
# SWIP / INVESTMENT FUNDS ICVC

Annual Short Report for the year ended 31 January 2012

SCOTTISH WIDOWS INVESTMENT PARTNERSHIP

PERFORM

# SWIP INVESTMENT FUNDS ICVC

## The Company

Scottish Widows Investment Partnership Investment Funds ICVC

Head Office:
33 Old Broad Street
London
EC2N 1HZ

Correspondence Address:
BNY Mellon House
Ingrave Road
Brentwood
Essex
CM15 8TG

Incorporated in England and Wales under registered number IC000040. Authorised and regulated by the Financial Services Authority.

## Authorised Corporate Director (ACD) and Authorised Fund Manager

SWIP Fund Management Limited

Head Office:
33 Old Broad Street
London
EC2N 1HZ

Correspondence Address:
BNY Mellon House
Ingrave Road
Brentwood
Essex
CM15 8TG

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

## Investment Adviser

Scottish Widows Investment Partnership Limited

Registered Office:
33 Old Broad Street
London
EC2N 1HZ

Business Address:
Edinburgh One
60 Morrison Street
Edinburgh
EH3 8BE

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

## Depositary

State Street Trustees Limited

Registered Office:
20 Churchill Place
Canary Wharf
London
E14 5HJ

Head Office:
525 Ferry Road
Edinburgh
EH5 2AW

Authorised and regulated by the Financial Services Authority.

## Registrar

The Bank of New York Mellon (International) Limited

Registered Office:
One Canada Square
London
E14 5AL

Correspondence Address:
BNY Mellon House
Ingrave Road
Brentwood
Essex
CM15 8TG

## Independent Auditors

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

# SWIP INVESTMENT FUNDS ICVC



Long reports are available on request. If you would like a copy, please telephone us on **0800 33 66 00** or download the financial statements from the website **www.swip.com** which is a website maintained by SWIP Limited.

## Prospectus Changes

During the year 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 and/or Instrument of Incorporation of Scottish Widows Investment Partnership Investment Funds ICVC:

- On 9 April 2011 Class A Sterling Net Income was launched in the UK Opportunities Fund to facilitate the merger of the UK Advantage Fund (a sub-fund of the Scottish Widows Investment Partnership Investment Funds UK ICVC) by way of a scheme of arrangement;
- Following FSA approval, termination of the Asia-Pacific Fund, Japanese Smaller Companies Fund, North American Smaller Companies Fund, Pan-European Equity Fund and Pan-European SRI Equity Fund commenced on 1 August 2011, therefore these Funds are not currently available for investment. The ACD completed the termination of the Asia-Pacific Fund, Japanese Smaller Companies Fund and North American Smaller Companies Fund on 24 January 2012, the termination statements will be issued within four months of this date;
- Following a recent review, with effect from 1 November 2011 the Depositary's fee has been reduced and amended to 0.0072% per annum of the value of each sub-fund;
- The range of custody charges has been amended to the current range of 0.0009% to 0.42575% per annum of the market value of the stock involved plus VAT (if any), and the range of transaction charges has been amended to the current range of £2.61 to £118.75;
- On 12 December 2011 the SWIP European High Yield Bond Fund was launched;
- Following the implementation of the UCITS IV Directive Instrument 2011 on 1 July 2011, the Prospectus has been updated to reflect changes including details of the methodology used by sub-funds when using derivatives to determine how their exposure to derivative transactions are calculated (governed by the commitment approach or the market risk of the sub-fund). As part of the recommended disclosure requirements in the Guidelines:
  Risk Measurement and the Calculation of Global Exposure and Counterparty Risk for UCITS (CESR/10-788) published by CESR.

A copy of the Prospectus is available on request.

## Important Information

- For the Pan-European Equity Fund and Pan-European SRI Equity Fund it is anticipated that the termination process will be finalised shortly and the termination statements issued within four months of the completion date;
- Following the implementation of the UCITS IV Directive Instrument 2011 on 1 July 2011, a decision was taken by the ACD to change the methodology by which the Strategic Bond Fund determines how its exposure to derivatives transactions is calculated, moving to a VaR basis, although the Fund continues to be managed in the same manner and there has been no change to the risk profile of the Fund;
- Amendments to the UK Regulations governing Open-Ended Investment Companies and the FSA'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 FSA within the transitional period for approval to amend the Company's Prospectus and Instrument of Incorporation which will provide for this change.

# SWIP CURRENCY ALPHA FUND

for the year ended 31 January 2012

## Fund Profile

### Investment Objective & Policy

To achieve a return in excess of deposits in all market conditions over the medium term.

The Fund seeks to meet the investment objective by maintaining a diversified portfolio of cash or near cash sterling assets and currency exposure. The cash portfolio of the Fund can include instruments such as UK Treasury Bills, certificates of deposit and commercial paper. Currency forward contracts will primarily be used to provide the currency exposure but the Fund may also use currency futures and options. The Fund may also invest in collective investment schemes.

The Investment Adviser will seek to achieve the Fund's objectives by profiting from opportunities in currency markets by utilising a quantitative model which has been developed to identify the dynamics and directions of currencies.

### Risk Profile

**Cash investments risk factor:** A substantial proportion of the Fund may consist of cash, near cash, deposits and/or money market instruments.

**Performance fee risk factor:** Performance fees may create an incentive for the manager to make investments that are riskier or more speculative than would be the case in the absence of a performance fee.

**Significant derivative use risk factor:** Derivatives may be used to a significant extent and have the potential to increase a Fund's risk profile and result in increased price volatility.

**Single government issue risk factor:** More than 35% of the Fund may be invested in fixed interest securities issued by a single government.

**Derivative risk factor:** The use of derivatives in this Fund has the overall intention of reducing the volatility of returns, although this outcome is not guaranteed, and derivatives held may at times lead to increased price volatility.

During the year, the ACD entered into derivative contracts on behalf of the Fund for the purpose of efficient portfolio management (EPM), hedging and to meet the investment objectives of the Fund.

Based on the investment strategy, types and complexities of the derivatives and the proportion of the Fund comprising derivatives, the method of estimating the Fund's overall risk position is to use the value at risk based (VaR) techniques, which estimate the probability of portfolio losses based on the statistical analysis of historical price trends and volatilities. The Absolute VaR analysis for the Fund is produced on a daily basis. Market risk factors that are analysed include LIBOR/swap rate, government yield curves, equity prices, foreign exchange rates, market volatility. The Fund's current VaR limit is 7%. The VaR measures of the Fund for the year ended 31 January 2012 were as follows:

| | |
|---|---|
| Minimum VaR | 2.12% |
| Maximum VaR | 6.75% |
| Average VaR | 4.84% |

**Please note:** the market risk information is a relative estimate of risk rather than a precise and accurate number. The model is based on historical data and cannot take account of the fact that future market price movements, correlations between markets and level of market liquidity in conditions of market stress may bear no relation to historical patterns.

## Investment Manager's Review

It was a bumpy 12 months for currency markets. The euro in particular had a tough time, falling back against all major currencies. The sovereign debt crisis dominated proceedings, with contagion spreading from the relatively small nations of the periphery to Italy, Spain and France. The latter lost its triple A rating at the start of 2012, much to the chagrin of the nation's politicians. The European Central Bank provided some much-needed support in December, however, making nearly half a trillion euros in ultra-cheap three-year loans to the region's struggling banks.

Risk aversion was high for much of the year, with the main safe-haven currencies – US dollar, Japanese yen and Swiss franc – climbing as a result. So much so, that both the Japanese and Swiss authorities were forced to take action to arrest the ascent of their respective currencies. The latter stunned markets by announcing it would set a ceiling for the Swiss franc against the euro. The franc had soared as much as 22% in trade-weighted terms since the start of 2010. The figure is set at SFr1.20 to the euro and will be achieved, should the need arise, by buying "unlimited" foreign currency.

Closer to home, the pound struggled to make progress as the UK economy weakened and interest rates remained historically low. The Bank of England's decision to extend its quantitative easing programme (printing money to buy Gilts) to £325 billion further weakened sterling. Overall, it was down 1.5% against the dollar and 8.3% against the yen for the year.

It was, unsurprisingly, a challenging investment environment for currency traders, and the Parker Currency Manager's index fell 3.8%. SWIP's Currency Alpha Fund fell 8.1%. While exchange rates were on the whole positively correlated with two-year interest-rate differential movements over 2011 (as the underlying assumption of our investment model), uncertainty over the eurozone debt drama, together with the prospect of prolonged low official interest-rates in some G10 countries, undermined the formation of distinct trends in these interest-rate differentials. It was, therefore, a difficult environment from which to make returns from currencies.

Looking ahead, we forecast the pound will drop against the US dollar to $1.50 over the next 12 months, weakened by the government's commitment to fiscal austerity and distress in the euro area. Moreover, we think sterling will end the period around year-start levels versus the euro and Japanese yen, at €1.20 and ¥120 per pound respectively.

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.

# SWIP CURRENCY ALPHA FUND

## Distribution

| XD Date | Payment Date |
|---|---|
| 31/01/12 | 31/03/12 |

## TER

| | 31/01/12 % | 31/01/11 % |
|---|---|---|
| G Accumulation | 1.00 | 1.00 |
| G Income | 0.85 | 1.00 |
| H Income | 1.23 | 1.25 |
| X Accumulation | 0.22 | 0.15 |

The Total Expense Ratio (TER) is the total expenses paid by each share class in the year against its average net asset value. The TER can fluctuate as underlying costs change.

## Details of investments

| Investments | 31/01/12 % | 31/01/11 % |
|---|---|---|
| Sterling Denominated Bonds | 79.58 | 73.39 |
| Collective Investment Schemes | 9.59 | 8.82 |
| Derivatives | (0.72) | 1.10 |
| Net other assets | 11.55 | 16.69 |
| Total net assets | 100.00 | 100.00 |

## Net asset value

| | NAV per share 31/01/12 (p) | NAV per share 31/01/11 (p) | NAV percentage change % |
|---|---|---|---|
| G Accumulation | 92.68 | 100.92 | (8.16) |
| G Income | 92.76 | 100.92 | (8.09) |
| H Income | 92.42 | 100.90 | (8.40) |
| X Accumulation | 93.46 | 101.11 | (7.57) |

## Performance record

| | 01/02/11 to 31/01/12 % | 21/12/10 to 31/01/11 % |
|---|---|---|
| Currency Alpha Fund X Accumulation | (8.14) | 1.10 |
| Specialist Sector Average Return | N/A | (2.70) |
| 7 day LIBID | 0.48 | 0.05 |

*Source: Lipper for Currency Alpha Fund and 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, net revenue reinvested and net of expenses.*

*Source: Bloomberg for 7 day LIBID, close of business. Basis: Revenue reinvested and gross of expenses.*

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

## Distribution

| | Final 31/01/12 (p) |
|---|---|
| G Accumulation | - |
| G Income | - |
| H Income | - |
| X Accumulation | 0.0956 |

## Top five holdings

| | 31/01/12 % | | 31/01/11 % |
|---|---|---|---|
| 1. UK Treasury 0% 26/03/2012 | 14.57 | UK Treasury 0% 07/03/2011 | 12.24 |
| 2. UK Treasury 0% 13/02/2012 | 14.02 | UK Treasury 0% 28/03/2011 | 12.23 |
| 3. UK Treasury 0% 06/02/2012 | 13.52 | UK Treasury 0% 28/02/2011 | 12.23 |
| 4. UK Treasury 0% 27/02/2012 | 12.01 | UK Treasury 0% 20/06/2011 | 12.23 |
| 5. UK Treasury 0% 02/04/2012 | 10.01 | UK Treasury 0% 09/05/2011 | 12.23 |

Number of holdings: 96

Number of holdings: 238

## Summary of portfolio by credit ratings

| Rating block | 31/01/12 % | 31/01/11 % |
|---|---|---|
| AAA | 79.58 | 73.39 |
| Total bonds | 79.58 | 73.39 |
| Other | 20.42 | 26.61 |
| Total net assets | 100.00 | 100.00 |

The credit ratings used in the above table have been supplied by Standard & Poor's, Moody's or Fitch Ratings.

# SWIP EMERGING MARKETS FUND

for the year ended 31 January 2012

## Fund Profile

### Investment Objective & Policy

To provide long-term capital growth through direct and indirect investment mainly in the securities of companies that are quoted or operating primarily in countries deemed by the ACD to be emerging markets.

The Fund may also invest in depositary receipts and shares, other securities, convertibles, warrants, money market instruments, deposits, derivatives (for efficient portfolio management) and collective investment schemes.

The Fund may be invested in a limited number of holdings.

### Risk Profile

**Equity risk factor:** Equities are generally more risky than fixed interest securities. Considerable fluctuations in equity prices may mean that you do not get all your money back.

**Exchange rate risk factor:** Exchange rate changes may cause the value of any overseas investments, and any income from them, to go up or down.

**Emerging markets risk factor:** Investments in these markets may involve a higher element of risk due to less regulated and under-developed markets and political and economic instability.

**Derivative risk factor:** The ACD may enter into derivative contracts on behalf of the Fund for the purpose of efficient portfolio management (EPM). The ACD monitors the use of derivative contracts to ensure that the requirements of EPM are satisfied.

Exposure to the various markets may be balanced through tactical asset allocation of futures contracts. Tactical asset allocation is a technique which allows the ACD to undertake a switch in the Fund's exposure by the use of derivatives rather than through the sale and purchase by the Fund of transferable securities.

If derivatives are used, the percentage movements in the value of the Fund will be different from the percentage movements in the markets. To ensure that global exposure relating to the derivative transactions does not exceed the net asset value of the Fund, the ACD uses the commitment approach which looks at the incremental exposure and leverage generated through the use of derivatives on a daily basis.

## Investment Manager's Review

Over the 12 months to the end of January 2012, the fund returned -5.5% (calculated gross of expenses) underperforming the benchmark index, which returned -4.2%.

It was a difficult year for emerging markets equities. The first half of 2011 was characterised by volatility, as rising inflation, falling demand from China and concerns over the health of the global economy dominated proceedings. Markets were also shaped by rising commodities prices, with the oil price spiking in the spring as unrest escalated in North Africa and the Middle East. The price of gold made steady gains over the period, too, as investors continued to search for perceived safe havens.

The second half of the reporting period, though, saw markets take a turn for the worse. Global equity markets tumbled in August as fears over the sovereign debt crisis in the eurozone, and mounting concerns over the effect it would have on the global economy, led markets sharply lower. Emerging markets shares remained volatile for the rest of the year, although gains were made towards the end of 2011 as investors' risk appetite returned and liquidity improved. This optimism continued into the new year with all regions making an impressive start to 2012, significantly outpacing their developed market counterparts.

Performance over the reporting period was negatively affected by an overweight position in HTC, the Taiwanese mobile phone manufacturer. The company has been negatively affected by the move from high-end to mid-market mobile phones; HTC's market share has also been eroded by successful model launches from competitors. An overweight position in Acer, the Taiwanese PC manufacturer, was also negative for performance over the last 12 months. The company has failed to keep abreast of recent product changes, while also experiencing management changes during the year.

Positive contributors to performance included an overweight position in the Brazilian merchant acquirer, Cielo. The competitive landscape for electronic payment networks has proved to be less fierce than originally expected, and this defensive stock outperformed in a difficult time for markets. The Chinese retailer, Daphne International, is another defensive stock that also performed well. It is reasonably valued, with rising equity and improving profitability.

Despite a volatile year, the outlook for emerging markets is still positive; interest rates and inflation are declining across most countries, and growth remains robust. It is likely, though, that markets will continue to be at the mercy of global economic trends. If the US economy can find some positive momentum, that should foster a further increase in risk appetite among investors. Emerging markets would likely be among the prime beneficiaries of any such increase. Developments in China, the world's second largest economy, will also be vital. How well Chinese policymakers can keep the economy growing in 2012 will be of key concern for emerging 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.

# SWIP EMERGING MARKETS FUND

## Distribution

| XD Date | Payment Date |
|---|---|
| 31/01/12 | 31/03/12 |

## TER

| | 31/01/12 % | 31/01/11 % |
|---|---|---|
| A Accumulation | 1.76 | 1.76 |
| B Accumulation | 0.84 | 1.00 |
| E Accumulation (€ share class) | 1.75 | 1.76 |
| J Accumulation (€ share class) | 1.19 | 1.21 |

The Total Expense Ratio (TER) is the total expenses paid by each share class in the year against its average net asset value. The TER can fluctuate as underlying costs change.

