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Annual Report & Accounts

# JPMorgan Fund ICVC

31 January 2012

**J.P.Morgan**  
Asset Management



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This material should not be relied on as including sufficient information to support an investment decision.

The opinions and views expressed in this document are those held by J.P. Morgan Asset Management as at 4 May 2012, which are subject to change and are not to be taken as or construed as investment advice.

For up-to-date performance information please contact J.P. Morgan Asset Management using the numbers shown on the back of this document.

You should remember that past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. The level of tax benefits and liabilities will depend on individual circumstances and may change in the future.

The information in this booklet is based on our understanding of law, regulation and HM Revenue & Customs practice as at 4 May 2012.

# Authorised Corporate Director's (ACD) Report

We are pleased to present the Annual Report & Accounts for JPMorgan Fund ICVC for the year ending 31 January 2012.

## Authorised Status

JPMorgan Fund ICVC is an Open-Ended Investment Company ("Company") with variable capital, authorised under Regulation 12 of the OEIC Regulations by the Financial Services Authority on 6 October 1997.

The Company was launched as a UCITS Scheme on 16 November 2001 and acts as an umbrella company comprising 38 sub-funds. Its registration number is IC00005 and its registered address is Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ.

## Structure & Liabilities

The assets of each sub-fund are treated as separate from those of every other sub-fund and are invested in accordance with the investment objective and investment policies applicable to that sub-fund. Details of the investment objective, the policies for achieving these objectives, the performance record and a review of the investment activities for each of the sub-funds can be found in this report.

Each sub-fund has a specific portfolio of securities to which its assets and liabilities are attributable. So far as shareholders are concerned each sub-fund is managed as a separate entity. However, if the assets of any sub-fund were insufficient to meet the liabilities attributable to it, the shortfall may have to be met out of the assets attributable to the other sub-funds in the Company. In the event of this happening, the ACD would advise shareholders as soon as possible. Each sub-fund has different classes of shares which are applicable to different types of investors.

The ACD report includes for each sub-fund the:

- Investment objective and policy
- Risk profile
- Fund review
- Fund outlook
- Portfolio statement
- Portfolio movements

Shareholders are not liable for the debts of the Company. Shareholders are not liable to make any further payment to the Company after the purchase of their shares is paid for.

## Changes to Funds, Prospectus and Instrument of Incorporation

The following changes were made or had come into effect during the year under review:

### JPM UK Active Index Plus Fund

Shareholders were informed of proposed changes on 5 January 2011. Shareholders resolved to approve the proposed changes to the investment policy of the sub-fund and the introduction of performance fees at an Extraordinary General Meeting held on 28 January 2011. The changes took effect on 1 February 2011 and the name of the sub-fund was changed from the JPM UK Active 350 Fund to the JPM UK Active Index Plus Fund.

### JPM Emerging markets Infrastructure Fund, JPM UK Managed Equity Fund, JPM UK Strategic Growth Fund and JPM US Equity Income Fund

The investment policies of the above sub-funds were amended on 1 February 2011 to clarify that any future use of derivatives for investment purposes may change the risk profile of the relevant sub-fund. For the avoidance of doubt we are not now giving notice that the above sub-funds may use derivatives for investment purposes. Should the position change we will provide at least 60 days notice to shareholders prior to any implementation.

### JPM UK Higher Income Fund

The investment objective and policy of the sub-fund was changed "To provide income and prospects of capital growth by investing primarily in equity and equity-linked securities of UK companies. The Fund aims to provide a higher income yield than the yield on the FTSE™ All-Share Index. Other instruments as permitted in the stated investment and borrowing powers of the Company including, but not limited to, fixed interest securities, cash and cash equivalents may be held on an ancillary basis, as appropriate." This amendment came into effect on 1 August 2011 when the name of the sub-fund was changed from the JPM Premier Equity Income Fund to the JPM UK Higher Income Fund.

### JPM UK Equity Fund

The investment objective of the sub-fund was changed "To provide long-term capital growth by investing primarily in equity and equity linked securities of UK companies. Other instruments as permitted in the stated investment and borrowing powers of the Company including, but not limited to, fixed interest securities, cash and

cash equivalents may be held on an ancillary basis as appropriate." These amendments came into effect on 1 August 2011 when the name of the sub-fund was changed from the JPM Premier Equity Growth Fund to the JPM UK Equity Fund.

### JPM Global Equity Income Fund

On 14 November 2011, the Authorised Corporate Director informed shareholders of amendments to the currency hedging of the sub-fund. With effect from 16 December 2011, currency hedging was transferred from the sub-fund level to the share class level. There were no implications to shareholders of the sub-fund apart from changes to the names of the existing share classes.

The Authorised Corporate Director launched un-hedged share classes in the sub-fund on 30 December 2011 to cater for investors seeking un-hedged exposure to currency fluctuations between Sterling and the underlying assets of the sub-fund.

### JPM Multi-Manager Growth Fund

On 30 November 2011, shareholders were informed of a change to the distribution policy of the above sub-fund. With effect from the financial year beginning 1 February 2012, the sub-fund will make a single annual distribution on 30 April each year. This amendment is intended to bring the distribution policy in line with other funds in the range which have a capital growth objective.

### JPM Institutional Continental Europe Fund

On 7 December 2011 the Authorised Corporate Director informed shareholders of a proposal to merge the above sub-fund into the JPM Europe Fund, another sub-fund of JPMorgan Fund ICVC. Shareholders resolved to approve the proposed merger at the Extraordinary General Meeting of 13 January 2012 and the sub-fund was subsequently merged into the JPM Europe Fund on 1 February 2012.

### JPM Highbridge Statistical Market Neutral Fund

The Authorised Corporate Director notified shareholders of the JPM Highbridge Statistical Market Neutral Fund of its intention to terminate the sub-fund on 11 April 2012. An application to terminate the sub-fund has been submitted to the FSA and following regulatory approval, shareholders will be informed on the termination process and payment of the termination proceeds.

# Authorised Corporate Director's (ACD) Report, continued

## Launch of new Sub-funds

The JPM Global Mining Fund and the JPM Global Equity Absolute Alpha Fund were launched on 1 February 2011 and 6 July 2011 respectively.

## Change of Depositary

As part of an internal re-structuring, The Royal Bank of Scotland plc has transferred its Trustee and Depositary Services business from The Royal Bank of Scotland plc to National Westminster Bank plc and consequently National Westminster Bank plc has been appointed as Depositary of the Company with effect from 15 October 2011.

As Depositary, National Westminster Bank plc will have the same duties and responsibilities as The Royal Bank of Scotland plc and this change will have no impact on the way the Company operates.

## Management and Administration

### Authorised Corporate Director

JPMorgan Funds Limited  
3 Lochside View, Edinburgh Park,  
Edinburgh, EH12 9DH

(Authorised and regulated by the Financial Services Authority)

### Depositary

National Westminster Bank plc  
135 Bishopsgate, London, EC2M 3UR

(Authorised and regulated by the Financial Services Authority)

### Independent Auditors

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

## Investment Adviser

JPMorgan Asset Management (UK) Limited  
125 London Wall, London, EC2Y 5AJ  
(Authorised and regulated by the Financial Services Authority)

## Registrar

JPMorgan Asset Management Marketing Limited  
125 London Wall, London, EC2Y 5AJ  
(Authorised and regulated by the Financial Services Authority)

By order of the Authorised Corporate Director,



**Mr R Thompson**

Director  
JPMorgan Funds Limited  
4 May 2012



**Ms T McDowall**

Director  
JPMorgan Funds Limited  
4 May 2012

# Investment Adviser's Report for the year ending 31 January 2012

## Market review

Investors have had a challenging year to 31 January 2012. With stubbornly high inflation to contend with in the eurozone, the UK and US, weak macroeconomic data and a rise in market volatility, achieving a real return on capital has been difficult. Many stock markets have suffered falls, particularly in the eurozone and emerging markets. However, in aggregate, global equities held up fairly well, mainly thanks to solid returns from the US and flat performance in the UK. The MSCI World Index fell 1.5% in sterling terms in the year under review (Source: FactSet, total return index).

Bonds had a much better year in general, with the JPMorgan Global Bond Index returning 10.3% in sterling terms over the period (Source: J.P. Morgan). In particular, UK and US government bonds were the surprise winners, benefiting from an increasingly narrow definition of what constitutes a safe haven in the investment world. Far from falling in value due to worries that quantitative easing would result in runaway inflation, as some feared in January, many investors favoured UK and US bonds because the UK and the US governments can print the money needed to repay debt, unlike the eurozone countries.

Disappointing economic data and a slow policy response to events in the eurozone were responsible for most of the volatility on stock markets over the review period. Global growth was steadily revised down, from what were in any case modest initial projections, while the eurozone debt crisis got to such a level as to threaten the sustainability of the single currency itself. Across the Atlantic in the US, still the world's largest economy and with one of the world's most flexible labour forces, there appeared to be a serious structural - not a cyclical - unemployment problem.

Furthermore, in March 2011 a tsunami and a subsequent nuclear power plant explosion severely disrupted output in Japan, the world's third largest economy. There were knock-on effects on supply chains around the world, particularly for the auto and technology sectors.

These themes were the driving forces behind the fall in growth expectations seen in 2011, particularly in the second half of the year, which in turn led to a lowering of corporate earnings growth forecasts.

Behind many of the macroeconomic problems was a weak banking sector in Europe and the US, which continued to struggle to recover from the after-effects of the collapse of Lehman Brothers in 2008, including the rebuilding of balance sheets full of property-related and/or eurozone sovereign debt. However, towards the end of the review period the European Central Bank gave some much-needed support to Europe's banking sector, which was under increasing pressure due to its large exposure to Greek and other peripheral eurozone government bonds. The central bank provided Europe's commercial banks with unlimited cheap funding, removing the immediate threat of a banking crisis in the region.

Emerging market equities underperformed developed markets, despite much more robust economic growth. The reasons were twofold: first, tighter monetary policy in the emerging markets as central banks sought to bring down inflation; and second, downgrades to GDP growth forecasts on the back of weaker growth in developed economies. Since the autumn there has also been an increasing problem in obtaining trade finance from European and US banks, as they seek to sell off assets in emerging economies in order to help rebuild their balance sheets.

## Market outlook

Global markets have continued to strengthen since the end of the review period on the back of improved economic data, triggering a rally in markets early in 2012. The improvement in US economic data has significantly contributed to the rally, with a pickup in the labour market particularly encouraging, although the housing market still remains weak.

Chinese economic data has also supported the rally. China now seems likely to achieve a modest slowdown in growth, avoiding the overheating investors had been worried about. In the coming months, investors are hopeful that the Chinese central bank will lower interest rates to help support growth.

In Europe, the European Central Bank provided the region's commercial banks with a second round of funding on 29 February, boosting sentiment. Meanwhile, fears over Greece moved to the backburner following the restructuring of the Greek government's debt in early March and the release of a EUR 130 billion bailout package.

The key now will be whether the eurozone's governments can maintain the current progress for change in the face of economic pain, resistance to labour market reforms and opposition to public sector spending cuts.

Overall, the global economy continues to improve, with the private sector now beginning to pick up the slack as public sector stimulus fades. The IMF's World Economic Outlook expects global growth of about 3.3% for 2012 and 3.9% for 2013. However, the potential restriction to growth from elevated oil prices remains a principal concern, and while Middle East unrest continues investors are likely to remain cautious. Also, despite the progress made in Europe, a long-term solution to the sovereign debt crisis has still not been reached. As a result, the issue still has the potential to cause further market volatility in 2012.

Importantly, equity markets remain attractively valued. Although the pace of earnings growth is slowing globally, earnings should remain well above trend and continue to support equities valuations - the pickup in global M&A activity echoes this view. Furthermore, believing markets are fairly valued allows investors to refocus on the fundamentals and stop chasing momentum. This should create a more rewarding investment environment for active managers and quantitative strategies alike.

JPMorgan Asset Management (UK) Limited  
April 2012

# JPM Asia Fund

## Important information

### Change of Depositary

As part of an internal re-structuring, The Royal Bank of Scotland plc has transferred its Trustee and Depositary Services business from The Royal Bank of Scotland plc to National Westminster Bank plc and consequently National Westminster Bank plc has been appointed as Depositary of the Fund with effect from 15 October 2011.

As Depositary, National Westminster Bank plc will have the same duties and responsibilities as The Royal Bank of Scotland plc and this change will have no impact on the way the Fund operates.

### Investment objective and policy

To provide long-term capital growth from investment primarily in the securities of companies quoted or trading in Asia (excluding Japan).

### Risk profile

This equity based Fund is designed to give broad market exposure (which may include emerging markets and smaller companies) to stock markets across the Asia ex-Japan region.

Equity investment is subject to specific risks relating to the performance of the individual companies held and the market's perception of their performance. Equities are also subject to systematic risks such as general economic conditions, inflation, interest rates, foreign exchange rates and industry sector risks. In general terms, equities tend to be more volatile than bonds.

The Fund may be invested in emerging markets, which may be subject to additional political and economic risks, low liquidity, poor transparency and greater financial risks.

The underlying assets of the Fund are denominated in currencies other than Sterling and are not hedged back to Sterling. Investors will therefore be exposed to the currency risk of fluctuations between Sterling and the currency denomination of the underlying assets.

### Fund review

For the 12-month review period, the Fund delivered a negative return and underperformed its benchmark. Country allocation was largely neutral, while stock selection was disappointing, particularly in China and Korea where we were overweight cheap financials/cyclicals and underweight the defensive sectors. On the positive side, our stock picks in India and Taiwan added value.

After the rebound in 2010, Asian markets started 2011 on a muted note, with inflation concerns emerging and thus fears about policy tightening. The European debt crisis also attracted a lot of investor attention. Overall, markets in the Association of South East Asian Nations (ASEAN) region (excluding Singapore) were relative outperformers as they were subject to less policy risk and their corporates were seeing stable earnings growth. Korea performed in line with the broader region as exporters continued to gain market share on the cheap Korean won and product innovation. Greater China markets underperformed because of concerns about a hard landing for China's economy. Meanwhile, there were uncertainties surrounding the presidential election in Taiwan. The worst performing market was India, which was hit by high inflation, earnings downgrades and policy paralysis.

You should remember that past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. For specific risks, please read the Simplified Prospectus.

All performance returns are calculated using the quoted price of the accumulation shares. Performance returns are in Sterling.

Source: J.P. Morgan.

<sup>^</sup> On 01/03/09 the Fund's benchmark was changed from MSCI AC Far East ex Japan Net to the MSCI AC Asia ex Japan (Total Return Net) Index.

Benchmark Source: MSCI. Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express of implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent.

## Fund outlook

Given that Asian markets have already risen 15% in the first two months of 2012, it should not be surprising to see the market consolidate due to a combination of the strong rise in the oil price and lacklustre earnings reports. The liquidity support from developed market central banks remaining accommodative and emerging market central banks continuing to ease should remain conducive to rising asset prices. Valuations will also stay attractive even after marginal earnings-per-share downgrades, particularly in large cap China. We have therefore added to Chinese financials and attractively valued cyclicals. The portfolio is now overweight the domestic-driven markets, including China, India, Thailand and Indonesia.

## 12 month performance as at 31 January

|                              | 2012   | 2011  | 2010  | 2009   | 2008  |
|------------------------------|--------|-------|-------|--------|-------|
| <b>JPM Asia</b>              |        |       |       |        |       |
| A-Class Acc                  | -13.1% | 28.5% | 51.5% | -26.5% | 18.1% |
| <b>JPM Asia</b>              |        |       |       |        |       |
| B-Class Acc                  | -12.6% | 29.2% | 52.3% | -      | -     |
| Benchmark Index <sup>^</sup> | -6.1%  | 26.1% | 54.5% | -25.5% | 17.7% |

## Fund statistics

|                              |  |
|------------------------------|--|
| Fund size                    | £105.9m  |
| Benchmark Index <sup>^</sup> | MSCI AC Asia ex Japan Index (Total Return Net) |
| Fund charges                 |  |
| A-Class                      | Initial 4.25%, Annual 1.50%                    |
| B-Class                      | Initial Nil, Annual 1.00%                      |

## Top ten holdings

|                                    | %   |
|------------------------------------|-----|
| Samsung Electronics                | 6.1 |
| Agricultural Bank of China 'H'     | 4.3 |
| China Construction Bank 'H'        | 3.2 |
| Jardine Matheson                   | 3.1 |
| Taiwan Semiconductor Manufacturing | 2.9 |
| Infosys Technologies               | 2.7 |
| CNOOC                              | 2.5 |
| Cheung Kong                        | 2.5 |
| Wharf                              | 2.1 |
| KB Financial Group                 | 2.0 |



## Geographical breakdown

|                  | %    |
|------------------|------|
| China            | 22.1 |
| Hong Kong        | 17.7 |
| South Korea      | 17.1 |
| India            | 15.3 |
| Taiwan           | 8.5  |
| Indonesia        | 5.8  |
| Singapore        | 5.4  |
| Thailand         | 4.3  |
| Malaysia         | 1.0  |
| Philippines      | 0.5  |
| Net other assets | 2.3  |

## Portfolio turnover rate

|          |        |
|----------|--------|
| 31.01.11 | 166.6% |
| 31.01.12 | 149.4% |

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the period.

## Net asset values and Total expense ratios

| Date                               | Net asset value per share class<br>£'000 | Number of shares | Net asset value per share | Total expense ratio |
|------------------------------------|--|------------------|---------------------------|---------------------|
| <b>A-Class Accumulation Shares</b> |  |                  |                           |                     |
| 31.01.10                           | 121,961                                  | 131,885,355      | 92.47p                    | 1.68%               |
| 31.01.11                           | 129,367                                  | 108,855,370      | 118.8p                    | 1.68%               |
| 31.01.12                           | 104,297                                  | 101,044,692      | 103.2p                    | 1.68%               |
| <b>A-Class Income Shares</b>       |  |                  |                           |                     |
| 31.01.10                           | 320                                      | 612,454          | 52.30p                    | 1.68%               |
| 31.01.11                           | 513                                      | 764,239          | 67.11p                    | 1.68%               |
| 31.01.12                           | 580                                      | 999,924          | 57.97p                    | 1.68%               |
| <b>B-Class Accumulation Shares</b> |  |                  |                           |                     |
| 31.01.10                           | 10                                       | 8,000            | 127.7p                    | 1.15%               |
| 31.01.11                           | 10                                       | 6,000            | 165.0p                    | 1.15%               |
| 31.01.12                           | 1,033                                    | 717,224          | 144.1p                    | 1.15%               |

The net asset value and the net asset value per income share are shown ex-dividend.

The total expense ratio (TER) takes into account the ACD fee and any fixed expenses charged to revenue expressed as a percentage of the average daily net asset values over the period.

## Highest/lowest share price and distribution record

| Calendar year                                  | Highest share price | Lowest share price | Distribution per share (net) |
|--|---------------------|--------------------|------------------------------|
| <b>A-Class Accumulation Shares</b>             |                     |                    |                              |
| 2007   | 108.1p              | 67.31p             | 0.00p                        |
| 2008   | 98.28p              | 46.88p             | 0.32p                        |
| 2009   | 99.50p              | 54.94p             | 0.58p                        |
| 2010   | 123.8p              | 91.30p             | 0.14p                        |
| 2011   | 126.4p              | 85.22p             | 0.19p                        |
| 2012 <sup>a</sup>                              | 104.2p              | 94.95p             | 0.56p                        |
| <b>A-Class Income Shares<sup>c</sup></b>       |                     |                    |                              |
| 2007   | 61.87p              | 50.00p             | -                            |
| 2008   | 56.27p              | 26.79p             | 0.05p                        |
| 2009   | 56.38p              | 31.14p             | 0.31p                        |
| 2010   | 70.01p              | 51.66p             | 0.09p                        |
| 2011   | 71.49p              | 48.13p             | 0.11p                        |
| 2012 <sup>b</sup>                              | 58.83p              | 53.62p             | 0.32p                        |
| <b>B-Class Accumulation Shares<sup>d</sup></b> |                     |                    |                              |
| 2008   | 103.9p              | 64.36p             | -                            |
| 2009   | 137.4p              | 75.51p             | 0.61p                        |
| 2010   | 171.8p              | 126.1p             | 0.00p                        |
| 2011   | 175.4p              | 118.8p             | 0.92p                        |
| 2012 <sup>b</sup>                              | 145.4p              | 132.5p             | 1.58p                        |

<sup>a</sup> To 31 January 2012.

<sup>c</sup> A-Class Income Shares were launched on 1 September 2007.

<sup>d</sup> B-Class Accumulation Shares were launched on 4 September 2008.

# Portfolio statement

As at 31 January 2012

| Investment                                     | Holding    | Market value<br>£'000 | Total net<br>assets % |
|--|------------|-----------------------|-----------------------|
| <b>China – 22.1% (17.9%)</b>                   |            |                       |                       |
| Agricultural Bank of China 'H'                 | 14,635,000 | 4,566                 | 4.3                   |
| Anhui Conch Cement 'H'                         | 255,000    | 546                   | 0.5                   |
| China Construction Bank 'H'                    | 6,623,460  | 3,354                 | 3.2                   |
| China National Building Material 'H'           | 650,000    | 496                   | 0.5                   |
| China Petroleum & Chemical 'H'                 | 2,630,000  | 2,015                 | 1.9                   |
| CNOOC  | 2,053,000  | 2,663                 | 2.5                   |
| Industrial & Commercial Bank of China 'H'      | 4,049,000  | 1,796                 | 1.7                   |
| Lianhua Supermarket 'H'                        | 531,000    | 434                   | 0.4                   |
| Ping An Insurance 'H'                          | 413,000    | 2,068                 | 2.0                   |
| Sands China                                    | 943,600    | 2,015                 | 1.9                   |
| Tencent  | 72,500     | 1,122                 | 1.1                   |
| Yanzhou Coal Mining 'H'                        | 1,002,000  | 1,520                 | 1.4                   |
| Zoomlion Heavy Industry Science and Technology | 911,000    | 775                   | 0.7                   |
| <b>Hong Kong – 17.7% (19.7%)</b>               |            |                       |                       |
| Aia Group                                      | 832,000    | 1,763                 | 1.7                   |
| Cheung Kong                                    | 312,000    | 2,653                 | 2.5                   |
| Cheung Kong Infrastructure                     | 383,000    | 1,379                 | 1.3                   |
| China Mobile                                   | 172,500    | 1,117                 | 1.1                   |
| China Resources Land                           | 466,000    | 520                   | 0.5                   |
| Hang Lung Properties                           | 355,000    | 770                   | 0.7                   |
| Hutchison Whampoa                              | 268,000    | 1,612                 | 1.5                   |
| Intime Department Store                        | 1,176,000  | 901                   | 0.8                   |
| Jardine Matheson                               | 100,000    | 3,266                 | 3.1                   |
| New World Development                          | 941,000    | 653                   | 0.6                   |
| Parkson Retail Group                           | 872,000    | 656                   | 0.6                   |
| Springland International                       | 1,694,000  | 616                   | 0.6                   |
| Wharf  | 626,200    | 2,253                 | 2.1                   |
| Wynn Macau                                     | 386,000    | 625                   | 0.6                   |
| <b>South Korea – 17.1% (22.9%)</b>             |            |                       |                       |
| Dongsuh  | 19,200     | 350                   | 0.3                   |
| E-mart   | 9,400      | 1,429                 | 1.3                   |
| Hyundai Heavy Industries                       | 10,140     | 1,782                 | 1.7                   |
| Hyundai Mobis                                  | 9,300      | 1,453                 | 1.4                   |
| KB Financial Group                             | 88,000     | 2,116                 | 2.0                   |
| KT&G   | 15,600     | 689                   | 0.6                   |
| LG Chemical                                    | 2,750      | 581                   | 0.5                   |
| POSCO  | 4,050      | 947                   | 0.9                   |
| Samsung C&T                                    | 24,000     | 938                   | 0.9                   |
| Samsung Electronics                            | 10,300     | 6,436                 | 6.1                   |
| Samsung Engineering                            | 8,200      | 989                   | 0.9                   |
| Shinhan Financial                              | 23,000     | 581                   | 0.5                   |
| <b>India – 15.3% (10.0%)</b>                   |            |                       |                       |
| Bajaj Auto (New)                               | 30,000     | 615                   | 0.6                   |
| Godrej Consumer Products                       | 102,000    | 583                   | 0.5                   |
| Godrej Industries                              | 306,000    | 792                   | 0.7                   |
| HDFC Bank                                      | 315,000    | 1,997                 | 1.9                   |
| Hindalco Industries                            | 394,000    | 750                   | 0.7                   |
| Indusind Bank                                  | 419,000    | 1,629                 | 1.5                   |
| Infosys Technologies                           | 71,000     | 2,491                 | 2.4                   |
| Infosys Technologies ADR                       | 8,500      | 292                   | 0.3                   |
| Infrastructure Development Finance             | 704,000    | 1,207                 | 1.1                   |
| JPM India 'A' USD (Income)^                    | 37,808     | 1,590                 | 1.5                   |
| Mahindra & Mahindra                            | 120,000    | 1,041                 | 1.0                   |
| Mahindra & Mahindra Financial Service          | 127,000    | 1,139                 | 1.1                   |
| Reliance Industries                            | 134,000    | 1,403                 | 1.3                   |
| Tata Motors                                    | 224,000    | 700                   | 0.7                   |
| <b>Taiwan – 8.5% (12.5%)</b>                   |            |                       |                       |
| Advanced Semiconductor Engineering             | 1,893,426  | 1,256                 | 1.2                   |
| Asustek Computer                               | 168,260    | 839                   | 0.8                   |
| Formosa Chemical & Fibre                       | 875,000    | 1,579                 | 1.5                   |
| Foxconn Technology                             | 229,550    | 570                   | 0.5                   |
| Hon Hai Precision Industry                     | 271,000    | 552                   | 0.5                   |
| MediaTek                                       | 50,000     | 302                   | 0.3                   |
| Taiwan Cement                                  | 1,130,743  | 891                   | 0.8                   |
| Taiwan Semiconductor Manufacturing             | 1,854,000  | 3,103                 | 2.9                   |
| <b>Indonesia – 5.8% (2.8%)</b>                 |            |                       |                       |
| Astra International                            | 265,000    | 1,473                 | 1.4                   |
| Bank Central Asia                              | 1,626,500  | 911                   | 0.9                   |
| Bank Mandiri (Persero)                         | 4,216,000  | 1,975                 | 1.9                   |
| United Tractors                                | 824,216    | 1,643                 | 1.6                   |

| Investment                                 | Holding   | Market value<br>£'000 | Total net<br>assets % |
|--|-----------|-----------------------|-----------------------|
| <b>Singapore – 5.4% (5.0%)</b>             |           |                       |                       |
| Jardine Strategic                          | 52,000    | 1,012                 | 1.0                   |
| Keppel                                     | 226,500   | 1,240                 | 1.2                   |
| Oversea-Chinese Banking                    | 427,594   | 1,858                 | 1.8                   |
| Singapore Telecommunications               | 939,000   | 1,468                 | 1.4                   |
| <b>Thailand – 4.3% (2.9%)</b>              |           |                       |                       |
| Bangkok Bank Non-Voting                    | 288,000   | 903                   | 0.9                   |
| Global Chemical (Alien Market)             | 436,000   | 592                   | 0.6                   |
| Kasikornbank Non-Voting Depository Receipt | 346,000   | 911                   | 0.9                   |
| Krung Thai Bank (Alien Market)             | 3,132,000 | 976                   | 0.9                   |
| Siam Cement Non-Voting Depository Receipt  | 154,100   | 1,089                 | 1.0                   |
| <b>Malaysia – 1.0% (1.1%)</b>              |           |                       |                       |
| CIMB Group                                 | 387,000   | 556                   | 0.5                   |
| Genting Berhad                             | 250,500   | 574                   | 0.5                   |
| <b>Philippines – 0.5% (0.7%)</b>           |           |                       |                       |
| Alliance Global Group                      | 3,560,000 | 573                   | 0.5                   |
| <b>Investment assets</b>                   |           | <b>103,520</b>        | <b>97.7</b>           |
| <b>Net other assets</b>                    |           | <b>2,390</b>          | <b>2.3</b>            |
| <b>Net assets</b>                          |           | <b>105,910</b>        | <b>100.0</b>          |

Unless otherwise stated the above securities are admitted to official stock exchange listings or trade on a regulated market.

