inflow or net outflow on any Dealing Day; or
  - in any other case where the ACD believes that the imposition of a dilution adjustment is required to safeguard the interests of continuing Shareholders.
- With effect from 31 May 2013 the prospectus was updated to disclose the associated income arrangements which the parties may receive out of any gross lending income generated from a stock lending transaction, with the split being made between:
  a) the particular Fund involved in such stock lending transaction (75%);
  b) State Street Bank & Trust Company* as the stock lending agent (20%); and
  c) the ACD for the administration and oversight of the stock lending arrangements (5%).

  * The Depositary appointed State Street Bank & Trust Company to perform stock lending arrangements as agent for the Funds.
- Following the American Smaller Companies Fund merger with the American Growth Fund (a sub-fund of Scottish Widows Overseas Growth Investment Funds ICVC) on 30 November 2012 and its subsequent closure, the American Smaller Companies Fund termination process was completed on 31 January 2013 and termination accounts were issued on 29 May 2013.

Important information

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

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

FUND PROFILE

Fund objectives and investment policy

This Fund aims to give long-term capital growth by investing primarily in shares of companies based in developing countries, or having a significant proportion of their business activities in such countries.

Investors should aim to hold their investment in this Fund for the medium to long-term (at least five to ten years).

Any Income received by the Fund is retained in the Fund and has the effect of increasing the share price.

The Fund is allowed to use derivatives (contracts which have a value linked to the price of another asset) for the following reasons:

- To help reduce risk;
- To help reduce cost;
- To help generate extra capital or income for the Fund with an acceptably low level of risk.

We calculate the value of this Fund at 8am daily on working days in the UK. Our dealing times are from 9am to 5pm each working day. Instructions received before 5pm will receive the next day's price.

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 Scottish Widows' Investment Approaches (where we use our own methodology to take an overall look at funds' risks and aims and categorise our funds as Secure, Cautious, Balanced, Progressive, Adventurous or Specialist). You can read more about them at **www.scottishwidows.co.uk/investmentapproaches**.

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

1	2	3	4	5	6	7

This Fund is ranked at 7 because it has experienced very high levels of volatility over the past 5 years. The synthetic risk and reward indicator shown here is accurate as at 30 September 2013 and there have been no changes to this ranking to date.

Investment Manager's Review

As a group, emerging equity markets slightly outperformed over the reporting period, although performance was varied at country level. The Fund returned -8.82% over the six months. Its benchmark, the MSCI Emerging Markets index, returned -8.60%.

Turkey (down 11.58%) and Vietnam (down 9.21%) were among the worst performers, while Russia and China were ahead of the pack with gains of 7.82% and 4.81% respectively.

In the first half of the reporting period, emerging markets lost ground. In addition to wider fears about global growth, investors were concerned about a potential slowdown in China. At this stage, Latin American markets were among the weakest performers. Brazilian equities entered a bear market during June: with political protests, weak growth estimates and a strong dollar combining to drag the country's BM&F Bovespa stock market down.

More recently, however, fears that emerging markets may be about to suffer another crisis akin to that of the 1990s have started to recede. China's economy showed signs of stabilisation in the third quarter, with a number of reports showing improved data. Perhaps most significant was the return to expansion (demonstrated by the purchasing managers' index once again climbing to a level above 50) in the manufacturing sector. Nevertheless, some markets remain in a relatively weak position. Dubbed the "Fragile Five" by Morgan Stanley they are India, Brazil, Indonesia, Turkey and South Africa. Their common weakness is an over-dependence on external financing, leaving them extremely vulnerable to a reduction in the current US monetary stimulus. High inflation and slowing growth are also concerns.

At asset level, the position in Tencent Holdings, the Chinese communications company, had a positive influence on performance. Tencent's share price rose sharply over the reporting period, boosted by hopes of strong growth for its mobile services.In contrast, ICICI Bank, the Indian financial services company, was detrimental to performance.

We maintain our negative view on emerging markets. US political deadlock and the prospect of a technical bond default reinforce this position, since China and other emerging countries are significant holders of US government bonds. Moreover, the eventual end of monetary stimulus would increase borrowing costs for this region, and potentially reverse capital inflows. We do not, however, expect a 1997-style panic. Most developing countries now have more solid current account balances, stronger foreign exchange reserves and – to a lesser extent – improved public, corporate and financial sector finances.

Investment markets and conditions can change rapidly and as such the views expressed should not be taken as statements of fact nor should reliance be placed on these views when making investment decisions.

Emerging Markets Fund (continued)

Ongoing charges figure

	30/09/13 %	31/03/13 %
A Accumulation	1.70	1.67
X Accumulation	0.21	0.18

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.

Details of investments

Investments	30/09/13 %	31/03/13 %
South Korea	16.13	13.58
Brazil	12.18	12.13
Taiwan	11.08	9.50
China	10.15	9.70
India	6.87	6.67
Russia	6.64	6.38
South Africa	6.25	6.23
Hong Kong	5.82	4.79
Mexico	5.40	5.84
Malaysia	3.63	3.59
Cayman Islands	3.24	2.17
Ireland	3.21	6.19
Indonesia	2.06	2.54
Thailand	1.80	1.81
Turkey	1.76	2.25
Poland	1.44	1.28
Philippines	0.78	0.78
Colombia	0.68	0.73
Czech Republic	0.39	0.30
Hungary	0.38	0.32
Bermuda	0.28	0.38
United States	0.25	2.54
Virgin Islands	-	0.05
Forward Currency Contracts	-	(0.05)
Net other (liabilities)/assets	(0.42)	0.30
Total net assets	**100.00**	**100.00**

Net asset value

	NAV per share 30/09/13 (p)	NAV per share 31/03/13 (p)	NAV percentage change %
A Accumulation	138.36	151.82	(8.87)
X Accumulation	158.35	172.41	(8.15)

Please note: negative figures are shown in brackets.

Performance record

	01/04/13 30/09/13 %	01/04/12 31/03/13 %	01/04/11 31/03/12 %	01/04/10 31/03/11 %	01/04/09 31/03/10 %	01/04/08 31/03/09 %
Emerging Markets Fund A Accumulation	(8.82)	6.52	(10.14)	7.59	68.01	(29.82)
Global Emerging Markets Sector Average Return	(8.79)	7.91	(6.71)	9.24	69.14	(27.33)
MSCI Emerging Markets Large Cap Index	(8.60)	7.63	(8.05)	13.29	71.55	(26.37)

Source: Lipper for Emerging Markets Fund and Global Emerging Markets Sector Average Return (Funds which invest 80% or more of their assets in emerging market equities as defined by the relevant FTSE or MSCI Global Emerging Markets Index). Basis: Mid to Mid, revenue reinvested and net of expenses.

Source: Rimes for the MSCI Emerging Markets Large Cap Index (GBP). Basis: Revenue reinvested and gross of expenses.

Past performance is not a reliable indicator of future results. 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.

Top five holdings

	30/09/13 %		31/03/13 %
1. Samsung Electronics	4.97	iShares MSCI Emerging Markets	6.19
2. China Mobile	2.51	Samsung Electronics	4.63
3. iShares MSCI Emerging Markets	2.47	iShares MSCI Emerging Markets Index Fund	2.25
4. Taiwan Semiconductor Manufacturing	2.19	Taiwan Semiconductor	1.95
5. Tencent	2.17	China Mobile	1.82

Number of holdings: 207

Number of holdings: 205

FUND PROFILE

Fund objectives and investment policy

This Fund aims to give an income with the possibility for long-term capital growth by investing in government and other fixed interest securities from anywhere in the world, apart from South East Asia, but including Japan.