## Details of investments

| Investments | 31/01/12 % | 31/01/11 % |
|---|---|---|
| Brazil | 15.47 | 15.44 |
| South Korea | 14.68 | 13.66 |
| China | 12.55 | 12.11 |
| Taiwan | 9.31 | 11.23 |
| India | 7.40 | 7.52 |
| Russia | 7.27 | 7.83 |
| South Africa | 7.06 | 6.11 |
| Hong Kong | 4.97 | 4.86 |
| Mexico | 4.63 | 5.33 |
| Malaysia | 2.59 | 2.87 |
| Thailand | 2.40 | 1.45 |
| Indonesia | 2.35 | 2.03 |
| United States | 2.22 | 4.91 |
| Turkey | 1.41 | 2.26 |
| Poland | 1.15 | - |
| Philippines | 0.88 | - |
| Peru | 0.65 | - |
| Colombia | 0.30 | - |
| Hungary | 0.24 | 0.41 |
| Kazakhstan | 0.12 | 0.15 |
| Czech Republic | - | 1.31 |
| Bermuda | - | 0.67 |
| Canada | - | - |
| Net other assets/(liabilities) | 2.35 | (0.15) |
| Total net assets | 100.00 | 100.00 |

## Net asset value

| | NAV per share 31/01/12 (p) | NAV per share 31/01/11 (p) | NAV percentage change % |
|---|---|---|---|
| A Accumulation | 289.18 | 313.91 | (7.88) |
| B Accumulation | 142.67 | 153.75 | (7.21) |
| E Accumulation (€ share class) | 141.58 | 153.70 | (7.89) |
| J Accumulation (€ share class) | 86.54 | 93.45 | (7.39) |

## Performance record

| | 01/02/11 to 31/01/12 % | 01/02/10 to 31/01/11 % | 01/02/09 to 31/01/10 % | 01/02/08 to 31/01/09 % | 01/02/07 to 31/01/08 % |
|---|---|---|---|---|---|
| Emerging Markets Fund A Accumulation | (7.73) | 18.82 | 60.07 | (35.78) | 17.88 |
| Global Emerging Markets Average Return | (6.88) | 22.78 | 55.04 | (32.47) | 19.98 |
| MSCI Emerging Markets Large Cap Index | (4.20) | N/A | N/A | N/A | N/A |
| MSCI Emerging Markets Index | N/A | 22.86 | 62.52 | (30.99) | 21.75 |

*Source: Lipper for Emerging Markets Fund and Global Emerging Markets Average Return (funds which invest 80% or more of their assets in emerging markets equities as defined by the relevant FTSE or MSCI Global Emerging Markets Index. Basis: Mid to Mid, net revenue reinvested and net of expenses.*
*Source: Rimes for the MSCI Emerging Markets Index (GBP) and the MSCI Emerging Markets Large Cap Index (GBP), close of business. From 01/02/11 the benchmark index was changed as this was deemed to best reflect the Fund's portfolio. Basis: Revenue reinvested and gross of expenses.*
Past performance is not a guide to future performance. The value of an investment and any revenue from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

## Distribution

| | Final 31/01/12 (p/c) |
|---|---|
| A Accumulation | 2.6789 |
| B Accumulation | - |
| E Accumulation (€ share class) | 1.5683c |
| J Accumulation (€ share class) | 1.5384c |

## Top five holdings

| | 31/01/12 % | | 31/01/11 % |
|---|---|---|---|
| 1. Samsung Electronics | 3.93 | iShares MSCI Emerging Markets Index Fund | 4.91 |
| 2. Petroleo Brasileiro ADR | 2.92 | Petroleo Brasileiro ADR | 3.65 |
| 3. Vale ADR | 2.71 | Samsung Electronics | 3.36 |
| 4. China Mobile | 2.47 | Vale ADR | 3.27 |
| 5. iShares MSCI Emerging Markets Index Fund | 2.22 | Gazprom ADR | 2.55 |

Number of holdings:175 | Number of holdings: 168

# SWIP EURO ABSOLUTE RETURN FUND

for the year ended 31 January 2012

## Fund Profile

### Investment Objective & Policy

The Fund aims to achieve a positive capital return over the euro inter bank offered rate, over the long term, regardless of market conditions.

The physical assets (i.e. assets other than derivatives) in which the Fund invests (directly or indirectly) will predominantly consist of fixed interest securities (including government and supranational bonds, corporate bonds, non-investment grade bonds and emerging markets debt), index linked securities, money market instruments, cash, near cash, and deposits. All or a substantial proportion of the physical assets of the Fund may at any time consist of cash, near cash, deposits and/or money market instruments.

In addition, permitted debt-related derivative contracts (including futures, options, swaps (including single name and index-based credit default swaps), forward currency contracts, contracts for difference and other derivatives) and techniques may be used to vary the total exposure to bond markets and express views on currencies, interest rates, sectors, individual securities and/or individual issuers in order to enhance capital return, limit downside volatility and/or preserve capital.

The Fund may take long and short positions in debt related markets, securities, groups of securities and indices through derivative contracts but total net derivatives exposure may not exceed the limits in the FSA rules.

The Fund may also invest, at the Investment Adviser's discretion, in other transferable securities, other debt securities, other derivatives and forward contracts, and units in collective investment schemes (and use may also be made of stocklending, borrowing, hedging as permitted by the FSA rules).

### Risk Profile

**Exchange rate risk factor:** Exchange rate changes may cause the value of any overseas investments, and any income from them, to go up or down.

**Interest rate risk factor:** Fluctuations in interest rates are likely to affect the value of fixed interest securities.

**Fixed interest securities factor:** Some of the companies and governments we invest in who issue fixed interest securities might not be able to meet their payments, or their credit ratings may fall. Sub-investment grade bonds carry a higher risk of default and their value may fall should an issuer default or receive a reduced credit rating.

**Derivative risk factor:** The use of derivatives in this Fund has the overall intention of reducing the volatility of returns, although this outcome is not guaranteed, and derivatives held may at times lead to increased price volatility.

During the year, the ACD entered into derivative contracts on behalf of the Fund for the purpose of efficient portfolio management (EPM), hedging and to meet the investment objectives of the Fund.

Based on the investment strategy, types and complexities of the derivatives and the proportion of the Fund comprising derivatives, the method of estimating the Fund's overall risk position is to use the value at risk based (VaR) techniques, which estimate the probability of portfolio losses based on the statistical analysis of historical price trends and volatilities.

## Investment Manager's Review

Government bonds in "core" economies such as the UK, the US and Germany have posted healthy gains in the 12 months to 31 January. All three markets have benefited from a flight to quality by investors worried by Europe's unfolding sovereign debt crisis. Growing worries about global economic growth were exacerbated by the supply chain disruption resulting from the Japanese earthquake and the rise in oil prices stemming from the disruption in the Middle East and North Africa.

In contrast, bonds issued by peripheral eurozone nations have suffered. Bond yields in Spain and Italy rose alarmingly as their budgetary troubles came under the spotlight. European regulators and legislators have undertaken a number of initiatives to alleviate the sovereign debt crisis – albeit with limited success.

Corporate bonds, meanwhile, experienced mixed fortunes. In the first half of the reporting period, many of the same forces that drove yields lower (and prices higher) in recent years continued to exert a positive influence. Strong results and falling debt levels reassured yield-hungry investors. But as the year progressed, fears about Europe's troubled economies resulted in a sharp widening of the spread between the yields provided by government and corporate bonds between April and November. Risk aversion rose; during the summer, the corporate bond market virtually seized up as financial institutions off-loaded their holdings indiscriminately. However, spreads tightened aggressively in the last two months of the review period.

Indeed, January 2012 was an extraordinary month for risky assets, with investment grade credit delivering a total return of almost 2%. High yielding corporate bonds did even better – European high yield returned 6.5%, and US high yield returned 2.9%. The main driver of this strong performance was the European Central Bank's long-term refinancing operation, which has allowed commercial banks to borrow from the ECB at 1% and invest the money for the next two to three years at a markedly higher yield.

Our interest rate strategies – particularly in relation to duration and inflation – had a positive effect on performance. Yield curve trades were also beneficial to returns. Among corporate bonds, the Fund started the year overweight in high yield, and overweight financials, increasing exposure in October and early January and reducing exposure once more in late January. Both areas made positive contributions. Conversely, our foreign exchange and active currency strategies marginally detracted from performance. Given the strong rally in corporate bonds and the uncertainty and risks to the global economy, the manager decided to reduce exposure to credit towards the end of January. At year end the Fund was neutral high yield and overweight financials through banks and insurance companies. The Fund is modestly short duration in government bonds, but we foresee much larger short positions in the coming months, particularly if economic data continues to be stronger than the markets anticipate and investor confidence improves.

The manager has also maintained long inflation positions, believing that the inflation premium priced into the market is insufficiently high to compensate for inflationary risks.

As things stand, we are confident that the portfolio is positioned to take account of market and economic developments. The coming year appears likely to bear similarities to 2011. We expect risk assets and particularly the corporate bond market to remain volatile.

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.

### Derivative risk factor (continued)

The Absolute VaR analysis for the Fund is produced on a daily basis. Market risk factors that are analysed include LIBOR/swap rate, government yield curves, equity prices, foreign exchange rates, market volatility. The Fund's current VaR limit is 6%. The VaR measures of the Fund for the year ended 31 January 2012 were as follows:

| | |
|---|---|
| Minimum VaR | 1.60% |
| Maximum VaR | 3.69% |
| Average VaR | 2.32% |

**Please note:** the market risk information is a relative estimate of risk rather than a precise and accurate number. The model is based on historical data and cannot take account of the fact that future market price movements, correlations between markets and level of market liquidity in conditions of market stress may bear no relation to historical patterns.

**Counterparty risk factor:** A counterparty may fail to honour its contractual arrangements with regard to the return of the collateral pledged by the Fund.

**Significant derivative use risk factor:** Derivatives may be used to a significant extent and have the potential to increase a Fund's risk profile and result in increased price volatility.

**Cash investments risk factor:** A substantial proportion of the Fund may consist of cash, near cash, deposits and/or money market instruments.

# SWIP EURO ABSOLUTE RETURN FUND

## Distribution

| XD Date | Payment Date |
|---|---|
| 31/01/12 | 31/03/12 |

## TER

| | 31/01/12 % | 31/01/11 % |
|---|---|---|
| J Accumulation (€ share class) | 0.80 | 0.80 |
| X Accumulation | 0.15 | 0.15 |

The Total Expense Ratio (TER) is the total expenses paid by each share class in the year against its average net asset value. The TER can fluctuate as underlying costs change.

## Details of investments

| Investments | 31/01/12 % | 31/01/11 % |
|---|---|---|
| Sterling Denominated Bonds | 44.88 | 27.29 |
| Euro Denominated Bonds | 32.57 | 57.98 |
| US Dollar Denominated Bonds | 6.69 | 1.35 |
| Collective Investment Schemes | 6.37 | 7.85 |
| Japanese Yen Denominated Bonds | 1.99 | 3.50 |
| Australian Dollar Denominated Bonds | 1.48 | - |
| Derivatives | 0.31 | 0.41 |
| Net other assets | 5.71 | 1.62 |
| Total net assets | 100.00 | 100.00 |

## Distribution

| | Final 31/01/12 (p/c) |
|---|---|
| J Accumulation (€ share class) | 1.0287c |
| X Accumulation | 1.2670 |

## Net asset value

| | NAV per share 31/01/12 (p) | NAV per share 31/01/11 (p) | NAV percentage change % |
|---|---|---|---|
| J Accumulation (€ share class) | 84.95 | 86.46 | (1.75) |
| X Accumulation | 100.67 | 101.92 | (1.23) |

## Performance record

| | 01/02/11 to 31/01/12 % | 27/09/10 to 31/01/11 % |
|---|---|---|
| Euro Absolute Return Fund X Accumulation | (1.08) | 0.68 |
| 3 Month Euribor | 1.44 | 0.33 |

*Source for Fund: SWIP. Basis: Mid to Mid, net revenue reinvested and net of expenses. Source: Datastream for the 3 Month Euribor, close of business. Basis: Revenue reinvested and gross of expenses.*

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

## Top five holdings

| | | 31/01/12 % | | 31/01/11 % |
|---|---|---|---|---|
| 1. | UK Treasury 2.5% Index-Linked 26/07/2016 | 5.59 | HSBC (FRN) 1.297% 04/02/2011 | 7.87 |
| 2. | SWIP Euro Liquidity Fund Institutional Shares | 3.84 | SWIP Euro Liquidity Fund Institutional Shares | 7.85 |
| 3. | UK Treasury 4.25% 07/12/2055 | 2.67 | UK Treasury 3.25% 07/12/2011 | 7.12 |
| 4. | SWIP High Yield Bond-X Acc | 2.53 | UK Treasury 2.5% Index Linked 26/07/2016 | 4.31 |
| 5. | Arkle Master Issuer (FRN) 1.18181% 17/02/2052 | 2.12 | Morgan Stanley 6.5% 15/04/2011 | 3.97 |

Number of holdings: 181 | Number of holdings: 58

## Summary of portfolio by credit ratings

| Rating block | 31/01/12 % | 31/01/11 % |
|---|---|---|
| AAA | 15.89 | 27.70 |
| AAA /*- | - | 2.01 |
| AA+ | 1.47 | - |
| AA | 2.12 | 12.86 |
| AA- | 10.57 | 7.44 |
| A+ | 7.46 | 6.25 |
| A | 11.31 | 10.29 |
| A- | 8.76 | 4.45 |
| BBB+ | 5.86 | - |
| BBB+ /*- | - | 0.79 |
| BBB | 5.54 | 2.04 |
| BBB /*- | - | 1.89 |
| BBB- | 5.05 | 0.89 |
| BB+ | 4.11 | - |
| BB | 3.47 | 4.74 |
| BB- | 0.79 | 0.81 |
| B+ | 0.24 | - |
| B | - | 0.48 |
| B- | 0.76 | 0.77 |
| NR | 4.21 | 6.71 |
| Total bonds | 87.61 | 90.12 |
| Other | 12.39 | 9.88 |
| Total net assets | 100.00 | 100.00 |

The credit ratings used in the above table have been supplied by Standard & Poor's, Moody's or Fitch Ratings.

# SWIP EUROPEAN FUND

for the year ended 31 January 2012

## Fund Profile

### Investment Objective & Policy

To provide a stable and consistent return through direct and indirect investment mainly in European securities (excluding the United Kingdom).

The Fund may also invest in depositary receipts and shares, other securities, convertibles, warrants, money market instruments, deposits, derivatives (for efficient portfolio management) and collective investment schemes.

The Fund may be invested in a limited number of holdings.

### Risk Profile

**Equity risk factor:** Equities are generally more risky than fixed interest securities. Considerable fluctuations in equity prices may mean that you do not get all your money back.

**Exchange rate risk factor:** Exchange rate changes may cause the value of any overseas investments, and any income from them, to go up or down.

**Derivatives risk factor:** The ACD may enter into derivative contracts on behalf of the Fund for the purpose of efficient portfolio management (EPM). The ACD monitors the use of derivative contracts to ensure that the requirements of EPM are satisfied.

Exposure to the various markets may be balanced through tactical asset allocation of futures contracts. Tactical asset allocation is a technique which allows the ACD to undertake a switch in the Fund's exposure by the use of derivatives rather than through the sale and purchase by the Fund of transferable securities.

If derivatives are used, the percentage movements in the value of the Fund will be different from the percentage movements in the markets. To ensure that global exposure relating to the derivative transactions does not exceed the net asset value of the Fund, the ACD uses the commitment approach which looks at the incremental exposure and leverage generated through the use of derivatives on a daily basis.

## Investment Manager's Review

The last 12 months have been a testing time for European investors. The sovereign debt crisis dominated proceedings, with contagion spreading from the relatively small nations of the periphery to Italy, Spain and France. The latter lost its triple A rating at the start of this year, much to the chagrin of the nation's politicians. They had been warned. Time and again Europe's leaders met to hammer out a "grand plan" to save the euro; each time the market was left disappointed.

Greece was once again under the spotlight in February as it scrambled to pass further austerity measures, thereby ensuring it could receive the next tranche of its bail-out money. The latest round of cuts eventually made it through the parliament – although not without mass civil unrest on the streets of Athens. The European Central Bank provided some much-needed support in December, however, making nearly half a trillion euros in ultra-cheap three-year loans to 523 of the region's struggling banks. The take-up was stronger than expected, and it is hoped the funds will be used to buy higher-yielding government bonds. Despite this, there are indications that the crisis is hitting the economy, with many now forecasting recession for the euro area. Overall, the FTSE Europe ex-UK index fell 14.8% in local currency terms.