The comparative percentage figures in brackets are at 31 January 2011.

^ Deemed to be investment in related parties of the ACD

## Portfolio movements

For the year ending 31 January 2012

|  | £'000         |  | £'000           |
|--|---------------|--|-----------------|
| <b>Total of all purchases for the year (Note 10)</b> | <b>90,404</b> | <b>Total of all sales for the year (Note 10)</b> | <b>93,345</b>   |
| <b>Major purchases</b>                               | <b>Cost</b>   | <b>Major sales</b>                               | <b>Proceeds</b> |
| Agricultural Bank of China 'H'                       | 3,044         | OCI Company                                      | 3,648           |
| OCI Company  | 2,899         | China Construction Bank 'H'                      | 3,596           |
| Taiwan Semiconductor Manufacturing                   | 2,824         | Hutchison Whampoa                                | 2,653           |
| Oversea-Chinese Banking                              | 2,765         | Bank Negara Indonesia                            | 2,277           |
| Hutchison Whampoa                                    | 2,368         | United Overseas Bank                             | 2,068           |
| Bank Mandiri (Persero)                               | 2,002         | DBS Group  | 2,056           |
| Reliance Industries                                  | 1,972         | Ping An Insurance 'H'                            | 1,954           |
| Ping An Insurance 'H'                                | 1,814         | Taishin Financial Holdings                       | 1,875           |
| HSBC   | 1,667         | Hana Financial Group                             | 1,832           |
| Hyundai Mobis  | 1,657         | Zijin Mining Group 'H'                           | 1,817           |
| JPM India 'A' USD (Income)^                          | 1,653         | Hyundai Heavy Industries                         | 1,602           |
| Aia Group  | 1,601         | Neptune Orient Lines                             | 1,602           |
| Industrial & Commercial Bank of China 'H'            | 1,571         | Hon Hai Precision Industry                       | 1,575           |
| Aluminium Corp of China                              | 1,495         | Reliance Industries                              | 1,567           |
| Singapore Telecommunications                         | 1,471         | Samsung Electronics                              | 1,539           |
| Formosa Chemical & Fibre                             | 1,434         | Daelim Industrial                                | 1,465           |
| Bharti Airtel  | 1,417         | China National Building Material 'H'             | 1,462           |
| Cheung Kong Infrastructure                           | 1,359         | HSBC   | 1,448           |
| Asustek Computer                                     | 1,309         | Korea Kumho Petrochemical                        | 1,401           |
| United Overseas Bank                                 | 1,281         | Tencent  | 1,396           |

^ Deemed to be investment in related parties of the ACD

# Financial statements

## Statement of total return

For the year ending 31 January

|   | 2012            | 2011          |
|---|-----------------|---------------|
| £'000   | £'000           | £'000         |
| Income  |                 |               |
| Net capital (losses)/gains (Note 1)   | (17,582)        | 29,864        |
| Revenue (Note 2)  | 2,810           | 2,327         |
| Expenses (Note 3)   | (1,922)         | (2,112)       |
| Net revenue before taxation   | 888             | 215           |
| Taxation (Note 4)   | (282)           | 40            |
| Net revenue after taxation  | 606             | 255           |
| <b>Total return before distributions</b>  | <b>(16,976)</b> | <b>30,119</b> |
| Finance costs:<br>Distributions (Note 5)  | (605)           | (252)         |
| <b>Change in net assets attributable to shareholders from investment activities</b> | <b>(17,581)</b> | <b>29,867</b> |

## Balance sheet

As at 31 January

|  | 2012           | 2011           |
|--|----------------|----------------|
| £'000  | £'000          | £'000          |
| <b>ASSETS</b>                                  |                |                |
| Investment assets                              | 103,520        | 123,995        |
| Debtors (Note 7)                               | 1,805          | 3,667          |
| Cash and bank balances (Note 8)                | 2,028          | 2,759          |
| <b>Total other assets</b>                      | <b>3,833</b>   | <b>6,426</b>   |
| <b>Total assets</b>                            | <b>107,353</b> | <b>130,421</b> |
| <b>LIABILITIES</b>                             |                |                |
| Creditors (Note 9)                             | (1,440)        | (530)          |
| Distribution payable on income shares          | (3)            | (1)            |
| <b>Total liabilities</b>                       | <b>(1,443)</b> | <b>(531)</b>   |
| <b>Net assets attributable to shareholders</b> | <b>105,910</b> | <b>129,890</b> |

The notes to these financial statements are shown on pages 11 to 12.

## Statement of change in net assets attributable to shareholders

For the year ending 31 January

|  | 2012           | 2011           |
|--|----------------|----------------|
| £'000  | £'000          | £'000          |
| <b>Opening net assets attributable to shareholders</b>                                   | <b>129,890</b> | <b>122,291</b> |
| Amounts receivable on issue of shares  | 4,785          | 5,760          |
| Amounts payable on cancellation of shares  | (11,761)       | (28,235)       |
|  | (6,976)        | (22,475)       |
| Change in net assets attributable to shareholders from investment activities (see above) | (17,581)       | 29,867         |
| Retained distributions on accumulation shares  | 577            | 207            |
| <b>Closing net assets attributable to shareholders</b>                                   | <b>105,910</b> | <b>129,890</b> |

# Notes to the financial statements for the year ending 31 January 2012

## 1. Net capital (losses)/gains

|                            | 2012            | 2011          |
|----------------------------|-----------------|---------------|
|                            | £'000           | £'000         |
| Currency (losses)/gains    | (36)            | 8             |
| Non-derivative securities  | (17,546)        | 29,856        |
| Net capital (losses)/gains | <u>(17,582)</u> | <u>29,864</u> |

## 2. Revenue

|   | 2012         | 2011         |
|---|--------------|--------------|
|   | £'000        | £'000        |
| Franked income from UK equity investments | 27           | -            |
| Income from overseas equity investments   | 2,458        | 2,190        |
| Interest on bank and term deposits        | 5            | 1            |
| Management fee rebates                    | 11           | -            |
| Stock dividends                           | 309          | 136          |
| Total revenue                             | <u>2,810</u> | <u>2,327</u> |

## 3. Expenses

|  | 2012         | 2011         |
|--|--------------|--------------|
|  | £'000        | £'000        |
| <b>Payable to the ACD or associate of the ACD:</b> |              |              |
| ACD fee  | 1,721        | 1,886        |
| Fixed expenses                                     | 207          | 226          |
|  | <u>1,928</u> | <u>2,112</u> |
| <b>Payable to third parties:</b>                   |              |              |
| VAT recovered*                                     | (6)          | -            |
| Total expenses                                     | <u>1,922</u> | <u>2,112</u> |

\* VAT recovered includes amounts arising as a result of changes to the policy of HM Revenue & Customs ("HMRC") concerning VAT exemption for the management of authorised collective investment schemes (UK Law, items 9 and 10 of group 5, Schedule 9, to the VAT Act 1994) where these services have historically been treated as subject to VAT in the UK. These changes are in accordance with the Business Brief 07/06 (item 3) from HMRC in light of the European Court of Justice judgment in case C-196/04, Abbey National and Inscape Investment Fund.

## 4. Taxation

|  | 2012       | 2011        |
|--|------------|-------------|
|  | £'000      | £'000       |
| <b>a) Analysis of charge in the year</b> |            |             |
| Overseas tax provision                   | 8          | (292)       |
| Overseas tax suffered                    | 274        | 252         |
| Current year tax charge (Note 4b)        | <u>282</u> | <u>(40)</u> |

### b) Factors affecting the tax charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK for an Open-Ended Investment Company (OEIC) (20%). The differences are explained below.

|   |            |             |
|---|------------|-------------|
| Net revenue before taxation               | 888        | 215         |
| Corporation tax at 20%                    | <u>178</u> | <u>43</u>   |
| Effects of:                               |            |             |
| Dividends not subject to corporation tax  | (559)      | (465)       |
| Excess expenses for which no relief taken | 381        | 422         |
| Overseas tax provision                    | 8          | (292)       |
| Overseas tax suffered                     | 274        | 252         |
|   | <u>104</u> | <u>(83)</u> |
| Current year tax charge (Note 4a)         | <u>282</u> | <u>(40)</u> |

No deferred tax asset has been recognised in the financial statements. At the year end date, the fund had a deferred tax asset of £1,027,639 (31.01.11: £646,689) in relation to £5,138,193 (31.01.11: £3,233,443) of excess management expenses which would only be utilised to reduce the tax charge if the fund had an excess of unfranked income over expenses in a future period. There is no excess of unfranked income expected in the future.

## 5. Finance costs

### Distributions

The distributions take account of amounts receivable on the issue of shares and amounts payable on the cancellation of shares and comprise:

|  | 2012       | 2011       |
|--|------------|------------|
|  | £'000      | £'000      |
| Final dividend distribution                    | 580        | 208        |
| Add: Amounts payable on cancellation of shares | 49         | 47         |
| Deduct: Amounts receivable on issue of shares  | (24)       | (3)        |
| Total finance costs                            | <u>605</u> | <u>252</u> |

Details of the distribution per share are set out on page 13.

## 6. Movement between net revenue after taxation and distributions

|   | 2012       | 2011       |
|---|------------|------------|
|   | £'000      | £'000      |
| Net revenue after taxation                    | 606        | 255        |
| Add: Undistributed revenue brought forward    | 4          | 1          |
| Deduct: Undistributed revenue carried forward | (5)        | (4)        |
|   | <u>605</u> | <u>252</u> |

## 7. Debtors

|                                     | 2012         | 2011         |
|-------------------------------------|--------------|--------------|
|                                     | £'000        | £'000        |
| Accrued income                      | 237          | 193          |
| Due from the ACD for shares created | 707          | 85           |
| Overseas tax recoverable            | -            | 2            |
| Sales awaiting settlement           | 861          | 3,387        |
| Total debtors                       | <u>1,805</u> | <u>3,667</u> |

## Notes to the financial statements – continued

### 8. Cash and bank balances

|                        | 2012  | 2011  |
|------------------------|-------|-------|
|                        | £'000 | £'000 |
| Cash and bank balances | 2,028 | 2,759 |

### 9. Creditors

|                                     | 2012  | 2011  |
|-------------------------------------|-------|-------|
|                                     | £'000 | £'000 |
| Accrued expenses                    | 144   | 190   |
| Due to the ACD for shares cancelled | 92    | 24    |
| Purchases awaiting settlement       | 1,204 | 316   |
| Total creditors                     | 1,440 | 530   |

### 10. Portfolio transaction costs

|  | 2012   | 2011    |
|--|--------|---------|
|  | £'000  | £'000   |
| Analysis of total purchase costs           |        |         |
| Purchases in year before transaction costs | 90,222 | 107,455 |
| Commissions                                | 126    | 184     |
| Taxes                                      | 56     | 60      |
| Total purchase costs                       | 182    | 244     |
| Gross purchases total                      | 90,404 | 107,699 |
| Analysis of total sale costs               |        |         |
| Gross sales before transaction costs       | 93,668 | 134,876 |
| Commissions                                | (156)  | (204)   |
| Taxes                                      | (167)  | (223)   |
| Total sale costs                           | (323)  | (427)   |
| Total sales net of transaction costs       | 93,345 | 134,449 |

### 11. Related party transactions

JPMorgan Funds Limited, as Authorised Corporate Director (“ACD”), is a related party, and acts as principal in respect of all transactions of shares in the Company. The aggregate monies received through issue, and paid on cancellation, are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

The balance due from the ACD and their associates at the year end date in respect of related party transactions was £470,745 (31.01.11: £128,749 due to the ACD). Details of related party transactions are given under note 13 on page 389.

Investments considered to be related parties have been identified in the portfolio statement on page 8 and the revenue from these investments was £11,844 (31.01.11: £nil).

Some of the dealing transactions for the fund are carried out through associates of the ACD. Such transactions are carried out on an arm's length basis. The commissions paid to these companies over the year were £23,411 (31.01.11: £32,373). Commission was paid to the associated company JPMorgan Securities Ltd.

The following party held a material interest in the fund at the year end date:

- Derbyshire County Council 12.97% (31.01.11: 12.18%)

### 12. Financial instruments

#### Currency exposures

A substantial proportion of the net assets of the fund are denominated in currencies other than sterling, with the effect that the Balance sheet and total return can be significantly affected by currency movements.

| Currency          | Net foreign currency assets |                    |                        |
|-------------------|-----------------------------|--------------------|------------------------|
|                   | Total exposures             | Monetary exposures | Non-monetary exposures |
|                   | £'000                       | £'000              | £'000                  |
| <b>31.01.12</b>   |                             |                    |                        |
| Hong Kong Dollar  | 38,602                      | (284)              | 38,886                 |
| Korean Won        | 18,518                      | 227                | 18,291                 |
| Indian Rupee      | 14,349                      | 1                  | 14,348                 |
| Taiwan Dollar     | 9,298                       | 206                | 9,092                  |
| US Dollar         | 7,908                       | 1,748              | 6,160                  |
| Indonesian Rupiah | 6,003                       | -                  | 6,003                  |
| Singapore Dollar  | 4,587                       | 21                 | 4,566                  |
| Thailand Baht     | 4,471                       | -                  | 4,471                  |
| Malaysian Ringgit | 1,130                       | -                  | 1,130                  |
| Philippine Peso   | 574                         | 1                  | 573                    |
| <b>31.01.11</b>   |                             |                    |                        |
| Hong Kong Dollar  | 47,827                      | 1,702              | 46,125                 |
| Korean Won        | 30,189                      | 510                | 29,679                 |
| Taiwan Dollar     | 17,113                      | 656                | 16,457                 |
| Indian Rupee      | 13,594                      | 504                | 13,090                 |
| Singapore Dollar  | 6,429                       | -                  | 6,429                  |
| US Dollar         | 5,284                       | 2,573              | 2,711                  |
| Thailand Baht     | 3,736                       | -                  | 3,736                  |
| Indonesian Rupiah | 3,479                       | 2                  | 3,477                  |
| Malaysian Ringgit | 1,363                       | (7)                | 1,370                  |
| Philippine Peso   | 921                         | -                  | 921                    |

#### Interest rate risk

At the year end date, 1.9% (31.01.11: 2.1%) of the fund's net assets by value were interest bearing.

For consideration of other risks including liquidity, pricing and credit risk, please refer to the notes to the aggregated financial statements, pages 389 to 390.

### 13. Share classes

The fund currently has two share classes; Class A shares & Class B shares. The Authorised Corporate Director's (ACD) fee and fixed expenses charge are shown below.

|                 | ACD fee | Fixed expenses |
|-----------------|---------|----------------|
| Class A shares: | 1.50%   | 0.18%          |
| Class B shares: | 1.00%   | 0.15%          |

The net asset value of each share class, the net asset value per share and the number of shares in each class are shown on page 7. All classes have the same rights on winding up.

# Distribution table

## Final distribution in pence per share

Group 1 – Shares purchased prior to 1 February 2011

Group 2 – Shares purchased 1 February 2011 to 31 January 2012

|                                    | Gross<br>revenue | Tax<br>at 10% | Net<br>revenue | Equalisation | Distribution<br>payable<br>30.04.12 | Distribution<br>paid<br>30.04.11 |
|------------------------------------|------------------|---------------|----------------|--------------|-------------------------------------|----------------------------------|
| <b>A-Class Accumulation Shares</b> |                  |               |                |              |                                     |                                  |
| Group 1                            | 0.622222         | 0.062222      | 0.560000       | -            | 0.560000                            | 0.190000                         |
| Group 2                            | 0.288423         | 0.028842      | 0.259581       | 0.300419     | 0.560000                            | 0.190000                         |
| <b>A-Class Income Shares</b>       |                  |               |                |              |                                     |                                  |
| Group 1                            | 0.355556         | 0.035556      | 0.320000       | -            | 0.320000                            | 0.110000                         |
| Group 2                            | 0.318063         | 0.031806      | 0.286257       | 0.033743     | 0.320000                            | 0.110000                         |
| <b>B-Class Accumulation Shares</b> |                  |               |                |              |                                     |                                  |
| Group 1                            | 1.755556         | 0.175556      | 1.580000       | -            | 1.580000                            | 0.920000                         |
| Group 2                            | 1.755556         | 0.175556      | 1.580000       | 0.000000     | 1.580000                            | 0.920000                         |

Equalisation applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of revenue included in the purchase price of all group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

# JPM Balanced Total Return Fund

## Important information

### Change of Depositary

As part of an internal re-structuring, The Royal Bank of Scotland plc has transferred its Trustee and Depositary Services business from The Royal Bank of Scotland plc to National Westminster Bank plc and consequently National Westminster Bank plc has been appointed as Depositary of the Fund with effect from 15 October 2011.

As Depositary, National Westminster Bank plc will have the same duties and responsibilities as The Royal Bank of Scotland plc and this change will have no impact on the way the Fund operates.

### Investment objective and policy

To achieve over a longer-term horizon higher returns than those available from money market instruments denominated in Sterling by investing primarily in equity securities, fixed income securities, convertible bonds and short-term securities of issuers located in any country. The Fund may invest in such securities issued by issuers in emerging countries worldwide. Additionally, subject to market conditions the Fund may invest up to 90% in cash and cash equivalents. Asset and country allocations may vary over time to reflect market conditions and opportunities. The Fund may invest up to 90% in government and public securities (see section 3.11(e) of the full Prospectus). The Fund may use derivatives for investment purposes or Efficient Portfolio Management including hedging, where appropriate.

### Risk profile

This multi-asset Fund invests in equities (which may include investment in emerging markets and smaller companies), bonds, convertible bonds, cash and cash equivalents, typically maintaining a bias towards equities.

Equity investment is subject to specific risks relating to the performance of the individual companies held and the market's perception of their performance. Equities are also subject to systematic risks such as general economic conditions, inflation, interest rates, foreign exchange rates and industry sector risks. In general terms, equities tend to be more volatile than bonds.

Bond prices can fluctuate significantly depending not only on the global economic and interest rate conditions but also on the general credit market environment and the creditworthiness of the issuer.

The investment policy of the Fund permits the use of derivatives and/or forward transactions for investment purposes, potentially increasing the volatility and therefore risk of the Fund.

Total return funds seek to provide a positive return but this is not guaranteed and they should not be used as a substitute for traditional liquidity funds or cash accounts. As the priority of these funds is to provide positive returns, they will not perform in line with stock markets.

This Fund charges the fees of the ACD against capital, which will increase the amount of income available for distribution to Shareholders, but may constrain capital growth. It may also have tax implications for certain investors.

## Fund review

The 12-month period to the end of January 2012 was a very volatile time for markets. In this environment, the Fund produced a negative return and underperformed its cash benchmark.

Our global equity stock picking module underperformed the MSCI World Index over the period, however, positive excess returns were generated in February, March, June, October and January. The Fund's equity sensitivity (delta) averaged 49% and ranged from a high of 62% to a low of 30%.

Our fixed income positions were positive as several trades, including an inflation-protected Australian bond position, long positions in US five- and ten-year Treasuries and UK ten-year Gilts, added value. We maintained our small allocation to convertibles and the returns on these were broadly flat over the period.

## Fund outlook

Looking forward, we expect a deeper recession in the eurozone than the 0.4% contraction forecast in the latest projections from the International Monetary Fund. We think this could have a destabilising effect on equity markets as a whole. Given the risks to the outcome of the ongoing issues in Europe we prefer to take smaller positions in this multi-asset portfolio, rather than increasing our exposure in one asset class.

## 12 month performance as at 31 January

|                                  | 2012  | 2011  | 2010  | 2009   | 2008 |
|----------------------------------|-------|-------|-------|--------|------|
| <b>JPM Balanced Total Return</b> |       |       |       |        |      |
| A-Class Acc                      | -4.6% | 9.1%  | 9.7%  | -10.7% | 0.0% |
| <b>JPM Balanced Total Return</b> |       |       |       |        |      |
| I-Class Acc                      | -3.8% | 10.1% | 10.5% | -10.1% | 0.9% |
| Benchmark Index                  | 0.7%  | 0.6%  | 0.7%  | 5.0%   | 6.1% |

## Fund statistics

|                 |                             |
|-----------------|-----------------------------|
| Fund size       | £10.1m                      |
| Benchmark Index | 1 month GBP LIBOR Index     |
| Fund charges    |                             |
| A-Class         | Initial 4.25%, Annual 1.50% |
| I-Class         | Initial Nil, Annual 0.75%   |

## Top ten holdings (excluding Liquidity funds) %

|                            |     |
|----------------------------|-----|
| Treasury 4.5% 2013         | 8.3 |
| Australia 4% 2020          | 6.3 |
| Apple                      | 1.8 |
| KFW 3.25% Convertible 2013 | 1.7 |
| Pfizer                     | 0.9 |
| Royal Dutch Shell 'A'      | 0.9 |
| Citigroup                  | 0.8 |
| Chevron                    | 0.8 |
| Wells Fargo                | 0.8 |
| Google 'A'                 | 0.8 |

You should remember that past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. For specific risks, please read the Simplified Prospectus.

All performance returns are calculated using the quoted price of the accumulation shares. Performance returns are in Sterling.  
Source: J.P. Morgan.



## Sector breakdown

|                            | %     |
|----------------------------|-------|
| Equities                   | 69.5  |
| Fixed interest securities  | 14.6  |
| Liquidity funds            | 5.0   |
| Convertible bonds          | 1.7   |
| Options                    | 0.1   |
| Forward currency contracts | 0.1   |
| Futures                    | (3.0) |
| Net other assets           | 12.0  |

In line with current accounting practice the sector breakdown includes the unrealised profit or loss on derivative holdings and consequently the economic market exposure of the fund cannot be fully determined from the above disclosure.

## Highest/lowest share price and distribution record

| Calendar year                      | Highest share price | Lowest share price | Distribution per share (net) |
|------------------------------------|---------------------|--------------------|------------------------------|
| <b>A-Class Accumulation Shares</b> |                     |                    |                              |
| 2007                               | 55.17p              | 51.95p             | 0.64p                        |
| 2008                               | 54.89p              | 44.65p             | 0.95p                        |
| 2009                               | 53.46p              | 43.72p             | 1.02p                        |
| 2010                               | 57.82p              | 51.12p             | 0.87p                        |
| 2011                               | 58.26p              | 50.95p             | 1.07p                        |
| 2012 <sup>A</sup>                  | 54.40p              | 52.84p             | 0.21p                        |
| <b>A-Class Income Shares</b>       |                     |                    |                              |
| 2007                               | 54.68p              | 51.56p             | 0.63p                        |
| 2008                               | 54.23p              | 43.32p             | 0.93p                        |
| 2009                               | 50.96p              | 42.24p             | 0.99p                        |
| 2010                               | 54.07p              | 48.21p             | 0.79p                        |
| 2011                               | 54.10p              | 46.99p             | 1.00p                        |
| 2012 <sup>A</sup>                  | 49.92p              | 48.49p             | 0.19p                        |
| <b>I-Class Accumulation Shares</b> |                     |                    |                              |
| 2007                               | 111.4p              | 104.4p             | 2.37p                        |
| 2008                               | 111.1p              | 90.89p             | 2.70p                        |
| 2009                               | 109.5p              | 89.20p             | 2.41p                        |
| 2010                               | 119.6p              | 105.4p             | 2.01p                        |
| 2011                               | 121.2p              | 106.2p             | 2.40p                        |
| 2012 <sup>A</sup>                  | 113.7p              | 110.4p             | 0.48p                        |
| <b>I-Class Income Shares</b>       |                     |                    |                              |
| 2007                               | 109.6p              | 103.2p             | 2.34p                        |
| 2008                               | 108.6p              | 86.65p             | 2.62p                        |
| 2009                               | 102.4p              | 84.53p             | 2.27p                        |
| 2010                               | 109.3p              | 97.24p             | 1.85p                        |
| 2011                               | 109.8p              | 95.63p             | 2.18p                        |
| 2012 <sup>A</sup>                  | 101.8p              | 98.88p             | 0.43p                        |

<sup>A</sup> To 31 January 2012.

