

HBOS International Investment Funds ICVC

Short Reports

for the six month period ended 30 September 2013

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Introduction and Fund Information

Twice a year we are required to send you a Short Report of the Investment Company with Variable Capital (ICVC) in which you are invested. The report covers how the Funds in the ICVC have performed and how they are invested. It also includes a review from the Funds' managers. Short Reports are important as not only do they keep you up-to-date with fund activity and fund managers' opinion, but they also contain important information about any changes to how the Funds operate. However please note that Short Reports do not contain any details about the value of your personal investment. Information that is personal to you is sent to you in your OEIC or ISA statement.

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

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

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

Where applicable, Scottish Widows Share Class 1 is referenced as SW1.

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

Prospectus changes

During the period and up to the date of this report, the following changes were made to the Company and therefore the following changes were reflected in the Prospectus of HBOS International 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; and
- The wording in the Prospectus was updated on 6 April 2013 to explain the method used for the calculation of the global exposure of derivative and forward transactions that may be used by the Funds.

Important information

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

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

- With effect from 1 October 2013, for certain share classes of the Scheme (as detailed below) the existing fee charges will be changed to allow the fees of auditors, tax, legal and other professional advisors ("the Expense") to be paid out of the Scheme Property.

For share classes A, Institutional and Scottish Widows Share Class 1 for all sub-funds of the Scheme, the ACD amended the Prospectus of the Scheme to allow it to pay the Expense out of the Scheme Property.

The ACD has deemed it necessary to make the changes due to increasing costs associated with management of the Scheme where such costs are primarily incurred as a result of investing in and operating in certain overseas jurisdictions where filing of overseas tax returns and reclaims is required through agents in order to provide the optimum returns for the potential benefit of Shareholders in the Schemes. As a result, the costs will be aligned with the benefits accruing to the Scheme.

HBOS International Investment Funds ICVC
Short Reports
for the six month period ended 30 September 2013

Authorised Corporate Director (ACD)
and Registrar*

HBOS Investment Fund Managers Limited
Trinity Road
Halifax
West Yorkshire
HX1 2RG

Investment Adviser*

Scottish Widows Investment Partnership Limited
33 Old Broad Street
London
EC2N 1HZ

Depository*

State Street Trustees Limited
20 Churchill Place
Canary Wharf
London
E14 5HJ

Auditors

PricewaterhouseCoopers
Erskine House
68-73 Queen Street
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* Authorised and regulated by the Financial Conduct Authority.

Issued by HBOS Investment Fund Managers Limited, Registered in England No 941082,
Registered Office: Trinity Road, Halifax, West Yorkshire HX1 2RG. Authorised and regulated
by the Financial Conduct Authority.

European Fund Short Report

for the six month period ended 30 September 2013

Investment objective and policy

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

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

Risk profile

The European Fund is a Medium-Adventurous risk fund. The Fund offers access to a diversified portfolio of predominantly the larger capitalised European stocks (excluding UK), but is potentially more volatile than a fund that invests solely in similarly capitalised stocks in the UK because of the currency risk involved.

Synthetic risk and reward profile

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

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

Typically lower rewards, lower risk				Typically higher rewards, higher risk		
1	2	3	4	5	6	7

This Fund is ranked at 7 because it has experienced very high levels of volatility over the past 5 years.

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

Fund manager's comments

European equities posted solid gains over the six month review period. Primarily driving markets was the ongoing extraordinary support by the world's central bankers, including the US Federal Reserve's (the Fed) decision to refrain from slowing its \$85 billion-a-month asset-purchase scheme in September. The economic picture has also improved, with the eurozone finally emerging from recession. Good-quality cyclical stocks, as a result, found themselves in favour. Political discord remains a concern on both side of the Atlantic, though, with stalled US budget talks and a confidence vote in Italy recently unsettling markets. This was a cue for traders to lock in profits. Overall, the FTSE World Europe ex-UK Index was up 7.90% over the review period. In comparison, the Fund delivered a gross return of 7.25%.