Turning to the portfolio, Fresenius Medical Care was one of the Fund's best performing holdings as investors looked for safety in defensive healthcare stocks with structural growth prospects. They were also encouraged by a strong quarterly earnings update from this German firm. Elsewhere, French contact lens maker Essilor International saw its shares in demand during the summer after reporting a 7.8% rise in revenue for the first quarter of 2011. The company attributed the solid performance to earlier acquisitions, notably of FGX International in the US, as well as higher sales in emerging markets. Other highlights included Swedish Match and Barry Callebaut.

In contrast, a position in Fugro hurt performance after traders offloaded its shares on the back of uninspiring numbers. Meanwhile, a number of the Fund's banking stocks, including BNP Paribas and Commerzbank, suffered as worries mounted about their exposure to sovereign debt. Holdings in Metso and Aixtron also disappointed. We no longer carry these stocks.

The more optimistic mood currently pervading the market is welcome – although a modicum of caution is advised. The eurozone crisis, despite the recent Greek debt deal that staved off default, is far from over. Politicians on the continent face a number of tough decisions in the months ahead, while austerity measures will be felt across the region for some time. The US economy, meanwhile, has started to heal, but it too still has a long way to go. The outlook for China – for many in the West a bastion of growth – could also deteriorate. But central banks across the world have shown their willingness to act to support financial markets and their respective economies. The corporate world, meanwhile, is in fine fettle. Balance sheets have been repaired, while many firms are sitting on sizeable cash-piles. These factors should feed through to heightened returns for investors in the months to come.

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.

# SWIP EUROPEAN FUND

## Distribution

| XD Date | Payment Date |
|---|---|
| 31/01/12 | 31/03/12 |

## TER

| | 31/01/12 % | 31/01/11 % |
|---|---|---|
| A Accumulation | 1.66 | 1.66 |
| B Accumulation | 0.91 | 0.91 |
| E Accumulation (€ share class) | 1.66 | 1.63 |
| J Accumulation (€ share class) | 0.93 | 0.99 |

The Total Expense Ratio (TER) is the total expenses paid by each share class in the year against its average net asset value. The TER can fluctuate as underlying costs change.

## Details of investments

| Investments | 31/01/12 % | 31/01/11 % |
|---|---|---|
| France | 28.72 | 33.85 |
| Germany | 21.93 | 14.42 |
| Switzerland | 18.80 | 15.36 |
| Belgium | 5.05 | 4.36 |
| Netherlands | 4.38 | 10.73 |
| Finland | 4.02 | 1.77 |
| Italy | 3.11 | 8.24 |
| Norway | 3.05 | 1.51 |
| Sweden | 2.94 | 3.82 |
| Luxembourg | 2.76 | 2.98 |
| Austria | 2.16 | 2.16 |
| Net other assets | 3.08 | 0.80 |
| Total net assets | 100.00 | 100.00 |

## Net asset value

| | NAV per share 31/01/12 (p) | NAV per share 31/01/11 (p) | NAV percentage change % |
|---|---|---|---|
| A Accumulation | 683.97 | 769.76 | (11.15) |
| B Accumulation | 549.86 | 614.19 | (10.47) |
| E Accumulation (€ share class) | 71.01 | 79.91 | (11.14) |
| J Accumulation (€ share class) | 72.73 | 81.28 | (10.52) |

## Performance record

| | 01/02/11 to 31/01/12 % | 01/02/10 to 31/01/11 % | 01/02/09 to 31/01/10 % | 01/02/08 to 31/01/09 % | 01/02/07 to 31/01/08 % |
|---|---|---|---|---|---|
| European Fund A Accumulation | (11.13) | 14.36 | 19.97 | (26.72) | 7.40 |
| Europe ex-UK Sector Average Return | (12.02) | 16.08 | 26.39 | (23.98) | (1.50) |
| FTSE Europe ex-UK Index | (13.51) | 15.30 | 31.30 | (26.35) | 1.99 |

*Source: Lipper for European Fund and Europe ex-UK Sector Average Return (funds which invest at least 80% of their assets in European equities and exclude UK securities). Basis: Mid to Mid, net revenue reinvested and net of expenses. Source: Rimes for the FTSE Europe ex-UK Index (GBP), close of business. Basis: Revenue reinvested and gross of expenses.*

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

## Distribution

| | Final 31/01/12 (p/c) |
|---|---|
| A Accumulation | 7.4741 |
| B Accumulation | 10.4068 |
| E Accumulation (€ share class) | 0.9972c |
| J Accumulation (€ share class) | 1.5908c |

## Top five holdings

| | | 31/01/12 % | | 31/01/11 % |
|---|---|---|---|---|
| 1. | Total | 4.26 | Nestle | 4.02 |
| 2. | Nestle | 4.11 | Siemens | 3.85 |
| 3. | SAP | 3.20 | ING | 3.59 |
| 4. | Sanofi | 3.06 | Total | 3.50 |
| 5. | Bureau Veritas | 3.05 | BNP Paribas | 3.29 |

Number of holdings: 43

Number of holdings: 48

# SWIP EUROPEAN CORPORATE BOND FUND

for the year ended 31 January 2012

## Fund Profile

### Investment Objective & Policy

To provide a total return by investing predominantly in euro denominated fixed interest securities.

The Fund will invest predominantly in euro denominated investment grade securities. The Fund may invest in fixed interest securities issued by corporations, governments, local authorities and international public bodies as well as floating rate notes and variable rate notes. The Fund may also invest in sub-investment grade securities. Investment grade being BBB- and better as defined by S&P or any other measure which the ACD in its discretion determines from time to time.

The Fund may also invest in other securities, money market instruments, deposits, derivatives (for efficient portfolio management) and collective investment schemes, and may hold securities of any duration.

### Risk Profile

**Exchange rate risk factor:** Exchange rate changes may cause the value of any overseas investments, and any income from them, to go up or down.

**Interest rates risk factor:** Fluctuations in interest rates are likely to affect the value of fixed interest securities.

**Fixed interest securities risk factor:** Some of the companies and governments that we invest in who issue fixed interest securities might not be able to meet their payments, or their credit rating might fall. Sub-investment grade bonds carry a higher risk of default and their value may fall should an issuer default or receive a reduced credit rating.

**Single government issue risk factor:** More than 35% of the Fund may be invested in fixed interest securities issued by a single government.

**Derivatives risk factor:** During the year the ACD entered into derivative contracts on behalf of the Fund for the purpose of efficient portfolio management (EPM). The ACD monitors the use of derivative contracts to ensure that the requirements of EPM are satisfied.

Exposure to the various markets may be balanced through tactical asset allocation of futures contracts. Tactical asset allocation is a technique which allows the ACD to undertake a switch in the Fund's exposure by the use of derivatives rather than through the sale and purchase by the Fund of transferable securities.

Due to the use of derivatives, the percentage movements in the value of the Fund will be different from the percentage movements in the markets. To ensure that global exposure relating to the derivative transactions does not exceed the net asset value of the Fund, the ACD uses the commitment approach which looks at the incremental exposure and leverage generated through the use of derivatives on a daily basis.

## Investment Manager's Review

The first three months of the review period brought healthy gains for corporate bonds, but thereafter the environment proved considerably more difficult.

The eurozone sovereign debt crisis has cast a dark shadow over bond markets, and for most of the period from May onwards, the spread between the yield on corporate credit and the yield on government bonds widened. Much of this was due to a sharp fall in gilt yields as concerns about Greece's debt-ridden economy spread to encompass the much larger economies of Spain and Italy. This prompted a wholesale move into lower-risk assets, notably government bonds from Germany, the US and the UK.

Financial sector corporate bonds struggled amid mounting concerns over the volume of peripheral sovereign debt held by the region's banks. As yields on Italian and Spanish ten-year bonds climbed to euro-era highs, the European Central Bank mounted a series of interventions in a bid to shore up confidence. This led to wild swings in investor confidence – first optimistic, then pessimistic as to the chance of reaching a successful conclusion.

The most recent action – a long-term refinancing operation (LTRO) – was moderately successful in putting a ceiling on government bond yields. The LTRO pumped liquidity into the eurozone's embattled commercial banking sector by extending €489 billion of cheap loans to 523 banks. The provision of virtually unlimited liquidity boosted confidence in the corporate bond market. Banks utilised much of the borrowing to buy back their subordinated debt at a discount to par, but at a premium to prevailing market values. These transactions effectively put a floor under subordinated debt valuations, helping drive very strong performance from the asset class in January 2012.

At the start of the review period the Fund benefited from a rally in corporate bonds. We used this positive start to the year to sell down the Fund's exposure to banks in Italy and Spain, this proved highly advantageous to the Fund in the second half of the year. Elsewhere, despite the rise in market volatility, we were able to take advantage of some good investment opportunities. These included new issues from Swiss confectioners Barry Callebaut and Origin Energy. The latter, one of Australasia's largest energy groups, is fund raising to help grow its Asian operations.

From August onwards, European markets seized up and liquidity became almost non-existent. This meant there were few trades to speak of in the autumn. Overall, the manager focused on reducing portfolio risk. In October an improvement in market conditions encouraged issuers to return to the market. The manager participated in a variety of new issues, by names such as Volkswagen and mobile telecoms company America Movil.

An overweight allocation to financials hurt Fund performance in November and December, but was positive in January 2012 as spreads narrowed substantially. An allocation to German government bonds (Bunds) made a significant contribution in December as yields continued to fall. Overall the Fund performed very well in 2011, easily outperforming its benchmark.

Although the macroeconomic backdrop remains fragile and the fundamentals remain weak, the credit market is being driven by positive technical factors. In particular, investors started 2012 with significant cash balances to invest into a market where the investment banks are running low levels of inventory. However, we do expect corporate bond spreads to remain volatile in the year ahead.

# SWIP EUROPEAN CORPORATE BOND FUND

## Distribution

| XD Date | Payment Date |
|---|---|
| 31/10/11 | 31/12/11 |
| 31/01/12 | 31/03/12 |

## TER

| | 31/01/12 % | 31/01/11 % |
|---|---|---|
| A Income | 1.13 | 1.13 |
| B Accumulation | 0.61 | 0.62 |
| B Income | 0.63 | 0.63 |
| E Accumulation (€ share class) | 1.13 | 1.13 |
| J Accumulation (€ share class) | 0.55 | 0.51 |

The Total Expense Ratio (TER) is the total expenses paid by each share class in the year against its average net asset value. The TER can fluctuate as underlying costs change.

## Details of investments*

| Investments | 31/01/12 % | 31/01/11 % |
|---|---|---|
| Euro Denominated Bonds | 84.44 | 85.55 |
| Sterling Denominated Bonds | 11.00 | 10.68 |
| US Dollar Denominated Bonds | 1.47 | 2.10 |
| Derivatives | 0.68 | 0.05 |
| Net other assets | 2.41 | 1.62 |
| Total net assets | 100.00 | 100.00 |

## Summary of portfolio by credit ratings

| Rating block | 31/01/12 % | 31/01/11 % |
|---|---|---|
| AAA | 0.40 | 6.51 |
| AA+ | 1.20 | 1.78 |
| AA | 0.59 | 2.73 |
| AA- | 3.52 | 3.58 |
| A+ | 11.05 | 11.17 |
| A | 9.95 | 17.56 |
| A /*- | - | 0.40 |
| A- | 19.57 | 12.83 |
| BBB+ | 20.05 | 12.51 |
| BBB+ /*- | - | 0.40 |
| BBB | 12.50 | 16.73 |
| BBB /*- | - | 1.02 |
| BBB- | 5.38 | 5.13 |
| BB+ | 2.88 | 0.61 |
| BB | 1.42 | 2.20 |
| BB- | 0.24 | 1.44 |
| B+ | 0.17 | - |
| B- | - | 0.02 |
| C | - | 0.11 |
| NR | 7.99 | 0.95 |
| Total bonds | 96.91 | 97.68 |
| Other | 3.09 | 2.32 |
| Total net assets | 100.00 | 100.00 |

The credit ratings used in the above table have been supplied by Standard & Poor's, Moody's or Fitch Ratings.

*Prior year restated by £1.263m due to disclosure of income payable as retained distribution on accumulation shares in final report.

## Net asset value*

| | NAV per share 31/01/12 (p) | NAV per share 31/01/11 (p) | NAV percentage change % |
|---|---|---|---|
| A Income | 121.41 | 121.55 | (0.12) |
| B Accumulation | 142.66 | 137.90 | 3.45 |
| B Income | 120.86 | 121.00 | (0.12) |
| E Accumulation (€ share class) | 104.22 | 101.14 | 3.05 |
| J Accumulation (€ share class) | 110.98 | 107.26 | 3.47 |

## Performance record

| | 01/02/11 to 31/01/12 % | 01/02/10 to 31/01/11 % | 01/02/09 to 31/01/10 % | 01/02/08 to 31/01/09 % | 01/02/07 to 31/01/08 % |
|---|---|---|---|---|---|
| European Corporate Bond Fund A Income | 3.18 | 1.06 | 23.01 | 4.09 | 10.71 |
| Global Bond Sector Average Return | 4.81 | 6.24 | 7.79 | 12.06 | 6.79 |
| iBoxx Euro Large Cap Corporate Bonds over 5 years Index | 2.89 | 1.75 | 21.91 | 5.84 | 11.42 |

*Source: Lipper for European Corporate Bond Fund and Global Bond 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: Deutsche Bank website for the iBoxx Euro Large Cap Corporate Bonds over 5 years Index (GBP), close of business. Basis: Gross revenue reinvested and gross of expenses.*

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

## Distribution

| | Third interim 31/10/11 (p/c) | Final 31/01/12 (p/c) |
|---|---|---|
| A Income | 1.0389 | 0.8987 |
| B Accumulation | 1.3518 | 1.1919 |
| B Income | 1.1632 | 1.0155 |
| E Accumulation (€ share class) | 1.0029c | 0.9152c |
| J Accumulation (€ share class) | 1.1831c | 1.1107c |

## Top five holdings

| | 31/01/12 % | | 31/01/11 % |
|---|---|---|---|
| 1. Citigroup 7.375% 04/09/2019 | 2.44 | RWE 6.5% 10/08/2021 | 2.45 |
| 2. E.ON 5.75% 07/05/2020 | 2.27 | Bundesrepublik Deutschland 4.25% 04/07/2018 | 1.99 |
| 3. Lloyds TSB Bank 6.375% 17/06/2016 | 1.82 | France Government Bond OAT 4% 25/10/2038 | 1.74 |
| 4. Bundesrepublik Deutschland 6.25% 04/01/2024 | 1.81 | Lloyds TSB Bank 6.375% 17/06/2016 | 1.66 |
| 5. Deutche Telekom 6% 20/01/2017 | 1.60 | E.ON 5.75% 07/05/2020 | 1.56 |
| Number of holdings: 171 | | Number of holdings: 198 | |

## Fund Profile

### Investment Objective & Policy

To provide an income in excess of the FTSE Europe ex-UK Index together with capital growth over the long term.

The Fund will predominantly invest directly and indirectly in: securities listed on European (excluding the UK) markets; securities of companies that are incorporated in Europe (excluding the UK), but whose securities are listed on a market outside of Europe (excluding the UK); or in companies that derive the majority of their economic activity from Europe (excluding the UK).

The Fund may also invest in depositary receipts and shares, convertibles, warrants, debt securities, other transferable securities money market instruments, cash, near cash, deposits, collective investment schemes and derivatives (for efficient portfolio management). Use may also be made of stocklending, borrowing, hedging and other techniques permitted by FSA rules.

The Fund may be invested in a limited number of holdings.

It is not currently intended that derivatives will be used for any purpose other than hedging currency exposure where it is appropriate to do so and the efficient portfolio management of the Fund, although derivatives may, subject to the ACD obtaining and maintaining the requisite permissions from the FSA under the Financial Services and Markets Act 2000 and on giving not less than 60 days' notice to shareholders in the Fund, use derivatives in pursuit of its investment objective as well as hedging in the future. If derivatives are used for the purpose of meeting the investment objective of the Fund as well as hedging it is not intended that the use of derivatives would raise the risk profile.

### Risk Profile

**Equity risk factor:** Equities are generally more risky than fixed interest securities. Considerable fluctuations in equity prices may mean that you do not get all your money back.

**Exchange rate risk factor:** Exchange rate changes may cause the value of any overseas investments, and any income from them, to go up or down.

**Derivatives risk factor:** The ACD may enter into derivative contracts on behalf of the Fund for the purpose of efficient portfolio management (EPM). The ACD monitors the use of derivative contracts to ensure that the requirements of EPM are satisfied.