## Portfolio turnover rate

|          |        |
|----------|--------|
| 31.01.11 | 57.0%  |
| 31.01.12 | 156.3% |

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the period.

## Net asset values and Total expense ratios

| Date                               | Net asset value per share class £'000 | Number of shares | Net asset value per share | Total expense ratio |
|------------------------------------|---------------------------------------|------------------|---------------------------|---------------------|
| <b>A-Class Accumulation Shares</b> |                                       |                  |                           |                     |
| 31.01.10                           | 8,053                                 | 15,543,846       | 51.81p                    | 1.68%               |
| 31.01.11                           | 8,014                                 | 14,190,303       | 56.48p                    | 1.68%               |
| 31.01.12                           | 7,021                                 | 13,021,569       | 53.92p                    | 1.68%               |
| <b>A-Class Income Shares</b>       |                                       |                  |                           |                     |
| 31.01.10                           | 2,083                                 | 4,244,130        | 49.10p                    | 1.68%               |
| 31.01.11                           | 2,292                                 | 4,354,913        | 52.63p                    | 1.68%               |
| 31.01.12                           | 2,069                                 | 4,196,910        | 49.30p                    | 1.68%               |
| <b>I-Class Accumulation Shares</b> |                                       |                  |                           |                     |
| 31.01.10                           | 496                                   | 465,872          | 106.4p                    | 0.75%               |
| 31.01.11                           | 545                                   | 465,872          | 117.1p                    | 0.75%               |
| 31.01.12                           | 526                                   | 465,872          | 112.8p                    | 0.75%               |
| <b>I-Class Income Shares</b>       |                                       |                  |                           |                     |
| 31.01.10                           | 440                                   | 445,722          | 98.68p                    | 0.75%               |
| 31.01.11                           | 476                                   | 445,722          | 106.6p                    | 0.75%               |
| 31.01.12                           | 449                                   | 446,722          | 100.6p                    | 0.75%               |

The net asset value and the net asset value per income share are shown ex-dividend.

The total expense ratio (TER) takes into account the ACD fee and any fixed expenses charged to revenue expressed as a percentage of the average daily net asset values over the period.

# Portfolio statement

As at 31 January 2012

| Investment                              | Holding | Market value |          | Investment                      | Holding | Market value |          | Total net assets % |
|---|---------|--------------|----------|---------------------------------|---------|--------------|----------|--------------------|
|   |         | £'000        | assets % |                                 |         | £'000        | assets % |                    |
| <b>Equities - 69.5% (70.2%)</b>         |         |              |          |                                 |         |              |          |                    |
| <b>United States of America - 35.1%</b> |         |              |          |                                 |         |              |          |                    |
| Abbott Laboratories                     | 922     | 32           | 0.3      | NASDAQ OMX                      | 1,455   | 23           | 0.2      |                    |
| Accenture 'A'                           | 477     | 17           | 0.2      | National Oilwell Varco          | 466     | 22           | 0.2      |                    |
| Adobe Systems                           | 1,369   | 27           | 0.3      | Newmont Mining                  | 635     | 25           | 0.2      |                    |
| Agco                                    | 713     | 23           | 0.2      | News Corp 'B'                   | 1,993   | 25           | 0.2      |                    |
| Agilent Technologies                    | 747     | 21           | 0.2      | Noble Energy                    | 364     | 23           | 0.2      |                    |
| Alaska Air                              | 414     | 20           | 0.2      | Norfolk Southern                | 547     | 25           | 0.2      |                    |
| Albemarle                               | 100     | 4            | -        | Occidental Petroleum            | 600     | 38           | 0.4      |                    |
| Allergan                                | 486     | 27           | 0.3      | Oil States International        | 499     | 25           | 0.2      |                    |
| Altria Group                            | 1,828   | 33           | 0.3      | Old Dominion Freight Line       | 903     | 24           | 0.2      |                    |
| Amazon                                  | 248     | 30           | 0.3      | Oracle                          | 1,227   | 22           | 0.2      |                    |
| American Express                        | 671     | 21           | 0.2      | Pfizer                          | 6,324   | 86           | 0.9      |                    |
| American Financial Group                | 931     | 22           | 0.2      | Philip Morris International     | 994     | 47           | 0.5      |                    |
| Ameriprise Financial                    | 733     | 25           | 0.2      | Pier 1 Imports                  | 2,167   | 22           | 0.2      |                    |
| AmerisourceBergen                       | 831     | 20           | 0.2      | Pioneer Natural Resources       | 337     | 21           | 0.2      |                    |
| Amgen                                   | 825     | 36           | 0.4      | Plains Exploration & Production | 762     | 18           | 0.2      |                    |
| Anadarko Petroleum                      | 608     | 31           | 0.3      | PNC Financial Services Group    | 692     | 26           | 0.3      |                    |
| Apache                                  | 364     | 23           | 0.2      | Precision Castparts             | 235     | 25           | 0.2      |                    |
| Apple                                   | 625     | 179          | 1.8      | Priceline.com                   | 67      | 22           | 0.2      |                    |
| AT&T                                    | 2,272   | 42           | 0.4      | PriceSmart                      | 323     | 14           | 0.1      |                    |
| Baker Hughes                            | 629     | 20           | 0.2      | Principal Financial Group       | 1,563   | 27           | 0.3      |                    |
| BB&T                                    | 1,146   | 20           | 0.2      | Prudential Financial            | 899     | 33           | 0.3      |                    |
| BE Aerospace                            | 878     | 23           | 0.2      | Qualcomm                        | 793     | 29           | 0.3      |                    |
| Biogen Idec                             | 371     | 27           | 0.3      | Ross Stores                     | 784     | 25           | 0.2      |                    |
| Brinker International                   | 1,137   | 19           | 0.2      | Ryder System                    | 661     | 24           | 0.2      |                    |
| Capital One Financial                   | 739     | 21           | 0.2      | Sandisk                         | 673     | 20           | 0.2      |                    |
| Caterpillar                             | 418     | 29           | 0.3      | Smucker (J.M.)                  | 447     | 22           | 0.2      |                    |
| CBS 'B'                                 | 1,427   | 26           | 0.3      | Starwood Hotels 'B'             | 788     | 27           | 0.3      |                    |
| CF Industries                           | 220     | 25           | 0.2      | Tech Data                       | 550     | 18           | 0.2      |                    |
| Chevron                                 | 1,252   | 82           | 0.8      | Time Warner                     | 953     | 23           | 0.2      |                    |
| Chicago Bridge & Iron                   | 744     | 20           | 0.2      | Time Warner Cable               | 440     | 21           | 0.2      |                    |
| Cigna                                   | 610     | 17           | 0.2      | Towers Watson & Co              | 429     | 16           | 0.2      |                    |
| Cisco Systems                           | 5,019   | 62           | 0.6      | Tyson Foods 'A'                 | 1,527   | 18           | 0.2      |                    |
| Citigroup                               | 4,304   | 82           | 0.8      | United Health Group             | 942     | 30           | 0.3      |                    |
| Coca-Cola                               | 656     | 28           | 0.3      | United Technologies             | 445     | 22           | 0.2      |                    |
| Cognizant Technology Solutions          | 343     | 15           | 0.1      | US Bancorp Delaware             | 1,687   | 30           | 0.3      |                    |
| Comcast 'A'                             | 1,516   | 25           | 0.3      | VF                              | 247     | 20           | 0.2      |                    |
| Covidien                                | 909     | 30           | 0.3      | Viacom 'B'                      | 560     | 17           | 0.2      |                    |
| CSX                                     | 1,606   | 23           | 0.2      | Wal-Mart Stores                 | 1,080   | 42           | 0.4      |                    |
| Cummins                                 | 348     | 23           | 0.2      | Weight Watchers International   | 396     | 19           | 0.2      |                    |
| Danaher                                 | 701     | 23           | 0.2      | Wells Fargo                     | 4,385   | 81           | 0.8      |                    |
| Dell                                    | 2,359   | 25           | 0.3      | Whiting Petroleum               | 562     | 18           | 0.2      |                    |
| Discover Financial Services             | 1,333   | 23           | 0.2      | <b>United Kingdom - 9.7%</b>    |         |              |          |                    |
| Dow Chemical                            | 1,495   | 32           | 0.3      | ARM Holdings                    | 3,956   | 25           | 0.2      |                    |
| El Paso Electric                        | 931     | 20           | 0.2      | Aviva                           | 8,353   | 29           | 0.3      |                    |
| EMC                                     | 1,763   | 29           | 0.3      | Barclays                        | 17,623  | 38           | 0.4      |                    |
| Endo Pharmaceutical                     | 780     | 18           | 0.2      | BG Group                        | 2,546   | 36           | 0.4      |                    |
| EOG Resources                           | 342     | 23           | 0.2      | British American Tobacco        | 2,002   | 59           | 0.6      |                    |
| ExxonMobil                              | 1,053   | 57           | 0.6      | BT Group                        | 12,560  | 26           | 0.3      |                    |
| Fifth Third Bancorp                     | 2,765   | 23           | 0.2      | Burberry Group                  | 1,953   | 26           | 0.3      |                    |
| Foot Locker                             | 1,173   | 20           | 0.2      | Cookson Group                   | 2,517   | 15           | 0.1      |                    |
| Freeport-McMoRan Copper & Gold          | 1,164   | 34           | 0.3      | GlaxoSmithKline                 | 4,213   | 60           | 0.6      |                    |
| Gardner Denver                          | 329     | 16           | 0.2      | IMI                             | 2,594   | 22           | 0.2      |                    |
| General Electric                        | 5,240   | 63           | 0.6      | Imperial Tobacco Group          | 1,123   | 26           | 0.3      |                    |
| Google 'A'                              | 211     | 77           | 0.8      | Inchcape                        | 6,633   | 23           | 0.2      |                    |
| Hain Celestial Group                    | 932     | 23           | 0.2      | Intercontinental Hotels Group   | 2,379   | 31           | 0.3      |                    |
| Helmerich & Payne                       | 580     | 22           | 0.2      | Legal & General Group           | 20,648  | 24           | 0.2      |                    |
| Herbalife                               | 480     | 17           | 0.2      | Meggitt                         | 4,545   | 16           | 0.2      |                    |
| Humana                                  | 355     | 20           | 0.2      | Petrofac                        | 1,292   | 19           | 0.2      |                    |
| IBM                                     | 569     | 69           | 0.7      | Prudential                      | 4,544   | 32           | 0.3      |                    |
| Intel                                   | 2,754   | 47           | 0.5      | Resolution                      | 7,649   | 21           | 0.2      |                    |
| Interpublic Group                       | 3,510   | 23           | 0.2      | Rio Tinto                       | 1,801   | 69           | 0.7      |                    |
| Johnson & Johnson                       | 836     | 35           | 0.3      | Royal Dutch Shell 'A'           | 3,814   | 86           | 0.9      |                    |
| Kansas City Southern                    | 451     | 20           | 0.2      | Shire                           | 693     | 15           | 0.1      |                    |
| Kirby                                   | 531     | 23           | 0.2      | Spectris                        | 1,663   | 25           | 0.2      |                    |
| KLA-Tencor                              | 568     | 18           | 0.2      | Standard Chartered              | 3,372   | 52           | 0.5      |                    |
| Kraft Foods 'A'                         | 1,062   | 26           | 0.3      | Taylor Wimpey                   | 52,132  | 22           | 0.2      |                    |
| Kroger                                  | 1,223   | 19           | 0.2      | Tullow Oil                      | 1,564   | 21           | 0.2      |                    |
| Lam Research                            | 618     | 17           | 0.2      | Unilever                        | 978     | 20           | 0.2      |                    |
| Limited Brands                          | 544     | 14           | 0.1      | Vodafone Group                  | 42,166  | 73           | 0.7      |                    |
| Lowe's                                  | 1,619   | 27           | 0.3      | Weir Group                      | 1,072   | 21           | 0.2      |                    |
| Macy's                                  | 921     | 20           | 0.2      | Wolseley                        | 801     | 18           | 0.2      |                    |
| Marathon Oil                            | 1,279   | 25           | 0.2      | WPP                             | 3,454   | 26           | 0.3      |                    |
| Masco                                   | 2,270   | 18           | 0.2      | <b>Japan - 4.2%</b>             |         |              |          |                    |
| MasterCard                              | 112     | 25           | 0.2      | FamilyMart                      | 800     | 20           | 0.2      |                    |
| Merck & Co                              | 3,050   | 75           | 0.8      | FANUC                           | 200     | 21           | 0.2      |                    |
| Microsoft                               | 3,989   | 75           | 0.8      | Hitachi                         | 6,000   | 21           | 0.2      |                    |
| Monster Beverage                        | 266     | 18           | 0.2      | Isuzu Motors                    | 9,000   | 29           | 0.3      |                    |
| Moodys                                  | 984     | 23           | 0.2      | Itochu                          | 3,100   | 21           | 0.2      |                    |
| Motorola Solutions                      | 792     | 23           | 0.2      | Japan Tobacco                   | 7       | 22           | 0.2      |                    |
|   |         |              |          | JX Holdings                     | 6,300   | 24           | 0.2      |                    |
|   |         |              |          | Komatsu                         | 1,500   | 27           | 0.3      |                    |

# Portfolio statement – continued

As at 31 January 2012

| Investment  | Holding | Market value<br>£'000 | Total net<br>assets % |
|---|---------|-----------------------|-----------------------|
| Marubeni  | 5,000   | 22                    | 0.2                   |
| Mitsubishi  | 1,800   | 26                    | 0.3                   |
| Mitsui & Co   | 2,600   | 28                    | 0.3                   |
| Nippon Telegraph & Telephone                        | 700     | 22                    | 0.2                   |
| Nissan Motor  | 4,600   | 27                    | 0.3                   |
| Orix  | 450     | 27                    | 0.3                   |
| Rakuten   | 28      | 18                    | 0.2                   |
| SMC   | 300     | 33                    | 0.3                   |
| Sumitomo  | 2,900   | 26                    | 0.3                   |
| <b>Germany – 3.7%</b>                               |         |                       |                       |
| Allianz   | 518     | 37                    | 0.4                   |
| BASF  | 976     | 49                    | 0.5                   |
| Bayer   | 1,033   | 46                    | 0.4                   |
| BMW   | 530     | 29                    | 0.3                   |
| Continental   | 510     | 26                    | 0.3                   |
| Fresenius   | 382     | 25                    | 0.2                   |
| Henkel Non-Voting Preference                        | 565     | 22                    | 0.2                   |
| Lanxess   | 615     | 26                    | 0.3                   |
| Linde   | 224     | 23                    | 0.2                   |
| SAP   | 720     | 28                    | 0.3                   |
| Suedzucker  | 967     | 18                    | 0.2                   |
| Volkswagen Non-Voting Preference                    | 419     | 48                    | 0.4                   |
| <b>France – 3.3%</b>                                |         |                       |                       |
| AXA   | 5,487   | 53                    | 0.5                   |
| BNP Paribas   | 571     | 16                    | 0.2                   |
| LVMH  | 216     | 22                    | 0.2                   |
| Pernod-Ricard                                       | 336     | 20                    | 0.2                   |
| PPR   | 258     | 26                    | 0.3                   |
| Sanofi-Aventis                                      | 1,102   | 52                    | 0.5                   |
| Schneider Electric                                  | 510     | 20                    | 0.2                   |
| Technip   | 392     | 23                    | 0.2                   |
| TOTAL S.A.  | 2,054   | 69                    | 0.7                   |
| Vivendi   | 1,989   | 27                    | 0.3                   |
| <b>Switzerland – 3.0%</b>                           |         |                       |                       |
| ABB   | 1,971   | 26                    | 0.3                   |
| ACE   | 645     | 28                    | 0.3                   |
| Compagnie Financiere Richemont 'A'                  | 912     | 33                    | 0.3                   |
| Nestle  | 1,936   | 71                    | 0.7                   |
| Novartis  | 1,066   | 37                    | 0.4                   |
| Roche (Genusscheine)                                | 516     | 56                    | 0.5                   |
| Tyco Electronics                                    | 46      | 1                     | -                     |
| Xstrata   | 2,661   | 29                    | 0.3                   |
| Zurich Financial Services                           | 131     | 20                    | 0.2                   |
| <b>China – 1.9%</b>                                 |         |                       |                       |
| Anhui Conch Cement 'H'                              | 10,500  | 22                    | 0.2                   |
| Baidu ADR   | 235     | 19                    | 0.2                   |
| China Construction Bank 'H'                         | 65,000  | 33                    | 0.3                   |
| China Merchants Bank 'H'                            | 13,857  | 19                    | 0.2                   |
| China Shenhua Energy 'H'                            | 7,000   | 19                    | 0.2                   |
| Industrial & Commercial Bank of China 'H'           | 68,000  | 30                    | 0.3                   |
| Ping An Insurance 'H'                               | 5,500   | 28                    | 0.3                   |
| Sands China   | 10,800  | 23                    | 0.2                   |
| <b>Canada – 1.3%</b>                                |         |                       |                       |
| BCE   | 636     | 16                    | 0.2                   |
| Canadian National Railway                           | 364     | 17                    | 0.2                   |
| First Quantum Minerals                              | 1,750   | 24                    | 0.2                   |
| Suncor Energy                                       | 1,218   | 27                    | 0.3                   |
| Telus Non-Voting Preference                         | 525     | 18                    | 0.2                   |
| Toronto-Dominion Bank                               | 424     | 21                    | 0.2                   |
| <b>Hong Kong – 1.2%</b>                             |         |                       |                       |
| Aia Group   | 8,400   | 18                    | 0.2                   |
| Galaxy Entertainment Group                          | 13,000  | 18                    | 0.2                   |
| Hang Lung Properties                                | 6,000   | 13                    | 0.1                   |
| Jardine Matheson                                    | 800     | 26                    | 0.3                   |
| New World Development                               | 27,000  | 19                    | 0.2                   |
| Wharf   | 6,500   | 23                    | 0.2                   |
| <b>Australia – 1.1%</b>                             |         |                       |                       |
| BHP Billiton  | 1,934   | 49                    | 0.5                   |
| Flight Centre                                       | 1,040   | 13                    | 0.1                   |
| Iluka Resources                                     | 1,650   | 20                    | 0.2                   |
| Regis Resources                                     | 9,603   | 26                    | 0.3                   |
| <b>Brazil – 0.9%</b>                                |         |                       |                       |
| Cia Hering  | 998     | 15                    | 0.1                   |
| Cielo   | 1,100   | 21                    | 0.2                   |
| Companhia de Bebidas das Americas<br>ADR Preference | 784     | 18                    | 0.2                   |
| Petroleo Brasileiro ADS                             | 1,005   | 20                    | 0.2                   |
| TIM Participacoes ADR                               | 974     | 17                    | 0.2                   |

| Investment   | Holding     | Market value<br>£'000 | Total net<br>assets % |
|--|-------------|-----------------------|-----------------------|
| <b>Netherlands – 0.9%</b>                                |             |                       |                       |
| ING Bank   | 6,826       | 40                    | 0.4                   |
| KPN  | 2,244       | 16                    | 0.2                   |
| Unilever   | 1,235       | 26                    | 0.3                   |
| <b>Finland – 0.7%</b>                                    |             |                       |                       |
| Metso  | 663         | 18                    | 0.2                   |
| Nokian Renkaa  | 1,059       | 24                    | 0.2                   |
| UPM-Kymmene  | 3,208       | 26                    | 0.3                   |
| <b>South Korea – 0.5%</b>                                |             |                       |                       |
| Hyundai Motor  | 130         | 16                    | 0.2                   |
| Samsung Electronics                                      | 47          | 29                    | 0.3                   |
| <b>India – 0.4%</b>                                      |             |                       |                       |
| HDFC Bank ADR  | 1,183       | 23                    | 0.2                   |
| ICICI Bank ADR   | 1,093       | 24                    | 0.2                   |
| <b>Italy – 0.4%</b>                                      |             |                       |                       |
| Intesa Sanpaolo  | 16,180      | 20                    | 0.2                   |
| Prada  | 7,700       | 23                    | 0.2                   |
| <b>Sweden – 0.4%</b>                                     |             |                       |                       |
| Lundin Petroleum   | 1,111       | 16                    | 0.2                   |
| Tele2 'B'  | 1,294       | 16                    | 0.2                   |
| <b>Indonesia – 0.2%</b>                                  |             |                       |                       |
| Bank Rakyat Indonesia                                    | 47,500      | 23                    | 0.2                   |
| <b>Israel – 0.2%</b>                                     |             |                       |                       |
| Teva Pharmaceutical Industries ADR                       | 765         | 22                    | 0.2                   |
| <b>Russia – 0.2%</b>                                     |             |                       |                       |
| Gazprom ADR  | 2,766       | 21                    | 0.2                   |
| <b>Singapore – 0.2%</b>                                  |             |                       |                       |
| Avago Technologies                                       | 912         | 19                    | 0.2                   |
| <b>Fixed interest securities – 14.6% (19.3%)</b>         |             |                       |                       |
| <b>Sterling – 8.3%</b>                                   |             |                       |                       |
| Treasury 4.5% 2013                                       | £800,000    | 836                   | 8.3                   |
| <b>Australian Dollar – 6.3%</b>                          |             |                       |                       |
| Australia 4% 2020  | AUD500,000  | 636                   | 6.3                   |
| <b>Convertible bonds – 1.7% (1.6%)</b>                   |             |                       |                       |
| <b>Euro – 1.7%</b>                                       |             |                       |                       |
| KFW 3.25% Convertible 2013                               | €200,000    | 171                   | 1.7                   |
| <b>Options – 0.1% (0.3%)</b>                             |             |                       |                       |
| DAX Put Options 5600 Feb 2012                            | 88          | 2                     | -                     |
| Foreign Exchange Put Options EUR/USD<br>1.235 Mar 2012   | 1,840,000   | 3                     | -                     |
| Foreign Exchange Call Options USD/CAD<br>1.0463 Mar 2012 | 1,600,000   | 2                     | -                     |
| Foreign Exchange Put Options USD/CAD<br>0.9853 Mar 2012  | (1,600,000) | (3)                   | -                     |
| S&P500 Put Options 500 Mar 2012                          | 27          | -                     | -                     |
| VIX Index Call Options 32.5 Mar 2012                     | 173         | 10                    | 0.1                   |
| <b>Forward currency contracts – 0.1% ((0.2)%)</b>        |             |                       |                       |
| <b>Australian Dollar</b>                                 |             |                       |                       |
| Buy AUD 758,767 sell \$793,959 dated 16/03/12            | 7           | 0.1                   |                       |
| Sell AUD 1,882,219 buy £1,208,071 dated 16/03/12         | (57)        | (0.6)                 |                       |
| <b>Canadian Dollar</b>                                   |             |                       |                       |
| Sell CAD 220,683 buy £137,658 dated 16/03/12             | (2)         | -                     |                       |
| <b>Euro</b>  |             |                       |                       |
| Buy € 262,905 sell £221,378 dated 16/03/12               | (2)         | -                     |                       |
| Sell €1,713,855 buy £1,450,193 dated 16/03/12            | 19          | 0.2                   |                       |
| <b>Hong Kong Dollar</b>                                  |             |                       |                       |
| Sell HKD 1,895,270 buy £156,468 dated 16/03/12           | 2           | -                     |                       |
| <b>Japanese Yen</b>                                      |             |                       |                       |
| Sell ¥56,042,588 buy £463,319 dated 16/03/12             | (2)         | -                     |                       |
| <b>Singapore Dollar</b>                                  |             |                       |                       |
| Sell SGD 97,001 buy £47,790 dated 16/03/12               | (1)         | -                     |                       |
| <b>Swedish Krona</b>                                     |             |                       |                       |
| Buy SEK 376,124 sell £34,910 dated 16/03/12              | -           | -                     |                       |
| Sell SEK 849,708 buy £79,034 dated 16/03/12              | (1)         | -                     |                       |
| <b>Swiss Franc</b>                                       |             |                       |                       |
| Sell CHF 406,609 buy £279,500 dated 16/03/12             | (2)         | -                     |                       |
| <b>US Dollar</b>   |             |                       |                       |
| Sell \$5,345,864 buy £3,433,573 dated 16/03/12           | 46          | 0.4                   |                       |
| Buy \$376,241 sell £243,992 dated 16/03/12               | (6)         | -                     |                       |

## Portfolio statement – continued

As at 31 January 2012

| Investment  | Holding | Market value<br>£'000 | Total net<br>assets % |
|---|---------|-----------------------|-----------------------|
| <b>Futures – (3.0)% ((1.5)%)</b>                            |         |                       |                       |
| Amsterdam Index Futures Feb 2012                            | 6       | 4                     | -                     |
| DAX Index Futures Mar 2012                                  | (4)     | (33)                  | (0.3)                 |
| Euro Stoxx 50 Index Futures Mar 2012                        | (54)    | (80)                  | (0.8)                 |
| FTSE 100 Index Futures Mar 2012                             | 5       | 7                     | 0.1                   |
| Hang Seng Index Futures Feb 2012                            | 7       | 16                    | 0.2                   |
| IBEX 35 Index Futures Feb 2012                              | 4       | 2                     | -                     |
| MSCI Index Futures Feb 2012                                 | (7)     | (7)                   | (0.1)                 |
| Nasdaq 100 E-Mini Futures Mar 2012                          | 7       | 16                    | 0.2                   |
| OMX 30 Index Futures Feb 2012                               | (30)    | (5)                   | -                     |
| Russell 2000 Mini Futures Mar 2012                          | (25)    | (107)                 | (1.1)                 |
| S&P 500 E-Mini Futures Mar 2012                             | (33)    | (84)                  | (0.8)                 |
| S&P/TSX 60 Index Futures Mar 2012                           | 2       | 6                     | -                     |
| SPI 200 Futures Mar 2012                                    | 4       | 6                     | -                     |
| Swiss Market Index Futures Mar 2012                         | (6)     | (6)                   | (0.1)                 |
| SX5E Dividend Futures Dec 2012                              | (54)    | 27                    | 0.3                   |
| SX5E Dividend Futures Dec 2013                              | 59      | (72)                  | (0.7)                 |
| Topix Index Futures Mar 2012                                | 2       | 3                     | -                     |
| US 5 Year Note Futures Mar 2012                             | 26      | 20                    | 0.2                   |
| US 10 Year Note Futures Mar 2012                            | (7)     | (12)                  | (0.1)                 |
| <b>Liquidity funds – 5.0% (0.0%)</b>                        |         |                       |                       |
| JPM Sterling Liquidity 'X' (Income)^                        | 500,000 | 500                   | 5.0                   |
| <b>Investment assets (including investment liabilities)</b> |         | <b>8,859</b>          | <b>88.0</b>           |
| <b>Net other assets</b>                                     |         | <b>1,206</b>          | <b>12.0</b>           |
| <b>Net assets</b>   |         | <b>10,065</b>         | <b>100.0</b>          |

Unless otherwise stated the above securities are admitted to official stock exchange listings or trade on a regulated market.