Looking at equity styles, "value" outperformed while "quality" underperformed. As for the portfolio, an active position based on the premise that cheap, efficiently run companies generate excess returns – known as value combined with quality – did poorly. By contrast, buying inexpensive firms that are starting to outperform, which matches value with "momentum", did well. But our overweight position in stocks with improving profitability, increasing liquidity and decreasing leverage (or borrowing), was down for the period.

The outlook for Europe has certainly improved. Business activity in the 17-country region grew at its fastest pace in two years in August. The closely-watched Markit's composite managers' index returned 52.1 over the month, up from 51.5 in August. Unemployment figures also showed their smallest drop in 18 months. Inflation, meanwhile, fell to its lowest level in three and a half years, edging down to 1.1% in September (from 1.4% the previous month). Subdued borrowing costs should allow the European Central Bank (ECB) to maintain its expansionary monetary policy for some time to come.

Encouragingly, news from the embattled south of Europe has not been as bad as feared. Tentative hopes are mounting that the region may have reached a nadir. Further, the various austerity measures that have strangled several nations look set to ease in 2014. This could equate to a lift of around 1% to eurozone GDP next year.

So, while potential hurdles remain – not least that the eurozone is heavily reliant on a global recovery and therefore susceptible to any correction – there are reasons for optimism for Europe. The worst, it would appear, is over. As such, we forecast a period of gradual and sustainable growth for European corporates into 2014 and beyond.

HBOS International Investment Funds ICVC
Short Reports
for the six month period ended 30 September 2013

Distribution

XD date:	Payment date:
Final distribution – 31 March	Final Distribution – 31 May

Ongoing charges figure

	30/09/13 %	31/03/13 %
Share Class A	0.50	0.50
Share Class C	1.53	1.53
Share Class F	1.28	1.28
Share Class G	1.03	1.03
Share Class I [†]	0.00	0.00
Share Class SW1	1.06	1.05

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

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

Classification of investments

	Fund value % 30/09/13	Fund value % 31/03/13
Financials	20.61	20.72
Industrials	17.03	18.55
Consumer Goods	16.80	17.70
Health Care	12.34	13.58
Basic Materials	8.02	8.11
Consumer Services	6.72	6.54
Oil & Gas	6.72	6.24
Telecommunications	5.44	4.51
Utilities	2.72	3.10
Technology	2.53	3.08
Fixed Income	-	0.04
Derivatives	-	(0.07)
Net other assets/(liabilities)	1.07	(2.10)
Total net assets	100.00	100.00

Fund performance

Net Asset Value	NAV per share 30/09/13 (p)	NAV per share 31/03/13 (p)	NAV percentage change %
Share Class A	204.68	191.05	7.13
Share Class C	55.85	52.36	6.67
Share Class F	27.93	26.16	6.77
Share Class G	28.39	26.57	6.85
Share Class I	205.38	191.30	7.36
Share Class SW1	88.47	82.78	6.87

Distributions

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

Performance record

	01/04/13 to 30/09/13	01/04/12 to 31/03/13	01/04/11 to 31/03/12	01/04/10 to 31/03/11	01/04/09 to 31/03/10	01/04/08 to 31/03/09
European Fund	7.25	19.84	(11.18)	8.28	49.36	(31.26)
FTSE World Europe ex UK Index	7.90	17.98	(11.38)	7.49	48.76	(31.06)

Sources: Financial Express for European Fund and FTSE World Europe ex UK Index after 1 April 2013, Morningstar between 1 April 2011 and 31 March 2013 and Lipper for previous periods.

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

Basis: For FTSE World Europe ex UK Index, revenue reinvested and gross of expenses, at close of business.