Investors should aim to hold their investment in this Fund for the medium to long-term (at least five to ten years).

Any Income received by the Fund in respect of accumulation shares is retained in the Fund and has the effect of increasing the share price. Any Income received by the Fund in respect of Income shares will be paid out to you.

The Fund is allowed to use derivatives (contracts which have a value linked to the price of another asset) for the following reasons:

- To help reduce risk;
- To help reduce cost;
- To help generate extra capital or income for the Fund with an acceptably low level of risk.

We calculate the value of this Fund at 8am daily on working days in the UK. Our dealing times are from 9am to 5pm each working day. Instructions received before 5pm will receive the next day's price.

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 Scottish Widows' Investment Approaches (where we use our own methodology to take an overall look at funds' risks and aims and categorise our funds as Secure, Cautious, Balanced, Progressive, Adventurous or Specialist). You can read more about them at **www.scottishwidows.co.uk/investmentapproaches**.

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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 here is accurate as at 30 September 2013 and there have been no changes to this ranking to date.

Investment Manager's Review

Continuing political and economic uncertainties concerning the eurozone exerted a powerful influence on government bond markets during 2013. Early on, an inconclusive Italian general election and heightening worries over Cyprus caused government bonds in peripheral European markets to sell off. Meanwhile, "core" markets such as Germany and the US benefited from the accompanying flight to quality. However, peripheral eurozone bonds quickly recovered their equilibrium. This can be seen as evidence that the market still values the 2012 promise by European Central Bank president Mario Draghi that he would do "whatever it takes" to preserve the euro.

Latterly, demand for core government bonds tailed off – notably in May, when US Federal Reserve governor Ben Bernanke appeared to indicate an end to extraordinary measures to stimulate the US economy. In the wake of his comments, 10-year US Treasury yields rose substantially. German Bunds followed the US lead, and Japanese government bonds also suffered a sharp sell-off.

Mr Bernanke has subsequently attempted to clarify his comments, reassuring the market that any slowdown in quantitative easing should not be seen as a precursor to an increase in interest rates. His efforts met with limited success; government bond yields in the core nations finished the review period substantially higher.

The Scottish Widows International Bond Fund underperformed its benchmark, the JP Morgan Global Bonds ex Japan index, in the six months to 30 September. The Fund returned -7.09% over the review period, while the benchmark index returned -6.69%. The Fund was positioned with a generally short duration in core economies such as the US and Germany for most of the review period. Being short duration meant the portfolio was weighted towards bonds with shorter-dated maturities. This makes a fund less sensitive to interest rate changes, and is a strategy managers adopt when they expect interest rates to rise. As yields in core markets have continued to fall, this has detracted from Fund performance. In terms of currencies, we were generally underweight the euro against a variety of currencies. In April and May, we were overweight the Japanese yen; latterly, we were overweight higher beta currencies such as the Australian dollar and Swedish krona.

Since Mr Bernanke first signalled an eventual slowdown in quantitative easing, he has been at pains to emphasise that this should not be seen as a precursor to an increase in interest rates. These efforts have met with limited success, and government bond yields in the "core" economies of the US and Germany have continued to track higher. The US 10-year Treasury yield ended September at 2.62% and the 10-year Bund ended at 1.78%.

Looking ahead, our medium-term view on the US government bond market remains bearish. US 10-year Treasury yields rallied following the Federal Reserve's decision in September not to "taper" its programme of asset purchases. Meanwhile, the lack of progress in agreeing a budget and a higher debt borrowing limit have also resulted in increased nervousness. Other "core" government bond markets have rallied in response to the US debt debacle, but this has not changed our modestly bearish view on these markets.

Investment markets and conditions can change rapidly and as such the views expressed should not be taken as statements of fact nor should reliance be placed on these views when making investment decisions.

International Bond Fund (continued)

Distribution

XD date	Payment date
30/09/2013	30/11/13

Ongoing charges figure

	30/09/13 %	31/03/13 %
A Accumulation	1.37	1.36
A Income	1.37	1.36
B Accumulation	1.12	1.11
B Income	1.12	1.11
C Income	0.87	0.86

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.

Details of investments

Investments	30/09/13 %	31/03/13 %
United States	35.51	35.95
Japan	26.78	27.61
Germany	7.78	8.18
Italy	7.65	6.86
United Kingdom	6.89	6.83
France	3.58	4.11
Spain	3.56	3.08
Belgium	2.12	1.67
Netherlands	1.95	1.19
Canada	1.54	1.68
Australia	0.91	1.01
Denmark	0.63	0.61
Sweden	0.39	0.39
Forward Currency Contracts	0.05	0.10
Net other assets	0.66	0.73
Total net assets	**100.00**	**100.00**

Net asset value

	NAV per share 30/09/13 (p)	NAV per share 31/03/13 (p)	NAV percentage change %
A Accumulation	201.61	217.00	(7.09)
A Income	124.75	134.38	(7.17)
B Accumulation	207.28	222.88	(7.00)
B Income	124.91	134.54	(7.16)
C Income	125.42	135.10	(7.17)

Please note: negative figures are shown in brackets.

Performance record

	01/04/13 30/09/13 %	01/04/12 31/03/13 %	01/04/11 31/03/12 %	01/04/10 31/03/11 %	01/04/09 31/03/10 %	01/04/08 31/03/09 %
International Bond Fund A Accumulation	(7.09)	6.32	7.02	(1.85)	(2.07)	30.85
Global Bonds Sector Average Return	(5.40)	9.06	3.66	2.05	15.37	10.10
JP Morgan Global Bonds Ex Japan Index	(6.69)	7.57	6.85	(0.41)	(0.63)	31.48

Source: Lipper for International Bond Fund and Global Bonds Sector Average Return (funds which invest at least 80% of their assets in fixed interest securities. All funds which contain more than 80% fixed interest investments are to be classified under this heading regardless of the fact that they may have more than 80% in a particular geographical sector, unless that geographic area is the UK, when the fund should be classified under the relevant UK (Sterling) heading). Basis: Mid to Mid, net revenue reinvested and net of expenses.

Source: Datastream for the JP Morgan Global Bonds Ex Japan Index (GBP). Basis: Gross Revenue reinvested and gross of expenses.

Past performance is not a reliable indicator of future results. 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.

Distribution

	Interim 30/09/13 (p)
A Accumulation	0.1438
A Income	0.0881
B Accumulation	0.3669
B Income	0.2210
C Income	0.3556

Top five holdings

	30/09/13 %		31/03/13 %
1. United States Treasury Note 2.125% 29/02/2016	8.77	United States Treasury Note 2.125% 31/05/2015	6.82
2. Japan Government Bond 1.7% 20/03/2017	6.70	United States Treasury Note 2.125% 29/02/2016	6.81
3. United States Treasury Note 2.125% 31/05/2015	6.50	Japan Government Bond 1.7% 20/03/2017	6.72
4. United States Treasury Note 3.75% 15/11/2018	5.91	United States Treasury Note 1.375% 15/05/2013	5.52
5. United States Treasury Note 1% 30/11/2019	5.39	Japan Government Bond 1.1% 20/03/2021	5.11
Number of holdings: 47		Number of holdings: 46	

Summary of portfolio by credit ratings

Rating block	Total Net Assets 30/09/13 %	Total Net Assets 31/03/13 %
Investment grade (AAA to BBB-)	99.29	99.17
Total bonds	99.29	99.17
Other	0.71	0.83
Total net assets	**100.00**	**100.00**

The credit ratings used in the above table have been supplied by Standard & Poor's.