The comparative percentage figures in brackets are at 31 January 2011.

In line with current accounting practice the sector breakdown includes the unrealised profit or loss on derivative holdings and consequently the economic market exposure of the fund cannot be fully determined from the above disclosure.

^ Deemed to be investment in related parties of the ACD

| Portfolio credit ratings                                    | Market value<br>£'000 |
|---|-----------------------|
| AAA   | 1,643                 |
| <b>Total bonds</b>  | <b>1,643</b>          |
| Equities  | 7,000                 |
| Options   | 14                    |
| Forward currency contracts                                  | 1                     |
| Futures   | (299)                 |
| Liquidity funds   | 500                   |
| <b>Investment assets (including investment liabilities)</b> | <b>8,859</b>          |

## Portfolio movements

For the year ending 31 January 2012

|  | £'000        |  | £'000           |
|--|--------------|--|-----------------|
| <b>Total of all purchases for the year (Note 10)</b> | <b>9,255</b> | <b>Total of all sales for the year (Note 10)</b> | <b>9,829</b>    |
| <b>Major purchases</b>                               | <b>Cost</b>  | <b>Major sales</b>                               | <b>Proceeds</b> |
| JPM Sterling Liquidity 'X' (Income)^                 | 500          | Canada 5% 2037                                   | 402             |
| General Electric                                     | 97           | Treasury 8% 2013                                 | 227             |
| ING Bank   | 87           | Treasury 4.5% 2013                               | 209             |
| Google 'A'   | 87           | ING Bank   | 74              |
| GlaxoSmithKline                                      | 75           | General Electric                                 | 70              |
| Johnson & Johnson                                    | 75           | Cisco Systems                                    | 70              |
| Apple  | 74           | Hewlett Packard                                  | 69              |
| Microsoft  | 74           | Microsoft  | 65              |
| Merck & Co   | 72           | BNP Paribas                                      | 64              |
| Oracle   | 66           | Credit Suisse                                    | 63              |
| AXA  | 66           | Unilever   | 62              |
| Abbott Laboratories                                  | 61           | Google 'A'                                       | 62              |
| Coca-Cola  | 61           | Barclays   | 61              |
| Intel  | 61           | Intel  | 59              |
| Citigroup  | 61           | Abbott Laboratories                              | 55              |
| UPM-Kymmene  | 59           | Novartis   | 54              |
| Roche (Genusscheine)                                 | 59           | Guess  | 50              |
| Amazon   | 58           | Apple  | 49              |
| Cisco Systems  | 56           | Xstrata  | 48              |
| Barclays   | 53           | ExxonMobil                                       | 47              |

^ Deemed to be investment in related parties of the ACD

# Financial statements

## Statement of total return

For the year ending 31 January

|   | £'000 | 2012<br>£'000 | £'000 | 2011<br>£'000 |
|---|-------|---------------|-------|---------------|
| Income  |       |               |       |               |
| Net capital (losses)/gains (Note 1)   |       | (578)         |       | 892           |
| Revenue (Note 2)  | 267   |               | 263   |               |
| Expenses (Note 3)   | (175) |               | (194) |               |
| Net revenue before taxation   | 92    |               | 69    |               |
| Taxation (Note 4)   | (16)  |               | (15)  |               |
| Net revenue after taxation  |       | 76            |       | 54            |
| <b>Total return before distributions</b>  |       | <b>(502)</b>  |       | <b>946</b>    |
| Finance costs:<br>Distributions (Note 5)  |       | (216)         |       | (206)         |
| <b>Change in net assets attributable to shareholders from investment activities</b> |       | <b>(718)</b>  |       | <b>740</b>    |

## Statement of change in net assets attributable to shareholders

For the year ending 31 January

|  | £'000   | 2012<br>£'000 | £'000   | 2011<br>£'000 |
|--|---------|---------------|---------|---------------|
| <b>Opening net assets attributable to shareholders</b>                                   |         | <b>11,327</b> |         | <b>11,072</b> |
| Amounts receivable on issue of shares  | 704     |               | 3,623   |               |
| Amounts payable on cancellation of shares  | (1,409) |               | (4,268) |               |
|  |         | (705)         |         | (645)         |
| Change in net assets attributable to shareholders from investment activities (see above) |         | (718)         |         | 740           |
| Retained distributions on accumulation shares  |         | 161           |         | 161           |
| Stamp duty reserve tax   |         | -             |         | (1)           |
| <b>Closing net assets attributable to shareholders</b>                                   |         | <b>10,065</b> |         | <b>11,327</b> |

## Balance sheet

As at 31 January

|  | £'000 | 2012<br>£'000 | £'000 | 2011<br>£'000 |
|--|-------|---------------|-------|---------------|
| <b>ASSETS</b>                                  |       |               |       |               |
| Investment assets                              |       | 9,341         |       | 10,438        |
| Debtors (Note 7)                               | 183   |               | 155   |               |
| Cash and bank balance (Note 8)                 | 1,253 |               | 1,187 |               |
| <b>Total other assets</b>                      |       | <b>1,436</b>  |       | <b>1,342</b>  |
| <b>Total assets</b>                            |       | <b>10,777</b> |       | <b>11,780</b> |
| <b>LIABILITIES</b>                             |       |               |       |               |
| Investment liabilities                         |       | (482)         |       | (279)         |
| Creditors (Note 9)                             | (220) |               | (164) |               |
| Distribution payable on income shares          | (10)  |               | (10)  |               |
| <b>Total other liabilities</b>                 |       | <b>(230)</b>  |       | <b>(174)</b>  |
| <b>Total liabilities</b>                       |       | <b>(712)</b>  |       | <b>(453)</b>  |
| <b>Net assets attributable to shareholders</b> |       | <b>10,065</b> |       | <b>11,327</b> |

The notes to these financial statements are shown on pages 21 to 23.

# Notes to the financial statements for the year ending 31 January 2012

## 1. Net capital (losses)/gains

|                            | 2012         | 2011       |
|----------------------------|--------------|------------|
|                            | £'000        | £'000      |
| Currency gains             | 23           | 93         |
| Derivative contracts       | (21)         | (24)       |
| Forward currency contracts | (191)        | (616)      |
| Non-derivative securities  | (389)        | 1,439      |
| Net capital (losses)/gains | <u>(578)</u> | <u>892</u> |

## 2. Revenue

|   | 2012       | 2011       |
|---|------------|------------|
|   | £'000      | £'000      |
| Franked income from UK equity investments                         | 28         | 20         |
| Income from overseas equity investments                           | 141        | 125        |
| Interest on amounts held with futures clearing houses and brokers | -          | 2          |
| Interest on bank and term deposits                                | 4          | 6          |
| Interest on fixed-interest securities                             | 91         | 110        |
| Property income distributions                                     | 1          | -          |
| Stocklending income*  | 2          | -          |
| Total revenue   | <u>267</u> | <u>263</u> |

\* Stocklending income is disclosed net of fees. See note 11.

## 3. Expenses

|   | 2012       | 2011       |
|---|------------|------------|
|   | £'000      | £'000      |
| Payable to the ACD or associate of the ACD: |            |            |
| ACD fee                                     | 157        | 173        |
| Fixed expenses                              | 18         | 21         |
| Total expenses                              | <u>175</u> | <u>194</u> |

## 4. Taxation

|  | 2012      | 2011      |
|--|-----------|-----------|
|  | £'000     | £'000     |
| <b>a) Analysis of charge in the year</b> |           |           |
| Overseas tax suffered                    | 16        | 15        |
| Current year tax charge (Note 4b)        | <u>16</u> | <u>15</u> |

### b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an Open-Ended Investment Company (OEIC) (20%). The differences are explained below.

|   |            |           |
|---|------------|-----------|
| Net revenue before taxation               | 92         | 69        |
| Corporation tax at 20%                    | <u>18</u>  | <u>14</u> |
| Effects of:                               |            |           |
| Dividends not subject to corporation tax  | (33)       | (28)      |
| Excess expenses for which no relief taken | 15         | 14        |
| Overseas tax suffered                     | 16         | 15        |
|   | <u>(2)</u> | <u>1</u>  |
| Current year tax charge (Note 4a)         | <u>16</u>  | <u>15</u> |

No deferred tax asset has been recognised in the financial statements. At the year end date, the fund had a deferred tax asset of £29,002 (31.01.2011: £13,863) in relation to £145,009 (31.01.2011: £69,314) of excess management expenses which would only be utilised to reduce the tax charge if the fund had an excess of unfranked income over expenses in a future period. There is no excess of unfranked income expected in the future.

## 5. Finance costs

### Distributions

The distributions take account of amounts receivable on the issue of shares and amounts payable on the cancellation of shares and comprise:

|  | 2012       | 2011       |
|--|------------|------------|
|  | £'000      | £'000      |
| First interim dividend distribution            | 55         | 60         |
| Second interim dividend distribution           | 67         | 57         |
| Third interim dividend distribution            | 52         | 49         |
| Final dividend distribution                    | 40         | 41         |
| Add: Amounts payable on cancellation of shares | 3          | 9          |
| Deduct: Amounts receivable on issue of shares  | (1)        | (10)       |
| Total finance costs                            | <u>216</u> | <u>206</u> |

Details of the distribution per share are set out on pages 24 to 25.

## 6. Movement between net revenue after taxation and distributions

|  | 2012       | 2011       |
|--|------------|------------|
|  | £'000      | £'000      |
| Net revenue after taxation                         | 76         | 54         |
| Add: ACD fee (net of tax relief) paid from capital | 141        | 152        |
| Deduct: Undistributed revenue carried forward      | (1)        | -          |
|  | <u>216</u> | <u>206</u> |

## 7. Debtors

|                           | 2012       | 2011       |
|---------------------------|------------|------------|
|                           | £'000      | £'000      |
| Accrued income            | 25         | 38         |
| Overseas tax recoverable  | 2          | 3          |
| Sales awaiting settlement | 156        | 114        |
| Total debtors             | <u>183</u> | <u>155</u> |

## 8. Cash and bank balances

|   | 2012         | 2011         |
|---|--------------|--------------|
|   | £'000        | £'000        |
| Amounts held at futures clearing houses and brokers | 933          | 843          |
| Cash and bank balances                              | 320          | 344          |
| Total cash and bank balances                        | <u>1,253</u> | <u>1,187</u> |

## 9. Creditors

|                                     | 2012       | 2011       |
|-------------------------------------|------------|------------|
|                                     | £'000      | £'000      |
| Accrued expenses                    | 13         | 16         |
| Due to the ACD for shares cancelled | 94         | 11         |
| Purchases awaiting settlement       | 113        | 137        |
| Total creditors                     | <u>220</u> | <u>164</u> |

## Notes to the financial statements – continued

### 10. Portfolio transaction costs

|  | 2012<br>£'000 | 2011<br>£'000 |
|--|---------------|---------------|
| Analysis of total purchase costs           |               |               |
| Purchases in year before transaction costs | 9,243         | 7,161         |
| Commissions                                | 7             | 7             |
| Taxes                                      | 5             | 4             |
| Total purchase costs                       | 12            | 11            |
| Gross purchases total                      | 9,255         | 7,172         |
| Analysis of total sale costs               |               |               |
| Gross sales before transaction costs       | 9,838         | 7,333         |
| Commissions                                | (8)           | (7)           |
| Taxes                                      | (1)           | (1)           |
| Total sale costs                           | (9)           | (8)           |
| Total sales net of transaction costs       | 9,829         | 7,325         |

### 11. Related party transactions

JPMorgan Funds Limited, as Authorised Corporate Director (“ACD”), is a related party, and acts as principal in respect of all transactions of shares in the Company. The aggregate monies received through issue, and paid on cancellation, are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

The balance due to the ACD and their associates at the year end date in respect of related party transactions was £107,776 (31.01.11: £26,998). Details of related party transactions are given under note 13 on page 389.

Investments considered to be related parties have been identified in the portfolio statement on pages 16 to 18 and the revenue from these investments was £44 (31.01.11: £nil).

Some of the dealing transactions for the fund are carried out through associates of the ACD. Such transactions are carried out on an arm's length basis. The commissions paid to these companies over the year were £881 (31.01.11: £207). Commission was paid to the associated company JPMorgan Securities Ltd.

The gross stocklending income received was £2,239 (31.01.11: £nil), with fees deducted of £392 (31.01.11: £nil).

The following parties held a material interest in the fund at the year end date:

- JPMorgan Investments Ltd 41.31% (31.01.11: 38.73%)
- Cofunds Nominees Ltd 15.28% (31.01.11: 17.32%)
- FNZ (UK) Nominees Ltd 13.52% (31.01.11: 8.56%)

### 12. Financial instruments

#### Currency exposures

A proportion of the net assets of the fund are denominated in currencies other than sterling, with the effect that the Balance sheet and total return can be affected by currency movements.

| Currency          | Net foreign currency assets |                                |                                    |
|-------------------|-----------------------------|--------------------------------|------------------------------------|
|                   | Total<br>£'000              | Monetary<br>exposures<br>£'000 | Non-monetary<br>exposures<br>£'000 |
| <b>31.01.12</b>   |                             |                                |                                    |
| US Dollar         | 255                         | (3,395)                        | 3,650                              |
| Hong Kong Dollar  | 159                         | (146)                          | 305                                |
| Korean Won        | 61                          | 16                             | 45                                 |
| Brazilian Real    | 36                          | -                              | 36                                 |
| Indonesian Rupiah | 23                          | -                              | 23                                 |
| Australian Dollar | 3                           | (747)                          | 750                                |
| Canadian Dollar   | (1)                         | (131)                          | 130                                |
| Swiss Franc       | (2)                         | (240)                          | 238                                |
| Japanese Yen      | (5)                         | (422)                          | 417                                |
| Swedish Krona     | (8)                         | (35)                           | 27                                 |
| Euro              | (44)                        | (1,029)                        | 985                                |
| Singapore Dollar  | (45)                        | (38)                           | (7)                                |
| <b>31.01.11</b>   |                             |                                |                                    |
| US Dollar         | 204                         | (3,754)                        | 3,958                              |
| Hong Kong Dollar  | 83                          | (92)                           | 175                                |
| Danish Krone      | 30                          | 9                              | 21                                 |
| Korean Won        | 24                          | -                              | 24                                 |
| Mexican Peso      | 22                          | -                              | 22                                 |
| Indonesian Rupiah | 21                          | -                              | 21                                 |
| Canadian Dollar   | 17                          | (596)                          | 613                                |
| Australian Dollar | 15                          | (661)                          | 676                                |
| Swiss Franc       | 4                           | (341)                          | 345                                |
| Norwegian Krone   | -                           | (36)                           | 36                                 |
| Singapore Dollar  | (9)                         | (69)                           | 60                                 |
| Japanese Yen      | (34)                        | (598)                          | 564                                |
| Swedish Krona     | (42)                        | (96)                           | 54                                 |
| Euro              | (65)                        | (1,333)                        | 1,268                              |



## Notes to the financial statements – continued

### Interest rate risk

The tables below detail the interest rate profile of the fund's assets and liabilities as at the year end.

| Currency          | Total assets<br>£'000 | Floating rate financial assets<br>£'000 | Fixed rate financial assets<br>£'000 | Financial assets not carrying any interest<br>£'000 |
|-------------------|-----------------------|---|--------------------------------------|---|
| <b>31.01.12</b>   |                       |   |                                      |   |
| UK Sterling       | 9,773                 | 1,234                                   | 836                                  | 7,703   |
| US Dollar         | 315                   | 219                                     | -                                    | 96  |
| Hong Kong Dollar  | 172                   | 16                                      | -                                    | 156   |
| Korean Won        | 61                    | -                                       | -                                    | 61  |
| Brazilian Real    | 36                    | -                                       | -                                    | 36  |
| Indonesian Rupiah | 23                    | -                                       | -                                    | 23  |
| Australian Dollar | 3                     | 8                                       | 636                                  | (641)   |
| Canadian Dollar   | (1)                   | 7                                       | -                                    | (8)   |
| Swiss Franc       | (2)                   | 41                                      | -                                    | (43)  |
| Japanese Yen      | (5)                   | 43                                      | -                                    | (48)  |
| Swedish Krona     | (8)                   | 9                                       | -                                    | (17)  |
| Euro              | (27)                  | 165                                     | 171                                  | (363)   |
| Singapore Dollar  | (45)                  | 11                                      | -                                    | (56)  |
| <b>31.01.11</b>   |                       |   |                                      |   |
| UK Sterling       | 11,102                | 711                                     | 1,300                                | 9,091   |
| US Dollar         | 316                   | 225                                     | -                                    | 91  |
| Hong Kong Dollar  | 83                    | 30                                      | -                                    | 53  |
| Danish Krone      | 30                    | 4                                       | -                                    | 26  |
| Korean Won        | 24                    | -                                       | -                                    | 24  |
| Mexican Peso      | 22                    | -                                       | -                                    | 22  |
| Indonesian Rupiah | 21                    | -                                       | -                                    | 21  |
| Swiss Franc       | 21                    | 15                                      | -                                    | 6   |
| Canadian Dollar   | 17                    | 21                                      | 380                                  | (384)   |
| Australian Dollar | 15                    | 15                                      | 511                                  | (511)   |
| Norwegian Krone   | -                     | 6                                       | -                                    | (6)   |
| Singapore Dollar  | (9)                   | 8                                       | -                                    | (17)  |
| Japanese Yen      | (34)                  | 28                                      | -                                    | (62)  |
| Swedish Krona     | (42)                  | 22                                      | -                                    | (64)  |
| Euro              | (65)                  | 103                                     | 177                                  | (345)   |

The floating rate financial assets comprise investments in variable interest rate paying corporate debt and bank balances that bear interest at rates based on LIBOR or its overseas equivalent.

| Currency         | Total liabilities<br>£'000 | Floating rate financial liabilities<br>£'000 | Financial liabilities not carrying any interest<br>£'000 |
|------------------|----------------------------|--|--|
| <b>31.01.12</b>  |                            |  |  |
| UK Sterling      | 140                        | -  | 140  |
| US Dollar        | 60                         | -  | 60   |
| Euro             | 17                         | -  | 17   |
| Hong Kong Dollar | 13                         | -  | 13   |
| <b>31.01.11</b>  |                            |  |  |
| US Dollar        | 112                        | -  | 112  |
| UK Sterling      | 45                         | -  | 45   |
| Swiss Franc      | 17                         | -  | 17   |

Fixed rate financial assets  
Weighted average period for which rate is fixed (years)

| Currency          | Weighted average interest rate | Weighted average period for which rate is fixed (years) |
|-------------------|--------------------------------|---|
| <b>31.01.12</b>   |                                |   |
| UK Sterling       | 4.5%                           | 1.1   |
| Australian Dollar | 4.0%                           | 8.6   |
| Euro              | 3.3%                           | 1.4   |
| <b>31.01.11</b>   |                                |   |
| Canadian Dollar   | 3.8%                           | 26.4  |
| Australian Dollar | 2.4%                           | 9.6   |
| Euro              | 2.0%                           | 2.4   |
| UK Sterling       | 1.3%                           | 2.2   |

For consideration of other risks including liquidity, pricing and credit risk, please refer to the notes to the aggregated financial statements, pages 389 to 390.

### 13. Share classes

The fund currently has two share classes; Class A shares and Class I shares. The Authorised Corporate Director's (ACD) fee and fixed expenses charge are shown below.

|                 | ACD fee | Fixed expenses |
|-----------------|---------|----------------|
| Class A shares: | 1.50%   | 0.18%          |
| Class I shares: | 0.75%   | 0.00%          |

The net asset value of each share class, the net asset value per share and the number of shares in each class are shown on page 15. All classes have the same rights on winding up.

### 14. Derivatives

The fund enters into derivative transactions in the form of forward currency contracts, futures and options. The fund may use derivatives for investment purposes or efficient portfolio management including hedging, where appropriate.

The Investment Adviser assesses the market risk of the fund's investments, including derivative exposure, using the Monte Carlo simulation methodology. This process provides an estimate of the maximum potential loss that could be expected to occur as a result of changes in market prices over a given period of time in all but a given percentage of circumstances. The VaR is calculated on a 99% confidence level with a 20 day horizon & 250 days of history. As at the balance date the VaR was 4.57%.

Further information on the derivative risks can be found in the notes to the aggregated financial statements on page 390.

## Distribution table

### Final distribution in pence per share

Group 1 – Shares purchased prior to 1 November 2011

Group 2 – Shares purchased 1 November 2011 to 31 January 2012

|                                    | Gross revenue | Tax at 10% | Net revenue | Equalisation | Distribution payable 30.04.12 | Distribution paid 30.04.11 |
|------------------------------------|---------------|------------|-------------|--------------|-------------------------------|----------------------------|
| <b>A-Class Accumulation Shares</b> |               |            |             |              |                               |                            |
| Group 1                            | 0.233333      | 0.023333   | 0.210000    | -            | 0.210000                      | 0.210000                   |
| Group 2                            | 0.086286      | 0.008629   | 0.077657    | 0.132343     | 0.210000                      | 0.210000                   |
| <b>A-Class Income Shares</b>       |               |            |             |              |                               |                            |
| Group 1                            | 0.211111      | 0.021111   | 0.190000    | -            | 0.190000                      | 0.190000                   |
| Group 2                            | 0.139498      | 0.013950   | 0.125548    | 0.064452     | 0.190000                      | 0.190000                   |
| <b>I-Class Accumulation Shares</b> |               |            |             |              |                               |                            |
| Group 1                            | 0.533333      | 0.053333   | 0.480000    | -            | 0.480000                      | 0.380000                   |
| Group 2                            | 0.533333      | 0.053333   | 0.480000    | 0.000000     | 0.480000                      | 0.380000                   |
| <b>I-Class Income Shares</b>       |               |            |             |              |                               |                            |
| Group 1                            | 0.477778      | 0.047778   | 0.430000    | -            | 0.430000                      | 0.350000                   |
| Group 2                            | 0.477778      | 0.047778   | 0.430000    | 0.000000     | 0.430000                      | 0.350000                   |

### Third interim distribution in pence per share

Group 1 – Shares purchased prior to 1 August 2011

Group 2 – Shares purchased 1 August 2011 to 31 October 2012

|                                    | Gross revenue | Tax at 10% | Net revenue | Equalisation | Distribution paid 31.01.12 | Distribution paid 31.01.11 |
|------------------------------------|---------------|------------|-------------|--------------|----------------------------|----------------------------|
| <b>A-Class Accumulation Shares</b> |               |            |             |              |                            |                            |
| Group 1                            | 0.300000      | 0.030000   | 0.270000    | -            | 0.270000                   | 0.220000                   |
| Group 2                            | 0.216703      | 0.021670   | 0.195033    | 0.074967     | 0.270000                   | 0.220000                   |
| <b>A-Class Income Shares</b>       |               |            |             |              |                            |                            |
| Group 1                            | 0.277778      | 0.027778   | 0.250000    | -            | 0.250000                   | 0.200000                   |
| Group 2                            | 0.200378      | 0.020038   | 0.180340    | 0.069660     | 0.250000                   | 0.200000                   |
| <b>I-Class Accumulation Shares</b> |               |            |             |              |                            |                            |
| Group 1                            | 0.677778      | 0.067778   | 0.610000    | -            | 0.610000                   | 0.480000                   |
| Group 2                            | 0.677778      | 0.067778   | 0.610000    | 0.000000     | 0.610000                   | 0.480000                   |
| <b>I-Class Income Shares</b>       |               |            |             |              |                            |                            |
| Group 1                            | 0.600000      | 0.060000   | 0.540000    | -            | 0.540000                   | 0.440000                   |
| Group 2                            | 0.600000      | 0.060000   | 0.540000    | 0.000000     | 0.540000                   | 0.440000                   |

## Distribution table – continued

### Second interim distribution in pence per share

Group 1 – Shares purchased prior to 1 May 2011

Group 2 – Shares purchased 1 May 2011 to 31 July 2011

|                                    | Gross revenue | Tax at 10% | Net revenue | Equalisation | Distribution paid 31.10.11 | Distribution paid 31.10.10 |
|------------------------------------|---------------|------------|-------------|--------------|----------------------------|----------------------------|
| <b>A-Class Accumulation Shares</b> |               |            |             |              |                            |                            |
| Group 1                            | 0.366667      | 0.036667   | 0.330000    | -            | 0.330000                   | 0.250000                   |
| Group 2                            | 0.188827      | 0.018883   | 0.169944    | 0.160056     | 0.330000                   | 0.250000                   |
| <b>A-Class Income Shares</b>       |               |            |             |              |                            |                            |
| Group 1                            | 0.344444      | 0.034444   | 0.310000    | -            | 0.310000                   | 0.240000                   |
| Group 2                            | 0.297371      | 0.029737   | 0.267634    | 0.042366     | 0.310000                   | 0.240000                   |
| <b>I-Class Accumulation Shares</b> |               |            |             |              |                            |                            |
| Group 1                            | 0.822222      | 0.082222   | 0.740000    | -            | 0.740000                   | 0.560000                   |
| Group 2                            | 0.822222      | 0.082222   | 0.740000    | 0.000000     | 0.740000                   | 0.560000                   |
| <b>I-Class Income Shares</b>       |               |            |             |              |                            |                            |
| Group 1                            | 0.755556      | 0.075556   | 0.680000    | -            | 0.680000                   | 0.520000                   |
| Group 2                            | 0.755556      | 0.075556   | 0.680000    | 0.000000     | 0.680000                   | 0.520000                   |

### First interim distribution in pence per share

Group 1 – Shares purchased prior to 1 February 2011

Group 2 – Shares purchased 1 February 2011 to 30 April 2011

|                                    | Gross revenue | Tax at 10% | Net revenue | Equalisation | Distribution paid 31.07.11 | Distribution paid 31.07.10 |
|------------------------------------|---------------|------------|-------------|--------------|----------------------------|----------------------------|
| <b>A-Class Accumulation Shares</b> |               |            |             |              |                            |                            |
| Group 1                            | 0.288889      | 0.028889   | 0.260000    | -            | 0.260000                   | 0.250000                   |
| Group 2                            | 0.196059      | 0.019606   | 0.176453    | 0.083547     | 0.260000                   | 0.250000                   |
| <b>A-Class Income Shares</b>       |               |            |             |              |                            |                            |
| Group 1                            | 0.277778      | 0.027778   | 0.250000    | -            | 0.250000                   | 0.240000                   |
| Group 2                            | 0.172630      | 0.017263   | 0.155367    | 0.094633     | 0.250000                   | 0.240000                   |
| <b>I-Class Accumulation Shares</b> |               |            |             |              |                            |                            |
| Group 1                            | 0.744444      | 0.074444   | 0.670000    | -            | 0.670000                   | 0.570000                   |
| Group 2                            | 0.724000      | 0.072400   | 0.651600    | 0.018400     | 0.670000                   | 0.570000                   |
| <b>I-Class Income Shares</b>       |               |            |             |              |                            |                            |
| Group 1                            | 0.677778      | 0.067778   | 0.610000    | -            | 0.610000                   | 0.520000                   |
| Group 2                            | 0.677778      | 0.067778   | 0.610000    | 0.000000     | 0.610000                   | 0.520000                   |

Equalisation applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of revenue included in the purchase price of all group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

# JPM Cautious Total Return Fund

## Important information

### Change of Depositary

As part of an internal re-structuring, The Royal Bank of Scotland plc has transferred its Trustee and Depositary Services business from The Royal Bank of Scotland plc to National Westminster Bank plc and consequently National Westminster Bank plc has been appointed as Depositary of the Fund with effect from 15 October 2011.