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

Portfolio information

Major holdings

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

Holding	Fund value % 30/09/13	Holding	Fund value % 31/03/13
Nestle	4.12	Nestle	4.55
Roche	4.03	Novartis	3.89
Novartis	3.84	Roche	3.76
Total	3.02	Sanofi	3.00
BASF	2.11	Total	2.47

Geographical spread

	Fund value % 30/09/13	Fund value % 31/03/13
Switzerland	21.58	21.35
France	21.12	23.22
Germany	20.18	20.43
Sweden	6.72	7.37
Spain	6.63	5.99
Netherlands	6.54	6.56
Belgium	3.68	3.19
Denmark	3.22	2.76
Norway	2.90	2.52
Finland	1.99	1.38
Italy	1.99	4.55
Austria	1.17	0.89
Luxembourg	0.55	0.63
Greece	0.31	0.09
Portugal	0.19	0.24
Ireland	0.16	1.00
Derivatives	-	(0.07)
Net other assets/(liabilities)	1.07	(2.10)
Total net assets	100.00	100.00

Please note: negative figures are shown in brackets.

Far Eastern Fund Short Report

for the six month period ended 30 September 2013

Investment objective and policy

The investment objective of the Far Eastern Fund is to achieve long term capital growth by investing mainly in Far Eastern companies (excluding Japanese companies).

The investment policy is to concentrate the core of the portfolio on large companies whilst maintaining a reasonable presence in medium and small sized companies with above average potential for growth. The Fund will invest mainly in transferable securities. It may also invest in collective investment schemes and derivatives. Derivatives may be used for the purposes of investment as well as efficient portfolio management.

Risk profile

The Far Eastern Fund is a Medium-Adventurous risk fund. The Fund can be expected to provide a greater degree of volatility than many of the other funds for which HBOS Investment Fund Managers Limited is the authorised corporate director, being symptomatic of the markets in which the Fund is invested. There is also exposure to the currency movements of the different areas in which the Fund is invested.

Synthetic risk and reward profile

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

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

Typically lower rewards, lower risk				Typically higher rewards, higher risk		
1	2	3	4	5	6	7

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

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

Fund manager's comments

Equity markets in the Asia Pacific region gained in local currency terms over the reporting period, but sterling-based returns were negative. The Fund returned -7.62% (gross of tax and charges) for the six month period under review. In comparison, the Fund's benchmark, the FTSE All World Pacific ex Japan Index, returned -6.89%.

Asian equities were volatile over the summer months, with investors concerned that some South Asian nations would be badly affected by the US Federal Reserve's (the Fed) plans to scale down its monetary stimulus. Some of the countries in the region are wrestling with their dependence on external financing – namely US dollars. September brought a rally, however, after the Fed made the surprising decision to hold back from implementing the cuts immediately.

China was the clear outperformer over the latter half of the reporting period. As the third quarter began, there were concerns that some disappointing economic news may indicate a slowdown. But by the end of the reporting period, sentiment had recovered as exports, industrial production and manufacturing all picked up.

Meanwhile, Indian equities struggled over the reporting period, and the rupee reached a record low against the dollar. In September, the country's central bank unexpectedly made its first increase to interest rates in two years, sending markets and the currency tumbling.

In contrast, Australian equities ended the reporting period on a strong note. Cyclical sectors led the pack, receiving a boost from an encouraging earnings season and signs of improvement in the housing sector.

The managers continued to employ a range of enhancement strategies, or "tilts", based on quantitative analysis. The research process identifies strategies that we expect to outperform over the long run, and identifies stocks that provide exposure to each strategy. These are then combined to produce diversification benefits.

Our capital expenditure tilt leads us to avoid companies with aggressive capital expenditure plans, based on the belief that they are detrimental to the long-term interests of shareholders. Over the reporting period this tilt delivered negative returns. The value and revisions tilt, which favours cheap stocks with improving earnings prospects, also had a detrimental effect on performance. Finally, our industry and momentum strategy – a bias towards stocks in industries that have performed relatively well in recent months – also struggled. Overall, the strategy underperformed.

Although the threat of a potential "hard landing" for the Chinese economy has receded, China is a significant owner of US treasuries, so any default and suspension of interest payments by the US could have significant spillover effects. However, this threat was averted for the moment by a temporary extension to the US debt ceiling in mid October.