FUND PROFILE

Fund objectives and investment policy

This Fund aims to give long-term capital growth by investing mainly in shares of companies operating in Latin American countries.

Investors should aim to hold their investment in this Fund for the medium to long-term (at least five to ten years).

Any Income received by the Fund is retained in the Fund and has the effect of increasing the share price.

The Fund is allowed to use derivatives (contracts which have a value linked to the price of another asset) for the following reasons:

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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.

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1	2	3	4	5	6	7

This Fund is ranked at 7 because it has experienced very high levels of volatility over the past 5 years. The synthetic risk and reward indicator shown here is accurate as at 31 March 2013 and there have been no changes to this ranking to date.

Investment Manager's Review

Latin America's equity markets were down over the six month review period. The Fund returned -17.93%, while its benchmark, the MSCI Latin America index returned -17.44%.

In the first half of the reporting period, uncertainty over future plans for US monetary policy was prevalent. The Federal Reserve said that it would consider the idea of "tapering" its $85 billion-a-month asset-buying programme. Brazilian equities entered a bear market (having fallen by more than 20% from their previous high) during June: with political protests, weak growth estimates and a strong dollar combining to drag the country's BM&F Bovespa stock market down.

More recently, stocks received a boost in September when the Fed decided not to begin making the cuts to the scheme for the moment. The US central bank wants to wait for more signs of economic improvement before implementing the plan. Meanwhile, recent domestic economic reports have also been encouraging. After a lengthy period of disappointing gross domestic product (GDP) results, figures that revealed a 1.5% expansion (6% annualised) in the Brazilian economy over the April to June period were well received.

In domestic policy news, Brazil's rate-setting committee, the Copom, moved to raise its benchmark interest rate from 8.5% to 9% in August in an attempt to control burgeoning inflation. In contrast, Mexico has been reducing interest rates – its latest move left the key rate at a record low of 3.75%.

At stock level, the holding in Cielo, a Brazilian merchant acquirer that processes Visa, Mastercard and American Express transactions did well. The company is continuing to grow very solidly, given the low penetration of credit and debit cards in Brazil.

In contrast, Sabesp, the Brazilian water utility, was weak over the six-month period due to an announcement that the sector regulator has suspended a tariff review, thereby delaying any potential price rises. Grupo Financiero Banorte, the Mexican bank, also detracted from returns. It suffered from high expectations and a weaker-than-expected economy. Loan growth levels and rising costs disappointed investors.

Looking ahead, our preference is for Mexico, given the number of government-led initiatives that may boost the economy in 2014. The country's proximity to a recovering USA also works in its favour. Brazil should see some pick up in infrastructure spend given the World Cup in 2014 and Olympics in 2016, but we have less confidence in its government's willingness to reform.

Investment markets and conditions can change rapidly and as such the views expressed should not be taken as statements of fact nor should reliance be placed on these views when making investment decisions.

Latin American Fund (continued)

Ongoing charges figure

	30/09/13 %	31/03/13 %
A Accumulation	1.72	1.77
B Accumulation	1.47	1.52
X Accumulation	0.21	0.30

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.

Details of investments

Investments	30/09/13 %	31/03/13 %
Brazil	61.60	58.67
Mexico	25.45	28.48
Chile	5.69	5.89
Colombia	2.60	2.87
Bermuda	1.91	1.79
United States	0.96	1.20
Peru	0.61	0.98
Net other assets	1.18	0.12
Total net assets	**100.00**	**100.00**

Net asset value

	NAV per share 30/09/13 (p)	NAV per share 31/03/13 (p)	NAV percentage change %
A Accumulation	313.28	381.57	(17.90)
B Accumulation	320.51	389.88	(17.79)
X Accumulation	328.14	396.61	(17.26)

Please note: negative figures are shown in brackets.

Performance record

	01/04/13 30/09/13 %	01/04/12 31/03/13 %	01/04/11 31/03/12 %	01/04/10 31/03/11 %	01/04/09 31/03/10 %	01/04/08 31/03/09 %
Latin American Fund A Accumulation	(17.93)	0.08	(7.60)	4.91	97.68	(31.86)
Specialist Sector Average Return	N/A	N/A	N/A	N/A	N/A	(24.65)
Equity Emerging Markets Latin American Sector Average Return	(18.11)	5.24	(9.43)	7.70	81.83	N/A
MSCI Latin American Index	(17.44)	0.86	(7.82)	7.94	86.94	(28.11)

Source: Lipper for Latin American Fund and Equity Global Emerging Markets Latin American Sector Average Return. From 01/05/09 the sector average was changed as this was deemed to best reflect the Fund's peer group. IMA for specialist Sector Average Return (funds that have an investment universe that is not accommodated by the mainstream sectors. Performance ranking of funds within the sector as a whole is inappropriate, given the diverse nature of its constituents). Basis: Mid to Mid, revenue reinvested and net of expenses.

Source: Rimes for the MSCI Latin American Index (GBP). Basis: Revenue reinvested and gross of expenses.

Past performance is not a reliable indicator of future results. 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.

Top five holdings

	30/09/13 %		31/03/13 %
1. Cia de Bebidas das Americas Preference Shares	8.56	Cia de Bebidas das Americas Preference Shares	6.90
2. Banco Bradesco Preference Shares	6.89	Petroleo Brasileiro Preference Shares	6.61
3. Petroleo Brasileiro Preference Shares	6.74	Vale Preference 'A' Shares	6.54
4. Vale Preference 'A' Shares	6.27	Banco Bradesco Preference Shares	6.48
5. America Movil ADR	5.48	America Movil ADR	6.23

Number of holdings: 52 — Number of holdings: 62

Overseas Fixed Interest Tracker Fund

for the six month period ended 30 September 2013

FUND PROFILE

Fund objectives and investment policy

This Fund aims to give a total return by tracking the performance of the overseas fixed interest market, currently represented by the J P Morgan Global Government Bond (non UK) Traded Index. The Fund invests primarily in overseas government fixed interest securities and other overseas fixed interest securities. The Fund uses a number of methods to track its selected Index. Discretion may be used in deciding which investments in the Index will be included in the Fund.

Investors should aim to hold their investment in this Fund for the medium to long-term (at least five to ten years).

Any Income received by the Fund in respect of accumulation shares is retained in the Fund and has the effect of increasing the share price. Any Income received by the Fund in respect of Income shares will be paid out to you.

The Fund is allowed to use derivatives (contracts which have a value linked to the price of another asset) for the following reasons:

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- To help reduce cost;
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We calculate the value of this Fund at 8am daily on working days in the UK. Our dealing times are from 9am to 5pm each working day. Instructions received before 5pm will receive the next day's price.

Tracking Error

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

The size of the Fund's tracking error for the six month period ended 30 September 2013 was 0.11%.

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.

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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 here is accurate as at 30 September 2013 and there have been no changes to this ranking to date.

Investment Manager's Review

The Overseas Fixed Interest Tracker Fund delivered a return of -7.20% in the six months to 30 September 2013. Over the period, the Fund has tracked the JP Morgan Global Government Bond (excluding UK) index. Sampling techniques are used to match country exposure and duration (the sensitivity of a bond to changes in interest rates).