As Depositary, National Westminster Bank plc will have the same duties and responsibilities as The Royal Bank of Scotland plc and this change will have no impact on the way the Fund operates.

### Investment objective and policy

To achieve over a medium-term horizon higher returns than those available from money market instruments denominated in Sterling by investing primarily in fixed income securities, convertible bonds, equity securities and short-term securities of issuers located in any country. The Fund may invest in such securities issued by issuers in emerging countries worldwide. Additionally, the Fund may invest up to 100% in cash and cash equivalents. Asset and country allocations may vary over time to reflect market conditions and opportunities. The Fund may invest up to 100% in government and public securities (see section 3.11(e) of the full Prospectus). The Fund may use derivatives for investment purposes or Efficient Portfolio Management, including hedging, where appropriate.

### Risk profile

This multi-asset Fund invests in bonds, convertible bonds, equities (which may include investment in emerging markets and smaller companies), cash and cash equivalents with a bias towards bonds.

Bond prices can fluctuate significantly depending not only on the global economic and interest rate conditions but also on the general credit market environment and the creditworthiness of the issuer.

Equity investment is subject to specific risks relating to the performance of the individual companies held and the market's perception of their performance. Equities are also subject to systematic risks such as general economic conditions, inflation, interest rates, foreign exchange rates and industry sector risks. In general terms, equities tend to be more volatile than bonds.

The investment policy of the Fund permits the use of derivatives and/or forward transactions for investment purposes, potentially increasing the volatility and therefore risk of the Fund.

Total return funds seek to provide a positive return but this is not guaranteed and they should not be used as a substitute for traditional liquidity funds or cash accounts. As the priority of these funds is to provide positive returns, they will not perform in line with stock markets.

### Fund review

The 12-month period to the end of January 2012 was a very volatile time for markets. In this environment, the Fund produced a negative return and underperformed its cash benchmark.

Over the review period, the Fund's equity sensitivity (delta) averaged around 22%, but varied considerably from a high of 40% to a low of 4%. Stock selection retained a defensive bias and was concentrated in large blue-chip names with high dividend yields. This worked well in the third quarter and in October. However, we experienced significant drawdown in November and December as our positions suffered, with the traditional correlations between bonds and equities breaking down as both asset classes sold off.

## Fund outlook

Looking forward, we expect a deeper recession in the eurozone than the 0.4% contraction forecast in the latest projections from the International Monetary Fund. We think this could have a destabilising effect on equity markets as a whole. Given the risks to the outcome of the ongoing issues in Europe we prefer to take smaller positions in this multi-asset portfolio, rather than increasing our exposure in one asset class.

## 12 month performance as at 31 January

|                                  | 2012  | 2011 | 2010 | 2009  | 2008 |
|----------------------------------|-------|------|------|-------|------|
| <b>JPM Cautious Total Return</b> |       |      |      |       |      |
| A-Class Acc                      | -3.9% | 2.7% | 6.6% | -4.0% | 6.1% |
| <b>JPM Cautious Total Return</b> |       |      |      |       |      |
| C-Class Inc                      | -3.4% | 3.3% | 7.4% | -2.9% | -    |
| <b>JPM Cautious Total Return</b> |       |      |      |       |      |
| I-Class Acc                      | -3.2% | 3.4% | 7.3% | -3.4% | 6.7% |
| <b>JPM Cautious Total Return</b> |       |      |      |       |      |
| X-Class Gross Acc                | -2.3% | -    | -    | -     | -    |
| Benchmark Index                  | 0.7%  | 0.6% | 0.7% | 5.0%  | 6.1% |

## Fund statistics

|                 |                             |
|-----------------|-----------------------------|
| Fund size       | £600.2m                     |
| Benchmark Index | 1 month GBP LIBOR Index     |
| Fund charges    |                             |
| A-Class         | Initial 4.25%, Annual 1.25% |
| C-Class         | Initial Nil, Annual 0.65%   |
| I-Class         | Initial Nil, Annual 0.65%   |
| X-Class         | On application <sup>a</sup> |

## Top ten holdings

|                                  | %    |
|----------------------------------|------|
| Treasury 2.5% Index-Linked 2013  | 13.2 |
| US Treasury 3.25% 2016           | 4.7  |
| US Treasury 3% 2017              | 4.4  |
| Australia 4% 2020                | 3.2  |
| European Investment Bank 6% 2013 | 1.8  |
| Barrick Gold                     | 1.8  |
| Newmont Mining                   | 1.8  |
| Royal Dutch Shell 'A'            | 1.5  |
| Barclays Bank FRN 2015           | 1.5  |
| Japan Tobacco                    | 1.4  |

## Sector breakdown

|                            | %     |
|----------------------------|-------|
| Equities                   | 35.9  |
| Fixed interest securities  | 34.4  |
| Convertible bonds          | 5.3   |
| Options                    | 1.3   |
| Forward currency contracts | 1.0   |
| Swaps                      | 0.0   |
| Futures                    | (2.2) |
| Net other assets           | 24.3  |

In line with current accounting practice the sector breakdown includes the unrealised profit or loss on derivative holdings and consequently the economic market exposure of the fund cannot be fully determined from the above disclosure.

You should remember that past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. For specific risks, please read the Simplified Prospectus.

All performance returns are calculated using the quoted price of the accumulation or income shares. Performance returns are in Sterling.

<sup>a</sup> As agreed from time to time between the ACD and the relevant JPMorgan Chase & Co. entity.

Source: J.P. Morgan.

## Highest/lowest share price and distribution record

| Calendar year  | Highest share price | Lowest share price | Distribution per share |
|--|---------------------|--------------------|------------------------|
| <b>A-Class Accumulation Shares</b>                   |                     |                    |                        |
| 2007   | 58.73p              | 54.62p             | 1.40p                  |
| 2008   | 59.58p              | 52.88p             | 1.45p                  |
| 2009   | 60.07p              | 54.70p             | 0.81p                  |
| 2010   | 62.92p              | 58.68p             | 0.65p                  |
| 2011   | 62.72p              | 58.73p             | 0.60p                  |
| 2012 <sup>b</sup>                                    | 59.44p              | 58.55p             | 0.09p                  |
| <b>A-Class Income Shares</b>                         |                     |                    |                        |
| 2007   | 55.71p              | 52.84p             | 1.33p                  |
| 2008   | 55.91p              | 49.21p             | 1.37p                  |
| 2009   | 54.75p              | 50.34p             | 0.74p                  |
| 2010   | 56.74p              | 53.17p             | 0.59p                  |
| 2011   | 56.28p              | 52.45p             | 0.54p                  |
| 2012 <sup>b</sup>                                    | 53.08p              | 52.28p             | 0.09p                  |
| <b>C-Class Income Shares<sup>c</sup></b>             |                     |                    |                        |
| 2008   | 102.8p              | 90.73p             | 2.09p                  |
| 2009   | 100.9p              | 92.76p             | 1.87p                  |
| 2010   | 104.6p              | 98.01p             | 1.62p                  |
| 2011   | 103.8p              | 96.68p             | 1.55p                  |
| 2012 <sup>b</sup>                                    | 97.87p              | 96.38p             | 0.29p                  |
| <b>I-Class Accumulation Shares</b>                   |                     |                    |                        |
| 2007   | 59.62p              | 55.15p             | 2.11p                  |
| 2008   | 60.63p              | 53.94p             | 1.84p                  |
| 2009   | 61.74p              | 55.94p             | 1.18p                  |
| 2010   | 65.03p              | 60.48p             | 1.06p                  |
| 2011   | 65.24p              | 61.15p             | 1.04p                  |
| 2012 <sup>b</sup>                                    | 61.90p              | 60.96p             | 0.20p                  |
| <b>I-Class Gross Accumulation Shares<sup>d</sup></b> |                     |                    |                        |
| 2007   | 108.3p              | 99.90p             | 2.85p                  |
| 2008   | 110.4p              | 98.57p             | 4.19p                  |
| 2009   | 113.5p              | 102.5p             | 2.77p                  |
| 2010   | 120.0p              | 111.4p             | 2.38p                  |
| 2011   | 120.8p              | 113.3p             | 2.38p                  |
| 2012 <sup>b</sup>                                    | 114.7p              | 113.0p             | 0.44p                  |
| <b>I-Class Income Shares</b>                         |                     |                    |                        |
| 2007   | 55.77p              | 53.39p             | 1.66p                  |
| 2008   | 55.96p              | 49.26p             | 1.72p                  |
| 2009   | 54.80p              | 50.37p             | 1.06p                  |
| 2010   | 56.81p              | 53.20p             | 0.92p                  |
| 2011   | 56.35p              | 52.49p             | 0.91p                  |
| 2012 <sup>b</sup>                                    | 53.14p              | 52.33p             | 0.16p                  |
| <b>X-Class Gross Accumulation Shares<sup>e</sup></b> |                     |                    |                        |
| 2010   | 100.3p              | 98.18p             | -                      |
| 2011   | 102.2p              | 95.93p             | 2.43p                  |
| 2012 <sup>b</sup>                                    | 97.13p              | 95.64p             | 0.52p                  |

<sup>b</sup> To 31 January 2012.

<sup>c</sup> C-Class Income Shares were launched on 26 February 2008.

<sup>d</sup> I-Class Gross Accumulation Shares were launched on 1 February 2007.

<sup>e</sup> X-Class Gross Accumulation Shares were launched on 15 November 2010.

## Portfolio turnover rate

|          |        |
|----------|--------|
| 31.01.11 | 166.9% |
| 31.01.12 | 268.4% |

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the period.

## Net asset values and Total expense ratios

| Date                                     | Net asset value per share class<br>£'000 | Number of shares | Net asset value per share | Total expense ratio |
|--|--|------------------|---------------------------|---------------------|
| <b>A-Class Accumulation Shares</b>       |  |                  |                           |                     |
| 31.01.10                                 | 632,628                                  | 1,063,250,961    | 59.50p                    | 1.42%               |
| 31.01.11                                 | 674,922                                  | 1,104,447,828    | 61.11p                    | 1.43%               |
| 31.01.12                                 | 536,592                                  | 910,422,817      | 58.94p                    | 1.43%               |
| <b>A-Class Income Shares</b>             |  |                  |                           |                     |
| 31.01.10                                 | 59,455                                   | 109,909,238      | 54.09p                    | 1.43%               |
| 31.01.11                                 | 58,610                                   | 106,559,667      | 55.00p                    | 1.43%               |
| 31.01.12                                 | 40,526                                   | 77,128,022       | 52.54p                    | 1.43%               |
| <b>C-Class Income Shares</b>             |  |                  |                           |                     |
| 31.01.10                                 | 1,931                                    | 1,938,109        | 99.62p                    | 0.77%               |
| 31.01.11                                 | 1,606                                    | 1,585,261        | 101.3p                    | 0.77%               |
| 31.01.12                                 | 736                                      | 760,100          | 96.78p                    | 0.77%               |
| <b>I-Class Accumulation Shares</b>       |  |                  |                           |                     |
| 31.01.10                                 | 13,781                                   | 22,522,053       | 61.19p                    | 0.65%               |
| 31.01.11                                 | 7,802                                    | 12,332,439       | 63.26p                    | 0.65%               |
| 31.01.12                                 | 7,001                                    | 11,403,903       | 61.40p                    | 0.65%               |
| <b>I-Class Gross Accumulation Shares</b> |  |                  |                           |                     |
| 31.01.10                                 | 22,797                                   | 20,253,443       | 112.6p                    | 0.65%               |
| 31.01.11                                 | 12,815                                   | 10,972,505       | 116.8p                    | 0.65%               |
| 31.01.12                                 | 6,545                                    | 5,751,006        | 113.8p                    | 0.65%               |
| <b>I-Class Income Shares</b>             |  |                  |                           |                     |
| 31.01.10                                 | 5,831                                    | 10,780,377       | 54.09p                    | 0.65%               |
| 31.01.11                                 | 4,557                                    | 8,284,282        | 55.00p                    | 0.65%               |
| 31.01.12                                 | 2,673                                    | 5,087,624        | 52.54p                    | 0.65%               |
| <b>X-Class Gross Accumulation Shares</b> |  |                  |                           |                     |
| 31.01.11                                 | 7,927                                    | 8,060,623        | 98.34p                    | 0.06%               |
| 31.01.12                                 | 6,172                                    | 6,403,096        | 96.39p                    | 0.06%               |

The net asset value and the net asset value per income share are shown ex-dividend.

The total expense ratio (TER) takes into account the ACD fee and any fixed expenses charged to revenue expressed as a percentage of the average daily net asset values over the period.

# Portfolio statement

As at 31 January 2012

| Investment   | Holding        | Market value<br>£'000 | Total net<br>assets % |
|--|----------------|-----------------------|-----------------------|
| <b>Equities - 35.9% (35.3%)</b>                    |                |                       |                       |
| <b>United States of America - 14.4%</b>            |                |                       |                       |
| Agco   | 169,229        | 5,539                 | 0.9                   |
| Barrick Gold                                       | 342,447        | 10,668                | 1.8                   |
| Chevron  | 51,464         | 3,369                 | 0.6                   |
| Du Pont de Nemours                                 | 219,950        | 7,468                 | 1.2                   |
| EMC  | 425,040        | 6,930                 | 1.2                   |
| General Motors 4.75% 'B' Junior Preference         | 225,579        | 5,738                 | 1.0                   |
| Goodrich   | 42,765         | 3,379                 | 0.5                   |
| Harleysville Group                                 | 78,370         | 2,810                 | 0.5                   |
| Microsoft  | 158,315        | 2,968                 | 0.5                   |
| Motorola Mobility                                  | 125,336        | 3,085                 | 0.5                   |
| Netlogic Microsystems                              | 99,688         | 3,143                 | 0.5                   |
| Newmont Mining                                     | 275,151        | 10,665                | 1.8                   |
| Norfolk Southern                                   | 91,320         | 4,232                 | 0.7                   |
| Occidental Petroleum                               | 52,523         | 3,314                 | 0.5                   |
| Temple-Inland                                      | 119,754        | 2,419                 | 0.4                   |
| Union Pacific                                      | 62,525         | 4,540                 | 0.8                   |
| Wells Fargo 'A' Convertible Preference             | 8,838          | 6,130                 | 1.0                   |
| <b>United Kingdom - 10.1%</b>                      |                |                       |                       |
| BG Group   | 622,868        | 8,820                 | 1.5                   |
| BP   | 1,410,509      | 6,645                 | 1.1                   |
| British American Tobacco                           | 255,110        | 7,526                 | 1.2                   |
| British Sky Broadcasting Group                     | 461,096        | 3,154                 | 0.5                   |
| GlaxoSmithKline                                    | 207,841        | 2,951                 | 0.5                   |
| Imperial Tobacco Group                             | 284,803        | 6,473                 | 1.1                   |
| National Grid                                      | 834,344        | 5,227                 | 0.9                   |
| Prudential   | 496,575        | 3,496                 | 0.6                   |
| Royal Dutch Shell 'A'                              | 403,694        | 9,117                 | 1.5                   |
| Vodafone Group                                     | 4,276,772      | 7,382                 | 1.2                   |
| <b>Japan - 4.9%</b>                                |                |                       |                       |
| Japan Tobacco                                      | 2,601          | 8,053                 | 1.4                   |
| Mitsubishi UFJ Financial Group                     | 1,735,500      | 5,007                 | 0.8                   |
| Mizuho Financial Group                             | 5,175,300      | 4,934                 | 0.8                   |
| NTT DoCoMo   | 5,353          | 6,009                 | 1.0                   |
| Sumitomo Mitsui Financial Group                    | 271,700        | 5,455                 | 0.9                   |
| <b>France - 2.3%</b>                               |                |                       |                       |
| Schneider Electric                                 | 132,846        | 7,603                 | 1.3                   |
| Vivendi  | 444,607        | 5,934                 | 1.0                   |
| <b>Switzerland - 1.9%</b>                          |                |                       |                       |
| Compagnie Financiere Richemont 'A'                 | 63,797         | 2,303                 | 0.4                   |
| Syngenta   | 16,863         | 3,268                 | 0.5                   |
| Tyco International                                 | 190,452        | 5,939                 | 1.0                   |
| <b>Canada - 1.2%</b>                               |                |                       |                       |
| Anvil Mining                                       | 165,200        | 788                   | 0.1                   |
| Grande Cache Coal                                  | 539,483        | 3,271                 | 0.6                   |
| Kinross Gold                                       | 424,213        | 3,068                 | 0.5                   |
| <b>Netherlands - 0.6%</b>                          |                |                       |                       |
| CNH Global   | 129,336        | 3,813                 | 0.6                   |
| <b>Hong Kong - 0.5%</b>                            |                |                       |                       |
| Cheung Kong Infrastructure                         | 941,000        | 3,389                 | 0.5                   |
| <b>Taiwan - 0.0%</b>                               |                |                       |                       |
| MediaTek   | 197            | 1                     | -                     |
| <b>Fixed interest securities - 34.4% (37.6%)</b>   |                |                       |                       |
| <b>Sterling - 14.8%</b>                            |                |                       |                       |
| Barclays Bank FRN 2015                             | £9,000,000     | 9,014                 | 1.5                   |
| Deutsche Telekom International Finance 7.125% 2012 | £300,000       | 310                   | 0.1                   |
| Treasury 2.5% Index-Linked 2013                    | £28,000,000    | 79,297                | 13.2                  |
| <b>US Dollar - 13.4%</b>                           |                |                       |                       |
| Boston Properties 3.75% 2036                       | \$6,211,000    | 4,505                 | 0.8                   |
| Gilead Sciences 1% 2014                            | \$5,178,000    | 3,952                 | 0.7                   |
| Hutchison Whampoa 6% Perpetual                     | \$7,400,000    | 4,711                 | 0.8                   |
| Transocean 1.5% 2037                               | \$10,000,000   | 6,255                 | 1.0                   |
| US Treasury 3.25% 2016                             | \$40,000,000   | 28,312                | 4.7                   |
| US Treasury 3% 2017                                | \$37,200,000   | 26,198                | 4.4                   |
| Verizon Wireless Capital 5.5% 2014                 | \$9,000,000    | 6,223                 | 1.0                   |
| <b>Australian Dollar - 6.1%</b>                    |                |                       |                       |
| Australia 4% 2020                                  | AUD 15,200,000 | 19,330                | 3.2                   |
| European Investment Bank 6% 2013                   | AUD 15,939,000 | 10,941                | 1.8                   |
| European Investment Bank 5.375% 2014               | AUD 9,725,000  | 6,616                 | 1.1                   |
| <b>Euro - 0.1%</b>                                 |                |                       |                       |
| Sanofi-Aventis 3.5% 2013                           | €660,000       | 567                   | 0.1                   |

| Investment  | Holding          | Market value<br>£'000 | Total net<br>assets % |
|---|------------------|-----------------------|-----------------------|
| <b>Convertible bonds - 5.3% (10.7%)</b>               |                  |                       |                       |
| <b>US Dollar - 3.0%</b>                               |                  |                       |                       |
| Hon Hai Precision 0% Convertible 2013                 | \$5,500,000      | 3,450                 | 0.6                   |
| Liberty Media FRN Convertible 2023                    | \$9,110,000      | 6,766                 | 1.1                   |
| QBE Funding Trust V 0% Convertible 2030               | \$11,500,000     | 4,481                 | 0.7                   |
| Shangri-La Finance 0% Convertible 2016                | \$6,000,000      | 3,390                 | 0.6                   |
| <b>Hong Kong Dollar - 0.9%</b>                        |                  |                       |                       |
| Wharf Finance 2.3% Convertible 2014                   | HKD 68,000,000   | 5,347                 | 0.9                   |
| <b>Singapore Dollar - 0.6%</b>                        |                  |                       |                       |
| CapitalLand 2.875% Convertible 2016                   | SGD 7,750,000    | 3,741                 | 0.6                   |
| <b>Euro - 0.5%</b>                                    |                  |                       |                       |
| AXA 2.5% Convertible 2014                             | €1,710,800       | 3,145                 | 0.5                   |
| <b>Swiss Franc - 0.3%</b>                             |                  |                       |                       |
| Swiss Prime Site 1.875% Convertible 2015              | CHF 2,245,000    | 1,582                 | 0.3                   |
| <b>Options - 1.3% (1.2%)</b>                          |                  |                       |                       |
| DAX Call Options 6800 Feb 2012                        | (2,592)          | (181)                 | -                     |
| DAX Put Options 5600 Feb 2012                         | 5,245            | 116                   | -                     |
| Foreign Exchange Put Options EUR/USD 1.235 Mar 2012   | \$111,300,000    | 177                   | -                     |
| Foreign Exchange Put Options EUR/USD 1.275 Mar 2012   | \$92,060,000     | 459                   | 0.1                   |
| Foreign Exchange Call Options USD/CAD 1.0463 Mar 2012 | CAD 94,330,000   | 89                    | -                     |
| Foreign Exchange Put Options USD/CAD 0.9853 Mar 2012  | CAD (94,330,000) | (182)                 | -                     |
| Nikkei Call Options 9000 Mar 2012                     | 1,700            | 1,691                 | 0.3                   |
| Nikkei Call Options 9500 Mar 2012                     | (1,700)          | (296)                 | -                     |
| S&P500 Call Options 1325 Mar 2012                     | 1,980            | 2,784                 | 0.5                   |
| S&P500 Put Options 500 Mar 2012                       | 1,771            | 6                     | -                     |
| VIX Index Call Options 32.5 Mar 2012                  | 15,149           | 864                   | 0.1                   |
| VIX Index Put Options 19 Feb 2012                     | 47,500           | 1,956                 | 0.3                   |
| <b>Forward currency contracts - 1.0% ((0.6)%)</b>     |                  |                       |                       |
| <b>Australian Dollar</b>                              |                  |                       |                       |
| Buy AUD 44,948,770 sell \$47,145,866 dated 23/02/2012 |                  | 414                   | 0.1                   |
| Buy AUD 5,100,000 sell £3,423,699 dated 23/02/2012    |                  | 12                    | -                     |
| Sell AUD 106,835,370 buy £72,105,673 dated 23/02/2012 |                  | 129                   | -                     |
| <b>Canadian Dollar</b>                                |                  |                       |                       |
| Sell CAD 13,403,804 buy £8,594,004 dated 23/02/2012   |                  | 87                    | -                     |
| Sell CAD 4,929,990 buy £3,126,241 dated 23/02/2012    |                  | (3)                   | -                     |
| <b>Euro</b>   |                  |                       |                       |
| Sell €55,726,465 buy £46,242,657 dated 23/02/2012     |                  | (285)                 | -                     |
| <b>Hong Kong Dollar</b>                               |                  |                       |                       |
| Sell HKD 90,447,644 buy £7,573,553 dated 23/02/2012   |                  | 185                   | -                     |
| <b>Japanese Yen</b>                                   |                  |                       |                       |
| Sell ¥3,826,739,447 buy £32,334,980 dated 23/02/2012  |                  | 600                   | 0.1                   |
| <b>Norwegian Krone</b>                                |                  |                       |                       |
| Buy NOR 4,407,600 sell £477,760 dated 23/02/2012      |                  | 2                     | -                     |
| <b>Singapore Dollar</b>                               |                  |                       |                       |
| Sell SGD 9,874,701 buy £5,002,726 dated 23/02/2012    |                  | 7                     | -                     |
| <b>Swiss Franc</b>                                    |                  |                       |                       |
| Sell CHF 15,575,915 buy £10,711,199 dated 23/02/2012  |                  | (88)                  | -                     |
| <b>US Dollar</b>                                      |                  |                       |                       |
| Buy \$9,871,070 sell CAD 9,897,485 dated 23/02/2012   |                  | (28)                  | -                     |
| Sell \$288,477,071 buy £187,506,140 dated 23/02/2012  |                  | 4,746                 | 0.8                   |
| <b>Swaps - 0.0% (0.0%)</b>                            |                  |                       |                       |
| DJ Euro Stoxx 50 Equity Variance Swaps 16 Mar 2012    | 2,391            | 856                   | 0.1                   |
| DJ Euro Stoxx 50 Equity Variance Swaps 16 Mar 2012    | 2,362            | 820                   | 0.1                   |
| S&P500 Index Equity Variance Swaps 0.22% 16 Mar 2012  | 4,242            | (555)                 | (0.1)                 |
| S&P500 Index Equity Variance Swaps 0.22% 16 Mar 2012  | 4,130            | (506)                 | (0.1)                 |

## Portfolio statement – continued

As at 31 January 2012

| Investment  | Holding | Market value<br>£'000 | Total net<br>assets % |
|---|---------|-----------------------|-----------------------|
| <b>Futures – (2.2)% ((0.4)%)</b>                            |         |                       |                       |
| Euro Bobl Futures Mar 2012                                  | 4,343   | 8,995                 | 1.5                   |
| Euro Bund Futures Mar 2012                                  | (2,445) | (10,011)              | (1.7)                 |
| Euro Schatz Futures Mar 2012                                | (3,836) | (1,449)               | (0.2)                 |
| FTSE 100 Index Futures Mar 2012                             | (1,638) | (3,424)               | (0.6)                 |
| Russell 2000 Mini Futures Mar 2012                          | (1,653) | (7,509)               | (1.2)                 |
| S&P 500 E-Mini Futures Mar 2012                             | (717)   | (199)                 | -                     |
| <b>Investment assets (including investment liabilities)</b> |         | <b>454,435</b>        | <b>75.7</b>           |
| <b>Net other assets</b>                                     |         | <b>145,810</b>        | <b>24.3</b>           |
| <b>Net assets</b>   |         | <b>600,245</b>        | <b>100.0</b>          |

Unless otherwise stated the above securities are admitted to official stock exchange listings or trade on a regulated market.