Exposure to the various markets may be balanced through tactical asset allocation of futures contracts. Tactical asset allocation is a technique which allows the ACD to undertake a switch in the Fund's exposure by the use of derivatives rather than through the sale and purchase by the Fund of transferable securities.

If derivatives are used, the percentage movements in the value of the Fund will be different from the percentage movements in the markets. To ensure that global exposure relating to the derivative transactions does not exceed the net asset value of the Fund, the ACD uses the commitment approach which looks at the incremental exposure and leverage generated through the use of derivatives on a daily basis.

## Investment Manager's Review

The last 12 months have been a testing time for European investors. The sovereign debt crisis dominated proceedings, with contagion spreading from the relatively small nations of the periphery to Italy, Spain and France. The latter lost its triple A rating at the start of this year, much to the chagrin of the nation's politicians. They had been warned. Time and again Europe's leaders met to hammer out a "grand plan" to save the euro; each time the market was left disappointed.

Greece was once again under the spotlight in February as it scrambled to pass further austerity measures, thereby ensuring it could receive the next tranche of its bail-out money. The latest round of cuts eventually made it through the parliament – although not without mass civil unrest on the streets of Athens. The European Central Bank provided some much-needed support in December, however, making nearly half a trillion euros in ultra-cheap three-year loans to 523 of the region's struggling banks. The take-up was stronger than expected, and it is hoped the funds will be used to buy higher-yielding government bonds. Despite this, there are indications that the crisis is hitting the economy, with many now forecasting recession for the euro area. Overall, the FTSE Europe ex-UK index fell 14.8% in local currency terms.

Turning to the portfolio, Freenet was one of the Fund's best performing holdings as investors continued to look for stable cash-generating businesses in a market environment dominated by the challenging world economic outlook. Its strategy of targeting smartphone users in order to capture the shift from plain vanilla phones to handsets with mobile broadband access is also proving to be successful. Elsewhere, a position in French pharmaceuticals group Sanofi (previously Sanofi-Aventis) boosted the portfolio's returns. The group's sales remain healthy despite ongoing competition from rival companies offering generic alternatives. With a good product pipeline, Sanofi should continue to perform well for the Fund in the months to come. Other highlights included Telenet and Anheuser-Busch InBev.

In contrast, Dutch food retailer CSM had a tough review period. The firm's stock plunged after it issued a series of profit warnings, citing poor sales figures and a decline in consumer confidence in some of its key markets. Since October, however, the stock has gradually recovered and we continue to carry it in the portfolio. Elsewhere, Temenos, the banking technology group, suffered after announcing full-year 2011 revenue guidance that was below market expectations. The ongoing strength of the Swiss franc also hurt performance. We no longer carry this stock. Positions in Societe Generale and HeidelbergCement also detracted from the Fund's showing. We no longer carry the latter two stocks in the portfolio.

The more optimistic mood currently pervading the market is welcome - although a modicum of caution is advised. The eurozone crisis, despite the recent Greek debt deal that staved off default, is far from over. Politicians on the continent face a number of tough decisions in the months ahead, while austerity measures will be felt across the region for some time. The US economy, meanwhile, has started to heal, but it too still has a long way to go. The outlook for China – for many in the West a bastion of growth – could also deteriorate. But central banks across the world have shown their willingness to act to support financial markets and their respective economies. The corporate world, meanwhile, is in fine fettle. Balance sheets have been repaired, while many firms are sitting on sizeable cash-piles. These factors should feed through to heightened returns for investors in the months to come.

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.

# SWIP EUROPEAN INCOME FUND

## Distribution

| XD Date | Payment Date |
|---|---|
| 31/01/12 | 31/03/12 |

## TER

| | 31/01/12 % | 31/01/11 % |
|---|---|---|
| A Accumulation | 1.66 | 1.66 |
| A Income | 1.66 | 1.66 |
| B Accumulation | 0.90 | 0.93 |
| B Income | 0.88 | 0.89 |
| E Accumulation (€ share class) | 1.63 | 1.65 |
| J Accumulation (€ share class) | 0.96 | 0.96 |

The Total Expense Ratio (TER) is the total expenses paid by each share class in the year against its average net asset value. The TER can fluctuate as underlying costs change.

## Details of investments

| Investments | 31/01/12 % | 31/01/11 % |
|---|---|---|
| France | 25.43 | 24.77 |
| Germany | 16.11 | 20.17 |
| Switzerland | 16.05 | 14.84 |
| Italy | 8.55 | 12.13 |
| Netherlands | 7.12 | 9.82 |
| Belgium | 5.55 | 4.19 |
| Ireland | 5.44 | 4.10 |
| Finland | 5.35 | 2.08 |
| United Kingdom | 4.81 | - |
| Sweden | 1.63 | - |
| Luxembourg | 1.54 | 3.46 |
| Norway | 1.45 | 1.51 |
| Spain | - | 1.00 |
| Net other assets | 0.97 | 1.93 |
| Total net assets | 100.00 | 100.00 |

## Net asset value

| | NAV per share 31/01/12 (p) | NAV per share 31/01/11 (p) | NAV percentage change % |
|---|---|---|---|
| A Accumulation | 87.62 | 100.51 | (12.82) |
| A Income | 73.37 | 88.23 | (16.84) |
| B Accumulation | 90.06 | 100.75 | (10.61) |
| B Income | 75.51 | 90.09 | (16.18) |
| E Accumulation (€ share class) | 98.27 | 112.69 | (12.80) |
| J Accumulation (€ share class) | 98.74 | 112.48 | (12.22) |

## Performance record

| | 01/02/11 to 31/01/12 % | 01/02/10 to 31/01/11 % | 01/02/09 to 31/01/10 % | 01/02/08 to 31/01/09 % | 17/02/07 to 31/01/08 % |
|---|---|---|---|---|---|
| European Income Fund A Accumulation | (12.86) | 13.75 | 28.38 | (24.37) | (8.91) |
| Europe ex-UK Sector Average Return | (12.02) | 16.08 | 26.39 | (23.98) | (7.66) |
| FTSE Europe ex-UK Index | (13.51) | 15.30 | 31.30 | (26.35) | (7.00) |

*Source: Lipper for European Income Fund and Europe ex-UK Sector Average Return (funds which invest at least 80% of their assets in European equities and exclude UK securities). Basis: Mid to Mid, net revenue reinvested and net of expenses.*
*Source: Rimes for the FTSE Europe ex-UK Index (GBP), close of business. Basis: Revenue reinvested and gross of expenses.*
Past performance is not a guide to future performance. The value of an investment and any revenue from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

## Distribution

| | Final 31/01/12 (p/c) |
|---|---|
| A Accumulation | 1.0494 |
| A Income | 0.8904 |
| B Accumulation | 0.9880 |
| B Income | 0.9058 |
| E Accumulation (€ share class) | 1.3859c |
| J Accumulation (€ share class) | 1.4175c |

## Top five holdings

| | 31/01/12 % | | 31/01/11 % |
|---|---|---|---|
| 1. Nestle | 5.09 | Siemens | 5.55 |
| 2. Sanofi | 4.44 | Vinci | 3.39 |
| 3. Total | 4.39 | Nestle | 3.39 |
| 4. Novartis | 4.24 | Credit Suisse | 3.28 |
| 5. Anheuser-Busch InBev | 3.78 | BNP Paribas | 3.15 |

Number of holdings: 45 Number of holdings: 51

# SWIP EUROPEAN REAL ESTATE FUND

for the year ended 31 January 2012

## Fund Profile

### Investment Objective & Policy

The Fund's aim is to provide a total return by investing directly and indirectly principally in a portfolio of companies whose activities include the ownership, management or development of European real estate.

The Fund will predominantly invest in the securities of companies that derive the majority of their income from the ownership, management or development of real estate located in Europe including the United Kingdom. The Fund may also invest in warrants, derivatives (for efficient portfolio management) and collective investment schemes.

### Risk Profile

**Equity risk factor:** Equities are generally more risky than fixed interest securities. Considerable fluctuations in equity prices may mean that you do not get all your money back.

**Exchange rate risk factor:** Exchange rate changes may cause the value of any overseas investments, and any income from them, to go up or down.

**Derivatives risk factor:** The ACD may enter into derivative contracts on behalf of the Fund for the purpose of efficient portfolio management (EPM). The ACD monitors the use of derivative contracts to ensure that the requirements of EPM are satisfied.

Exposure to the various markets may be balanced through tactical asset allocation of futures contracts. Tactical asset allocation is a technique which allows the ACD to undertake a switch in the Fund's exposure by the use of derivatives rather than through the sale and purchase by the Fund of transferable securities.

If derivatives are used, the percentage movements in the value of the Fund will be different from the percentage movements in the markets. To ensure that global exposure relating to the derivative transactions does not exceed the net asset value of the Fund, the ACD uses the commitment approach which looks at the incremental exposure and leverage generated through the use of derivatives on a daily basis.

## Investment Manager's Review

Over the 12 months to the end of January 2012, the Fund returned -7.0% (calculated gross of expenses) outperforming the benchmark index, the FTSE EPRA NAREIT Europe All Restricted 10% capped, which returned -8.4%.

It was a difficult 12 months for the European real estate market. The first six months of the reporting period saw shares make significant headway, with investors buoyed by better economic data and a strong central London property market. The rest of the year, though, saw markets reverse most of those earlier gains. Global stock markets started to decline in July as concerns escalated over the eurozone sovereign debt crisis and the implications it would have on the global economy. Investors sold shares indiscriminately in an effort to flee any perceived level of risk. Volatility dogged the market for the remainder of the year until the market started to pick up again at the start of 2012.

Fund performance, relative to the benchmark, benefited from avoiding a number of poor-quality, illiquid stocks in the index, such as CA Immobilien, IVG Immobilien and Gagfah. An overweight position in GSW Immobilien, a German residential stock, was positive for performance over the year. This Berlin-focused, well-managed company has seen investor interest following its IPO in April 2011. Some UK stocks held up well over the year, as the central London property markets outperformed the rest of the UK. Our overweight positions in Shaftesbury, Derwent London and Great Portland Estates were all positive for performance.

Non euro-denominated stocks benefited from the turmoil in Europe as investors looked for safe havens outside the eurozone. As a result, a zero weighting in Wallenstam (Swedish) and Allreal (Swiss) was negative for performance, as we chose not to hold very small and illiquid stocks in the portfolio.

We added to our positions in GSW Immobilien and TAG Immobilien over the year, as the German residential market continues to offer good growth potential. The UK stock, LXB Retail Properties, was added to the portfolio in May. This company has a number of attractive retail redevelopment projects underway with secured pre-lets. Meanwhile, we sold shares in two French companies, Fonciere des Regions and SILIC, as secondary office markets are likely to be weaker in the future. ProLogis European Properties was sold from the portfolio as a result of a tender offer from ProLogis, which we accepted; we had concerns over its debt levels and corporate governance issues.

Although European real estate has had an impressive start to 2012, we maintain a degree of caution at this stage. While a market rally is very welcome after a difficult 2011, the stocks rebounding the most are those that struggled over 2011, and typically have weaker balance sheets. As research-led stock pickers, we remain focused on well-managed companies with strong balance sheets and little near-term refinancing. Accordingly, the market has not moved in our favour year-to-date, although we maintain a high conviction in the stocks we hold. Our exposure is mainly concentrated in the UK, Germany and Sweden, although we continue to look for pockets of growth across Europe. Property stocks are still trading at significant discounts, so they still look good value in the current environment.

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.

# SWIP EUROPEAN REAL ESTATE FUND

## Distribution

| XD Date | Payment Date |
|---|---|
| 31/01/12 | 31/03/12 |

## TER

| | 31/01/12 % | 31/01/11 % |
|---|---|---|
| A Accumulation | 1.64 | 1.65 |
| A Income | 1.64 | 1.65 |
| B Accumulation | 0.87 | 0.88 |
| B Income | 0.89 | 0.89 |
| C Accumulation | 1.12 | 1.13 |
| C Income | 1.14 | 1.15 |
| E Accumulation (€ share class) | 1.64 | 1.63 |
| J Accumulation (€ share class) | 0.92 | 0.93 |
| X Accumulation | 0.14 | 0.14 |

The Total Expense Ratio (TER) is the total expenses paid by each share class in the year against its average net asset value. The TER can fluctuate as underlying costs change.

## Details of investments

| Investments | 31/01/12 % | 31/01/11 % |
|---|---|---|
| United Kingdom | 26.04 | 28.58 |
| France | 23.50 | 27.17 |
| Germany | 12.82 | 4.79 |
| Switzerland | 11.03 | 7.76 |
| Netherlands | 10.19 | 13.40 |
| Sweden | 8.21 | 8.94 |
| Finland | 2.16 | 2.65 |
| Belgium | 1.63 | 2.01 |
| Norway | 1.46 | 0.97 |
| Austria | 0.99 | 1.51 |
| Jersey | 0.66 | - |
| Luxembourg | - | 1.03 |
| Italy | - | 0.97 |
| Total investments | 98.69 | 99.78 |
| Net other assets | 1.31 | 0.22 |
| Total net assets | 100.00 | 100.00 |

## Net asset value

| | NAV per share 31/01/12 (p) | NAV per share 31/01/11 (p) | NAV percentage change % |
|---|---|---|---|
| A Accumulation | 99.70 | 108.53 | (8.14) |
| A Income | 74.97 | 84.61 | (11.39) |
| B Accumulation | 75.70 | 81.90 | (7.57) |
| B Income | 63.39 | 71.14 | (10.89) |
| C Accumulation | 95.48 | 103.51 | (7.76) |
| C Income | 77.22 | 86.80 | (11.04) |
| E Accumulation (€ share class) | 52.97 | 57.65 | (8.12) |
| J Accumulation (€ share class) | 75.95 | 82.20 | (7.60) |
| X Accumulation | 107.79 | 115.94 | (7.03) |

## Performance record

| | 01/02/11 to 31/01/12 % | 01/02/10 to 31/01/11 % | 01/02/09 to 31/01/10 % | 01/02/08 to 31/01/09 % | 01/02/07 to 31/01/08 % |
|---|---|---|---|---|---|
| European Real Estate A Accumulation | (7.82) | 18.73 | 30.88 | (38.60) | (25.35) |
| Specialist Sector Average | N/A | 13.58 | 35.13 | (24.20) | (28.49) |
| FTSE EPRA NAREIT Europe All Restricted Index | (8.38) | 17.61 | 35.20 | (38.41) | (21.41) |

*Source: Lipper for European Real Estate Fund and Specialist Sector Average Return (funds that have an investment universe that is not accommodated by the mainstream sectors. Performance ranking of funds within this sector as a whole is inappropriate, given the diverse nature of its constituents). Basis: Mid to Mid, net revenue reinvested and net of expenses.*
*Source: Rimes for FTSE EPRA NAREIT Europe All Restricted Index (GBP), close of business. Basis: Revenue reinvested and gross of expenses.*
Past performance is not a guide to future performance. The value of an investment and any revenue from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

## Distribution

| | Final 31/01/12 (p/c) |
|---|---|
| A Accumulation | 1.0373 |
| A Income | 0.7870 |
| B Accumulation | 0.7846 |
| B Income | 0.6641 |
| C Accumulation | 0.9885 |
| C Income | 0.8099 |
| E Accumulation (€ share class) | 0.6589c |
| J Accumulation (€ share class) | 0.9420c |
| X Accumulation | 1.1177 |

## Top five holdings

| | 31/01/12 % | | 31/01/11 % |
|---|---|---|---|
| 1. Unibail-Rodamco ** | 10.36 | Unibail-Rodamco ** | 9.01 |
| 2. Land Securities ** | 5.96 | Corio ** | 6.40 |
| 3. Corio ** | 5.77 | Land Securities ** | 6.03 |
| 4. PSP Swiss Property | 5.15 | British Land ** | 5.37 |
| 5. British Land ** | 5.05 | PSP Swiss Property | 4.34 |

Number of holdings: 42

Number of holdings: 44

** Real Estate Investment Trust (REIT).

# SWIP GLOBAL FUND



## Fund Profile

### Investment Objective & Policy

To provide investors with long-term capital growth through direct and indirect investment in a portfolio of securities issued by companies from around the world.

The Fund may also invest in depositary receipts and shares, other securities, convertibles, warrants, money market instruments, deposits, derivatives (for efficient portfolio management) and collective investment schemes.

The Fund may be invested in a limited number of holdings.

### Risk Profile

**Equity risk factor:** Equities are generally more risky than fixed interest securities. Considerable fluctuations in equity prices may mean that you do not get all your money back.

**Exchange rate risk factor:** Exchange rate changes may cause the value of any overseas investments, and any income from them, to go up or down.

**Market risk factor:** Investments in these markets may involve a higher element of risk due to less regulated and under-developed markets and political and economic instability.