Continuing political and economic uncertainties concerning the eurozone exerted a powerful influence on government bond markets during 2013. Early on, an inconclusive Italian general election and heightening worries over Cyprus caused government bonds in peripheral European markets to sell off. Meanwhile, "core" markets such as Germany and the US benefited from the accompanying flight to quality.

However, peripheral eurozone bonds quickly recovered their equilibrium. This can be seen as evidence that the market still values the 2012 promise by European Central Bank president Mario Draghi that he would do "whatever it takes" to preserve the euro.

Latterly, demand for core government bonds tailed off – notably in May, when US Federal Reserve governor Ben Bernanke appeared to indicate an end to extraordinary measures to stimulate the US economy. In the wake of his comments, 10-year US Treasury yields rose substantially. German Bunds followed the US lead, and Japanese government bonds also suffered a sharp sell-off.

The asset class has been supported by a massive programme of quantitative easing, but any improvement in economic prompts fears that the US Federal Reserve will scale back its efforts, putting upward pressure on yields. In contrast, any news that suggests a "tapering" of the asset purchase scheme is less likely has the opposite effect.

Since Mr Bernanke first signalled an eventual slowdown in quantitative easing, he has been at pains to emphasise that this should not be seen as a precursor to an increase in interest rates. These efforts have met with limited success, and government bond yields in the "core" economies of the US and Germany have continued to track higher. The US 10-year Treasury yield ended September at 2.62% and the 10-year Bund ended at 1.78%.

Looking ahead, our medium-term view on the US government bond market remains bearish. US 10-year Treasury yields rallied following the Federal Reserve's September decision not to taper. Meanwhile, the lack of progress in agreeing a budget and a higher debt borrowing limit have also resulted in increased nervousness. Other "core" government bond markets have rallied in response to the US debt debacle, but this has not changed our modestly bearish view on these markets.

Investment markets and conditions can change rapidly and as such the views expressed should not be taken as statements of fact nor should reliance be placed on these views when making investment decisions.

Overseas Fixed Interest Tracker Fund (continued)

Distribution

XD date	Payment date
30/06/13	31/08/13
30/09/13	30/11/13

Ongoing charges figure

	30/09/13 %	31/03/13 %
I Accumulation	0.63	0.63
I Income	0.63	0.64

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.

Details of investments

Investments	30/09/13 %	31/03/13 %
United States	37.98	38.51
Japan	28.76	29.71
Germany	6.88	6.63
France	6.85	6.70
Italy	6.71	7.05
Spain	3.49	3.14
Netherlands	2.39	1.51
Belgium	2.23	1.95
Canada	1.75	1.82
Australia	0.99	1.11
Denmark	0.65	0.63
Sweden	0.36	0.46
Net other assets	0.96	0.78
Total net assets	**100.00**	**100.00**

Net asset value

	NAV per share 30/09/13 (p)	NAV per share 31/03/13 (p)	NAV percentage change %
I Accumulation	175.36	188.96	(7.20)
I Income	132.58	143.47	(7.59)

Please note: negative figures are shown in brackets.

Performance record

	01/04/13 30/09/13 %	01/04/12 31/03/13 %	01/04/11 31/03/12 %	01/04/10 31/03/11 %	01/04/09 31/03/10 %	01/04/08 31/03/09 %
Overseas Fixed Interest Tracker Fund I Accumulation	(7.20)	3.85	4.96	0.17	(0.63)	35.88
Global Bonds Sector Average Return	(5.40)	9.06	3.66	2.05	15.37	10.10
JP Morgan Global Government Bond (non UK) Traded Index	(6.93)	4.49	5.39	2.15	0.00	36.72

Source: Lipper for Overseas Fixed Interest Tracker Fund and Global Bonds Sector Average Return (funds which invest at least 80% of their assets in fixed interest securities. All funds which contain more than 80% fixed interest investments are to be classified under this heading regardless of the fact that they may have more than 80% in a particular geographic sector, unless that geographic area is the UK, when the fund should be classified under the relevant UK (Sterling) heading). Basis: Mid to Mid, net revenue reinvested and net of expenses.

Source: Datastream for the JP Morgan Global Government Bond (non UK) Traded Index (GBP). Basis: Gross revenue reinvested and gross of expenses.

Past performance is not a reliable indicator of future results. 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.

Distribution

	First interim 30/06/13 (p)	Second interim 30/09/13 (p)
I Accumulation	0.4181	0.3715
I Income	0.3153	0.2999

Top five holdings

	30/09/13 %		31/03/13 %
1. United States Treasury Note 2.125% 29/02/2016	9.20	United States Treasury Note 2.125% 29/02/2016	8.26
2. United States Treasury Note 2.125% 31/05/2015	7.86	United States Treasury Note 3.75% 15/11/2018	7.02
3. Japan Government Bond 1.7% 20/03/2017	7.31	Japan Government Bond 1.7% 20/03/2017	6.32
4. United States Treasury Note 3.75% 15/11/2018	6.09	Japan Government Bond 0.6% 20/09/2014	6.31
5. United States Treasury Note 1% 30/11/2019	5.58	United States Treasury Note 2.125% 31/05/2015	5.96
Number of holdings: 38		Number of holdings: 37	

Summary of portfolio by credit ratings

Rating block	Total Net Assets 30/09/13 %	Total Net Assets 31/03/13 %
Investment grade (AAA to BBB-)	99.04	99.22
Total bonds	99.04	99.22
Other	0.96	0.78
Total net assets	**100.00**	**100.00**

The credit ratings used in the above table have been supplied by Standard & Poor's.

FUND PROFILE

Fund objectives and investment policy

This Fund aims to give a total return by tracking the performance of the UK Equity market, currently represented by the Financial Times Stock Exchange All Share Index. The Fund invests primarily in UK equities. The Fund uses a number of methods to track its selected Index. Discretion may be used in deciding which investments in the Index will be included in the Fund.

Investors should aim to hold their investment in this Fund for the medium to long-term (at least five to ten years).

Any Income received by the Fund in respect of accumulation shares is retained in the Fund and has the effect of increasing the share price. Any Income received by the Fund in respect of Income shares will be paid out to you.

The Fund is allowed to use derivatives (contracts which have a value linked to the price of another asset) for the following reasons:

- To help reduce risk;
- To help reduce cost;
- To help generate extra capital or income for the Fund with an acceptably low level of risk.

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Tracking Error

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

The size of the Fund's tracking error for the six month period ended 30 September 2013 was 0.05%.

Synthetic risk and reward profile

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

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← 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 here is accurate as at 30 September 2013 and there have been no changes to this ranking to date.

Investment Manager's Review

UK equity markets made gains over the six-month reporting period. The Fund returned 4.22%, while its benchmark, the FTSE All-Share index was up 3.84%.

Initially, performance was driven by ongoing extraordinary support from the world's central bankers. Liquidity and historically low interest rates have encouraged traders into riskier assets, with equities among the main beneficiaries. Markets, however, were thrown into turmoil in May after Ben Bernanke, the chairman of the US Federal Reserve, said that his rate-setting institution would soon "taper" its quantitative easing programme. They breathed a collective sigh of relief when the Fed chose not to implement the cuts (for the moment) after its latest meeting in September.

Meanwhile, Mark Carney, the new Bank of England governor, introduced his brand of "forward guidance". This will see rates remain low until unemployment falls below 7%. The declaration came with several caveats, however, and investors' reactions have been fairly muted.