The comparative percentage figures in brackets are at 31 January 2011.

| Portfolio credit ratings                                    | Market value<br>£'000 |
|---|-----------------------|
| AAA   | 179,708               |
| AA-   | 567                   |
| A   | 4,481                 |
| A-  | 18,130                |
| BBB+  | 3,455                 |
| BBB   | 4,711                 |
| BBB-  | 6,255                 |
| BB  | 6,766                 |
| Unrated   | 14,060                |
| <b>Total bonds</b>  | <b>238,133</b>        |
| Equities  | 216,023               |
| Options   | 7,483                 |
| Forward currency contracts                                  | 5,778                 |
| Swaps   | 615                   |
| Futures   | (13,597)              |
| <b>Investment assets (including investment liabilities)</b> | <b>454,435</b>        |

## Portfolio movements

For the year ending 31 January 2012

|  | £'000            |  | £'000            |
|--|------------------|--|------------------|
| <b>Total of all purchases for the year (Note 10)</b> | <b>1,199,353</b> | <b>Total of all sales for the year (Note 10)</b>               | <b>1,363,630</b> |
| <b>Major purchases</b>                               | <b>Cost</b>      | <b>Major sales</b>   | <b>Proceeds</b>  |
| US Treasury 3% 2017                                  | 81,193           | US Treasury 3% 2017  | 58,324           |
| US Treasury 3.75% 2041                               | 57,480           | Italy 3% 2015  | 51,725           |
| Italy 3% 2015  | 52,606           | US Treasury 3.75% 2041   | 48,992           |
| US Treasury 3.25% 2016                               | 41,958           | Japan 1.8% 2030  | 40,515           |
| European Investment Bank 3.625% 2021                 | 39,724           | US Treasury 2.375% 2015  | 39,504           |
| Union Pacific  | 22,133           | European Investment Bank 3.625% 2021                           | 39,117           |
| S&P500 Put Options 1250 Sep 2011                     | 20,639           | European Investment Bank 4.25% 2019                            | 34,824           |
| European Investment Bank 3.375% 2021                 | 20,459           | S&P500 Put Options 500 Sep 2011                                | 27,312           |
| DJ Euro Stoxx 50 Put Options €2000 Oct 2011          | 17,673           | European Investment Bank 4.75% 2017                            | 26,229           |
| KPN  | 14,622           | Union Pacific  | 25,730           |
| DJ Euro Stoxx 50 Put Options €1800 Oct 2011          | 13,742           | Treasury 4.25% 2039  | 22,678           |
| Barrick Gold (USD)                                   | 13,128           | European Investment Bank 3.375% 2021                           | 20,188           |
| Resolution   | 12,575           | Coca-Cola  | 18,081           |
| CF Industries  | 12,453           | Lloyds Banking Group 4% 2011                                   | 17,500           |
| BG Group   | 12,206           | British American Tobacco                                       | 17,072           |
| Newmont Mining                                       | 12,042           | Portugal Telecom International Finance 4.125% Convertible 2014 | 16,149           |
| Coca-Cola  | 11,683           | DJ Euro Stoxx 50 Put Options €2000 Oct 2011                    | 14,768           |
| Telefonica   | 11,316           | US Treasury 3.25% 2016   | 14,411           |
| Du Pont de Nemours                                   | 11,135           | DJ Euro Stoxx 50 Put Options €1800 Oct 2011                    | 14,103           |
| British American Tobacco                             | 10,687           | Norfolk Southern   | 13,994           |



# Financial statements

## Statement of total return

For the year ending 31 January

|   | 2012            | 2011          |
|---|-----------------|---------------|
| £'000   | £'000           | £'000         |
| <b>Income</b>   |                 |               |
| Net capital (losses)/gains (Note 1)   | (29,653)        | 11,807        |
| Revenue (Note 2)  | 18,553          | 21,087        |
| Expenses (Note 3)   | (9,515)         | (10,701)      |
| Net revenue before taxation   | 9,038           | 10,386        |
| Taxation (Note 4)   | (540)           | (405)         |
| Net revenue after taxation  | 8,498           | 9,981         |
| <b>Total return before distributions</b>  | <b>(21,155)</b> | <b>21,788</b> |
| Finance costs:<br>Distributions (Note 5)  | (8,447)         | (10,051)      |
| <b>Change in net assets attributable to shareholders from investment activities</b> | <b>(29,602)</b> | <b>11,737</b> |

## Statement of change in net assets attributable to shareholders

For the year ending 31 January

|  | 2012           | 2011           |
|--|----------------|----------------|
| £'000  | £'000          | £'000          |
| <b>Opening net assets attributable to shareholders</b>                                   | <b>768,239</b> | <b>736,423</b> |
| Amounts receivable on issue of shares  | 13,729         | 109,519        |
| Amounts payable on cancellation of shares  | (158,143)      | (96,734)       |
|  | (144,414)      | 12,785         |
| Change in net assets attributable to shareholders from investment activities (see above) | (29,602)       | 11,737         |
| Retained distributions on accumulation shares  | 6,078          | 7,407          |
| Stamp duty reserve tax   | (56)           | (113)          |
| <b>Closing net assets attributable to shareholders</b>                                   | <b>600,245</b> | <b>768,239</b> |

## Balance sheet

As at 31 January

|  | 2012            | 2011            |
|--|-----------------|-----------------|
| £'000  | £'000           | £'000           |
| <b>ASSETS</b>                                  |                 |                 |
| Investment assets                              | 479,151         | 668,796         |
| Debtors (Note 7)                               | 5,501           | 9,875           |
| Cash and bank balances (Note 8)                | 148,884         | 160,167         |
| <b>Total other assets</b>                      | <b>154,385</b>  | <b>170,042</b>  |
| <b>Total assets</b>                            | <b>633,536</b>  | <b>838,838</b>  |
| <b>LIABILITIES</b>                             |                 |                 |
| Investment liabilities                         | (24,716)        | (24,904)        |
| Creditors (Note 9)                             | (8,495)         | (45,555)        |
| Distribution payable on income shares          | (80)            | (140)           |
| <b>Total other liabilities</b>                 | <b>(8,575)</b>  | <b>(45,695)</b> |
| <b>Total liabilities</b>                       | <b>(33,291)</b> | <b>(70,599)</b> |
| <b>Net assets attributable to shareholders</b> | <b>600,245</b>  | <b>768,239</b>  |

The notes to these financial statements are shown on pages 32 to 34.

# Notes to the financial statements for the year ending 31 January 2012

## 1. Net capital (losses)/gains

|                            | 2012            | 2011          |
|----------------------------|-----------------|---------------|
|                            | £'000           | £'000         |
| Currency gains             | 3,066           | 24,151        |
| Derivative contracts       | (7,840)         | (5,494)       |
| Forward currency contracts | (8,012)         | (38,524)      |
| Non-derivative securities  | (16,867)        | 31,678        |
| Transaction charges        | -               | (4)           |
| Net capital (losses)/gains | <u>(29,653)</u> | <u>11,807</u> |

## 2. Revenue

|   | 2012          | 2011          |
|---|---------------|---------------|
|   | £'000         | £'000         |
| Franked income from UK equity investments                         | 2,849         | 371           |
| Income from overseas equity investments                           | 4,438         | 3,400         |
| Interest on amounts held with futures clearing houses and brokers | 109           | 103           |
| Interest on bank and term deposits                                | 159           | 178           |
| Interest on fixed-interest securities                             | 10,905        | 16,985        |
| Stock dividends   | 45            | 28            |
| Stocklending income*  | 48            | 22            |
| Total revenue   | <u>18,553</u> | <u>21,087</u> |

\* Stocklending income is disclosed net of fees. See note 11.

## 3. Expenses

|   | 2012         | 2011          |
|---|--------------|---------------|
|   | £'000        | £'000         |
| Payable to the ACD or associate of the ACD: |              |               |
| ACD fee                                     | 8,331        | 9,388         |
| Fixed expenses                              | <u>1,184</u> | <u>1,313</u>  |
| Total expenses                              | <u>9,515</u> | <u>10,701</u> |

## 4. Taxation

|  | 2012       | 2011       |
|--|------------|------------|
|  | £'000      | £'000      |
| <b>a) Analysis of charge in the year</b> |            |            |
| Overseas tax provision                   | 13         | (9)        |
| Overseas tax suffered                    | <u>527</u> | <u>414</u> |
| Current year tax charge (Note 4b)        | <u>540</u> | <u>405</u> |

### b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an Open-Ended Investment Company (OEIC) (20%). The differences are explained below.

|                             |              |              |
|-----------------------------|--------------|--------------|
| Net revenue before taxation | 9,038        | 10,386       |
| Corporation tax at 20%      | <u>1,808</u> | <u>2,077</u> |

### Effects of:

|  |                |                |
|--|----------------|----------------|
| Dividends not subject to corporation tax           | (1,466)        | (760)          |
| Excess expenses for which no relief taken          | (118)          | 140            |
| Interest distributions deductible for tax purposes | (224)          | (1,457)        |
| Overseas tax provision                             | 13             | (9)            |
| Overseas tax suffered                              | <u>527</u>     | <u>414</u>     |
|  | <u>(1,268)</u> | <u>(1,672)</u> |
| Current year tax charge (Note 4a)                  | <u>540</u>     | <u>405</u>     |

No deferred tax asset has been provided for in the financial statements. At the year end date, the fund had a deferred tax asset of £514,142 (31.01.11: £632,329) in relation to £2,570,708, (31.01.11: £3,161,646) of excess management expenses which would only be utilised to reduce the tax charge if the fund had an excess of unfranked income over expenses in a future period.

## 5. Finance costs

### Distributions

The distributions take account of amounts receivable on the issue of shares and amounts payable on the cancellation of shares and comprise:

|  | 2012         | 2011          |
|--|--------------|---------------|
|  | £'000        | £'000         |
| First interim interest distribution            | 2,629        | 3,373         |
| Second interim interest distribution           | 2,411        | 2,375         |
| Third interim interest distribution            | 1,960        | 2,342         |
| Final interest distribution                    | 1,211        | 1,969         |
| Add: Amounts payable on cancellation of shares | 254          | 189           |
| Deduct: Amounts receivable on issue of shares  | <u>(18)</u>  | <u>(197)</u>  |
| Total finance costs                            | <u>8,447</u> | <u>10,051</u> |

Details of the distribution per share are set out on pages 35 to 38.

## 6. Movement between net revenue after taxation and distributions

|   | 2012         | 2011          |
|---|--------------|---------------|
|   | £'000        | £'000         |
| Net revenue after taxation                    | 8,498        | 9,981         |
| Add: Undistributed revenue brought forward    | 40           | 110           |
| Deduct: Undistributed revenue carried forward | <u>(91)</u>  | <u>(40)</u>   |
|   | <u>8,447</u> | <u>10,051</u> |

## Notes to the financial statements – continued

### 7. Debtors

|                                     | 2012<br>£'000 | 2011<br>£'000 |
|-------------------------------------|---------------|---------------|
| Accrued income                      | 2,453         | 4,463         |
| Due from the ACD for shares created | 20            | 956           |
| Overseas tax recoverable            | 45            | 48            |
| Sales awaiting settlement           | 2,983         | 4,408         |
| Total debtors                       | <u>5,501</u>  | <u>9,875</u>  |

### 8. Cash and bank balances

|   | 2012<br>£'000  | 2011<br>£'000  |
|---|----------------|----------------|
| Amounts held at futures clearing houses and brokers | 43,163         | 36,614         |
| Cash and bank balances                              | <u>105,721</u> | <u>123,553</u> |
| Total cash and bank balances                        | <u>148,884</u> | <u>160,167</u> |

### 9. Creditors

|                                     | 2012<br>£'000 | 2011<br>£'000 |
|-------------------------------------|---------------|---------------|
| Accrued expenses                    | 720           | 909           |
| Due to the ACD for shares cancelled | 3,902         | 206           |
| Income tax payable                  | 607           | 817           |
| Purchases awaiting settlement       | <u>3,266</u>  | <u>43,623</u> |
| Total creditors                     | <u>8,495</u>  | <u>45,555</u> |

### 10. Portfolio transaction costs

|  | 2012<br>£'000    | 2011<br>£'000    |
|--|------------------|------------------|
| Analysis of total purchase costs           |                  |                  |
| Purchases in year before transaction costs | <u>1,198,444</u> | <u>1,064,168</u> |
| Commissions                                | 372              | 201              |
| Taxes                                      | <u>537</u>       | <u>236</u>       |
| Total purchase costs                       | <u>909</u>       | <u>437</u>       |
| Gross purchases total                      | <u>1,199,353</u> | <u>1,064,605</u> |
| Analysis of total sale costs               |                  |                  |
| Gross sales before transaction costs       | <u>1,364,024</u> | <u>987,562</u>   |
| Commissions                                | (357)            | (126)            |
| Taxes                                      | <u>(37)</u>      | <u>(35)</u>      |
| Total sale costs                           | <u>(394)</u>     | <u>(161)</u>     |
| Total sales net of transaction costs       | <u>1,363,630</u> | <u>987,401</u>   |

### 11. Related party transactions

JPMorgan Funds Limited, as Authorised Corporate Director ("ACD"), is a related party, and acts as principal in respect of all transactions of shares in the Company. The aggregate monies received through issue, and paid on cancellation, are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

The balance due to the ACD and their associates at the year end date in respect of related party transactions was £4,602,017 (31.01.11: £159,942). Details of related party transactions are given under note 13 on page 389.

Some of the dealing transactions for the fund are carried out through associates of the ACD. Such transactions are carried out on an arm's length basis. The commissions paid to these companies over the year were £4,720 (31.01.11: £32,015). Commission was paid to the associated company JPMorgan Securities Ltd.

The gross stocklending income received was £58,495 (31.01.11: £26,226), with fees deducted of £10,237 (31.01.11: £4,589).

### 12. Financial instruments

#### Currency exposures

A substantial proportion of the net assets of the fund are denominated in currencies other than sterling, with the effect that the balance sheet and total return can be significantly affected by currency movements.

| Currency           | Net foreign currency assets |                                |                                    |
|--------------------|-----------------------------|--------------------------------|------------------------------------|
|                    | Total<br>£'000              | Monetary<br>exposures<br>£'000 | Non-monetary<br>exposures<br>£'000 |
| <b>31.01.12</b>    |                             |                                |                                    |
| US Dollar          | 21,716                      | (171,396)                      | 193,112                            |
| Taiwan Dollar      | 4,040                       | 4,039                          | 1                                  |
| Brazilian Real     | 2,281                       | 2,281                          | -                                  |
| Hong Kong Dollar   | 1,367                       | (7,369)                        | 8,736                              |
| Norwegian Krone    | 480                         | 480                            | -                                  |
| Japanese Yen       | (882)                       | (31,735)                       | 30,853                             |
| Australian Dollar  | (1,002)                     | (37,890)                       | 36,888                             |
| Singapore Dollar   | (1,209)                     | (4,950)                        | 3,741                              |
| Swiss Franc        | (3,613)                     | (10,766)                       | 7,153                              |
| Euro               | (4,100)                     | (28,275)                       | 24,175                             |
| Canadian Dollar    | (10,792)                    | (17,918)                       | 7,126                              |
| <b>31.01.11</b>    |                             |                                |                                    |
| Taiwan Dollar      | 7,604                       | 4,103                          | 3,501                              |
| South African Rand | 2,607                       | -                              | 2,607                              |
| Euro               | 2,137                       | (110,111)                      | 112,248                            |
| Norwegian Krone    | 33                          | 33                             | -                                  |
| Danish Krone       | (420)                       | (4,876)                        | 4,456                              |
| Japanese Yen       | (428)                       | (99,022)                       | 98,594                             |
| Singapore Dollar   | (494)                       | (6,498)                        | 6,004                              |
| Canadian Dollar    | (535)                       | (5,700)                        | 5,165                              |
| Korean Won         | (625)                       | -                              | (625)                              |
| Swedish Krona      | (1,325)                     | (5,516)                        | 4,191                              |
| Australian Dollar  | (1,656)                     | (17,105)                       | 15,449                             |
| Hong Kong Dollar   | (3,953)                     | (13,683)                       | 9,730                              |
| US Dollar          | (4,620)                     | (209,992)                      | 205,372                            |

## Notes to the financial statements – continued

### Interest rate risk

The tables below detail the interest rate profile of the fund's assets and liabilities as at the year end.

| Currency           | Total assets<br>£'000 | Floating rate financial assets<br>£'000 | Fixed rate financial assets<br>£'000 | Financial assets not carrying any interest<br>£'000 |
|--------------------|-----------------------|---|--------------------------------------|---|
| <b>31.01.12</b>    |                       |   |                                      |   |
| UK Sterling        | 597,267               | 89,734                                  | 88,621                               | 418,912   |
| US Dollar          | 22,084                | 31,693                                  | 97,182                               | (106,791)   |
| Taiwan Dollar      | 4,040                 | 4,039                                   | -                                    | 1   |
| Brazilian Real     | 2,281                 | 2,281                                   | -                                    | -   |
| Hong Kong Dollar   | 1,367                 | -                                       | 5,347                                | (3,980)   |
| Norwegian Krone    | 480                   | -                                       | -                                    | 480   |
| Japanese Yen       | (882)                 | -                                       | -                                    | (882)   |
| Australian Dollar  | (1,002)               | -                                       | 36,888                               | (37,890)  |
| Euro               | (1,201)               | 21,118                                  | 5,387                                | (27,706)  |
| Singapore Dollar   | (1,209)               | -                                       | 3,741                                | (4,950)   |
| Swiss Franc        | (3,613)               | 19                                      | 1,582                                | (5,214)   |
| Canadian Dollar    | (10,792)              | -                                       | -                                    | (10,792)  |
| <b>31.01.11</b>    |                       |   |                                      |   |
| UK Sterling        | 813,982               | 208,317                                 | 50,621                               | 555,044   |
| Taiwan Dollar      | 7,604                 | 4,103                                   | -                                    | 3,501   |
| South African Rand | 2,607                 | -                                       | -                                    | 2,607   |
| Euro               | 2,137                 | 5,794                                   | 84,256                               | (87,913)  |
| Norwegian Krone    | 33                    | 3                                       | -                                    | 30  |
| Japanese Yen       | (398)                 | -                                       | 41,499                               | (41,897)  |
| Danish Krone       | (420)                 | -                                       | -                                    | (420)   |
| Singapore Dollar   | (494)                 | 13                                      | 3,856                                | (4,363)   |
| Canadian Dollar    | (535)                 | -                                       | -                                    | (535)   |
| Korean Won         | (625)                 | -                                       | -                                    | (625)   |
| Swiss Franc        | (1,325)               | 6                                       | -                                    | (1,331)   |
| Australian Dollar  | (1,656)               | -                                       | 15,548                               | (17,204)  |
| US Dollar          | (3,023)               | 19,985                                  | 97,811                               | (120,819)   |
| Hong Kong Dollar   | (3,953)               | 276                                     | -                                    | (4,229)   |

The floating rate financial assets comprise investments in variable interest rate paying corporate debt and bank balances that bear interest at rates based on LIBOR or its overseas equivalent.

| Currency        | Total liabilities<br>£'000 | Floating rate financial liabilities<br>£'000 | Financial liabilities not carrying any interest<br>£'000 |
|-----------------|----------------------------|--|--|
| <b>31.01.12</b> |                            |  |  |
| UK Sterling     | 5,308                      | -  | 5,308  |
| Euro            | 2,899                      | -  | 2,899  |
| US Dollar       | 368                        | -  | 368  |
| <b>31.01.11</b> |                            |  |  |
| UK Sterling     | 44,068                     | -  | 44,068   |
| US Dollar       | 1,597                      | -  | 1,597  |
| Japanese Yen    | 30                         | -  | 30   |

Fixed rate financial assets  
Weighted average period for which rate is fixed (years)

| Currency          | Weighted average interest rate | Weighted average period for which rate is fixed (years) |
|-------------------|--------------------------------|---|
| <b>31.01.12</b>   |                                |   |
| Singapore Dollar  | 3.9%                           | 4.6   |
| Hong Kong Dollar  | 3.8%                           | 2.4   |
| Australian Dollar | 2.3%                           | 5.4   |
| UK Sterling       | 2.3%                           | 1.5   |
| Swiss Franc       | 1.2%                           | 3.0   |
| US Dollar         | 1.1%                           | 7.8   |
| Euro              | 0.2%                           | 1.8   |
| <b>31.01.11</b>   |                                |   |
| Euro              | 3.3%                           | 6.3   |
| UK Sterling       | 2.6%                           | 13.0  |
| Singapore Dollar  | 2.5%                           | 5.6   |
| Australian Dollar | 2.4%                           | 9.6   |
| Japanese Yen      | 2.0%                           | 19.6  |
| US Dollar         | 2.0%                           | 9.7   |

For consideration of other risks including liquidity, pricing and credit risk, please refer to the notes to the aggregated financial statements, pages 389 to 390.

### 13. Share classes

The fund currently has four share classes; Class A shares, Class C shares, Class I shares and Class X shares. The Authorised Corporate Director's (ACD) fee and fixed expenses charge are shown below.

|                 | ACD fee | Fixed expenses |
|-----------------|---------|----------------|
| Class A shares: | 1.25%   | 0.18%          |
| Class C shares: | 0.65%   | 0.12%          |
| Class I shares: | 0.65%   | 0.00%          |
| Class X shares: | 0.00%   | 0.06%          |

The X share class is designed to accommodate an alternative charging structure whereby the annual fee normally charged to the fund and then passed on in the share price is instead administratively levied and collected by the ACD from the shareholder or through the relevant JPMorgan Chase & Co entity.

The net asset value of each share class, the net asset value per share and the number of shares in each class are shown on page 27. All classes have the same rights on winding up.

### 14. Derivatives

The fund enters into derivative transactions in the form of forward currency contracts, futures, options, credit default swaps, interest rate swaps and equity variance swaps. The fund may use derivatives for investment purposes or efficient portfolio management including hedging, where appropriate. All returns from derivatives has been treated as capital.

The Investment Adviser assesses the market risk of the fund's investments, including derivative exposure, using the Monte Carlo simulation methodology. This process provides an estimate of the maximum potential loss that could be expected to occur as a result of changes in market prices over a given period of time in all but a given percentage of circumstances. The VaR is calculated on a 99% confidence level with a 20 day horizon & 250 days of history. As at the balance date the VaR was 2.56%.

Further information on the derivative risks can be found in the notes to the aggregated financial statements on page 390.