**Derivatives risk factor:** The ACD may enter into derivative contracts on behalf of the Fund for the purpose of efficient portfolio management (EPM). The ACD monitors the use of derivative contracts to ensure that the requirements of EPM are satisfied.

Exposure to the various markets may be balanced through tactical asset allocation of futures contracts. Tactical asset allocation is a technique which allows the ACD to undertake a switch in the Fund's exposure by the use of derivatives rather than through the sale and purchase by the Fund of transferable securities.

If derivatives are used, the percentage movements in the value of the Fund will be different from the percentage movements in the markets. To ensure that global exposure relating to the derivative transactions does not exceed the net asset value of the Fund, the ACD uses the commitment approach which looks at the incremental exposure and leverage generated through the use of derivatives on a daily basis.

## Investment Manager's Review

The last 12 months have been a very testing time for the global economy, with the eurozone sovereign debt crisis dominating sentiment. World equity markets have been hugely volatile, ending the period slightly down compared to a year before.

The slowing global economy and the problems in the eurozone have cast a long shadow across the UK market. Japanese equities also fell following the earthquake and tsunami in March.

European equities markets slumped, as anxious traders offloaded riskier assets in favour of the relative safety of "core" government bonds. Europe's banking sector bore the brunt of the selling, with a number of downgrades to the regions' lenders exacerbating matters. Risk appetite has recently shown signs of returning, however. Stronger-than-expected economic data from the US have been particularly supportive of this trend. In the final quarter of 2011, industrial stocks were buoyed by readings of above 50 (indicating expansion) on the Institute of Supply Management's manufacturing index.

The majority of our best-performing stocks over the first half of the reporting period have something in common – they are from traditionally "defensive" or non-economically sensitive areas of the market. Companies such as Lorillard and Imperial Tobacco fall into this category. More recently, however, economically-sensitive stocks have returned to favour. Stanley Black & Decker and MSC Industrial Direct, for example, have been big beneficiaries of the improving theme in US manufacturing data.

In contrast, Constant Contact, the marketing company, was a detractor from performance over the reporting period. Constant Contact is reliant on custom from small business formation. Such enterprises would usually lead the way out of a recession, but this has not come to fruition as yet. We sold the stock in September.

Finally, a combination of emerging market jitters and stock-specific concerns about patent infringement led HTC (Taiwan) lower in late 2011. We sold the stock in January. South Korea's Lotte Shopping was also caught up in emerging market worries.

In early 2012, the accommodative stance of some of the world's central banks has lent support to risk assets. The pace of economic growth in Europe and China remains a key variable for markets, while the US has shown more visible signs of an improvement in activity levels. The Fund remains balanced, with a growing preference for companies that can pay a growing income in dividends.

As such, the Fund has a comparatively lower exposure to telecoms and utilities, as their income streams are likely to come under pressure. Healthcare is the Fund's largest overweight position relative to the benchmark. This is due to our belief that pharmaceutical companies which have been out of favour for many years now offer an interesting combination of both income and growth.

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.

# SWIP GLOBAL FUND

## Distribution

| XD Date | Payment Date |
|---|---|
| 31/01/12 | 31/03/12 |

## TER

| | 31/01/12 % | 31/01/11 % |
|---|---|---|
| A Accumulation | 1.80 | 1.73 |
| E Accumulation (€ share class) | 1.80 | 1.73 |
| J Accumulation (€ share class) | 1.07 | 1.04 |

The Total Expense Ratio (TER) is the total expenses paid by each share class in the year against its average net asset value. The TER can fluctuate as underlying costs change.

## Details of investments

| Investments | 31/01/12 % | 31/01/11 % |
|---|---|---|
| United States | 56.68 | 39.47 |
| United Kingdom | 9.79 | 14.82 |
| Japan | 5.18 | 10.99 |
| Switzerland | 4.38 | 5.33 |
| France | 3.34 | - |
| Germany | 3.14 | 2.72 |
| Canada | 3.14 | 2.58 |
| Russia | 2.31 | 2.33 |
| South Korea | 1.95 | 2.14 |
| Brazil | 1.89 | - |
| Netherlands | 1.80 | 4.40 |
| Singapore | 1.30 | - |
| Ireland | 1.13 | - |
| Bermuda | 0.76 | - |
| Isle Of Man | 0.66 | - |
| Finland | - | 4.74 |
| Taiwan | - | 3.29 |
| China | - | 2.56 |
| Hong Kong | - | 1.94 |
| Mexico | - | 1.47 |
| Net other assets | 2.55 | 1.22 |
| Total net assets | 100.00 | 100.00 |

## Net asset value

| | NAV per share 31/01/12 (p) | NAV per share 31/01/11 (p) | NAV percentage change % |
|---|---|---|---|
| A Accumulation | 398.63 | 410.72 | (2.94) |
| E Accumulation (€ share class) | 88.79 | 91.48 | (2.94) |
| J Accumulation (€ share class) | 82.40 | 84.31 | (2.27) |

## Performance record

| | 01/02/11 to 31/01/12 % | 01/02/10 to 31/01/11 % | 01/02/09 to 31/01/10 % | 01/02/08 to 31/01/09 % | 01/02/07 to 31/01/08 % |
|---|---|---|---|---|---|
| Global Fund A Accumulation | (2.97) | 12.64 | 14.75 | (17.06) | (0.37) |
| Global Growth Sector Average Return | (5.00) | 18.47 | 24.11 | (20.50) | (1.44) |
| MSCI World Index | (0.99) | 19.88 | 23.63 | (18.71) | (1.52) |

*Source: Lipper for Global Fund and Global Growth Sector Average Return (funds which invest at least 80% of their assets globally in equities. Funds must be diversified by geographical region). Basis: Mid to Mid, net revenue reinvested and net of expenses.*
*Source: Rimes for the MSCI World Index (GBP), close of business. Basis: Revenue reinvested and gross of expenses.*
Past performance is not a guide to future performance. The value of an investment and any revenue from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

## Distribution

| | Final 31/01/12 (p/c) |
|---|---|
| A Accumulation | 2.7113 |
| E Accumulation (€ share class) | 0.8243c |
| J Accumulation (€ share class) | 1.3279c |

## Top five holdings

| | 31/01/12 % | | 31/01/11 % |
|---|---|---|---|
| 1. Apple | 3.93 | HTC | 3.29 |
| 2. Pfizer | 3.72 | Mitsui | 3.10 |
| 3. Sanofi | 3.34 | Vodafone | 3.09 |
| 4. Goldcorp | 3.14 | FMC Technologies | 3.01 |
| 5. Occidental Petroleum | 3.03 | Skyworks Solutions | 2.96 |

Number of holdings: 47 Number of holdings: 43

# SWIP JAPANESE FUND

for the year ended 31 January 2012

## Fund Profile

### Investment Objective & Policy

To provide a stable and consistent return through direct and indirect investment mainly in Japanese securities.

The Fund may also invest in other securities, convertibles, warrants, money market instruments, deposits, derivatives (for efficient portfolio management) and collective investment schemes.

### Risk Profile

**Equity risk factor:** Equities are generally more risky than fixed interest securities. Considerable fluctuations in equity prices may mean that you do not get all your money back.

**Exchange rate risk factor:** Exchange rate changes may cause the value of any overseas investments, and any income from them, to go up or down.

**Derivatives risk factor:** The ACD may enter into derivative contracts on behalf of the Fund for the purpose of efficient portfolio management (EPM). The ACD monitors the use of derivative contracts to ensure that the requirements of EPM are satisfied.

Exposure to the various markets may be balanced through tactical asset allocation of futures contracts. Tactical asset allocation is a technique which allows the ACD to undertake a switch in the Fund's exposure by the use of derivatives rather than through the sale and purchase by the Fund of transferable securities.

If derivatives are used, the percentage movements in the value of the Fund will be different from the percentage movements in the markets. To ensure that global exposure relating to the derivative transactions does not exceed the net asset value of the Fund, the ACD uses the commitment approach which looks at the incremental exposure and leverage generated through the use of derivatives on a daily basis.

## Investment Manager's Review

Japanese equity markets have experienced steep declines over the last 12 months. Early 2011 will be remembered for the devastation wrought by the earthquake and tsunami that struck the north east of Japan on 11 March, claiming tens of thousands of lives. Equity markets in Japan plunged sharply immediately afterwards.

Investor confidence has been fragile recently, despite a relatively positive response to the Bank of Japan's last Tankan survey. The results indicate that the largest Japanese manufacturers anticipate an improvement in business conditions.

On currency markets, the yen reached a new record high against the dollar: the Japanese authorities were forced to intervene for the third time in a year to attempt to check the currency's progress. Jun Azumi, the Japanese finance minister, has pledged to continue to take more action if needed. He added that the sustained appreciation of the currency is threatening Japan's recovery from the natural disasters earlier in the year. The first intervention took place back in August, when the Bank of Japan sold ¥4.51 trillion, the largest monthly amount for seven years. The action was overseen by Yoshihiko Noda, the incoming prime minister, in his previous role as finance minister. Naoto Kan – Japan's fifth leader since 2006 – resigned at the end of August, following criticism of his handling of the aftermath of the natural disasters in March.

At stock level, Dena, the social media provider, was detrimental to performance. The company is being sued by a rival for allegedly telling game developers not to offer their titles on the rival's platform.

We did not sell out of the stock during the reporting period as we believed that the price had fallen too far, making a sale counter productive. We are currently monitoring the stock for a suitable exit point.

Sony was another underperformer. It was hurt by negative press coverage when customer details were hacked from its online PlayStation platform. But weaker-than-expected TV demand from both the US and EU markets proved to be a more significant problem. The stock has since been sold.

Komatsu, a maker of industrial equipment, also disappointed. It was negatively affected by fears of a slowdown in Chinese growth. We sold the stock in September.

In contrast, JGC had a positive effect on returns. JGC is involved in engineering for liquefied natural gas (LNG) plants. LNG prices rose in response to the search for alternatives to nuclear power after the incidents at the Fukushima Daiichi plant. We later sold out of the position.

Following the strong rebound in the third quarter, Japan's economic data now appear to be doing little more than moving sideways. Given the softer outlook for growth in Japan (relative to our previous expectations) we expect that the Bank of Japan will hold interest rates at close-to-zero until the final quarter of next year.

With uncertainty set to remain surrounding the budget outlook for the US and the threat of recession in Europe, safe-haven demand is likely to provide defensive support for the yen in the short-term. However, the scope for the currency's appreciation will be constrained by concerns about the resilience of the export-reliant Japanese economy against a global slowdown.

The Fund remains defensively positioned, although we may look to reduce our defensive bias over the coming months, as the world economic situation begins to stabilise.

# SWIP JAPANESE FUND

### Distribution

| XD Date | Payment Date |
|---|---|
| 31/01/12 | 31/03/12 |

### TER

| | 31/01/12 % | 31/01/11 % |
|---|---|---|
| A Accumulation | 1.92 | 1.98 |
| B Accumulation | 1.16 | 1.22 |
| E Accumulation (€ share class) | 1.91 | 1.95 |
| J Accumulation (€ share class) | 1.20 | 1.27 |

The Total Expense Ratio (TER) is the total expenses paid by each share class in the year against its average net asset value. The TER can fluctuate as underlying costs change.

### Details of investments

| Investments | 31/01/12 % | 31/01/11 % |
|---|---|---|
| Financials | 20.35 | 19.59 |
| Consumer Goods | 17.82 | 22.39 |
| Consumer Services | 16.23 | 6.34 |
| Industrials | 14.49 | 26.07 |
| Health Care | 9.07 | 3.88 |
| Basic Materials | 6.89 | 5.30 |
| Technology | 6.36 | 7.90 |
| Telecommunications | 3.76 | 4.33 |
| Utilities | 2.83 | - |
| Oil & Gas | 2.01 | 3.37 |
| Net other assets | 0.19 | 0.83 |
| Total net assets | 100.00 | 100.00 |

### Net asset value

| | NAV per share 31/01/12 (p) | NAV per share 31/01/11 (p) | NAV percentage change % |
|---|---|---|---|
| A Accumulation | 134.29 | 152.00 | (11.65) |
| B Accumulation | 31.51 | 35.40 | (10.99) |
| E Accumulation (€ share class) | 68.40 | 77.44 | 11.67) |
| J Accumulation (€ share class) | 80.68 | 90.69 | (11.04) |

### Performance record

| | 01/02/11 to 31/01/12 % | 01/02/10 to 31/01/11 % | 01/02/09 to 31/01/10 % | 01/02/08 to 31/01/09 % | 01/02/07 to 31/01/08 % |
|---|---|---|---|---|---|
| Japanese Fund | | | | | |
| A Accumulation | (11.63) | 11.91 | 5.02 | (5.20) | (17.16) |
| Japan Average Return | (7.87) | 14.55 | 5.01 | (3.44) | (14.98) |
| MSCI Japan Index | (9.09) | 13.63 | 4.65 | (4.53) | (10.69) |

*Source: Lipper for Japanese Fund and Japan Average Return (funds which invest at least 80% of their assets in Japanese equities). Basis: Mid to Mid, net revenue reinvested and net of expenses.*
*Source: Rimes for the MSCI Japan Index (GBP), close of business. Basis: Revenue reinvested and gross of expenses.*
Past performance is not a guide to future performance. The value of an investment and any revenue from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

### Distribution

| | Final 31/01/12 (p/c) |
|---|---|
| A Accumulation | 0.5573 |
| B Accumulation | 0.3748 |
| E Accumulation (€ share class) | 0.1856c |
| J Accumulation (€ share class) | 1.0856c |

### Top five holdings

| | 31/01/12 % | | 31/01/11 % |
|---|---|---|---|
| 1. Toyota Motor | 8.04 | Toyota Motor | 8.07 |
| 2. East Japan Railway | 5.20 | Sumitomo Mitsui Financial | 4.87 |
| 3. Eisai | 4.88 | Mitsubishi | 3.96 |
| 4. Japan Tobacco | 4.80 | Sony | 3.62 |
| 5. Shimamura | 4.75 | Mitsubishi Estate | 3.60 |

Number of holdings: 32

Number of holdings: 37

## Fund Profile

### Investment Objective & Policy

To provide a stable and consistent return through direct and indirect investment mainly in North American securities.

The Fund will primarily invest in the securities of companies quoted or operating primarily in the United States of America and Canada, with the main focus of the Fund being the United States of America.

The Fund may also invest in other securities, convertibles, warrants, money market instruments, deposits, derivatives (for efficient portfolio management) and collective investment schemes.

The Fund may be invested in a limited number of holdings.

### Risk Profile

**Equity risk factor:** Equities are generally more risky than fixed interest securities. Considerable fluctuations in equity prices may mean that you do not get all your money back.

**Exchange rate risk factor:** Exchange rate changes may cause the value of any overseas investments, and any income from them, to go up or down.

**Derivatives risk factor:** During the year the ACD entered into derivative contracts on behalf of the Fund for the purpose of efficient portfolio management (EPM). The ACD monitors the use of derivative contracts to ensure that the requirements of EPM are satisfied.

Exposure to the various markets may be balanced through tactical asset allocation of futures contracts. Tactical asset allocation is a technique which allows the ACD to undertake a switch in the Fund's exposure by the use of derivatives rather than through the sale and purchase by the Fund of transferable securities.

Due to the use of derivatives, the percentage movements in the value of the Fund will be different from the percentage movements in the markets. To ensure that global exposure relating to the derivative transactions does not exceed the net asset value of the Fund, the ACD uses the commitment approach which looks at the incremental exposure and leverage generated through the use of derivatives on a daily basis.

## Investment Manager's Review

Volatility has been rife in US equity markets over the reporting period, but a recent rally means that equity indices have made positive progress over the 12 months. Healthcare was the best-performing sector over the year, while financials was the worst.

The political impasse over the US debt limit (the amount the government can borrow to help finance its operations) contributed to the uncertainty in 2011. In early August, an agreement was finally reached in order to spare the US from default.

But the political deadlock that preceded the agreement was not entirely free of repercussions. After considering the situation, Standard & Poor's made a contentious move to downgrade the US's hallowed AAA credit rating by one notch, helping to send equity markets into a rapid decline.

Meanwhile, the Federal Reserve unveiled "Operation Twist". This involves selling $400 billion of Treasuries with maturities of three years or less, buying an equal amount of securities in a six-to-thirty-year range. The Fed aims to drive down long-term interest rates and encouraging more mortgage lending.