At a stock level, the top ten performing companies in the FTSE All-Share index over the six months were Ocado Group, Wincanton, Premier Foods, Findel, Supegroup, Xaar, Sports Direct International, Gleeson, Darty and Thomas Cook Group. The ten worst performing companies in the index were Petropavlovsk, Talvivaara Mining Company, New World Resources, Salamander Energy, Evraz, Imagination Technologies, Hochschild Mining, Kazakhmys, Aberdeen New Thai and Fresnillo.

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

UK growth for the first half of 2013 was confirmed at 1.1%, while the unemployment rate unexpectedly fell to 7.7% between May and June. Meanwhile, the all-sector business PMI index recorded 60.2 over the third quarter, its highest since comparable data were first compiled in 1998. The UK's service sector also expanded at the fastest rate in six years in August. The housing market is rebounding strongly, helped but the government's Help to Buy scheme. This wealth-effect has spurred consumer confidence, while bank lending is improving.

The turnaround is undoubtedly encouraging, but there are still warning signs out there. They suggest that the recovery may take some time to translate into rising disposable incomes for the UK consumer and better activity in the real economy. New home-build numbers are also uninspiring. The third-quarter corporate reporting season will be an interesting litmus test in this regard. If we see another round of tepid outlook statements – particularly after a good run up in equity markets – we could be in for an end-of-year market correction.

Investment markets and conditions can change rapidly and as such the views expressed should not be taken as statements of fact nor should reliance be placed on these views when making investment decisions.

UK All Share Tracker Fund (continued)

Distribution

XD date	Payment date
30/09/13	30/11/13

Ongoing charges figure

	30/09/13 %	31/03/13 %
I Accumulation	0.36	0.36
I Income	0.36	0.35

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.

Details of investments

Investments	30/09/13 %	31/03/13 %
Financials	24.86	26.16
Oil & Gas	13.85	14.61
Consumer Goods	13.32	13.51
Consumer Services	10.82	9.33
Industrials	10.11	9.05
Basic Materials	8.00	8.18
Health Care	7.25	6.95
Telecommunications	6.76	5.77
Utilities	3.67	3.64
Technology	1.57	1.65
Fixed Income	-	-
Derivatives	(0.02)	(0.10)
Net other (liabilities)/assets	(0.19)	1.25
Total net assets	**100.00**	**100.00**

Net asset value

	NAV per share 30/09/13 (p)	NAV per share 31/03/13 (p)	NAV percentage change %
I Accumulation	202.73	193.43	4.81
I Income	127.69	123.93	3.03

Performance record

	01/04/13 30/09/13 %	01/04/12 31/03/13 %	01/04/11 31/03/12 %	01/04/10 31/03/11 %	01/04/09 31/03/10 %	01/04/08 31/03/09 %
UK All Share Tracker Fund I Accumulation	4.22	16.75	0.54	8.58	58.25	(31.61)
UK All Companies Sector Average Return	6.21	17.47	0.39	11.35	50.94	(31.59)
FTSE All-Share Index	3.84	16.77	1.39	8.72	52.30	(29.33)

Source: Lipper for UK All Share Tracker Fund and UK All Companies Sector Average Return (funds which invest at least 80% of their assets in UK equities which have a primary objective of achieving capital growth). Basis: Mid to Mid, revenue reinvested and net of expenses.

Source: Rimes for the FTSE All-Share Index (GBP). Basis: Revenue reinvested and gross of expenses.

Past performance is not a reliable indicator of future results. 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.

Distribution

	Interim 30/09/13 (p)
I Accumulation	3.4251
I Income	2.1945

Top five holdings

	30/09/13 %		31/03/13 %
1. HSBC	6.08	HSBC	6.20
2. Vodafone	5.10	SWIP Sterling Liquidity Fund	5.68
3. BP	3.99	Vodafone	4.46
4. Royal Dutch Shell 'A' Shares	3.75	BP	4.34
5. GlaxoSmithKline	3.74	Royal Dutch Shell 'A' Shares	3.90

Number of holdings: 585 Number of holdings: 590

Please note: negative figures are shown in brackets.

FUND PROFILE

Fund objectives and investment policy

This Fund aims to give a total return by tracking the performance of the UK Fixed Interest market, currently represented by the Financial Times Stock Exchange Actuaries UK Gilts All Stocks Index. The Fund invests primarily in UK Government Gilts. The Fund uses a number of methods to track its selected Index. Discretion may be used in deciding which investments in the Index will be included in the Fund.

Investors should aim to hold their investment in this Fund for the medium to long-term (at least five to ten years).

Any Income received by the Fund in respect of accumulation shares is retained in the Fund and has the effect of increasing the share price. Any Income received by the Fund in respect of Income shares will be paid out to you.

The Fund is allowed to use derivatives (contracts which have a value linked to the price of another asset) for the following reasons:

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Tracking Error

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The size of the Fund's tracking error for the six month period ended 30 September 2013 was 0.06%.

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.

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

1	2	3	4	5	6	7

This Fund is ranked at 4 because it has experienced medium levels of volatility over the past 5 years. The synthetic risk and reward indicator shown here is accurate as at 30 September 2013 and there have been no changes to this ranking to date.

Investment Manager's Review

Over the year to the end of September, the benchmark FTSE-A UK Gilts All Stocks index returned -3.30%. The UK Fixed Interest Tracker Fund returned -3.96% net of fees over the same period.

Early in 2013, ratings agency Moody's stripped the UK of its Aaa credit rating – but this had little effect on the country's borrowing costs thanks to the "safe haven" appeal of UK Gilts. Accordingly, the yield on the ten-year Gilt continued on a downward trend in the early part of the review period. By early May, it had reached a historic low of 1.62%.

Only then did the ten-year Gilt yield begin to climb once more. The initial causes were stronger-than-usual economic data and an inflation report that appeared to rule out further quantitative easing. Then in June, global markets – including the UK – were affected after indications by the US Federal Reserve that it would reduce its own QE programme. This concentrated minds squarely on the UK's own eventual exit from loose monetary policy, and yields continued to ascend. In total, the ten-year Gilt yield moved a full percentage point higher between the beginning of May and the end of June.

The incoming governor of the Bank of England began to use forward guidance as a means of communicating the Bank's fiscal and monetary intentions to the market. In June, Mark Carney said he expected key interest rates to remain at present or lower levels for an extended period of time. The intention was to create some distance from US market expectations, which are for higher rates. Despite this, Gilt market movements remain heavily influenced by talk of "tapering" in the US. An apparent strengthening in US economic data heightened expectations that the Federal Reserve would scale back its stimulus measures, and this sent UK yields higher. However, after the Fed hesitated, much of the earlier move was reversed. As at 30 September, the benchmark 10-year Gilt yield stood at 2.72%.

Activity over the year continued to serve the Fund's aim of tracking the performance of the FTSE-A UK Gilts All Stocks index. This is achieved by using sampling techniques to capture both the duration of the market (i.e. its price sensitivity to interest-rate changes) and the shape of the yield curve. Holdings were switched only when it would provide a truer representation of the curve. Cash inflows and coupon payments were invested to maintain a close replication of the benchmark index.

Looking forward, we maintain a modestly bearish view on UK Gilts. Investors now appear to believe that interest rates will rise sooner than previously anticipated. This is due to recent stronger-than-expected economic data and in spite of the aforementioned forward guidance on Bank of England policy rates.