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Distribution

XD date:	Payment date:
Final distribution – 31 March	Final Distribution – 31 May

Ongoing charges figure

	30/09/13	31/03/13
	%	%
Share Class A	0.50	0.50
Share Class C	1.61	1.56
Share Class F	1.36	1.31
Share Class G	1.11	1.06
Share Class I [†]	0.00	0.00
Share Class SW1	1.15	1.09

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

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

Classification of investments

	Fund value % 30/09/13	Fund value % 31/03/13
Financials	35.73	37.55
Industrials	13.97	13.78
Technology	9.90	11.07
Basic Materials	7.65	8.20
Oil & Gas	6.88	7.52
Consumer Goods	6.88	7.12
Telecommunications	6.38	5.91
Consumer Services	5.63	4.59
Utilities	3.39	3.56
Health Care	2.59	2.17
Property	-	0.05
Derivatives	(0.10)	0.03
Net other assets/(liabilities)	1.10	(1.55)
Total net assets	100.00	100.00

Fund performance

Net Asset Value	NAV per share 30/09/13 (p)	NAV per share 31/03/13 (p)	NAV percentage change %
Share Class A	600.44	648.88	(7.47)
Share Class C	64.98	70.54	(7.88)
Share Class F	32.01	34.71	(7.78)
Share Class G	32.54	35.25	(7.69)
Share Class I	601.89	649.09	(7.27)
Share Class SW1	119.34	129.31	(7.71)

Distributions

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

Performance record

	01/04/13 to 30/09/13	01/04/12 to 31/03/13	01/04/11 to 31/03/12	01/04/10 to 31/03/11	01/04/09 to 31/03/10	01/04/08 to 31/03/09
Far Eastern Fund	(7.62)	18.10	(5.81)	13.81	68.01	(22.72)
FTSE All World Pacific ex Japan Index	(6.89)	16.69	(6.27)	13.05	69.32	(22.65)

Sources: Financial Express for Far Eastern Fund and FTSE All World Pacific ex Japan Index after 1 April 2013, Morningstar between 1 April 2011 and 31 March 2013 and Lipper for previous periods.

Basis: For Far Eastern Fund, percentage growth, total return (gross of tax and charges) at 12.00pm.

Basis: For FTSE All World Pacific ex Japan Index, revenue reinvested and gross of expenses, at close of business.

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

Portfolio information

Major holdings

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

Holding	Fund value % 30/09/13	Holding	Fund value % 31/03/13
Samsung Electronics	3.31	Samsung Electronics	3.26
Westpac Banking	2.86	Westpac Banking	3.00
Australia & New Zealand Banking	2.46	Australia & New Zealand Banking	2.56
BHP Billiton	2.18	BHP Billiton	2.16
Commonwealth Bank of Australia	2.11	Commonwealth Bank of Australia	2.10

Geographical spread

	Fund value % 30/09/13	Fund value % 31/03/13
Australia	24.81	25.73
South Korea	15.42	15.31
Hong Kong	15.26	15.45
China	12.63	11.78
Taiwan	10.67	11.14
India	5.23	6.30
Singapore	4.64	5.29
Malaysia	3.06	3.29
Thailand	2.37	2.54
Indonesia	2.34	2.98
Ireland	1.18	0.27
Philippines	0.95	1.07
New Zealand	0.44	0.37
Derivatives	(0.10)	0.03
Net other assets/(liabilities)	1.10	(1.55)
Total net assets	100.00	100.00

Please note: negative figures are shown in brackets.

International Growth Fund Short Report

for the six month period ended 30 September 2013

Investment objective and policy

The investment objective of the International Growth Fund is to achieve capital growth in the long term by investing in a diversified global portfolio.

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

Risk profile

The International Growth Fund is a Medium-Adventurous risk fund. This is a widely diversified portfolio that is subject to the currency risk associated with the areas of investment.

Synthetic risk and reward profile

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

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

Typically lower rewards, lower risk				Typically higher rewards, higher risk		
1	2	3	4	5	6	7

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

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

Fund manager's comments

Global equities gained ground over the six-month reporting period. The Fund made a gross return of 3.08%, while the gross return of its benchmark, the FTSE World Index was 1.66%.