More recently, there has been increasing evidence that the US economy is beginning to gather momentum again. Indications of an improvement in the labour market are particularly encouraging, especially taking into account the need to boost consumer spending. Signs of greater activity levels in the US housing market are also heartening. In the final quarter of 2011, industrial stocks were buoyed by readings of above 50 (indicating expansion) on the Institute of Supply Management's manufacturing index. Our holding in Stanley Black & Decker was a key beneficiary of this trend.

In late 2011, Sally Beauty made a positive contribution to returns. The company is the largest distributor of professional beauty supplies in the US. Over the final quarter, investors were impressed by Sally's earnings stability, providing a boost for the share price.

Earlier in the reporting period, market volatility made it unsurprising that the Fund derived strong returns from some of its less economically-sensitive holdings. Intuitive Surgical, a manufacturer of advanced surgical systems, was among the top performers over the first six months.

In contrast, the home entertainment operator Rovi was disappointing. Although its last earnings per share estimates beat predictions, revenue estimates were a little lower than expected. The company has been negatively affected by the general slowdown in consumer electronic sales and supply disruptions following floods in Thailand. We have sold out of this stock.

In the current sluggish economic environment, we continue to favour niche growth companies. We are also actively looking for investment plays on the recovery in the US domestic manufacturing base. A number of US multinationals have begun to repatriate outsourced manufacturing operations from China as the cost advantages from cheap labour are diminished by the rising salaries demanded by Chinese workers.

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.

# SWIP NORTH AMERICAN FUND

## Distribution

| XD Date | Payment Date |
|---|---|
| 31/01/12 | 31/03/12 |

## TER

| | 31/01/12 % | 31/01/11 % |
|---|---|---|
| A Accumulation | 1.69 | 1.70 |
| B Accumulation | 0.94 | 0.95 |
| E Accumulation (€ share class) | 1.69 | 1.68 |
| J Accumulation (€ share class) | 0.98 | 1.00 |

The Total Expense Ratio (TER) is the total expenses paid by each share class in the year against its average net asset value. The TER can fluctuate as underlying costs change.

## Details of investments

| Investments | 31/01/12 % | 31/01/11 % |
|---|---|---|
| Consumer Goods | 19.74 | 16.47 |
| Technology | 17.11 | 22.84 |
| Financials | 14.08 | 7.16 |
| Industrials | 10.58 | 13.91 |
| Health Care | 10.55 | 8.66 |
| Basic Materials | 10.23 | 4.47 |
| Oil & Gas | 8.86 | 13.98 |
| Utilities | 3.93 | 3.18 |
| Consumer Services | 3.11 | 4.20 |
| Telecommunications | - | 2.10 |
| Net other assets | 1.81 | 3.03 |
| Total net assets | 100.00 | 100.00 |

## Net asset value

| | NAV per share 31/01/12 (p) | NAV per share 31/01/11 (p) | NAV percentage change % |
|---|---|---|---|
| A Accumulation | 907.09 | 848.99 | 6.84 |
| B Accumulation | 486.09 | 451.56 | 7.65 |
| E Accumulation (€ share class) | 94.45 | 88.40 | 6.84 |
| J Accumulation (€ share class) | 96.80 | 89.97 | 7.59 |

## Performance record

| | 01/02/11 to 31/01/12 % | 01/02/10 to 31/01/11 % | 01/02/09 to 31/01/10 % | 01/02/08 to 31/01/09 % | 01/02/07 to 31/01/08 % |
|---|---|---|---|---|---|
| North American Fund A Accumulation | 6.82 | 25.12 | 3.78 | (8.53) | (4.75) |
| North America Sector Average Return | 2.25 | 20.23 | 18.38 | (13.13) | (5.21) |
| Standard & Poor's (S&P) 500 Index | 5.78 | 22.24 | 19.78 | (15.37) | (3.82) |

*Source: Lipper for North American Fund and North America Sector Average Return (funds which invest at least 80% of their assets in North American equities). Basis: Mid to Mid, net revenue reinvested and net of expenses.*
*Source: Rimes for the Standard & Poor's (S&P) 500 Index (GBP), close of business. Basis: Revenue reinvested and gross of expenses.*
Past performance is not a guide to future performance. The value of an investment and any revenue from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

## Distribution

| | Final 31/01/12 (p/c) |
|---|---|
| A Accumulation | - |
| B Accumulation | 1.1425 |
| E Accumulation (€ share class) | - |
| J Accumulation (€ share class) | 0.2152c |

## Top five holdings

| | 31/01/12 % | | 31/01/11 % |
|---|---|---|---|
| 1. Harley-Davidson | 4.96 | Coca-Cola | 4.14 |
| 2. Exxon Mobil | 3.64 | Occidental Petroleum | 3.85 |
| 3. Qualcomm | 3.62 | Emerson Electric | 3.61 |
| 4. Apple | 3.51 | Apache | 3.56 |
| 5. Coca-Cola | 3.28 | FMC Technologies | 3.29 |

Number of holdings: 52 | Number of holdings: 50

# SWIP PAN-EUROPEAN SMALLER COMPANIES FUND

for the year ended 31 January 2012

## Fund Profile

### Investment Objective & Policy

To provide investors with long-term capital growth through direct or indirect investment in a diversified portfolio of securities issued by companies quoted or operating primarily in Europe (including the United Kingdom) which, at the time of initial investment, are mainly small or medium sized companies and which are perceived to have particular expertise in their markets and above average growth potential.

The Fund may also invest in depositary receipts and shares, other securities, convertibles, warrants, money market instruments, deposits, derivatives (for efficient portfolio management) and collective investment schemes.

The Fund may be invested in a limited number of holdings.

### Risk Profile

**Equity risk factor:** Equities are generally more risky than fixed interest securities. Considerable fluctuations in equity prices may mean that you do not get all your money back.

**Exchange rate risk factor:** Exchange rate changes may cause the value of any overseas investments, and any income from them, to go up or down.

**Smaller companies risk factor:** Investments in smaller companies are bought and sold less frequently. This might cause greater variations in price as compared with investments in larger companies.

**Derivatives risk factor:** The ACD may enter into derivative contracts on behalf of the Fund for the purpose of efficient portfolio management (EPM). The ACD monitors the use of derivative contracts to ensure that the requirements of EPM are satisfied.

Exposure to the various markets may be balanced through tactical asset allocation of futures contracts. Tactical asset allocation is a technique which allows the ACD to undertake a switch in the Fund's exposure by the use of derivatives rather than through the sale and purchase by the Fund of transferable securities.

If derivatives are used, the percentage movements in the value of the Fund will be different from the percentage movements in the markets. To ensure that global exposure relating to the derivative transactions does not exceed the net asset value of the Fund, the ACD uses the commitment approach which looks at the incremental exposure and leverage generated through the use of derivatives on a daily basis.

## Investment Manager's Review

The last 12 months have been a testing time for European investors. The sovereign debt crisis dominated proceedings, with contagion spreading from the relatively small nations of the periphery to Italy, Spain and France. The latter lost its triple A rating at the start of this year, much to the chagrin of the nation's politicians. They had been warned. Time and again Europe's leaders met to hammer out a "grand plan" to save the euro; each time the market was left disappointed.

Greece was once again under the spotlight in February as it scrambled to pass further austerity measures, thereby ensuring it could receive the next tranche of its bail-out money. The latest round of cuts eventually made it through the parliament – although not without mass civil unrest on the streets of Athens. The European Central Bank provided some much-needed support in December, however, making nearly half a trillion euros in ultra-cheap three-year loans to 523 of the region's struggling banks. The take-up was stronger than expected, and it is hoped the funds will be used to buy higher-yielding government bonds. Despite this, there are indications that the crisis is hitting the economy, with many now forecasting recession for the euro area. Overall, the MSCI European Smaller Companies index shed 13% in local currency terms.

A position in Barry Callebaut, the Swiss chocolate maker, boosted the Fund's performance. News that Standard & Poor's, the ratings agency, had upgraded Barry Callebaut to "buy" was well received by the market. The future also looks good thanks to an add-on agreement with Hershey and an outsourcing contract with Chocolate Turin. The holding in UK-based Senior was also a boon for the portfolio. The company designs components for equipment producers in aerospace, diesel engine and energy markets. Despite a challenging investment climate, Senior continues to win orders, particularly from the resurgent commercial aircraft sector. News that the group expected its recent acquisition of Weston to be "immediately earnings enhancing" was also well received by investors. Other highlights for the Fund were Societe BIC, Telenet and Koninklijke Vopak.

In contrast, Bekaert, the Belgian steel cord maker, was a disappointment. After an excellent 2010, the firm struggled last year thanks to increasing competition from new entrants and price pressures in sawing wire (2010's best performing area). The solar end of the market is also causing concern. As such, we thought it best to close our position in Bekaert in July. Meanwhile, Aixtron, the LED producer, received a tough time from traders after it released a series of disappointing results. Holdings in Randstad and CSM also detracted from the Fund's performance. We no longer carry Aixtron, Randstad or CSM in the portfolio.

The more optimistic mood currently pervading the market is welcome - although a modicum of caution is advised. The eurozone crisis, despite the recent Greek debt deal that staved off default, is far from over. Politicians on the continent face a number of tough decisions in the months ahead, while austerity measures will be felt across the region for some time. The US economy, meanwhile, has started to heal, but it too still has a long way to go. The outlook for China – for many in the West a bastion of growth – could also deteriorate. But central banks across the world have shown their willingness to act to support financial markets and their respective economies. The corporate world, meanwhile, is in fine fettle. Balance sheets have been repaired, while many firms are sitting on sizeable cash-piles. These factors should feed through to heightened returns for investors in the months to come.

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.

# SWIP PAN-EUROPEAN SMALLER COMPANIES FUND

## Distribution

| XD Date | Payment Date |
|---|---|
| 31/01/12 | 31/03/12 |

## TER

| | 31/01/12 % | 31/01/11 % |
|---|---|---|
| A Accumulation | 1.64 | 1.65 |
| B Accumulation | 0.89 | 0.90 |
| C Accumulation | 1.14 | 1.15 |
| E Accumulation (€ share class) | 1.64 | 1.65 |
| J Accumulation (€ share class) | 1.09 | 1.09 |

The Total Expense Ratio (TER) is the total expenses paid by each share class in the year against its average net asset value. The TER can fluctuate as underlying costs change.

## Details of investments

| Investments | 31/01/12 % | 31/01/11 % |
|---|---|---|
| United Kingdom | 33.73 | 25.40 |
| Germany | 14.82 | 15.44 |
| France | 10.56 | 9.28 |
| Netherlands | 9.05 | 17.35 |
| Switzerland | 7.26 | 10.09 |
| Austria | 5.61 | 3.59 |
| Belgium | 4.22 | 3.40 |
| Italy | 4.19 | 9.15 |
| Jersey | 1.92 | 2.50 |
| Sweden | 1.56 | - |
| Norway | 1.54 | 1.26 |
| Luxembourg | 1.40 | - |
| Guernsey | 1.06 | - |
| Ireland | 1.02 | - |
| Spain | - | 1.02 |
| Denmark | - | 1.00 |
| Net other assets | 2.06 | 0.52 |
| Total net assets | 100.00 | 100.00 |

## Net asset value

| | NAV per share 31/01/12 (p) | NAV per share 31/01/11 (p) | NAV percentage change % |
|---|---|---|---|
| A Accumulation | 295.95 | 328.73 | (9.97) |
| B Accumulation | 359.41 | 396.22 | (9.29) |
| C Accumulation | 310.84 | 343.54 | (9.52) |
| E Accumulation (€ share class) | 297.13 | 330.04 | (9.97) |
| J Accumulation (€ share class) | 200.85 | 221.87 | (9.47) |

## Performance record

| | 01/02/11 to 31/01/12 % | 01/02/10 to 31/01/11 % | 01/02/09 to 31/01/10 % | 01/02/08 to 31/01/09 % | 01/02/07 to 31/01/08 % |
|---|---|---|---|---|---|
| Pan-European Smaller Companies Fund A Accumulation | (9.85) | 28.77 | 33.84 | (29.87) | (4.92) |
| Global Equity Europe Small & Mid Cap Sector Average | (12.33) | 24.74 | 42.60 | (31.09) | (9.63) |
| MSCI European Small Cap Index | (12.03) | 25.43 | 57.30 | (33.45) | (11.67) |

*Source: Lipper for Pan-European Smaller Companies Fund and Global Equity Europe Small & Mid Cap Sector Average Return (funds focusing on European equities of small and/or middle capitalisation). Basis: Mid to Mid, net revenue reinvested and net of expenses.*
*Source: Rimes for MSCI European Small Cap Index, close of business. Basis: Revenue reinvested and gross of expenses.*
Past performance is not a guide to future performance. The value of an investment and any revenue from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

## Distribution

| | Final 31/01/12 (p/c) |
|---|---|
| A Accumulation | 4.4610 |
| B Accumulation | 8.1943 |
| C Accumulation | 6.2886 |
| E Accumulation (€ share class) | 5.3458c |
| J Accumulation (€ share class) | 4.9818c |

## Top five holdings

| | 31/01/12 % | | 31/01/11 % |
|---|---|---|---|
| 1. DS Smith | 2.85 | Rheinmetall | 2.95 |
| 2. Societe BIC | 2.58 | GKN | 2.44 |
| 3. Telenet | 2.57 | Andritz | 2.32 |
| 4. Ted Baker | 2.56 | Melrose | 2.27 |
| 5. Barry Callebaut | 2.44 | Croda International | 2.20 |

Number of holdings: 58

Number of holdings: 69

## Fund Profile

### Investment Objective & Policy

The Fund aims to provide a total return by investing in a portfolio of global debt instruments. At anytime the Fund will have at least 80% of its assets in sterling denominated securities, non-sterling denominated securities hedged back to sterling or in any combination of both.

The Fund will invest in government bonds, investment grade and sub-investment grade bonds, securitized bonds, covered bonds and preference shares denominated in any currency. The Fund will use derivative instruments for investment purposes. The investment adviser may hedge any non-sterling assets back to sterling to achieve the objectives of the Fund or otherwise at its discretion.

The Fund may also invest (directly or indirectly) in other transferable securities, money market instruments, deposits, cash and near cash, asset backed and mortgage backed securities, floating rate notes, structured credit and collective investment schemes. The Fund may hold securities of any duration.

In addition, use may also be made of stock lending, borrowing and hedging provisions permitted by the FSA Rules.

### Risk Profile

**Exchange rate risk factor:** Exchange rate changes may cause the value of any overseas investments, and any income from them, to go up or down.

**Interest rates risk factor:** Fluctuations in interest rates are likely to affect the value of the fixed interest securities.

**Fixed interest securities risk factor:** Some of the companies and governments that we invest in who issue fixed interest securities might not be able to meet their payments, or their credit rating might fall. Sub-investment grade bonds carry a higher risk of default and their value may fall should an issuer default or receive a reduced credit rating.

**Derivative risk factor:** The use of derivatives in this Fund has the overall intention of reducing the volatility of returns, although this outcome is not guaranteed, and derivatives held may at times lead to increased price volatility.

During the year, the ACD entered into derivative contracts on behalf of the Fund for the purpose of efficient portfolio management (EPM), hedging and to meet the investment objectives of the Fund.

Based on the investment strategy, types and complexities of the derivatives and the proportion of the Fund comprising derivatives, the method of estimating the Fund's overall risk position is to use the value at risk based (VaR) techniques, which estimate the probability of portfolio losses based on the statistical analysis of historical price trends and volatilities. The Absolute VaR analysis for the Fund is produced on a daily basis. Market risk factors that are analysed include LIBOR/swap rate, government yield curves, equity prices, foreign exchange rates, market volatility. The Fund's current VaR limit is 9%. The VaR measures of the Fund for the period ended 31 January 2012 were as follows:

*VaR has been calculated from 22 September 2011 to 31 January 2012, please see Important Information on page 1 for more details.

## Investment Manager's Review

Economically, the story over the first six months of the review period was one of a steady deterioration in data. In the US, manufacturing, housing and employment data were consistently weaker than expectations, and GDP forecasts were downgraded. The disagreement between Democrats and Republicans over how to tackle the fiscal deficit resulted in the removal of the government's AAA credit rating. UK figures have also been disappointing, pushing the prospect of an interest rate hike well into the future.

In Europe, the peripheral debt crisis took centre stage. In April, Portugal became the third country after Greece and Ireland to receive financial assistance from the European Union and International Monetary Fund and in May the EU agreed to provide further assistance to Greece. However, the situation continued to worsen; for most of the review period, Spanish and Italian government bond yields continued to widen significantly compared with the German Bund. Government bond prices in "core" nations such as the US, Germany and the UK benefited from a perception that they were safe havens from market turmoil. Yields on benchmark ten-year government bonds in each country moved to record lows during the review period.