Investment markets and conditions can change rapidly and as such the views expressed should not be taken as statements of fact nor should reliance be placed on these views when making investment decisions.

UK Fixed Interest Tracker Fund (continued)

Distribution

XD date	Payment date
30/06/13	31/08/13
30/09/13	30/11/13

Ongoing charges figure

	30/09/13 %	31/03/13 %
I Accumulation	0.36	0.36
I Income	0.36	0.36

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.

Details of investments

Investments	30/09/13 %	31/03/13 %
Government Securities	99.71	99.63
Net other assets	0.29	0.37
Total net assets	100.00	100.00

Net asset value

	NAV per share 30/09/13 (p)	NAV per share 31/03/13 (p)	NAV percentage change %
I Accumulation	201.09	209.41	(3.97)
I Income	115.29	121.18	(4.86)

Summary of portfolio by credit ratings

Rating block	Total Net Assets 30/09/13 %	Total Net Assets 31/03/13 %
Investment grade (AAA to BBB-)	99.71	99.63
Total bonds	99.71	99.39
Other	0.29	0.37
Total net assets	100.00	100.00

The credit ratings used in the above table have been supplied by Standard & Poor's.

Performance record

	01/04/13 30/09/13 %	01/04/12 31/03/13 %	01/04/11 31/03/12 %	01/04/10 31/03/11 %	01/04/09 31/03/10 %	01/04/08 31/03/09 %
UK Fixed Interest Tracker Fund I Accumulation	(3.96)	4.65	13.44	4.75	(0.71)	9.28
UK Gilt Sector Average Return	(3.90)	4.52	13.81	4.33	(0.05)	8.84
FTSE A UK Gilts All Stocks Index	(3.30)	5.25	14.46	5.16	0.77	10.32

Source: Lipper for UK Fixed Interest Tracker Fund and UK Gilt Sector Average Return (funds which invest at least 95% of their assets in Sterling denominated (or hedged back to Sterling) triple AAA rated, government backed securities, with at least 80% invested in UK government securities, (Gilts)). Basis: Mid to Mid, net revenue reinvested and net of expenses.

Source: Datastream for the FTSE A UK Gilts All Stocks Index (GBP). Basis: Gross revenue reinvested and gross of expenses.

Past performance is not a reliable indicator of future results. 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.

Distribution

	First interim 30/06/13 (p)	Second interim 30/09/13 (p)
I Accumulation	0.9317	0.9282
I Income	0.5391	0.5345

Top five holdings

	30/09/13 %		31/03/13 %
1. UK Treasury 4% 07/03/2022	3.75	UK Treasury 4% 07/03/2022	3.87
2. UK Treasury 5% 07/09/2014	3.70	UK Treasury 5% 07/03/2025	3.84
3. UK Treasury 4.75% 07/09/2015	3.59	UK Treasury 5% 07/09/2014	3.77
4. UK Treasury 4.5% 07/03/2019	3.56	UK Treasury 4.5% 07/03/2019	3.73
5. UK Treasury 5% 07/03/2018	3.48	UK Treasury 5% 07/03/2018	3.61

Number of holdings: 40 Number of holdings: 39

Please note: negative figures are shown in brackets.

UK Index-Linked Tracker Fund for the six month period ended 30 September 2013

FUND PROFILE

Fund objectives and investment policy

This Fund aims to give a total return by tracking the performance of the gilt market, currently represented by the Financial Times Stock Exchange Actuaries Index-Linked All Stocks Index.The Fund invests primarily in UK Index-Linked Government Gilts. The Fund uses a number of methods to track its selected Index. Discretion may be used in deciding which investments in the Index will be included in the Fund.

Investors should aim to hold their investment in this Fund for the medium to long-term (at least five to ten years).

Any Income received by the Fund in respect of accumulation shares is retained in the Fund and has the effect of increasing the share price. Any Income received by the Fund in respect of Income shares will be paid out to you.

The Fund is allowed to use derivatives (contracts which have a value linked to the price of another asset) for the following reasons:

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Tracking Error

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The size of the Fund's tracking error for the six month period ended 30 September 2013 was 0.04%.

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.

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

1	2	3	4	5	6	7

This Fund is ranked at 4 because it has experienced medium levels of volatility over the past 5 years. The synthetic risk and reward indicator shown here is accurate as at 30 September 2013 and there have been no changes to this ranking to date.

Investment Manager's Review

Index-linked Gilts have struggled, with the benchmark FTA Index-Linked All Stocks delivering a total return of -5.96% over the reporting period. This lagged the performance of conventional (i.e. non index-linked) Gilts. The UK Index-Linked Tracker Fund matched its benchmark, returning -5.96% net of fees.

A long run of strong performance from the asset class came to an end in the six months to 30 September 2013, as index-linked Gilts delivered a significant negative return.

UK Gilts in general performed poorly, affected by stronger-than-usual economic data and an inflation report that appeared to rule out further quantitative easing. UK bond markets were heavily influenced by events in the US, specifically plans by the Federal Reserve to scale back its economic stimulus measures. This was in spite of assurances by incoming Bank of England governor Mark Carney that interest rates would be kept low for an extended period.

Although yields on conventional Gilts rose and prices fell sharply, yields on index-linked Gilts rose even more dramatically – unusual in what is typically a higher beta asset class.

Trading activity over the period continued to serve the objective of tracking the benchmark FTA Index Linked All Stocks index. Changes to the portfolio during the review period were therefore confined to reflecting shifts in the yield curve and changes to the index. New money and coupon payments were invested to maintain a full replication of the benchmark index.

Looking ahead, measures of inflation, as well as inflation expectations, remain fairly subdued.

Investment markets and conditions can change rapidly and as such the views expressed should not be taken as statements of fact nor should reliance be placed on these views when making investment decisions.

UK Index-Linked Tracker Fund (continued)

Distribution

XD date	Payment date
30/06/13	31/08/13
30/09/13	30/11/13

Ongoing charges figure

	30/09/13 %	31/03/13 %
I Accumulation	0.37	0.36
I Income	0.37	0.36

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.

Details of investments

Investments	30/09/13 %	31/03/13 %
UK Index-Linked Gilts	99.96	99.96
Net other assets	0.04	0.04
Total net assets	**100.00**	**100.00**

Net asset value

	NAV per share 30/09/13 (p)	NAV per share 31/03/13 (p)	NAV percentage change %
I Accumulation	225.50	239.79	(5.96)
I Income	188.82	201.53	(6.31)

Summary of portfolio by credit ratings

Rating block	Total Net Assets 30/09/13 %	Total Net Assets 31/03/13 %
Investment grade (AAA to BBB-)	99.96	99.96
Total bonds	99.96	99.96
Other	0.04	0.04
Total net assets	**100.00**	**100.00**

The credit ratings used in the above table have been supplied by Standard & Poor's.

Please note: negative figures are shown in brackets.

Performance record

	01/04/13 30/09/13 %	01/04/12 31/03/13 %	01/04/11 31/03/12 %	01/04/10 31/03/11 %	01/04/09 31/03/10 %	01/04/08 31/03/09 %
UK Index-Linked Tracker Fund I Accumulation	(5.96)	9.45	17.35	6.69	8.83	(1.71)
UK Index-Linked Gilts Sector Average Return	(6.18)	10.14	18.56	6.72	10.17	(2.12)
FTSE Actuaries Government Securities Index-Linked All Stocks Index	(5.96)	10.21	18.12	6.53	10.27	(1.33)

Source: Lipper for UK Index-Linked Tracker Fund and UK Index-Linked Gilts Sector Average Return (funds which invest at least 95% of their assets in Sterling denominated (or hedged back to Sterling) triple AAA rated government backed index linked securities, with at least 80% invested in UK Index Linked Gilts). Basis: Mid to Mid, net revenue reinvested and net of expenses.