## Distribution table

### Final interest distribution in pence per share

Group 1 – Shares purchased prior to 1 November 2011

Group 2 – Shares purchased 1 November 2011 to 31 January 2012

|  | Gross<br>revenue | Tax<br>at 20% | Net<br>revenue | Equalisation | Distribution<br>payable<br>30.04.12 | Distribution<br>paid<br>30.04.11 |
|--|------------------|---------------|----------------|--------------|-------------------------------------|----------------------------------|
| <b>A-Class Accumulation Shares</b>       |                  |               |                |              |                                     |                                  |
| Group 1                                  | 0.112500         | 0.022500      | 0.090000       | -            | 0.090000                            | 0.120000                         |
| Group 2                                  | 0.029606         | 0.005921      | 0.023685       | 0.066315     | 0.090000                            | 0.120000                         |
| <b>A-Class Income Shares</b>             |                  |               |                |              |                                     |                                  |
| Group 1                                  | 0.112500         | 0.022500      | 0.090000       | -            | 0.090000                            | 0.110000                         |
| Group 2                                  | 0.033486         | 0.006697      | 0.026789       | 0.063211     | 0.090000                            | 0.110000                         |
| <b>C-Class Income Shares</b>             |                  |               |                |              |                                     |                                  |
| Group 1                                  | 0.362500         | 0.072500      | 0.290000       | -            | 0.290000                            | 0.360000                         |
| Group 2                                  | 0.190614         | 0.038123      | 0.152491       | 0.137509     | 0.290000                            | 0.360000                         |
| <b>I-Class Accumulation Shares</b>       |                  |               |                |              |                                     |                                  |
| Group 1                                  | 0.250000         | 0.050000      | 0.200000       | -            | 0.200000                            | 0.240000                         |
| Group 2                                  | 0.042523         | 0.008505      | 0.034018       | 0.165982     | 0.200000                            | 0.240000                         |
| <b>I-Class Gross Accumulation Shares</b> |                  |               |                |              |                                     |                                  |
| Group 1                                  | 0.440000         | -             | 0.440000       | -            | 0.440000                            | 0.530000                         |
| Group 2                                  | 0.241454         | -             | 0.241454       | 0.198546     | 0.440000                            | 0.530000                         |
| <b>I-Class Income Shares</b>             |                  |               |                |              |                                     |                                  |
| Group 1                                  | 0.200000         | 0.040000      | 0.160000       | -            | 0.160000                            | 0.210000                         |
| Group 2                                  | 0.171473         | 0.034295      | 0.137178       | 0.022822     | 0.160000                            | 0.210000                         |
| <b>X-Class Gross Accumulation Shares</b> |                  |               |                |              |                                     |                                  |
| Group 1                                  | 0.520000         | -             | 0.520000       | -            | 0.520000                            | 0.440000                         |
| Group 2                                  | 0.520000         | -             | 0.520000       | 0.000000     | 0.520000                            | 0.440000                         |

## Distribution table – continued

### Third interim interest distribution in pence per share

Group 1 – Shares purchased prior to 1 August 2011

Group 2 – Shares purchased 1 August 2011 to 31 October 2011

|  | Gross<br>revenue | Tax<br>at 20% | Net<br>revenue | Equalisation | Distribution<br>paid<br>31.01.12 | Distribution<br>paid<br>31.01.11 |
|--|------------------|---------------|----------------|--------------|----------------------------------|----------------------------------|
| <b>A-Class Accumulation Shares</b>       |                  |               |                |              |                                  |                                  |
| Group 1                                  | 0.175000         | 0.035000      | 0.140000       | -            | 0.140000                         | 0.150000                         |
| Group 2                                  | 0.047999         | 0.009600      | 0.038399       | 0.101601     | 0.140000                         | 0.150000                         |
| <b>A-Class Income Shares</b>             |                  |               |                |              |                                  |                                  |
| Group 1                                  | 0.150000         | 0.030000      | 0.120000       | -            | 0.120000                         | 0.130000                         |
| Group 2                                  | 0.059604         | 0.011921      | 0.047683       | 0.072317     | 0.120000                         | 0.130000                         |
| <b>C-Class Income Shares</b>             |                  |               |                |              |                                  |                                  |
| Group 1                                  | 0.450000         | 0.090000      | 0.360000       | -            | 0.360000                         | 0.370000                         |
| Group 2                                  | 0.315911         | 0.063182      | 0.252729       | 0.107271     | 0.360000                         | 0.370000                         |
| <b>I-Class Accumulation Shares</b>       |                  |               |                |              |                                  |                                  |
| Group 1                                  | 0.300000         | 0.060000      | 0.240000       | -            | 0.240000                         | 0.240000                         |
| Group 2                                  | 0.060113         | 0.012023      | 0.048090       | 0.191910     | 0.240000                         | 0.240000                         |
| <b>I-Class Gross Accumulation Shares</b> |                  |               |                |              |                                  |                                  |
| Group 1                                  | 0.580000         | -             | 0.580000       | -            | 0.580000                         | 0.550000                         |
| Group 2                                  | 0.580000         | -             | 0.580000       | 0.000000     | 0.580000                         | 0.550000                         |
| <b>I-Class Income Shares</b>             |                  |               |                |              |                                  |                                  |
| Group 1                                  | 0.275000         | 0.055000      | 0.220000       | -            | 0.220000                         | 0.200000                         |
| Group 2                                  | 0.155379         | 0.031076      | 0.124303       | 0.095697     | 0.220000                         | 0.200000                         |
| <b>X-Class Gross Accumulation Shares</b> |                  |               |                |              |                                  |                                  |
| Group 1                                  | 0.640000         | -             | 0.640000       | -            | 0.640000                         | -                                |
| Group 2                                  | 0.640000         | -             | 0.640000       | 0.000000     | 0.640000                         | -                                |

## Distribution table – continued

### Second interim interest distribution in pence per share

Group 1 – Shares purchased prior to 1 May 2011

Group 2 – Shares purchased 1 May 2011 to 31 July 2011

|  | Gross<br>revenue | Tax<br>at 20% | Net<br>revenue | Equalisation | Distribution<br>paid<br>31.10.11 | Distribution<br>paid<br>31.10.10 |
|--|------------------|---------------|----------------|--------------|----------------------------------|----------------------------------|
| <b>A-Class Accumulation Shares</b>       |                  |               |                |              |                                  |                                  |
| Group 1                                  | 0.212500         | 0.042500      | 0.170000       | -            | 0.170000                         | 0.140000                         |
| Group 2                                  | 0.083944         | 0.016789      | 0.067155       | 0.102845     | 0.170000                         | 0.140000                         |
| <b>A-Class Income Shares</b>             |                  |               |                |              |                                  |                                  |
| Group 1                                  | 0.200000         | 0.040000      | 0.160000       | -            | 0.160000                         | 0.130000                         |
| Group 2                                  | 0.089425         | 0.017885      | 0.071540       | 0.088460     | 0.160000                         | 0.130000                         |
| <b>C-Class Income Shares</b>             |                  |               |                |              |                                  |                                  |
| Group 1                                  | 0.525000         | 0.105000      | 0.420000       | -            | 0.420000                         | 0.380000                         |
| Group 2                                  | 0.193813         | 0.038763      | 0.155050       | 0.264950     | 0.420000                         | 0.380000                         |
| <b>I-Class Accumulation Shares</b>       |                  |               |                |              |                                  |                                  |
| Group 1                                  | 0.350000         | 0.070000      | 0.280000       | -            | 0.280000                         | 0.260000                         |
| Group 2                                  | 0.327253         | 0.065451      | 0.261802       | 0.018198     | 0.280000                         | 0.260000                         |
| <b>I-Class Gross Accumulation Shares</b> |                  |               |                |              |                                  |                                  |
| Group 1                                  | 0.640000         | -             | 0.640000       | -            | 0.640000                         | 0.580000                         |
| Group 2                                  | 0.152106         | -             | 0.152106       | 0.487894     | 0.640000                         | 0.580000                         |
| <b>I-Class Income Shares</b>             |                  |               |                |              |                                  |                                  |
| Group 1                                  | 0.300000         | 0.060000      | 0.240000       | -            | 0.240000                         | 0.230000                         |
| Group 2                                  | 0.076641         | 0.015328      | 0.061313       | 0.178687     | 0.240000                         | 0.230000                         |
| <b>X-Class Gross Accumulation Shares</b> |                  |               |                |              |                                  |                                  |
| Group 1                                  | 0.690000         | -             | 0.690000       | -            | 0.690000                         | -                                |
| Group 2                                  | 0.690000         | -             | 0.690000       | 0.000000     | 0.690000                         | -                                |

## Distribution table – continued

### First interim interest distribution in pence per share

Group 1 – Shares purchased prior to 1 February 2011

Group 2 – Shares purchased 1 February 2011 to 30 April 2011

|  | Gross<br>revenue | Tax<br>at 20% | Net<br>revenue | Equalisation | Distribution<br>paid<br>31.07.11 | Distribution<br>paid<br>31.07.10 |
|--|------------------|---------------|----------------|--------------|----------------------------------|----------------------------------|
| <b>A-Class Accumulation Shares</b>       |                  |               |                |              |                                  |                                  |
| Group 1                                  | 0.212500         | 0.042500      | 0.170000       | -            | 0.170000                         | 0.210000                         |
| Group 2                                  | 0.148070         | 0.029614      | 0.118456       | 0.051544     | 0.170000                         | 0.210000                         |
| <b>A-Class Income Shares</b>             |                  |               |                |              |                                  |                                  |
| Group 1                                  | 0.187500         | 0.037500      | 0.150000       | -            | 0.150000                         | 0.190000                         |
| Group 2                                  | 0.129678         | 0.025936      | 0.103742       | 0.046258     | 0.150000                         | 0.190000                         |
| <b>C-Class Income Shares</b>             |                  |               |                |              |                                  |                                  |
| Group 1                                  | 0.512500         | 0.102500      | 0.410000       | -            | 0.410000                         | 0.470000                         |
| Group 2                                  | 0.472570         | 0.094514      | 0.378056       | 0.031944     | 0.410000                         | 0.470000                         |
| <b>I-Class Accumulation Shares</b>       |                  |               |                |              |                                  |                                  |
| Group 1                                  | 0.350000         | 0.070000      | 0.280000       | -            | 0.280000                         | 0.300000                         |
| Group 2                                  | 0.339225         | 0.067845      | 0.271380       | 0.008620     | 0.280000                         | 0.300000                         |
| <b>I-Class Gross Accumulation Shares</b> |                  |               |                |              |                                  |                                  |
| Group 1                                  | 0.630000         | -             | 0.630000       | -            | 0.630000                         | 0.690000                         |
| Group 2                                  | 0.254749         | -             | 0.254749       | 0.375251     | 0.630000                         | 0.690000                         |
| <b>I-Class Income Shares</b>             |                  |               |                |              |                                  |                                  |
| Group 1                                  | 0.300000         | 0.060000      | 0.240000       | -            | 0.240000                         | 0.270000                         |
| Group 2                                  | 0.276146         | 0.055229      | 0.220917       | 0.019083     | 0.240000                         | 0.270000                         |
| <b>X-Class Gross Accumulation Shares</b> |                  |               |                |              |                                  |                                  |
| Group 1                                  | 0.660000         | -             | 0.660000       | -            | 0.660000                         | -                                |
| Group 2                                  | 0.625183         | -             | 0.625183       | 0.034817     | 0.660000                         | -                                |

Equalisation applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of revenue included in the purchase price of all group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.



# JPM Emerging Markets Fund

## Important information

### Change of Depositary

As part of an internal re-structuring, The Royal Bank of Scotland plc has transferred its Trustee and Depositary Services business from The Royal Bank of Scotland plc to National Westminster Bank plc and consequently National Westminster Bank plc has been appointed as Depositary of the Fund with effect from 15 October 2011.

As Depositary, National Westminster Bank plc will have the same duties and responsibilities as The Royal Bank of Scotland plc and this change will have no impact on the way the Fund operates.

### Investment objective and policy<sup>A</sup>

To provide long term capital growth by investing primarily in equity and equity-linked securities of emerging markets companies. Other instruments as permitted in the stated investment and borrowing powers of the Company including, but not limited to, fixed interest securities, cash and cash equivalents may be held on an ancillary basis, as appropriate.

### Risk profile

This equity based Fund is designed for investors looking for exposure to emerging markets which may include smaller company investments.

Equity investment is subject to specific risks relating to the performance of the individual companies held and the market's perception of their performance. Equities are also subject to systematic risks such as general economic conditions, inflation, interest rates, foreign exchange rates and industry sector risks. In general terms, equities tend to be more volatile than bonds.

The Fund invests in emerging markets, which may be subject to additional political and economic risks, low liquidity, poor transparency and greater financial risks.

The underlying assets of the Fund are denominated in currencies other than Sterling and are not hedged back to Sterling. Investors will therefore be exposed to the currency risk of fluctuations between Sterling and the currency denomination of the underlying assets.

### Fund review

During the first half of 2011, emerging market equities traded in a narrow range, weighed down by inflation worries, tighter monetary policy and concerns over a slowdown in Chinese growth. The European debt crisis continued to depress markets in the summer, and global market volatility remained at extreme levels, with risk aversion driving cash out of higher-beta assets. Towards the end of the year, a lack of confidence in the ability and willingness of policymakers to support asset markets and the economy weighed on equity sentiment. Emerging market equities are off to a strong start in 2012, having recorded the strongest January since 2001. This has been driven by improvements in global macro data and easing of fears over the European debt crisis.

The Fund outperformed the benchmark over the period, with both stock selection and asset allocation contributing positively. Investment ideas in China, Indonesia, India and South Korea added to returns, as did underweight positions in Russia, Taiwan and Poland, and an overweight in Brazil. On the other hand names in Mexico detracted as did overweights in Turkey and India and underweights in Thailand and Malaysia.

You should remember that past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. For specific risks, please read the Simplified Prospectus.

All performance returns are calculated using the quoted price of the accumulation shares. Performance returns are in Sterling.  
Source: J.P. Morgan.

<sup>A</sup> On 02/08/10 the investment objective policy of the Fund was changed.

Benchmark Source: MSCI. Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express of implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent.

## Fund outlook

Despite the sharp rally in markets we are positive as fundamentals are improving and valuations are attractive. Three concerns weighed on markets last year: inflation, China and Europe. Inflation is beginning to roll over across emerging markets, led by food prices. The focus of central banks is therefore shifting from containing inflation to supporting growth. This is particularly important in China, where the authorities are engineering a soft landing amid concerns of overheating in the property market. The biggest risk is an external shock that precipitates a return to a crisis and risk aversion.

## 12 month performance as at 31 January

|   | 2012         | 2011         | 2010         | 2009          | 2008         |
|---|--------------|--------------|--------------|---------------|--------------|
| <b>JPM Emerging Markets A-Class Acc</b> | <b>-3.1%</b> | <b>19.5%</b> | <b>51.4%</b> | <b>-28.2%</b> | <b>19.8%</b> |
| <b>JPM Emerging Markets B-Class Acc</b> | <b>-2.1%</b> | <b>20.1%</b> | <b>52.1%</b> | <b>-</b>      | <b>-</b>     |
| <b>JPM Emerging Markets I-Class Acc</b> | <b>-2.4%</b> | <b>20.3%</b> | <b>52.5%</b> | <b>-27.9%</b> | <b>20.6%</b> |
| Benchmark Index                         | -5.2%        | 22.5%        | 62.1%        | -31.2%        | 21.4%        |

## Fund statistics

|                 |  |
|-----------------|--|
| Fund size       | £1,035.0m                                      |
| Benchmark Index | MSCI Emerging Markets Index (Total Return Net) |
| Fund charges    |  |
| A-Class         | Initial 4.25%, Annual 1.50%                    |
| B-Class         | Initial Nil, Annual 1.00%                      |
| I-Class         | Initial Nil, Annual 1.00%                      |

## Top ten holdings

|  | %   |
|--|-----|
| Samsung Electronics                              | 5.3 |
| Housing Development Finance                      | 4.1 |
| Vale ADR Preference                              | 3.8 |
| Taiwan Semiconductor Manufacturing               | 3.6 |
| CNOOC  | 3.5 |
| Petrobras Brasileiro ADR Preference              | 3.4 |
| Companhia de Bebidas das Americas ADR Preference | 2.8 |
| China Mobile                                     | 2.6 |
| Wal-Mart de Mexico 'V'                           | 2.5 |
| Itau Unibanco                                    | 2.4 |

## Geographical breakdown

|                  | %    |
|------------------|------|
| Brazil           | 17.3 |
| China            | 13.9 |
| South Korea      | 11.5 |
| India            | 11.0 |
| Hong Kong        | 8.9  |
| South Africa     | 7.9  |
| Taiwan           | 6.4  |
| Mexico           | 4.4  |
| Indonesia        | 3.9  |
| Russia           | 3.3  |
| Turkey           | 2.8  |
| Argentina        | 2.2  |
| Chile            | 2.1  |
| Singapore        | 1.5  |
| Egypt            | 0.7  |
| Hungary          | 0.7  |
| Liquidity funds  | 0.7  |
| Malaysia         | 0.6  |
| Net other assets | 0.2  |

## Highest/lowest share price and distribution record

| Calendar year                                  | Highest share price | Lowest share price | Distribution per share (net) |
|--|---------------------|--------------------|------------------------------|
| <b>A-Class Accumulation Shares</b>             |                     |                    |                              |
| 2007   | 133.7p              | 94.19p             | 0.26p                        |
| 2008   | 134.4p              | 67.49p             | 0.35p                        |
| 2009   | 136.3p              | 76.63p             | 0.78p                        |
| 2010   | 166.5p              | 127.1p             | 0.37p                        |
| 2011   | 168.0p              | 123.6p             | 0.10p                        |
| 2012 <sup>b</sup>                              | 151.2p              | 138.2p             | 0.63p                        |
| <b>A-Class Income Shares<sup>c</sup></b>       |                     |                    |                              |
| 2007   | 59.71p              | 49.14p             | -                            |
| 2008   | 59.96p              | 30.12p             | 0.04p                        |
| 2009   | 60.17p              | 33.85p             | 0.35p                        |
| 2010   | 73.25p              | 56.09p             | 0.19p                        |
| 2011   | 73.88p              | 54.32p             | 0.04p                        |
| 2012 <sup>b</sup>                              | 66.47p              | 60.77p             | 0.28p                        |
| <b>B-Class Accumulation Shares<sup>d</sup></b> |                     |                    |                              |
| 2008   | 114.9p              | 100.0p             | -                            |
| 2009   | 179.4p              | 100.4p             | 0.21p                        |
| 2010   | 220.3p              | 167.3p             | 1.25p                        |
| 2011   | 222.2p              | 164.1p             | 1.16p                        |
| 2012 <sup>b</sup>                              | 201.1p              | 183.8p             | 1.87p                        |
| <b>B-Class Income Shares<sup>e</sup></b>       |                     |                    |                              |
| 2010   | 103.9p              | 100.3p             | -                            |
| 2011   | 104.8p              | 77.39p             | 0.00p                        |
| 2012 <sup>b</sup>                              | 94.87p              | 86.70p             | 0.88p                        |
| <b>I-Class Accumulation Shares</b>             |                     |                    |                              |
| 2007   | 491.8p              | 344.4p             | 3.00p                        |
| 2008   | 495.2p              | 249.4p             | 3.56p                        |
| 2009   | 507.7p              | 283.6p             | 5.15p                        |
| 2010   | 624.4p              | 473.6p             | 4.17p                        |
| 2011   | 629.9p              | 465.7p             | 4.14p                        |
| 2012 <sup>b</sup>                              | 571.1p              | 521.9p             | 6.12p                        |

<sup>a</sup> To 31 January 2012.

<sup>c</sup> A-Class Income Shares were launched on 1 September 2007.

<sup>b</sup> B-Class Accumulation Shares were launched on 3 December 2008.

<sup>e</sup> B-Class Income Shares were launched on 14 December 2010.

## Portfolio turnover rate

|          |       |
|----------|-------|
| 31.01.11 | 3.1%  |
| 31.01.12 | 42.4% |

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the period.

## Net asset values and Total expense ratios

| Date                               | Net asset value per share class<br>£'000 | Number of shares | Net asset value per share | Total expense ratio |
|------------------------------------|--|------------------|---------------------------|---------------------|
| <b>A-Class Accumulation Shares</b> |  |                  |                           |                     |
| 31.01.10                           | 435,085                                  | 340,501,356      | 127.8p                    | 1.67%               |
| 31.01.11                           | 575,212                                  | 376,893,683      | 152.6p                    | 1.68%               |
| 31.01.12                           | 520,947                                  | 350,384,991      | 148.7p                    | 1.68%               |
| <b>A-Class Income Shares</b>       |  |                  |                           |                     |
| 31.01.10                           | 4,938                                    | 8,785,925        | 56.20p                    | 1.66%               |
| 31.01.11                           | 9,978                                    | 14,871,643       | 67.09p                    | 1.68%               |
| 31.01.12                           | 9,549                                    | 14,672,764       | 65.08p                    | 1.68%               |
| <b>B-Class Accumulation Shares</b> |  |                  |                           |                     |
| 31.01.10                           | 1,929                                    | 1,146,736        | 168.2p                    | 1.15%               |
| 31.01.11                           | 2,493                                    | 1,234,606        | 201.9p                    | 1.15%               |
| 31.01.12                           | 18,971                                   | 9,592,054        | 197.8p                    | 1.15%               |
| <b>B-Class Income Shares</b>       |  |                  |                           |                     |
| 31.01.11                           | 20,942                                   | 21,984,985       | 95.26p                    | 1.15%               |
| 31.01.12                           | 33,304                                   | 36,041,826       | 92.40p                    | 1.15%               |
| <b>I-Class Accumulation Shares</b> |  |                  |                           |                     |
| 31.01.10                           | 241,402                                  | 50,701,924       | 476.1p                    | 1.00%               |
| 31.01.11                           | 372,358                                  | 65,031,129       | 572.6p                    | 1.00%               |
| 31.01.12                           | 452,272                                  | 80,537,340       | 561.6p                    | 1.00%               |

The net asset value and the net asset value per income share are shown ex-dividend.

The total expense ratio (TER) takes into account the ACD fee and any fixed expenses charged to revenue expressed as a percentage of the average daily net asset values over the period.

# Portfolio statement

As at 31 January 2012

| Investment  | Holding    | Market value<br>£'000 | Total net<br>assets % |
|---|------------|-----------------------|-----------------------|
| <b>Brazil - 17.3% (16.4%)</b>                       |            |                       |                       |
| Cielo   | 860,233    | 16,271                | 1.6                   |
| Companhia de Bebidas das Americas<br>ADR Preference | 1,268,595  | 29,387                | 2.8                   |
| Itau Unibanco ADR Preference                        | 391,300    | 5,032                 | 0.5                   |
| Itau Unibanco Non-Cum Preference                    | 1,535,800  | 19,884                | 1.9                   |
| OGX Petroleo e Gas Participacoes                    | 2,588,200  | 15,266                | 1.5                   |
| Petrobras Brasileiro ADR Preference                 | 1,986,146  | 35,377                | 3.4                   |
| Ultrapar Participacoes                              | 849,300    | 10,630                | 1.0                   |
| Vale ADR Preference                                 | 2,608,856  | 39,248                | 3.8                   |
| WEG   | 1,149,800  | 8,092                 | 0.8                   |
| <b>China - 13.9% (12.4%)</b>                        |            |                       |                       |
| Anhui Conch Cement 'H'                              | 6,430,500  | 13,760                | 1.3                   |
| China Construction Bank 'H'                         | 48,933,050 | 24,777                | 2.4                   |
| China Merchants Bank 'H'                            | 15,504,650 | 21,628                | 2.1                   |
| CNOOC   | 27,519,000 | 35,690                | 3.5                   |
| New Oriental Education & Technology ADR             | 543,432    | 8,189                 | 0.8                   |
| Ping An Insurance 'H'                               | 4,537,500  | 22,716                | 2.2                   |
| Tsingtao Brewery 'H'                                | 3,758,000  | 12,752                | 1.2                   |
| Wumart Stores 'H'                                   | 2,955,000  | 3,852                 | 0.4                   |
| <b>South Korea - 11.5% (10.6%)</b>                  |            |                       |                       |
| E-mart  | 65,199     | 9,909                 | 0.9                   |
| Hyundai Mobis                                       | 130,470    | 20,382                | 2.0                   |
| Hyundai Motor                                       | 189,409    | 23,596                | 2.3                   |
| POSCO   | 42,817     | 10,015                | 1.0                   |
| Samsung Electronics                                 | 88,511     | 55,308                | 5.3                   |
| <b>India - 11.0% (11.6%)</b>                        |            |                       |                       |
| ACC   | 670,066    | 10,234                | 1.0                   |
| Ambuja Cements                                      | 1,584,459  | 3,263                 | 0.3                   |
| Bharti Airtel                                       | 4,531,926  | 21,225                | 2.0                   |
| Housing Development Finance                         | 4,713,000  | 42,192                | 4.1                   |
| Infosys Technologies                                | 293,269    | 10,290                | 1.0                   |
| Infosys Technologies ADR                            | 408,987    | 14,059                | 1.4                   |
| Jindal Steel & Power                                | 933,200    | 6,493                 | 0.6                   |
| United Spirits                                      | 721,300    | 6,187                 | 0.6                   |
| <b>Hong Kong - 8.9% (9.4%)</b>                      |            |                       |                       |
| Aia Group   | 8,635,400  | 18,301                | 1.8                   |
| China Mobile  | 4,211,000  | 27,272                | 2.6                   |
| Hang Lung Properties                                | 7,012,000  | 15,204                | 1.5                   |
| Li & Fung   | 15,256,000 | 21,057                | 2.0                   |
| Tingyi  | 5,552,000  | 10,248                | 1.0                   |
| <b>South Africa - 7.9% (8.3%)</b>                   |            |                       |                       |
| African Bank Investments                            | 3,690,741  | 11,105                | 1.1                   |
| Bidvest Group                                       | 370,561    | 5,102                 | 0.5                   |
| FirstRand   | 4,169,706  | 7,707                 | 0.8                   |
| Impala Platinum                                     | 1,035,510  | 14,641                | 1.4                   |
| Massmart  | 680,945    | 9,805                 | 0.9                   |
| MTN Group   | 1,683,312  | 18,217                | 1.8                   |
| RMB   | 1,826,544  | 4,401                 | 0.4                   |
| Shoprite Holdings                                   | 1,021,700  | 10,634                | 1.0                   |
| <b>Taiwan - 6.4% (6.2%)</b>                         |            |                       |                       |
| Delta Electronics                                   | 7,350,000  | 11,956                | 1.2                   |
| Hon Hai Precision Industry                          | 8,167,292  | 16,641                | 1.6                   |
| Taiwan Semiconductor Manufacturing                  | 3,979,480  | 6,660                 | 0.6                   |
| Taiwan Semiconductor Manufacturing ADS              | 3,449,754  | 30,549                | 3.0                   |
| <b>Mexico - 4.4% (6.7%)</b>                         |            |                       |                       |
| Grupo Financiero Banorte 'O'                        | 6,940,372  | 17,639                | 1.7                   |
| NII Holdings  | 210,516    | 2,715                 | 0.2                   |
| Wal-Mart de Mexico 'V'                              | 13,178,120 | 25,507                | 2.5                   |
| <b>Indonesia - 3.9% (2.7%)</b>                      |            |                       |                       |
| Astra International                                 | 3,966,500  | 22,051                | 2.1                   |
| Bank Rakyat Indonesia                               | 26,677,194 | 12,782                | 1.2                   |
| Unilever Indonesia                                  | 4,465,600  | 6,151                 | 0.6                   |
| <b>Russia - 3.3% (4.3%)</b>                         |            |                       |                       |
| Magnit  | 40,500     | 2,743                 | 0.3                   |
| Magnit GDR  | 818,200    | 13,040                | 1.3                   |
| Sberbank  | 9,475,395  | 17,982                | 1.7                   |
| <b>Turkey - 2.8% (2.9%)</b>                         |            |                       |                       |
| KOC   | 2,785,300  | 6,940                 | 0.6                   |
| Turkiye Garanti Bankasi                             | 9,518,060  | 22,490                | 2.2                   |
| <b>Argentina - 2.2% (1.4%)</b>                      |            |                       |                       |
| Tenaris ADR   | 890,455    | 22,302                | 2.2                   |

| Investment                           | Holding   | Market value<br>£'000 | Total net<br>assets % |
|--------------------------------------|-----------|-----------------------|-----------------------|
| <b>Chile - 2.1% (1.3%)</b>           |           |                       |                       |
| Banco Santander Chile ADR            | 434,383   | 22,128                | 2.1                   |
| <b>Singapore - 1.5% (0.0%)</b>       |           |                       |                       |
| Jardine Matheson                     | 465,600   | 15,206                | 1.5                   |
| <b>Egypt - 0.7% (0.6%)</b>           |           |                       |                       |
| Orascom Constructions Industry       | 283,767   | 7,582                 | 0.7                   |
| <b>Hungary - 0.7% (1.1%)</b>         |           |                       |                       |
| OTP Bank                             | 643,900   | 7,502                 | 0.7                   |
| <b>Malaysia - 0.6% (0.6%)</b>        |           |                       |                       |
| British American Tobacco Malaysia    | 566,000   | 5,774                 | 0.6                   |
| <b>Liquidity funds - 0.7% (0.0%)</b> |           |                       |                       |
| JPM Sterling Liquidity 'X' (Income)^ | 7,301,111 | 7,301                 | 0.7                   |
| <b>Investment assets</b>             |           | <b>1,033,039</b>      | <b>99.8</b>           |
| <b>Net other assets</b>              |           | <b>2,004</b>          | <b>0.2</b>            |
| <b>Net assets</b>                    |           | <b>1,035,043</b>      | <b>100.0</b>          |

Unless otherwise stated the above securities are admitted to official stock exchange listings or trade on a regulated market.