The path was less smooth for corporate bonds. While the credit market was resilient through to the summer, supported by investors' hunger for yield, risk aversion was an increasingly important factor driving prices as the year wore on. This continued to grow in response to the lack of resolution to the sovereign debt crisis. Yield spreads between corporate and government bonds widened, and market liquidity all but dried up towards the end of 2011.

That said, in January 2012 the corporate bond market recovered strongly, despite a huge surge of new issuance. A perception that valuations had fallen too far encouraged investors to put their significant cash balances to work while European Central Bank lending to liquidity-strapped banks also boosted performance. During the first half of the review period, the manager adopted a generally cautious approach, scaling back holdings in the high yield and financial sectors, and switching holdings into government bonds and cash

Despite a steady growth in risk aversion, the high yield sector produced a creditable performance over the first six months, and some high yield issues performed fairly well for the Fund. One well-timed purchase was US gaming operator, Wynn Las Vegas. We also subscribed to a new issue from Origin Energy, one of Australasia's largest energy companies, which was fund raising to expand its operations.

Given the volatile market conditions, from August onwards the manager began gradually to reduce systemic risks within the portfolio. This involved reducing exposure to European sovereign risk and to the financial sector, and adopting a longer duration position to provide some protection against spread widening.

As the year wore on the high yield market began to look increasingly attractively valued, as it was pricing in the risk of a fairly severe slowdown and extreme levels of default. With little market liquidity, opportunities were limited. That changed with the introduction of the long-term refinancing operation from the ECB and with the new year. January was a busy month for trading activity. The manager added new issues from General Electric, ABN Amro and Eileme.

Although the macroeconomic backdrop remains fragile and the fundamentals weak, the credit market is being driven by positive technical factors. In particular, investors started 2012 with significant cash balances to invest into a market where the investment banks are running low levels of inventory. Further, in financials, liability management exercises have provided a floor to the subordinated debt market.

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.

**Derivative risk factor (continued)**

| | |
|---|---|
| Minimum VaR | 3.28% |
| Maximum VaR | 4.33% |
| Average VaR | 3.80% |

**Please note:** the market risk information is a relative estimate of risk rather than a precise and accurate number. The model is based on historical data and cannot take account of the fact that future market price movements, correlations between markets and level of market liquidity in conditions of market stress may bear no relation to historical patterns.

**Counterparty risk factor:** A counterparty may wholly or partially fail to honour its contractual arrangements with regard to the return of collateral and any other payments due to the Fund.

# SWIP STRATEGIC BOND FUND

## Distribution

| XD Date | Payment Date |
|---|---|
| 31/10/11 | 31/12/11 |
| 31/01/12 | 31/03/12 |

## TER

| | 31/01/12 % | 31/01/11 % |
|---|---|---|
| A Accumulation | 1.40 | 1.44 |
| A Income | 1.39 | 1.41 |
| B Accumulation | 0.79 | 0.79 |
| B Income | 0.79 | 0.80 |
| C Accumulation | 0.88 | 0.89 |
| C Income | 0.88 | 0.89 |
| C Gross Accumulation | 0.90 | 0.97 |
| C Gross Income | 0.89 | 0.98 |
| X Accumulation | 0.15 | 0.17 |

The Total Expense Ratio (TER) is the total expenses paid by each share class in the year against its average net asset value. The TER can fluctuate as underlying costs change.

## Details of investments

| Investments | 31/01/12 % | 31/01/11 % |
|---|---|---|
| Sterling Denominated Bonds | 62.61 | 52.28 |
| Euro Denominated Bonds | 24.24 | 34.61 |
| US Dollar Denominated Bonds | 6.71 | 3.92 |
| Japanese Yen Denominated Bonds | 1.47 | 3.50 |
| Derivatives | 1.19 | (0.07) |
| Australian Dollar Denominated Bonds | 0.90 | - |
| Net other assets | 2.88 | 5.76 |
| Total net assets | 100.00 | 100.00 |

## Distribution

| | Third interim 31/10/11 (p) | Final 31/01/12 (p) |
|---|---|---|
| A Accumulation | 0.9968 | 0.7576 |
| A Income | 0.9577 | 0.7212 |
| B Accumulation | 1.1317 | 0.8908 |
| B Income | 1.0829 | 0.8422 |
| C Accumulation | 1.1153 | 0.8951 |
| C Income | 1.0662 | 0.8455 |
| C Gross Accumulation | 1.3426 | 1.0544 |
| C Gross Income | 1.3014 | 1.0076 |
| X Accumulation | 1.2813 | 1.0385 |

## Net asset value

| | NAV per share 31/01/12 (p) | NAV per share 31/01/11 (p) | NAV percentage change % |
|---|---|---|---|
| A Accumulation | 108.12 | 105.61 | 2.38 |
| A Income | 102.20 | 103.22 | (0.99) |
| B Accumulation | 108.87 | 105.85 | 2.85 |
| B Income | 102.16 | 103.20 | (1.01) |
| C Accumulation | 108.79 | 105.80 | 2.83 |
| C Income | 102.18 | 103.22 | (1.01) |
| C Gross Accumulation | 105.85 | 102.01 | 3.76 |
| C Gross Income | 100.20 | 101.25 | (1.04) |
| X Accumulation | 109.82 | 106.20 | 3.41 |

## Performance record

| | 01/02/11 to 31/01/12 % | 14/06/10 to 31/01/11 % |
|---|---|---|
| Strategic Bond Fund A Accumulation | 2.54 | 6.50 |
| £ Strategic Bond Sector Average Return | 4.98 | 4.98 |

*Source: Lipper for Strategic Bond Fund and £ Strategic Bond Sector Average Return (funds which invest at least 80% of their assets in Sterling denominated (or hedged back to Sterling) fixed interest securities. This includes convertibles, preference shares and permanent interest bearing shares (PIBs). At any point in time the asset allocation of these funds could theoretically place the fund in one of the other Fixed Interest sectors. The funds will remain in this sector on these occasions since it is the Manager's stated intention to retain the right to invest across the Sterling fixed interest credit risk spectrum. Basis: Mid to Mid, net revenue reinvested and net of expenses.*
Past performance is not a guide to future performance. The value of an investment and any revenue from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

## Top five holdings

| | 31/01/12 | % | | 31/01/11 % |
|---|---|---|---|---|
| 1. | UK Treasury 2.5% Index-Linked 26/07/2016 | 5.95 | RBS Interest Rate Swap 2.84% 26/07/2016 | 5.34 |
| 2. | UK Treasury 4.25% 07/12/2055 | 2.32 | UK Treasury 2.5% Index-Linked 26/07/2016 | 4.75 |
| 3. | UK Treasury 4.125% Index-Linked 22/07/2030 | 2.22 | Japanese Government Bond 1.3% CPI-Linked 10/09/2017 | 3.50 |
| 4. | UK Treasury 4.25% 07/03/2036 | 2.00 | France Government Bond 1.6% 25/07/2015 | 3.39 |
| 5. | Atlantia 6.25% 09/06/2022 | 1.67 | UK Treasury 4.75% 07/03/2020 | 2.45 |
| | Number of holdings: 302 | | Number of holdings: 549 | |

## Summary of portfolio by credit ratings

| Rating block | 31/01/12 % | 31/01/11 % |
|---|---|---|
| AAA | 19.85 | 22.18 |
| AA | 0.90 | - |
| AA- | 4.72 | - |
| A+ | 2.35 | 4.83 |
| A | 4.39 | 4.81 |
| A- | 6.38 | 10.39 |
| A- /~*- | - | 0.34 |
| BBB+ | 9.97 | 4.39 |
| BBB+ /*- | - | 1.07 |
| BBB | 11.20 | 9.82 |
| BBB- | 8.15 | 8.32 |
| BB+ | 2.08 | 0.89 |
| BB | 5.55 | 9.25 |
| BB- | 3.16 | 4.66 |
| B+ | 3.75 | 1.90 |
| B | 2.41 | 3.02 |
| B- | 3.30 | 3.75 |
| CCC+ | 0.95 | 0.47 |
| CCC | - | 1.39 |
| CCCe | - | 0.25 |
| C | 0.69 | - |
| NR | 6.13 | 2.58 |
| Total bonds | 95.93 | 94.31 |
| Other | 4.07 | 5.69 |
| Total net assets | 100.00 | 100.00 |

The credit ratings used in the above table have been supplied by Standard & Poor's, Moody's or Fitch Ratings.

# SWIP SWIP EUROPEAN HIGH YIELD BOND FUND

for the period from 12 December 2011 to 31 January 2012

## Fund Profile

### Investment Objective & Policy

The aim of the Fund is to provide a high level of total return by investing mainly in a diversified portfolio of sub-investment grade debt securities. Such securities will typically be issued by companies based in Europe (including the UK) but may also be issued by companies and governments based elsewhere.

The Fund may also invest directly or indirectly in investment grade corporate bonds, government bonds, equities, covered bonds, other transferable securities, asset and mortgage backed securities, floating rate notes, structured credit, money market instruments, deposits, cash and near cash, warrants, convertibles, units in collective investment schemes and derivatives for both investment and hedging purposes.

The assets of the Fund will be denominated in sterling (or hedged back to sterling) in so far as is reasonably practical.

### Risk Profile

**Exchange rate risk factor:** Exchange rate changes may cause the value of any overseas investments, and any income from them, to go up or down.

**Interest rates risk factor:** Fluctuations in interest rates are likely to affect the value of fixed interest securities.

**Fixed interest securities risk factor:** Some of the companies and governments that we invest in who issue fixed interest securities might not be able to meet their payments, or their credit rating might fall. Sub-investment grade bonds carry a higher risk of default and their value may fall should an issuer default or receive a reduced credit rating.

**Derivatives risk factor:** The use of derivatives in this Fund has the overall intention of reducing the volatility of returns, although this outcome is not guaranteed, and derivatives held may at times lead to increased price volatility.

During the year the ACD entered into derivative contracts on behalf of the Fund for the purpose of efficient portfolio management (EPM). The ACD monitors the use of derivative contracts to ensure that the requirements of EPM are satisfied.

Exposure to the various markets may be balanced through tactical asset allocation of futures contracts. Tactical asset allocation is a technique which allows the ACD to undertake a switch in the Fund's exposure by the use of derivatives rather than through the sale and purchase by the Fund of transferable securities.

Due to the use of derivatives, the percentage movements in the value of the Fund will be different from the percentage movements in the markets. To ensure that global exposure relating to the derivative transactions does not exceed the net asset value of the Fund, the ACD uses the commitment approach which looks at the incremental exposure and leverage generated through the use of derivatives on a daily basis.

**Counterparty risk factor:** A counterparty may wholly or partially fail to honour its contractual arrangements with regard to the return of collateral and any other payments due to the Fund.

## Investment Manager's Review

The Fund was launched on 12 December 2011. Between that date and the end of the reporting period on 31 January, risk assets enjoyed a very strong run as formerly bearish investors turned more bullish.

This change in sentiment was, in large part, triggered by the actions of the European Central Bank, which embarked on its first ever three-year long-term refinancing operation (LTRO). This saw a net €235bn of liquidity being injected into the banking system and proved to be an extremely powerful tool for boosting investor confidence and reducing systemic risk. The ECB's hope is that this liquidity will offset the impact of forced bank deleveraging and ease the huge volume of maturing debt that banks are having to contend with in 2012.

Financials performed particularly well over the truncated reporting period, with the senior unsecured funding market for non-peripheral banks thawing out. In part, this reflected investors' increased appetite for risk. But it was also a result of the liability management exercises (LMEs) being undertaken by European banks, which have been buying back their subordinated debt at a premium to prevailing market values. This is a 'win-win' situation: investors enjoy a significant mark-to-market gain while banks are able to retire their debt at a discount to par and thereby enhance their core tier 1 capital ratios. These LMEs have effectively put a floor beneath valuations of subordinated debt, and have helped to drive very strong performance from financial bonds.

In terms of activity, at the time of the Fund's launch, the managers sought to give investors immediate exposure to movements in the European high yield credit market by buying derivatives tracking the iTraxx Crossover index. As January progressed, however, this synthetic exposure was replaced by increasing direct holdings of euro-denominated high yield bonds.

Looking forward, the macroeconomic backdrop remains fragile. The credit market, however, is being underpinned by a positive supply and demand dynamic: investors are sitting on significant cash balances while investment banks are running extremely low levels of inventory. Further, LMEs should continue to provide a floor to valuations in the subordinated financial debt market.

High yield defaults will increase from their current low levels but a sharp spike is unlikely. Weaker companies have already been cleansed from the market by the financial crisis. Additionally, in the recent past, credit conditions have not been excessively loose, an environment that normally prevails ahead of much higher defaults. Today many companies have extended the maturities of their debts, have plenty of liquidity and are sufficiently cash generative that they will be able to meet their commitments – despite operating in slow economies.

The ECB's three-year LTRO has given investors comfort that no major bank failures in Europe are imminent. However, this liquidity does not fix all of Europe's problems – it simply buys it time. Fiscal imbalances remain and austerity may lead to further downward revisions to growth as the year progresses, particularly in southern Europe. And while the rally we saw in late 2011 and early 2012 could go further, the next 12 months seem likely to be another volatile period for risk assets.

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.

# SWIP SWIP EUROPEAN HIGH YIELD BOND FUND

## Distribution

| XD Date | Payment Date |
|---|---|
| 31/01/12 | 31/03/12 |

## TER

| | 31/01/12 % |
|---|---|
| A Accumulation | 1.63 |
| A Income | 1.62 |
| B Accumulation | 0.87 |
| B Income | 0.87 |
| C Accumulation | 1.12 |
| C Income | 1.12 |
| C Gross Accumulation | 1.13 |
| C Gross Income | 1.12 |
| X Accumulation | 0.13 |

Share class A Accumulation was launched 12 December 2011.
Share class A Income was launched 12 December 2011.
Share class B Accumulation was launched 12 December 2011.
Share class B Income was launched 12 December 2011.
Share class C Accumulation was launched 12 December 2011.
Share class C Income was launched 12 December 2011.
Share class C Gross Accumulation was launched 12 December 2011.
Share class C Gross Income was launched 12 December 2011.
Share class X Accumulation was launched 12 December 2011.

The Total Expense Ratio (TER) is the total expenses paid by each share class in the year against its average net asset value. The TER can fluctuate as underlying costs change. As the accounting period is less than one year, the expenses have been annualised.

## Details of investments

| Investments | 31/01/12 % |
|---|---|
| Euro Denominated Bonds | 68.01 |
| Sterling Denominated Bonds | 24.58 |
| Derivatives | (0.55) |
| Net other assets | 7.96 |
| Total net assets | 100.00 |

## Distribution

| | Final 31/01/12 (p/c) |
|---|---|
| A Accumulation | 0.5736 |
| A Income | 0.5688 |
| B Accumulation | 0.6492 |
| B Income | 0.6492 |
| C Accumulation | 0.6220 |
| C Income | 0.6220 |
| C Gross Accumulation | 0.7769 |
| C Gross Income | 0.7773 |
| X Accumulation | 0.7314 |

## Net asset value

| | NAV per share 31/01/12 (p) |
|---|---|
| A Accumulation | 104.63 |
| A Income | 104.03 |
| B Accumulation | 104.69 |
| B Income | 104.04 |
| C Accumulation | 104.66 |
| C Income | 104.04 |
| C Gross Accumulation | 104.81 |
| C Gross Income | 104.04 |
| X Accumulation | 104.77 |

## Top five holdings

| | 31/01/12 % |
|---|---|
| 1. HeidelbergCement Finance 7.5% 03/04/2020 | 5.08 |
| 2. Thames Water Kemble Finance 7.75% 01/04/2019 | 4.88 |
| 3. Ardagh Packaging Finance 7.375% 15/10/2017 | 4.67 |
| 4. Santos Finance 8.25% 22/09/2070 | 3.99 |
| 5. General Electric Capital 4.625% 15/09/2066 | 3.39 |

Number of holdings: 79

## Summary of portfolio by credit ratings

| Rating block | 31/01/12 % |
|---|---|
| AA- | 3.39 |
| BBB+ | 2.42 |
| BB+ | 6.34 |
| BB | 15.32 |
| BB- | 14.79 |
| B+ | 16.46 |
| B | 12.82 |
| B- | 5.53 |
| CCC+ | 3.27 |
| CCC | 1.96 |
| C | 2.04 |
| NR | 8.25 |
| Total bonds | 92.59 |
| Other | 7.41 |
| Total net assets | 100.00 |

The credit ratings used in the above table have been supplied by Standard & Poor's, Moody's or Fitch Ratings.