Source: Datastream for the FTSE Actuaries Government Securities Index-Linked All Stocks Index (GBP). Basis: Gross revenue reinvested and gross of expenses.

Past performance is not a reliable indicator of future results. 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.

Distribution

	First interim 30/06/13 (p)	Second interim 30/09/13 (p)
I Accumulation	0.4402	0.4098
I Income	0.3699	0.3437

Top five holdings

	30/09/13 %		31/03/13 %
1. UK Treasury 2.5% Index-Linked 26/07/2016	7.24	UK Treasury 2.5% Index-Linked 26/07/2016	7.10
2. UK Treasury 2.5% Index-Linked 16/04/2020	6.42	UK Treasury 2.5% Index-Linked 16/04/2020	6.56
3. UK Treasury 1.875% Index-Linked 22/11/2022	6.39	UK Treasury 1.875% Index-Linked 22/11/2022	6.50
4. UK Treasury 2.5% Index-Linked 17/07/2024	6.12	UK Treasury 2.5% Index-Linked 17/07/2024	6.26
5. UK Treasury 1.25% Index-Linked 22/11/2027	5.92	UK Treasury 1.25% Index-Linked 22/11/2027	6.08

Number of holdings: 23 | Number of holdings: 22

FUND PROFILE

Fund objectives and investment policy

This Fund aims to give long-term capital growth by investing in a wide portfolio of primarily UK smaller companies' shares. Investors should aim to hold their investment in this Fund for the medium to long-term (at least five to ten years). Any Income received by the Fund is retained in the Fund and has the effect of increasing the share price.

The Fund is allowed to use derivatives (contracts which have a value linked to the price of another asset) for the following reasons:

- To help reduce risk;
- To help reduce cost;
- To help generate extra capital or income for the Fund with an acceptably low level of risk.

We calculate the value of this Fund at 8am daily on working days in the UK. Our dealing times are from 9am to 5pm each working day. Instructions received before 5pm will receive the next day's price.

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 Scottish Widows' Investment Approaches (where we use our own methodology to take an overall look at funds' risks and aims and categorise our funds as Secure, Cautious, Balanced, Progressive, Adventurous or Specialist). You can read more about them at **www.scottishwidows.co.uk/investmentapproaches**.

← 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 here is accurate as at 30 September 2013 and there have been no changes to this ranking to date.

Investment Manager's Review

It was a solid six months for the UK small-cap sector. Helping to drive returns was the ongoing extraordinary support from the world's central bankers and signs that the global economy was starting to heal. By holding rates at historically low levels and injecting huge amounts of liquidity into the market, policy makers have dampened bond yields and encouraged investors into riskier assets. Smaller companies did well as a result.

The UK economy has turned a corner, exiting recession in the second quarter of 2013. The all-sector business PMI index recorded 60.2 over the third quarter, its highest since comparable data were first compiled in 1998. The UK's service sector also expanded at the fastest rate in six years in August. The housing market is rebounding strongly, helped but the government's Help to Buy scheme. This wealth-effect has spurred consumer confidence, while bank lending is improving. Small-caps tend to perform better in times of economic recovery than their larger-cap equivalents, a fact that was borne out in recent months.

Of course, the review period was not without its periods of upheaval. The US Federal Reserve's hint that it would "taper" it's $85 billion-a-month asset purchase scheme hit sentiment in August, prompting a bout of profit taking in equity markets. At the time of writing, political deadlock over raising the nation's debt-ceiling hit sentiment on trading floors across the world. An eleventh-hour deal was eventually struck, although this merely postpones the issue until early next year. Nonetheless, investors in small-caps enjoyed a fruitful review period, with the Numis Smaller Companies (ex-IT) index was up 12.49%.

Turning to the portfolio, Sports Direct, the UK retailer, was a standout performer. The company's share price hit an all-time high after it announced excellent annual earnings and delivered an upbeat outlook statement. This valued the company at £3.6 billion, putting it on the cusp of entry to the FTSE 100 index. Shares in Grafton Group, the Irish builders' merchant, climbed strongly throughout the review period. The firm enjoyed an excellent 2012 despite a challenging environment. Self-help measures taken throughout that period also means it is well placed to ride the rebound we are currently seeing in the UK housing market. Other positives included Robert Walters, Lookers and Ted Baker.

By contrast, Hochschild Mining had a torrid time. The South American-focused miner saw pre-tax profits halve in 2012 thanks to lower production and a drop in the price of silver. A higher gold price was of little comfort as production here was down also. We sold this stock in May. The fund's lack of exposure to Ocado Group relative to the benchmark also hurt performance. The online grocer has seen its stock price soar on booming sales.

Looking ahead, the turnaround in the UK economy is undoubtedly encouraging - but there are still warning signs out there, suggesting the recovery may take some time to translate into sustained activity in the real economy. The likelihood of policy missteps, both here and abroad, could also derail any revival. Mark Carney, the new Bank of England governor, is already having to work hard to convince the market that his "forward guidance" plans are viable.

We continue to look down the market for smaller capitalisation companies where we think there is better value to be had. Financials remain a favourite, particularly the names that are filling the lending void left by the withdrawal of large institutions from certain parts of the market. We also favour media stocks that are exposed to improving advertising spend.

Investment markets and conditions can change rapidly and as such the views expressed should not be taken as statements of fact nor should reliance be placed on these views when making investment decisions.

UK Smaller Companies Fund (continued)

Ongoing charges figure

	30/09/13 %	31/03/13 %
A Accumulation	1.61	1.61
B Accumulation	1.38	1.37
C Accumulation	0.88	0.87
X Accumulation	0.13	0.12

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.

Details of investments

Investments	30/09/13 %	31/03/13 %
Consumer Services	30.11	23.85
Industrials	26.07	26.49
Financials	23.20	22.59
Telecommunications	4.25	4.51
Technology	4.22	7.47
Consumer Goods	4.03	5.22
Oil & Gas	3.77	3.65
Basic Materials	1.78	1.95
Health Care	1.51	2.49
Utilities	0.22	0.48
Net other assets	0.84	1.30
Total net assets	**100.00**	**100.00**

Net asset value

	NAV per share 30/09/13 (p)	NAV per share 31/03/13 (p)	NAV percentage change %
A Accumulation	302.59	269.84	12.14
B Accumulation	310.50	276.55	12.28
C Accumulation	327.29	290.76	12.56
X Accumulation	356.49	315.48	13.00

Please note: negative figures are shown in brackets.

Performance record

	01/04/13 30/09/13 %	01/04/12 31/03/13 %	01/04/11 31/03/12 %	01/04/10 31/03/11 %	01/04/09 31/03/10 %	01/04/08 31/03/09 %
UK Smaller Companies Fund A Accumulation	12.28	26.47	8.50	19.17	56.36	(39.56)
UK Smaller Companies Sector Average Return	13.57	19.42	1.37	28.98	58.22	(36.83)
Numis Smaller Companies ex-IT Index	12.49	23.55	5.51	20.35	69.01	(33.34)

Source: Lipper for UK Smaller Companies Fund and UK Smaller Companies Sector Average Return (funds which invest at least 80% of their assets in UK equities of companies which form the bottom 10% by market capitalisation). Basis: Mid to Mid, revenue reinvested and net of expenses.