Nevertheless, uncertainty over future plans for monetary policy was prevalent from the second quarter on. The US Federal Reserve (the Fed), said that it would consider the idea of "tapering" its \$85 billion-a-month asset-buying programme. Investors reacted with surprise when the Fed decided not to begin the cuts (for the moment) after its latest meeting in September, giving a boost to the S&P 500 Index. The reporting period finished amid worries over a US political stalemate and worries that politicians would fail to reach an agreement to increase the country's debt ceiling. A temporary extension to the limit was finally agreed in mid October. The S&P 500 Index gained 19.3% in dollar, total return terms.

Elsewhere, it was revealed that the eurozone had finally emerged from recession, recording growth of 0.3% over the second quarter. The FTSE World Europe (ex-UK) Index was up by 23.4% in local currency, total return terms.

UK equities also did well, although they lagged slightly behind other developed markets. The FTSE 100 Index gained 16.7% in sterling, total return terms. Japan was the clear leader among this group, with an impressive 65.0% gain in yen, total return terms for the broad-based Topix Index.

As a group, emerging markets lagged their developed peers, with the MSCI emerging markets Index gaining just 6.2% over the 12 months.

Turning to the portfolio, the holding in ITV made a positive contribution to returns in recent months. The stock's performance was boosted by management investment in improving the quality of ITV's television programmes for subsequent distribution to the US and other markets. The potential for an improvement in advertising budgets (based on continued UK economic recovery) has also helped to drive the share price up.

In terms of our future investment efforts, we are always seeking opportunities to invest in companies that can generate profits growth that does not depend entirely on the prediction of macroeconomic trends.

HBOS International Investment Funds ICVC
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Distribution

XD date:	Payment date:
Final distribution – 31 March	Final Distribution – 31 May

Ongoing charges figure

	30/09/13 %	31/03/13 %
Share Class A	0.50	0.50
Share Class C	1.51	1.51
Share Class F	1.26	1.26
Share Class G	1.01	1.01
Share Class I [†]	0.00	0.00
Share Class SW1	1.65	1.64

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.

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

Classification of investments

	Fund value % 30/09/13	Fund value % 31/03/13
Financials	29.03	23.52
Consumer Goods	13.06	14.22
Industrials	10.60	10.82
Technology	9.31	6.29
Health Care	8.55	9.47
Oil & Gas	7.28	7.57
Basic Materials	7.07	15.14
Consumer Services	6.20	8.24
Telecommunications	1.96	1.31
Utilities	0.72	1.65
Derivatives	(0.19)	-
Net other assets	6.41	1.77
Total net assets	100.00	100.00

Fund performance

Net Asset Value	NAV per share 30/09/13 (p)	NAV per share 31/03/13 (p)	NAV percentage change %
Share Class A	273.39	265.52	2.96
Share Class C	53.44	52.16	2.45
Share Class F	33.67	32.83	2.56
Share Class G	34.12	33.22	2.71
Share Class I	274.23	265.73	3.20
Share Class SW1	93.39	91.23	2.37

Distributions

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

Performance record

	01/04/13 to 30/09/13	01/04/12 to 31/03/13	01/04/11 to 31/03/12	01/04/10 to 31/03/11	01/04/09 to 31/03/10	01/04/08 to 31/03/09
International Growth Fund	3.08	21.24	3.43	7.11	39.38	(19.96)
FTSE World Index	1.66	17.47	0.44	8.15	47.13	(19.96)

Sources: Financial Express for International Growth Fund and FTSE World Index after 1 April 2013, Morningstar between 1 April 2011 and 31 March 2013 and Lipper for previous periods.

Basis: For International Growth Fund, percentage growth, total return (gross of tax and charges) at 12.00pm.

Basis: For FTSE World Index, revenue reinvested and gross of expenses, at close of business.