## Fund Profile

### Investment Objective & Policy

To provide a stable and consistent return through direct and indirect investment mainly in United Kingdom securities.

The Fund may also invest in other securities, convertibles, warrants, money market instruments, deposits, derivatives (for efficient portfolio management) and collective investment schemes.

The Fund may be invested in a limited number of holdings.

### Risk Profile

**Equity risk factor:** Equities are generally more risky than fixed interest securities. Considerable fluctuations in equity prices may mean that you do not get all your money back.

**Smaller companies risk factor:** Investments in smaller companies are bought and sold less frequently. This might cause greater variations in price as compared with investments in larger companies.

**Derivatives risk factor:** The ACD may enter into derivative contracts on behalf of the Fund for the purpose of efficient portfolio management (EPM). The ACD monitors the use of derivative contracts to ensure that the requirements of EPM are satisfied.

Exposure to the various markets may be balanced through tactical asset allocation of futures contracts. Tactical asset allocation is a technique which allows the ACD to undertake a switch in the Fund's exposure by the use of derivatives rather than through the sale and purchase by the Fund of transferable securities.

If derivatives are used, the percentage movements in the value of the Fund will be different from the percentage movements in the markets. To ensure that global exposure relating to the derivative transactions does not exceed the net asset value of the Fund, the ACD uses the commitment approach which looks at the incremental exposure and leverage generated through the use of derivatives on a daily basis.

## Investment Manager's Review

The past 12 months have been notable for a series of extraordinary macroeconomic issues and geopolitical events. European sovereign states in financial distress, the Standard & Poor's downgrade of the US's credit rating and revolutions across North Africa were amongst the events creating the headlines.

These issues also made it a challenging year for equity investors. Although the FTSE All-Share index remained virtually unchanged over the year (it was down 0.3% in local currency terms) this masks a period of significant volatility. At its low point in early October, the index stood more than 15% below its level at the start of the reporting period. A strong year-end rally, driven in part by the market's positive reaction to the European Central Bank's long-term refinancing operation in late December saw it reclaiming most of that lost ground.

Notwithstanding the late surge in investor optimism, the dominant mood for much of the year was pessimism about the global economy and the eurozone debt crisis. As a result, it was the more defensive areas of the market (such as the tobacco and pharmaceutical stocks) that outperformed. In contrast both the banks and the mining stocks came under significant pressure. The former were affected by the escalating European sovereign debt crisis which has impacted both liquidity levels and confidence in the financial system.

Against a challenging macroeconomic backdrop, the performance of the Fund was disappointing. The underperformance was driven by a number of stock specific issues, the two most important of which relate to holdings in Essar Energy and Lloyds Banking. Essar, the Indian based energy group, suffered from a series of delays to the build out of its power project portfolio resulting in a slump in its share price. These delays were the result of a government dispute over the award of coal blocks to Essar and several other private sector companies. The sourcing of competitively priced domestic coal supplies is critical to the economics of the group's power business and the recent suspension of coal mining operations in India forced Essar to import much more expensive coal supplies from South Africa and Indonesia. The company remains confident that the dispute, which centres round environmental issues, will be resolved in the near future and we continue to hold the position within the portfolio.

Although the strategy review from Lloyds Banking was initially well received, it was more than outweighed by the wider concerns over the financial sector. With earnings guidance reduced significantly we took the decision to sell all of our holding in August 2011.

On a more a positive note, the holding in iEnergizer made a strong contribution to returns. A business process outsourcing (BPO) company with operations in India and the US, its maiden set of full-year results were better than the market expected. The business was able to deliver strong top-line growth whilst maintaining operating margins at over 30%. The largest positive contribution came from Berkeley, the London and south-east focused house builder which benefited from its announcement that it planned to return £13 in cash per share over the next ten years. This capital return reinforces our view of the housebuilder as being the best among its peers, having successfully navigated its way through the challenging industry conditions it has faced in recent years.

As the first half of the year progressed the outlook for the global economy, although uncertain, appeared to be on an improving trend. Mid year, we became concerned by the scale and speed of deterioration in underlying economic data points from both the US and Europe. As a direct result we undertook a major repositioning of the portfolio. We reduced significantly our exposure to the banks and retained only very limited holdings within the mining sector. Proceeds were reinvested in companies with balance sheet strength, earnings visibility and above average dividend yield (with strong coverage ratios). New positions added in the year included SABMiller, Centrica and Invensys replacing holdings in RSA Insurance, Tate & Lyle and Diageo.

Our short term caution reflects the view that several of the more cyclical areas of the market now appear to be discounting a lot of good news flow while earnings forecasts remain broadly risked to the downside. The macroeconomic and geopolitical backdrop also remains highly uncertain. The European sovereign debt crisis has much further to run with the recent bail-out packages for several member states deferring, rather than solving, the fundamental problems of over leverage and a lack of growth.

The escalating political tension in the Middle East also represents a potent threat to equity markets in the short term with the continuing spike in the oil price suppressing growth potential. The portfolio will continue to be shaped by both stock specific fundamental analysis and the prevailing macroeconomic and geopolitical backdrop. At present this translates into heavy weightings within the oil and gas, pharmaceuticals and media sectors with limited exposure to the financials and materials industries.

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.

# SWIP UK OPPORTUNITIES FUND

## Distribution

| XD Date | Payment Date |
|---|---|
| 31/01/12 | 31/03/12 |

## TER

| | 31/01/12 % | 31/01/11 % |
|---|---|---|
| A Accumulation | 1.62 | 1.64 |
| A Income | 1.62 | - |
| B Accumulation | 0.87 | 0.88 |
| E Accumulation (€ share class) | 1.62 | 1.64 |
| J Accumulation (€ share class) | 0.92 | 0.93 |

Share class A Income was launched 9 April 2011. The Total Expense Ratio (TER) is the total expenses paid by each share class in the year against its average net asset value. The TER can fluctuate as underlying costs change. As A Income was launched in April, the TER for this share class has been annualised.

## Details of investments

| Investments | 31/01/12 % | 31/01/11 % |
|---|---|---|
| Oil & Gas | 35.15 | 25.31 |
| Consumer Goods | 12.84 | 12.04 |
| Health Care | 12.26 | 5.84 |
| Financials | 11.55 | 20.07 |
| Utilities | 6.98 | 4.56 |
| Consumer Services | 6.60 | 10.50 |
| Industrials | 3.62 | 5.84 |
| Technology | 3.61 | 1.49 |
| Basic Materials | 2.37 | 8.18 |
| Corporate Bonds | 0.57 | - |
| Telecommunications | - | 5.07 |
| Total investments | 95.55 | 98.90 |
| Net other assets | 4.45 | 1.10 |
| Total net assets | 100.00 | 100.00 |

## Net asset value

| | NAV per share 31/01/12 (p) | NAV per share 31/01/11 (p) | NAV percentage change % |
|---|---|---|---|
| A Accumulation | 952.71 | 1,035.01 | (7.95) |
| A Income | 235.60 | - | - |
| B Accumulation | 760.71 | 820.24 | (7.26) |
| E Accumulation (€ share class) | 94.25 | 102.43 | (7.99) |
| J Accumulation (€ share class) | 87.11 | 93.98 | (7.31) |

## Performance record

| | 01/02/11 to 31/01/12 | 01/02/10 to 31/01/11 | 01/02/09 to 31/01/10 | 01/02/08 to 31/01/09 | 01/02/07 to 31/01/08 |
|---|---|---|---|---|---|
| UK Opportunities Fund A Accumulation | (7.71) | 13.58 | 47.83 | (27.40) | 0.35 |
| UK All Companies Sector Average Return | (2.64) | 19.52 | 33.85 | (28.54) | (7.85) |
| FTSE All-Share Index | (0.31) | 18.13 | 33.24 | (27.75) | (3.57) |

*Source: Lipper for UK Opportunities 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, net revenue reinvested and net of expenses.*
*Source: Rimes for the FTSE All-Share Index (GBP), close of business. Basis: Revenue reinvested and gross of expenses.*
Past performance is not a guide to future performance. The value of an investment and any revenue from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

## Distribution

| | Final 31/01/12 (p/c) |
|---|---|
| A Accumulation | 8.2135 |
| A Income | 1.2907 |
| B Accumulation | 12.4870 |
| E Accumulation (€ share class) | 0.9660c |
| J Accumulation (€ share class) | 1.6567c |

## Top five holdings

| | 31/01/12 % | | 31/01/11 % |
|---|---|---|---|
| 1. BP | 8.49 | Resolution | 7.18 |
| 2. Indus Gas | 8.00 | BP | 7.17 |
| 3. GlaxoSmithKline | 7.90 | Indus Gas | 5.09 |
| 4. SABMiller | 6.49 | Vodafone | 5.07 |
| 5. Resolution | 5.20 | BG | 4.97 |

Number of holdings: 39

Number of holdings: 41

## Fund Profile

### Investment Objective & Policy

To provide investors with long-term capital growth through direct and indirect investment in a diversified portfolio consisting primarily of securities which, at the time of initial investment by the Fund, are constituent stocks of the Hoare Govett Smaller Companies Index or listed on the Alternative Investment Market.

The Securities in which the Fund will invest are generally less liquid and, accordingly, a degree of risk is associated with the valuation and disposal of the securities. Smaller companies of the type in which the Fund will invest are usually less well established and carry a higher degree of risk than larger companies whose shares are listed on the London Stock Exchange.

The Fund may also invest in other securities, convertibles, warrants, money market instruments, deposits, derivatives (for efficient portfolio management) and collective investment schemes.

In the event that the Hoare Govett Smaller Companies Index ceases to be available, the ACD may chose, at its sole discretion, another similar index as a replacement.

### Risk Profile

**Equity risk factor:** Equities are generally more risky than fixed interest securities. Considerable fluctuations in equity prices may mean that you do not get all your money back.

**Smaller companies risk factor:** Investments in smaller companies are bought and sold less frequently. This might cause greater variations in price as compared with investments in larger companies.

**Derivatives risk factor:** During the year the ACD entered into derivative contracts on behalf of the Fund for the purpose of efficient portfolio management (EPM). The ACD monitors the use of derivative contracts to ensure that the requirements of EPM are satisfied.

Exposure to the various markets may be balanced through tactical asset allocation of futures contracts. Tactical asset allocation is a technique which allows the ACD to undertake a switch in the Fund's exposure by the use of derivatives rather than through the sale and purchase by the Fund of transferable securities.

Due to the use of derivatives, the percentage movements in the value of the Fund will be different from the percentage movements in the markets. To ensure that global exposure relating to the derivative transactions does not exceed the net asset value of the Fund, the ACD uses the commitment approach which looks at the incremental exposure and leverage generated through the use of derivatives on a daily basis.

## Investment Manager's Review

The UK stock market struggled to make progress over the year under review. The FTSE 100 index of the UK's largest companies rose by just 0.4% while the Hoare Govett Smaller Companies index – the Fund's benchmark – fell by 1.9%.

Those headline return figures masked significant volatility. Waves of heightened risk aversion, triggered either by poor economic data or worries about the eurozone's sovereign debt crisis, saw investors shunning equities in favour of the perceived security offered by government bonds. At one point in early October, when risk aversion was at its most pronounced, the Hoare Govett Smaller Companies index stood some 16.9% below its level at the outset of the reporting period. The bulk of those losses, however, were subsequently recouped amid a strong, European Central Bank – inspired rally in late 2011 and into 2012.

In addition to volatility, the year under review was marked by divergence in returns between large and small companies. In part, this reflected a general preference among investors for defensive sectors such as tobacco and pharmaceuticals, both of which are better represented among large caps. Larger companies' outperformance also reflected their greater exposure to overseas markets; signs of economic recovery in the United States prompted hopes that exporters could prosper. In contrast, the fortunes of smaller companies tend to be tied more closely to the fate of the stagnating domestic economy.

In relative terms, Fund performance over the year was strong. Even as the benchmark fell the Fund generated a positive return of 0.8%. It also outperformed the majority of its peer group. Ashtead was the strongest performer. The equipment-hire specialist reported a strong rise in underlying profits, fuelled by its strong presence in the US. Other strong performers included Lancashire, Berkeley and Hargreaves Services. On the downside, the holdings in SThree and Caretech underperformed (the managers subsequently disposed of the holding in Caretech). Not holding one of the largest and strongest performing stocks in the Hoare Govett Smaller Companies index – mid-cap Imagination Technologies – weighed on the Fund's performance relative to the benchmark.

In part, recent activity has seen the managers responding to changes made to the benchmark index at its annual rebalancing (1 January). In particular, Centamin, Hochschild Mining, EnQuest were all sizable purchases. The managers also increased the Fund's holdings in the resources and telecommunications sectors to reflect the more positive outlook for these industries. These purchases were funded by selling holdings in Betfair, Millennium & Copthorne Hotels and Spirax-Sarco Engineering.

Looking ahead, a strong rise in share prices since October 2011 has made valuations in some parts of the small-cap market looked stretched. Some of last year's strongest performers now look expensive. In response, the portfolio managers are searching for value by looking for "recovery situations" where valuations are more attractive.

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.

# SWIP UK SMALLER COMPANIES FUND

## Distribution

| XD Date | Payment Date |
|---|---|
| 31/01/12 | 31/03/12 |

## TER

| | 31/01/12 % | 31/01/11 % |
|---|---|---|
| A Accumulation | 1.64 | 1.66 |
| B Accumulation | 0.91 | 0.90 |
| C Accumulation | 1.14 | 1.15 |
| E Accumulation (€ share class) | 1.62 | 1.66 |
| J Accumulation (€ share class) | 1.09 | 1.13 |

The Total Expense Ratio (TER) is the total expenses paid by each share class in the year against its average net asset value. The TER can fluctuate as underlying costs change.

## Details of investments

| Investments | 31/01/12 % | 31/01/11 % |
|---|---|---|
| Industrials | 26.30 | 24.53 |
| Consumer Services | 21.81 | 25.01 |
| Financials | 16.58 | 16.05 |
| Oil & Gas | 7.66 | 7.59 |
| Consumer Goods | 7.24 | 7.56 |
| Technology | 7.09 | 6.69 |
| Basic Materials | 4.64 | 4.26 |
| Telecommunications | 2.58 | 1.25 |
| Health Care | 2.30 | 2.48 |
| Utilities | 1.46 | 1.28 |
| Derivatives | - | (0.04) |
| Total investments | 97.66 | 96.66 |
| Net other assets | 2.34 | 3.34 |
| Total net assets | 100.00 | 100.00 |

## Net asset value

| | NAV per share 31/01/12 (p) | NAV per share 31/01/11 (p) | NAV percentage change % |
|---|---|---|---|
| A Accumulation | 234.16 | 232.34 | 0.78 |
| B Accumulation | 389.62 | 383.39 | 1.62 |
| C Accumulation | 137.48 | 135.73 | 1.29 |
| E Accumulation (€ share class) | 91.22 | 90.51 | 0.78 |
| J Accumulation (€ share class) | 92.89 | 91.70 | 1.30 |

## Performance record

| | 01/02/11 to 31/01/12 | 01/02/10 to 31/01/11 | 01/02/09 to 31/01/10 | 01/02/08 to 31/01/09 | 01/02/07 to 31/01/08 |
|---|---|---|---|---|---|
| UK Smaller Companies Fund A Accumulation | 0.77 | 28.16 | 42.92 | (37.86) | (14.90) |
| UK Smaller Companies Sector Average Return | (5.24) | 31.95 | 52.30 | (35.64) | (15.79) |
| Hoare Govett Smaller Companies Index | (1.89) | 28.73 | 62.79 | (36.66) | (15.59) |

*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, net revenue reinvested and net of expenses.*

*Source: Rimes for the Hoare Govett Smaller Companies Index (GBP), close of business. Basis: Revenue reinvested and gross of expenses.*

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

## Distribution

| | Final 31/01/12 (p/c) |
|---|---|
| A Accumulation | 2.4477 |
| B Accumulation | 7.2017 |
| C Accumulation | 2.1095 |
| E Accumulation (€ share class) | 1.0940 c |
| J Accumulation (€ share class) | 1.7156 c |

## Top five holdings

| | | 31/01/12 % | | 31/01/11 % |
|---|---|---|---|---|
| 1. | Berkeley | 3.73 | Ashtead | 3.68 |
| 2. | Ashtead | 2.69 | Restaurant | 2.53 |
| 3. | WH Smith | 2.67 | Close Brothers | 2.38 |
| 4. | Restaurant | 2.67 | Howden Joinery | 2.30 |
| 5. | SThree | 2.62 | Euromoney Institutional Investor | 2.17 |

Number of holdings: 74

Number of holdings: 71

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