Source: Rimes for the Numis Smaller Companies ex-IT Index. With effect from 28th March 2012 Hoare Govett Smaller Companies ex-IT Index was renamed to the Numis Smaller Companies ex-IT Index. Basis: net revenue reinvested and gross of expenses.

Past performance is not a reliable indicator of future results. 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.

Top five holdings

	30/09/13 %		31/03/13 %
1. Howden Joinery	2.54	Howden Joinery	2.76
2. Beazley	2.42	Paragon	2.58
3. Hansteen	2.41	Hansteen	2.52
4. Playtech	2.35	Savills	2.50
5. Melrose Industries	2.30	Bellway	2.45

Number of holdings: 71

Number of holdings: 78

FUND PROFILE

Fund objectives and investment policy

This Fund aims to give long-term capital growth by tracking the performance of the UK equity market, currently represented by the Financial Times Stock Exchange 100 Index (FTSE 100 Index). The Fund normally invests in all of the shares in the Index, but may invest in a sample of shares and derivatives. Discretion may be used over investing in shares entering or exiting the Index.

Investors should aim to hold their investment in this Fund for the medium to long-term (at least five to ten years).

Any Income received by the Fund in respect of accumulation shares is retained in the Fund and has the effect of increasing the share price. Any Income received by the Fund in respect of Income shares will be paid out to you.

The Fund is allowed to use derivatives (contracts which have a value linked to the price of another asset) for the following reasons:

- To help reduce risk;
- To help reduce cost;
- To help generate extra capital or income for the Fund with an acceptably low level of risk.

We calculate the value of this Fund at 8am daily on working days in the UK. Our dealing times are from 9am to 5pm each working day. Instructions received before 5pm will receive the next day's price.

Tracking Error

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

The size of the Fund's tracking error for the six month period ended 30 September 2013 was 0.03%.

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 Scottish Widows' Investment Approaches (where we use our own methodology to take an overall look at funds' risks and aims and categorise our funds as Secure, Cautious, Balanced, Progressive, Adventurous or Specialist). You can read more about them at **www.scottishwidows.co.uk/investmentapproaches**.

← 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 here is accurate as at 30 September 2013 and there have been no changes to this ranking to date.

Investment Manager's Review

The UK stock market made good progress over the year under review. In total-return terms (i.e. including dividends) the FTSE 100 Index, whose movements the Fund aims to track, rose by 15.45%.

On a sector level, some of the best returns over the year were produced by banks, life insurers and beverage companies. Financial stocks featured prominently in the list of the top ten performing companies in the FTSE 100 Index over the reporting period: Hargreaves Lansdown, Aberdeen Asset Management, Standard Life and Lloyds Banking Group all make the list alongside EasyJet, TUI Travel, Associated British Foods, ARM Holdings, ITV and Next. On the other side of the ledger, mining stocks fell sharply as worries about slowing growth in the Chinese economy sent metal prices lower. The bottom ten performing companies in the index were ENRC, Evraz, Anglo American, BG Group, Aggreko, Tullow Oil, Vedanta Resources, Petrofac, Fresnillo and Antofagasta.

In terms of activity and composition, the Fund continued to mirror the FTSE 100 Index. We therefore periodically rebalanced its holdings in accordance with the changes that index provider FTSE made at its quarterly reviews. In June 2012, Man Group and International Power were deleted from the index and replaced by Babcock and Pennon. In September, Melrose and Wood Group (John) were promoted to the FTSE 100 Index at the expense of Ashmore Group and ICAP. In FTSE's final quarterly review of 2012, TUI Travel rejoined the index, replacing Pennon Group. In March 2013, EasyJet and the London Stock Exchange joined the index, ousting Kazakhmys and Intu Properties (formerly known as Capital Shopping Centres). Our sales and purchases reflected these changes.

Looking forward, central bankers have indicated that interest rates are going to remain low for some time and the Bank of England has indicated that the UK economy will likely remain weak. In this environment, investors are being obliged to expose themselves to some degree of risk if they want to see any sort of total return. In particular, investors seeking yield are increasingly turning to equities, where yields look attractive compared to government bonds.

Investment markets and conditions can change rapidly and as such the views expressed should not be taken as statements of fact nor should reliance be placed on these views when making investment decisions.

UK Tracker Fund (continued)

Distribution

XD date	Payment date
30/09/13	30/11/13

Ongoing charges figure

	30/09/13 %	31/03/13 %
A Accumulation	1.00	0.99
A Income	1.00	0.99
B Accumulation	0.50	0.50
B Income	0.50	0.50
G Accumulation	1.00	0.99
G Income	1.00	0.99
X Accumulation	-	-

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.

Details of investments

Investments	30/09/13 %	31/03/12 %
Financials	22.38	21.67
Oil & Gas	15.74	17.13
Consumer Goods	14.78	15.51
Consumer Services	9.61	8.51
Basic Materials	8.93	9.38
Health Care	8.06	8.01
Telecommunications	7.74	6.81
Industrials	7.42	7.38
Utilities	4.06	4.17
Technology	1.03	1.00
Derivatives	(0.08)	(0.05)
Net other assets	0.33	0.48
Total net assets	**100.00**	**100.00**

Net asset value

	NAV per share 30/09/13 (p)	NAV per share 31/03/13 (p)	NAV percentage change %
A Accumulation	248.84	240.58	3.43
A Income	164.08	160.98	1.93
B Accumulation	263.66	254.24	3.71
B Income	163.21	160.12	1.93
G Accumulation	115.74	111.91	3.42
G Income	112.89	110.76	1.92
X Accumulation	278.52	267.92	3.96

Performance record

	01/04/13 30/09/13 %	01/04/12 31/03/13 %	01/04/11 31/03/12 %	01/04/10 31/03/11 %	01/04/09 31/03/10 %	01/04/08 31/03/09 %
UK Tracker Fund A Accumulation	3.41	14.57	(0.76)	7.30	55.40	(31.52)
UK All Companies Sector Average Return	6.21	17.47	0.39	11.35	50.94	(31.59)
FTSE 100 Index	2.79	15.45	1.24	7.44	50.42	(28.17)

Source: Lipper for UK Tracker Fund and UK All Companies Sector Average Return (funds which invest at least 80% of their assets in UK equities which have a primary objective of achieving capital growth). Basis: Mid to Mid, revenue reinvested and net of expenses.

Source: Rimes for the FTSE 100 Index (GBP). Basis: Revenue reinvested and gross of expenses.

Past performance is not a reliable indicator of future results. 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.

Distribution

	Interim 30/09/13 (p)
A Accumulation	3.6166
A Income	2.4242
B Accumulation	4.5202
B Income	2.8261
G Accumulation	1.6866
G Income	1.6663
X Accumulation	5.4248

Top five holdings

	30/09/13 %		31/03/13 %
1. HSBC	7.28	HSBC	7.70
2. Vodafone	6.15	Vodafone	5.51
3. BP	4.82	BP	5.30
4. GlaxoSmithKline	4.51	Royal Dutch Shell 'A' Shares	4.82
5. Royal Dutch Shell 'A' Shares	4.51	GlaxoSmithKline	4.51

Number of holdings: 104 Number of holdings: 103

Please note: negative figures are shown in brackets.

SCOTTISH WIDOWS

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