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

Portfolio information

Major holdings

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

Holding	Fund value % 30/09/13	Holding	Fund value % 31/03/13
Scottish Widows Emerging Markets Fund X Acc	6.93	American Express	3.53
Toyota Motor	2.34	Bayer	3.13
Google	2.16	McKesson	2.93
iShares MSCI World Fund	2.14	Harley-Davidson	2.92
American International	1.99	Allianz	2.86

Geographical spread

	Fund value % 30/09/13	Fund value % 31/03/13
United States	44.21	55.47
United Kingdom	16.00	7.96
Japan	6.58	7.43
Switzerland	5.22	3.15
Ireland	4.97	4.68
Germany	4.66	8.12
France	2.62	2.84
Netherlands	1.83	-
Austria	1.28	0.87
Sweden	1.13	-
Singapore	0.97	2.22
Canada	0.94	-
Australia	0.86	1.78
Spain	0.51	-
Italy	0.48	-
Norway	0.46	0.81
India	0.39	1.57
Belgium	0.32	-
China	0.27	-
Finland	0.07	-
Brazil	0.01	0.02
Hong Kong	-	1.31
Derivatives	(0.19)	-
Net other assets	6.41	1.77
Total net assets	100.00	100.00

Please note: negative figures are shown in brackets.

Japanese Fund Short Report

for the six month period ended 30 September 2013

Investment objective and policy

The investment objective of the Japanese Fund is to achieve long term growth from investments in a broad range of Japanese companies.

The investment policy is to concentrate the core of the portfolio on large companies whilst maintaining a reasonable presence in medium and small sized companies with above average potential for growth. The Fund will invest mainly in transferable securities. It may also invest in collective investment schemes and derivatives. Derivatives may be used for the purpose of investment as well as efficient portfolio management.

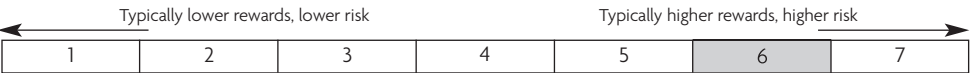
Risk profile

The Japanese Fund is a Medium-Adventurous risk fund. The Fund can be expected to provide a greater degree of volatility than many of the other Funds for which HBOS Investment Fund Managers Limited is the authorised corporate director, being symptomatic of the markets in which the Fund is invested. There is also exposure to the currency movements of the different areas in which the Fund is invested.

Synthetic risk and reward profile

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

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



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

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

Fund manager's comments

Japanese equity markets have made encouraging progress over the last six months. The Fund generated a gross return of 4.28%, while its benchmark, the FTSE World Japan Index, had a gross return of 4.61%.

Robust gains have become a familiar occurrence in Japanese equity markets in recent times. May, however, brought about a sea change, and although Tokyo stocks reached a five-year high during the month, they were down 2.5% by the time it ended. June's performance was relatively flat. Despite this, Japanese equities were the standout performers among developed market equities over the second quarter, with the Topix Index gaining 9.8% in yen, total return terms.

Early in the reporting period, investors took confidence from the Bank of Japan's decision to double the amount of government bonds it buys each month to more than ¥7 trillion.

In July, Shinzo Abe secured his Liberal Democratic Party's control of both chambers of the Japanese parliament for at least three years, after a decisive victory in elections for the upper house. The win will allow Mr Abe to drive forward his extensive reforms aimed at combating deflation and boosting the Japanese economy. Towards the end of the reporting period, equities were boosted by Tokyo's successful bid for the 2020 Olympics.

The managers continued to employ a range of enhancement strategies, or "tilts", based on quantitative analysis. The research process identifies strategies we expect to outperform over the long run and identifies stocks that provide exposure to each strategy. These are then combined to produce diversification benefits.

Over the reporting period, our value in combination with accruals tilt had a positive effect on returns. This tilt focuses on buying cheap stocks with low levels of non-cash earnings (accruals). In contrast, our core value strategy underperformed. Finally, the value in combination with quality theme also struggled. Overall, the strategy underperformed.

From here, Japan has the potential to deliver sustainable long-term economic growth that will be translated into strong profits growth. The Japanese Government has woken up to the immense regional economic and political challenges posed by China, and the only viable response is to reverse decades of relative and absolute economic decline.

HBOS International Investment Funds ICVC
Short Reports
for the six month period ended 30 September 2013

Distribution

XD date:	Payment date:
Final distribution – 31 March	Final Distribution – 31 May

Ongoing charges figure

	30/09/13 %	31/03/13 %
Share Class A	0.50	0.50
Share Class C	1.54	1.52
Share Class F	1.29	1.28
Share Class G	1.05	1.02
Share Class I [†]	0.00	0.00
Share Class SW1	1.07	1.05

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

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

Classification of investments

	Fund value % 30/09/13	Fund value % 31/03/13
Financials	22.88	24.13
Consumer Goods	22.12	20.31
Industrials	18.62	17.70
Consumer Services	8.22	9.58
Technology	7.70	8.03
Basic Materials	5.91	6.75
Health Care	5.10	6.05
Telecommunications	3.68	3.67
Utilities	2.80	2.88
Oil & Gas	0.79	0.78
Derivatives	(0.01)	0.05
Net other assets	2.19	0.07
Total net assets	100.00	100.00

Fund performance

Net Asset Value	NAV per share 30/09/13 (p)	NAV per share 31/03/13 (p)	NAV percentage change %
Share Class A	33.89	32.64	3.83
Share Class C	39.88	38.53	3.50
Share Class F	30.18	29.15	3.53
Share Class G	30.79	29.74	3.53
Share Class I	33.95	32.66	3.95
Share Class SW1	72.47	69.94	3.62

Distributions

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

Performance record

	01/04/13 to 30/09/13 %	01/04/12 to 31/03/13 %	01/04/11 to 31/03/12 %	01/04/10 to 31/03/11 %	01/04/09 to 31/03/10 %	01/04/08 to 31/03/09 %
Japanese Fund	4.28	15.63	2.26	(3.79)	29.70	(10.53)
FTSE All World Japan Index	4.61	14.31	0.94	(4.02)	29.60	(10.64)

Sources: Financial Express for Japanese Fund and FTSE All World Japan Index after 1 April 2013, Morningstar between 1 April 2011 and 31 March 2013 and Lipper for previous periods.

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

Basis: For FTSE All World Japan Index, revenue reinvested and gross of expenses, at close of business.

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

Portfolio information

Major holdings

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

Holding	Fund value % 30/09/13	Holding	Fund value % 31/03/13
Toyota Motor	6.06	Toyota Motor	5.34
Mitsubishi UFJ Financial	2.88	SWIP Sterling Liquidity Fund	4.24
SWIP Sterling Liquidity Fund	2.51	Mitsubishi UFJ Financial	3.00
Sumitomo Mitsui Financial	2.18	Honda Motor	2.23
Honda Motor	2.01	Softbank	2.21

Please note: negative figures are shown in brackets.

North American Fund Short Report

for the six month period ended 30 September 2013

Investment objective and policy

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

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

Risk profile

The North American Fund is a Medium-Adventurous risk fund. In addition there is a currency risk – principally that of the US Dollar against the £.

Synthetic risk and reward profile

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

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



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

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

Fund manager's comments

Wall Street made gains over the six-month reporting period. The gross return of the Fund was 2.32%, while the Fund's benchmark, the S&P 500 Index, had a gross return of 1.23%.

Uncertainty over future plans for monetary policy was a recurring theme from the second quarter onwards. Ben Bernanke, the chairman of the Federal Reserve, said that the US central bank would consider the idea of "tapering" its \$85 billion-a-month asset-buying programme, if they saw a sustained economic improvement.

Market commentators have spent the last few months questioning whether any optimistic economic data could, in fact, be positively construed. Good news, it was feared, would simply lead the Federal Reserve to take more aggressive action in terms of beginning the taper. In economic news, the number of new claims for unemployment benefits fell to the lowest level in six years in the second week of August. Meanwhile, consumer price data for July highlighted that the economic recovery is not stoking inflation. Given this background, the mid-September meeting of the Fed's rate-setting committee was widely expected to bring about a reduction to its monthly \$85 million of bond purchases. Investors therefore reacted with surprise when it was announced that there would be no changes to monetary policy yet. They breathed a collective sigh of relief, and the S&P 500 Index reached a record intra-day high of 1,729.86.

But political stalemate over a stop-gap US budget increased investor uncertainty at the end of September. The impasse led to a partial shutdown of the US government and fears that politicians would fail to reach an agreement to increase the country's debt ceiling (the amount that the government can borrow by way of issuing bonds, currently \$16.7 trillion), leaving it potentially unable to meet its debt payments. A temporary extension to the limit was finally agreed in mid October.

The managers continued to employ a range of enhancement strategies, or "tilts", based on quantitative analysis. The research process identifies strategies that we expect to outperform over the long run, and identifies stocks that provide exposure to each strategy. These are then combined to produce diversification benefits.

Our value tilt is based on the theory that cheap, efficiently-run companies can generate excess returns. In combination with quality selections, this strategy did well over the reporting period. Meanwhile, our value and momentum tilt underperformed. This strategy leads us to buy cheap companies that are starting to outperform. Finally, our financial strength theme, which leads us to seek companies with improving profitability, increasing liquidity and decreasing leverage, also disappointed. Overall, the strategy underperformed for the period.

Our outlook for the US remains positive. We are encouraged by the fact that American households and the corporate sector appear to be in good financial health. We view the current political turmoil as temporary, and we do not expect it to hinder the prospects for economic recovery.

HBOS International Investment Funds ICVC
Short Reports
for the six month period ended 30 September 2013

Distribution

XD date:	Payment date:
Final distribution – 31 March	Final Distribution – 31 May

Ongoing charges figure

	30/09/13 %	31/03/13 %
Share Class A	0.50	0.50
Share Class C	1.50	1.51
Share Class F	1.25	1.26
Share Class G	1.00	1.00
Share Class I [†]	0.00	0.00
Share Class SW1	1.05	1.04

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

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

Classification of investments

	Fund value % 30/09/13	Fund value % 31/03/13
Financials	18.05	18.97
Technology	16.93	14.70
Consumer Services	13.41	14.13
Health Care	12.70	12.42
Oil & Gas	10.82	11.08
Consumer Goods	10.55	11.46
Industrials	9.89	11.11
Telecommunications	2.77	3.29
Basic Materials	2.56	2.54
Utilities	2.11	2.66
Derivatives	(0.04)	(0.02)
Net other assets/(liabilities)	0.25	(2.34)
Total net assets	100.00	100.00

Fund performance

Net Asset Value	NAV per share 30/09/13 (p)	NAV per share 31/03/13 (p)	NAV percentage change %
Share Class A	317.92	311.37	2.10
Share Class C	44.91	44.16	1.70
Share Class F	39.31	38.62	1.79
Share Class G	39.96	39.22	1.89
Share Class I	318.75	311.57	2.30
Share Class SW1	102.42	100.53	1.88

Distributions

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

Performance record

	01/04/13 to 30/09/13 %	01/04/12 to 31/03/13 %	01/04/11 to 31/03/12 %	01/04/10 to 31/03/11 %	01/04/09 to 31/03/10 %	01/04/08 to 31/03/09 %
North America Fund	2.32	21.07	8.52	8.83	42.57	(14.69)
S&P 500 Index	1.23	19.91	8.89	9.97	41.52	(14.15)

Sources: Financial Express for North American Fund and S&P 500 Index after 1 April 2013, Morningstar between 1 April 2011 and 31 March 2013 and Lipper for previous periods.

Basis: For North American Fund, percentage growth, total return (gross of tax and charges) at 12.00pm.

Basis: For S&P 500 Index, revenue reinvested and gross of expenses, at close of business.

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

Portfolio information

Major holdings

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

Holding	Fund value % 30/09/13	Holding	Fund value % 31/03/13
Exxon Mobil	2.47	Exxon Mobil	3.15
Apple	2.45	Apple	3.02
Johnson & Johnson	2.37	SWIP Sterling Liquidity Fund	2.84
Procter & Gamble	2.00	Chevron	2.18
Berkshire Hathaway	1.93	General Electric	2.03

Please note: negative figures are shown in brackets.