The comparative percentage figures in brackets are at 31 January 2011.

^ Deemed to be investment in related parties of the ACD

## Portfolio movements

For the year ending 31 January 2012

|  | £'000          |  | £'000           |
|--|----------------|--|-----------------|
| <b>Total of all purchases for the year (Note 10)</b> | <b>349,471</b> | <b>Total of all sales for the year (Note 10)</b> | <b>240,394</b>  |
| <b>Major purchases</b>                               | <b>Cost</b>    | <b>Major sales</b>                               | <b>Proceeds</b> |
| JPM Sterling Liquidity 'X' (Income)^                 | 120,401        | JPM Sterling Liquidity 'X' (Income)^             | 113,100         |
| Delta Electronics                                    | 16,042         | Naspers 'N'                                      | 13,323          |
| Jardine Matheson                                     | 14,772         | America Movil                                    | 10,726          |
| CNOOC  | 14,181         | Tencent  | 10,673          |
| China Construction Bank 'H'                          | 12,974         | China Resources Enterprise                       | 10,084          |
| Samsung Electronics                                  | 12,188         | Massmart   | 8,471           |
| Shoprite Holdings                                    | 10,697         | KT&G   | 8,319           |
| Tingyi   | 10,097         | Anhui Conch Cement 'H'                           | 8,042           |
| China Mobile   | 9,203          | Espirit  | 7,127           |
| Ultrapar Participacoes                               | 8,960          | Sberbank   | 6,029           |
| Banco Santander Chile ADR                            | 8,875          | Acer   | 5,571           |
| Tenaris ADR  | 8,504          | All America Latina Logistica                     | 5,511           |
| Ping An Insurance 'H'                                | 7,762          | Oriflame Cosmetics SDR                           | 5,104           |
| Hang Lung Properties                                 | 6,896          | New Oriental Education & Technology ADR          | 4,413           |
| Naspers 'N'  | 6,111          | Reliance Capital                                 | 3,684           |
| Bharti Airtel  | 5,300          | NII Holdings                                     | 3,191           |
| Bidvest Group  | 4,638          | Shinsegae  | 3,080           |
| Aia Group  | 4,496          | Wumart Stores                                    | 2,992           |
| Housing Development Finance                          | 4,453          | Cemex ADR  | 2,907           |
| Vale ADR Preference                                  | 4,438          | China Merchants Bank 'H'                         | 2,476           |

^ Deemed to be investment in related parties of the ACD

# Financial statements

## Statement of total return

For the year ending 31 January

|   | 2012            | 2011           |
|---|-----------------|----------------|
| £'000   | £'000           | £'000          |
| <b>Income</b>   |                 |                |
| Net capital (losses)/gains (Note 1)   | (30,296)        | 132,443        |
| Revenue (Note 2)  | 22,511          | 15,839         |
| Expenses (Note 3)   | (13,525)        | (12,470)       |
| Net revenue before taxation   | 8,986           | 3,369          |
| Taxation (Note 4)   | (1,856)         | (850)          |
| Net revenue after taxation  | 7,130           | 2,519          |
| <b>Total return before distributions</b>  | <b>(23,166)</b> | <b>134,962</b> |
| Finance costs:<br>Distributions (Note 5)  | (7,121)         | (2,538)        |
| <b>Change in net assets attributable to shareholders from investment activities</b> | <b>(30,287)</b> | <b>132,424</b> |

## Balance sheet

As at 31 January

|  | 2012             | 2011           |
|--|------------------|----------------|
| £'000  | £'000            | £'000          |
| <b>ASSETS</b>                                  |                  |                |
| Investment assets                              | 1,033,039        | 954,004        |
| Debtors (Note 7)                               | 3,043            | 4,455          |
| Cash and bank balances (Note 8)                | 1,371            | 24,793         |
| <b>Total other assets</b>                      | <b>4,414</b>     | <b>29,248</b>  |
| <b>Total assets</b>                            | <b>1,037,453</b> | <b>983,252</b> |
| <b>LIABILITIES</b>                             |                  |                |
| Creditors (Note 9)                             | (2,052)          | (2,263)        |
| Distribution payable on income shares          | (358)            | (6)            |
| <b>Total liabilities</b>                       | <b>(2,410)</b>   | <b>(2,269)</b> |
| <b>Net assets attributable to shareholders</b> | <b>1,035,043</b> | <b>980,983</b> |

The notes to these financial statements are shown on pages 44 to 45.

## Statement of change in net assets attributable to shareholders

For the year ending 31 January

|  | 2012             | 2011           |
|--|------------------|----------------|
| £'000  | £'000            | £'000          |
| <b>Opening net assets attributable to shareholders</b>                                   | <b>980,983</b>   | <b>683,354</b> |
| Amounts receivable on issue of shares  | 233,736          | 246,458        |
| Amounts payable on cancellation of shares  | (156,705)        | (84,337)       |
|  | 77,031           | 162,121        |
| Change in net assets attributable to shareholders from investment activities (see above) | (30,287)         | 132,424        |
| Retained distributions on accumulation shares  | 7,316            | 3,084          |
| <b>Closing net assets attributable to shareholders</b>                                   | <b>1,035,043</b> | <b>980,983</b> |

# Notes to the financial statements for the year ending 31 January 2012

## 1. Net capital (losses)/gains

|                            | 2012            | 2011           |
|----------------------------|-----------------|----------------|
|                            | £'000           | £'000          |
| Currency (losses)/gains    | (864)           | 264            |
| Custodian handling charges | (13)            | (15)           |
| Non-derivative securities  | (29,419)        | 132,194        |
| Net capital (losses)/gains | <u>(30,296)</u> | <u>132,443</u> |

## 2. Revenue

|   | 2012          | 2011          |
|---|---------------|---------------|
|   | £'000         | £'000         |
| Income from overseas equity investments                           | 22,182        | 15,442        |
| Interest on amounts held with futures clearing houses and brokers | -             | 1             |
| Interest on bank and term deposits                                | 60            | 117           |
| Interest on fixed-interest securities                             | 111           | -             |
| Stock dividends   | 158           | 279           |
| Total revenue   | <u>22,511</u> | <u>15,839</u> |

## 3. Expenses

|  | 2012          | 2011          |
|--|---------------|---------------|
|  | £'000         | £'000         |
| <b>Payable to the ACD or associate of the ACD:</b> |               |               |
| ACD fee  | 12,525        | 11,478        |
| Fixed expenses                                     | 1,008         | 992           |
|  | <u>13,533</u> | <u>12,470</u> |
| <b>Payable to third parties:</b>                   |               |               |
| VAT recovered*                                     | (8)           | -             |
| Total expenses                                     | <u>13,525</u> | <u>12,470</u> |

\* VAT recovered includes amounts arising as a result of changes to the policy of HM Revenue & Customs ("HMRC") concerning VAT exemption for the management of authorised collective investment schemes (UK Law, items 9 and 10 of group 5, Schedule 9, to the VAT Act 1994) where these services have historically been treated as subject to VAT in the UK. These changes are in accordance with the Business Brief 07/06 (item 3) from HMRC in light of the European Court of Justice judgment in case C-196/04, Abbey National and Inscape Investment Fund.

## 4. Taxation

|  | 2012         | 2011       |
|--|--------------|------------|
|  | £'000        | £'000      |
| <b>a) Analysis of charge in the year</b> |              |            |
| Overseas tax provision                   | 109          | (141)      |
| Overseas tax suffered                    | 1,747        | 960        |
| Prior year adjustments                   | -            | 31         |
| Current year tax charge (Note 4b)        | <u>1,856</u> | <u>850</u> |

### b) Factors affecting the tax charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK for an Open-Ended Investment Company (OEIC) (20%). The differences are explained below.

|   |              |            |
|---|--------------|------------|
| Net revenue before taxation               | 8,986        | 3,369      |
| Corporation tax at 20%                    | <u>1,797</u> | <u>674</u> |
| Effects of:                               |              |            |
| Dividends not subject to corporation tax  | (4,408)      | (3,124)    |
| Excess expenses for which no relief taken | 2,611        | 2,450      |
| Overseas tax provision                    | 109          | (141)      |
| Overseas tax suffered                     | 1,747        | 960        |
| Prior year adjustments                    | -            | 31         |
|   | <u>59</u>    | <u>176</u> |
| Current year tax charge (Note 4a)         | <u>1,856</u> | <u>850</u> |

No deferred tax asset has been recognised in the financial statements. At the year end date, the fund had a deferred tax asset of £5,970,340 (31.01.11: £3,359,311) in relation to £29,851,698 (31.01.11: £16,796,553) of excess management expenses which would only be utilised to reduce the tax charge if the fund had an excess of unfranked income over expenses in a future period. There is no excess of unfranked income expected in the future.

## 5. Finance costs

### Distributions

The distributions take account of amounts receivable on the issue of shares and amounts payable on the cancellation of shares and comprise:

|  | 2012         | 2011         |
|--|--------------|--------------|
|  | £'000        | £'000        |
| Final dividend distribution                    | 7,674        | 3,090        |
| Add: Amounts payable on cancellation of shares | 732          | 262          |
| Deduct: Amounts receivable on issue of shares  | (1,285)      | (814)        |
| Total finance costs                            | <u>7,121</u> | <u>2,538</u> |

Details of the distribution per share are set out on page 46.

## 6. Movement between net revenue after taxation and distributions

|   | 2012         | 2011         |
|---|--------------|--------------|
|   | £'000        | £'000        |
| Net revenue after taxation                    | 7,130        | 2,519        |
| Add: Undistributed revenue brought forward    | 8            | 27           |
| Deduct: Undistributed revenue carried forward | (17)         | (8)          |
|   | <u>7,121</u> | <u>2,538</u> |

## Notes to the financial statements – continued

### 7. Debtors

|                                     | 2012         | 2011         |
|-------------------------------------|--------------|--------------|
|                                     | £'000        | £'000        |
| Accrued income                      | 1,210        | 1,356        |
| Due from the ACD for shares created | 803          | 2,507        |
| Overseas tax recoverable            | -            | 26           |
| Sales awaiting settlement           | 1,030        | 566          |
| <b>Total debtors</b>                | <b>3,043</b> | <b>4,455</b> |

### 8. Cash and bank balances

|                        | 2012  | 2011   |
|------------------------|-------|--------|
|                        | £'000 | £'000  |
| Cash and bank balances | 1,371 | 24,793 |

### 9. Creditors

|                                     | 2012         | 2011         |
|-------------------------------------|--------------|--------------|
|                                     | £'000        | £'000        |
| Accrued expenses                    | 1,223        | 1,258        |
| Due to the ACD for shares cancelled | 481          | 1,005        |
| Purchases awaiting settlement       | 348          | -            |
| <b>Total creditors</b>              | <b>2,052</b> | <b>2,263</b> |

### 10. Portfolio transaction costs

|   | 2012           | 2011          |
|---|----------------|---------------|
|   | £'000          | £'000         |
| Analysis of total purchase costs            |                |               |
| Purchases in year before transaction costs  | 349,053        | 248,916       |
| Commissions                                 | 249            | 348           |
| Taxes                                       | 169            | 166           |
| Total purchase costs                        | 418            | 514           |
| Gross purchases total                       | 349,471        | 249,430       |
| Analysis of total sale costs                |                |               |
| Gross sales before transaction costs        | 240,656        | 91,295        |
| Commissions                                 | (156)          | (349)         |
| Taxes                                       | (106)          | (165)         |
| Total sale costs                            | (262)          | (514)         |
| <b>Total sales net of transaction costs</b> | <b>240,394</b> | <b>90,781</b> |

### 11. Related party transactions

JPMorgan Funds Limited, as Authorised Corporate Director (“ACD”), is a related party, and acts as principal in respect of all transactions of shares in the Company. The aggregate monies received through issue, and paid on cancellation, are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

The balance due to the ACD and their associates at the year end date in respect of related party transactions was £900,851 (31.01.11: £244,126 due from the ACD). Details of related party transactions are given under note 13 on page 389.

Some of the dealing transactions for the fund are carried out through associates of the ACD. Such transactions are carried out on an arm's length basis. The commissions paid to these companies over the year were £11,346 (31.01.11: £8,655). Commission was paid to the associated company JPMorgan Securities Ltd.

The following party held a material interest in the fund at the year end date:  
- JPMorgan Life Ltd 28.68% (31.01.11: 21.14%)

### 12. Financial instruments

#### Currency exposures

A substantial proportion of the net assets of the fund are denominated in currencies other than sterling, with the effect that the Balance sheet and total return can be significantly affected by currency movements.

| Currency           | Net foreign currency assets |          |              |
|--------------------|-----------------------------|----------|--------------|
|                    | Total                       | Monetary | Non-monetary |
|                    | £'000                       | £'000    | £'000        |
| <b>31.01.12</b>    |                             |          |              |
| US Dollar          | 258,357                     | 400      | 257,957      |
| Hong Kong Dollar   | 227,258                     | -        | 227,258      |
| Korean Won         | 119,952                     | 742      | 119,210      |
| Indian Rupee       | 99,884                      | -        | 99,884       |
| South African Rand | 81,405                      | (206)    | 81,611       |
| Brazilian Real     | 70,366                      | 223      | 70,143       |
| Mexican Peso       | 43,146                      | -        | 43,146       |
| Indonesian Rupiah  | 40,984                      | -        | 40,984       |
| Taiwan Dollar      | 35,873                      | 616      | 35,257       |
| Turkish Lira       | 29,430                      | -        | 29,430       |
| Egyptian Pound     | 7,582                       | -        | 7,582        |
| Hungarian Forint   | 7,502                       | -        | 7,502        |
| Malaysian Ringgit  | 5,774                       | -        | 5,774        |
| Euro               | 7                           | 7        | -            |
| <b>31.01.11</b>    |                             |          |              |
| US Dollar          | 253,400                     | 2,188    | 251,212      |
| Hong Kong Dollar   | 204,111                     | 123      | 203,988      |
| Korean Won         | 106,228                     | 935      | 105,293      |
| Indian Rupee       | 98,624                      | -        | 98,624       |
| South African Rand | 81,198                      | 3        | 81,195       |
| Brazilian Real     | 57,935                      | 124      | 57,811       |
| Mexican Peso       | 38,376                      | -        | 38,376       |
| Taiwan Dollar      | 34,927                      | 345      | 34,582       |
| Turkish Lira       | 28,656                      | 307      | 28,349       |
| Indonesian Rupiah  | 25,798                      | 18       | 25,780       |
| Hungarian Forint   | 10,674                      | -        | 10,674       |
| Swedish Krona      | 7,160                       | -        | 7,160        |
| Malaysian Ringgit  | 5,489                       | -        | 5,489        |
| Egyptian Pound     | 5,471                       | -        | 5,471        |
| Euro               | 7                           | 7        | -            |

#### Interest rate risk

At the year end date, 0.8% (31.01.11: 2.5%) of the fund's net assets by value were interest bearing.

For consideration of other risks including liquidity, pricing and credit risk, please refer to the notes to the aggregated financial statements, pages 389 to 390.

### 13. Share classes

The fund currently has three share classes; Class A shares, Class B shares and Class I shares. The Authorised Corporate Director's (ACD) fee and fixed expenses charge are shown below.

|                 | ACD fee | Fixed expenses |
|-----------------|---------|----------------|
| Class A shares: | 1.50%   | 0.18%          |
| Class B shares: | 1.00%   | 0.15%          |
| Class I shares: | 1.00%   | 0.00%          |

The net asset value of each share class, the net asset value per share and the number of shares in each class are shown on page 40. All classes have the same rights on winding up.

# Distribution table

## Final distribution in pence per share

Group 1 – Shares purchased prior to 1 February 2011

Group 2 – Shares purchased 1 February 2011 to 31 January 2012

|                                    | Gross revenue | Tax at 10% | Net revenue | Equalisation | Distribution payable 30.04.12 | Distribution paid 30.04.11 |
|------------------------------------|---------------|------------|-------------|--------------|-------------------------------|----------------------------|
| <b>A-Class Accumulation Shares</b> |               |            |             |              |                               |                            |
| Group 1                            | 0.700000      | 0.070000   | 0.630000    | -            | 0.630000                      | 0.100000                   |
| Group 2                            | 0.244733      | 0.024473   | 0.220260    | 0.409740     | 0.630000                      | 0.100000                   |
| <b>A-Class Income Shares</b>       |               |            |             |              |                               |                            |
| Group 1                            | 0.311111      | 0.031111   | 0.280000    | -            | 0.280000                      | 0.040000                   |
| Group 2                            | 0.107604      | 0.010760   | 0.096844    | 0.183156     | 0.280000                      | 0.040000                   |
| <b>B-Class Accumulation Shares</b> |               |            |             |              |                               |                            |
| Group 1                            | 2.077778      | 0.207778   | 1.870000    | -            | 1.870000                      | 1.160000                   |
| Group 2                            | 1.364447      | 0.136445   | 1.228002    | 0.641998     | 1.870000                      | 1.160000                   |
| <b>B-Class Income Shares</b>       |               |            |             |              |                               |                            |
| Group 1                            | 0.977778      | 0.097778   | 0.880000    | -            | 0.880000                      | 0.000000                   |
| Group 2                            | 0.545136      | 0.054514   | 0.490622    | 0.389378     | 0.880000                      | 0.000000                   |
| <b>I-Class Accumulation Shares</b> |               |            |             |              |                               |                            |
| Group 1                            | 6.800000      | 0.680000   | 6.120000    | -            | 6.120000                      | 4.140000                   |
| Group 2                            | 2.790361      | 0.279036   | 2.511325    | 3.608675     | 6.120000                      | 4.140000                   |

Equalisation applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of revenue included in the purchase price of all group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.



# JPM Emerging Markets Infrastructure Fund

## Important information

### Change of Depositary

As part of an internal re-structuring, The Royal Bank of Scotland plc has transferred its Trustee and Depositary Services business from The Royal Bank of Scotland plc to National Westminster Bank plc and consequently National Westminster Bank plc has been appointed as Depositary of the Fund with effect from 15 October 2011.

As Depositary, National Westminster Bank plc will have the same duties and responsibilities as The Royal Bank of Scotland plc and this change will have no impact on the way the Fund operates.

### Change of investment policy

The investment policy was amended on 1 February 2011 to clarify that any future use of derivatives for investment purposes may change the risk profile of the Fund as follows:

“To achieve long-term capital growth by investing primarily in emerging markets companies related to infrastructure opportunities.

Investments may include, but are not limited to, companies found in the capital goods, transportation, telecommunication services, utilities, energy, materials and real estate sectors. Issuers of these securities may be located in any country and the Fund may invest significantly in emerging markets and smaller companies (see sections 11.8 and 11.11 of the full Prospectus – Risk Warnings). Derivatives may be used for the purpose of efficient portfolio management, including hedging, where appropriate (see Section 11.14 of the full Prospectus for Risk Warnings on derivatives). Subject to at least 60 days’ notice to shareholders, the Fund may use derivatives for investment purposes which may change the risk profile of the Fund. The Fund may hold non-equity investments from time to time, as appropriate.”

For the avoidance of doubt, this is not a notice that the above Fund will use derivatives for investment purposes; such notice would be subject to at least 60 days notice to shareholders.

## Risk profile

This equity based Fund is designed for investors looking for enhanced long-term capital growth, but who are comfortable with the additional economic, currency and political risks associated with emerging market and smaller company investments. The Fund may take significant positions at the stock selection, sector and country allocation levels via a relatively concentrated portfolio, with the result that the Fund’s volatility may be high.

Equity investment is subject to specific risks relating to the performance of the individual companies held and the market’s perception of their performance. Equities are also subject to systematic risks such as general economic conditions, inflation, interest rates, foreign exchange rates and industry sector risks. In general terms, equities tend to be more volatile than bonds.

The Fund invests in emerging markets, which may be subject to additional political and economic risks, low liquidity, poor transparency and greater financial risks.

Smaller companies’ securities may be less liquid than the securities of larger companies as a result of inadequate trading volume or restrictions on trading. Smaller companies may possess greater potential for growth, but can also

involve greater risks, such as limited product lines and markets, and financial or managerial resources. Trading in such securities may be subject to more abrupt price movements and greater fluctuations in available liquidity than trading in the securities of larger companies.

The underlying assets of the Fund are denominated in currencies other than Sterling and are not hedged back to Sterling. Investors will therefore be exposed to the currency risk of fluctuations between Sterling and the currency denomination of the underlying assets.

## Fund review

Emerging markets performed poorly in 2011. Markets derated as risks to global growth increased. Domestic inflation also proved stubborn and forced central banks to tighten policy throughout the year, raising concerns over whether they could engineer soft landings. Emerging market equities are off to a strong start in 2012, having recorded the strongest January since 2001. This was driven by improvements in global macro data and easing of fears over the European debt crisis.

The Fund underperformed the benchmark in the period. Stock selection in Russia, India and Turkey detracted from relative performance. An underweight position in China and an overweight in Brazil also had a negative impact on returns. The underperformance was slightly offset by names in Brazil, South Africa and Taiwan, which had a positive impact on performance. An off-index holding listed in the UK and an overweight in South Africa also added to returns as did underweights in Poland, Russia and Mexico.

## Fund outlook

Despite the sharp rally in markets we are positive as fundamentals are improving and valuations are attractive. Three concerns weighed on markets last year: inflation, China and Europe. Inflation is beginning to roll over across emerging markets, led by food prices. The focus of central banks is therefore shifting from containing inflation to supporting growth. This is particularly important in China, where the authorities are engineering a soft landing amid concerns of overheating in the property market. The biggest risk is an external shock that precipitates a return to a crisis and risk aversion.

## 12 month performance as at 31 January

|   | 2012   | 2011  | 2010  |
|---|--------|-------|-------|
| JPM Emerging Markets Infrastructure A-Class Acc | -11.0% | 24.2% | 63.3% |
| Benchmark Index <sup>A</sup>                    | -8.3%  | 21.5% | 53.7% |

## Fund statistics

|                              |  |
|------------------------------|--|
| Fund size                    | £28.6m   |
| Benchmark Index <sup>A</sup> | MSCI Customised Emerging Markets Infrastructure Index (Total Return Net) |
| Fund charges                 | Initial 4.25%, Annual 1.75%  |

You should remember that past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. For specific risks, please read the Simplified Prospectus.

All performance returns are calculated using the quoted price of the accumulation shares. Performance returns are in Sterling.

Source: J.P. Morgan.

<sup>A</sup> Benchmark for this Fund is customised by Morgan Stanley Capital International (MSCI), limited to seven sectors: Energy, Materials (excluding Fertilizers & Agricultural Chemicals, Metal & Glass Containers, Paper Packaging, and Gold), Capital Goods (excluding Trading Companies & Distributors), Transportation, Real Estate (excluding Residential REITs and Retail REITs), Telecommunication Services and Utilities.

Benchmark Source: MSCI. Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express of implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI’s express written consent.

## Top ten holdings

|                                     | %   |
|-------------------------------------|-----|
| China Mobile                        | 4.0 |
| Ultrapar Participacoes ADR          | 3.4 |
| CNOOC                               | 3.2 |
| Aggreko                             | 3.2 |
| OGX Petroleo e Gas Participacoes    | 3.0 |
| Bidvest Group                       | 2.9 |
| Millicom International Cellular BDR | 2.8 |
| Petrobras Brasileiro ADR Preference | 2.6 |
| Vale ADR                            | 2.4 |
| Jindal Steel & Power                | 2.4 |

## Geographical breakdown

|                      | %    |
|----------------------|------|
| Brazil               | 23.5 |
| India                | 11.4 |
| China                | 10.4 |
| Russia               | 8.1  |
| South Africa         | 7.0  |
| South Korea          | 5.5  |
| Turkey               | 5.3  |
| Hong Kong            | 4.6  |
| United Arab Emirates | 4.3  |
| Colombia             | 3.8  |
| Sweden               | 2.8  |
| Mexico               | 2.5  |
| Ghana                | 2.1  |
| France               | 1.8  |
| Chile                | 1.8  |
| Indonesia            | 1.4  |
| Nigeria              | 0.9  |
| Turkmenistan         | 0.9  |
| Singapore            | 0.8  |
| Thailand             | 0.6  |
| Net other assets     | 0.5  |

## Highest/lowest share price and distribution record

| Calendar year                                  | Highest share price | Lowest share price | Distribution per share (net) |
|--|---------------------|--------------------|------------------------------|
| <b>A-Class Accumulation Shares<sup>®</sup></b> |                     |                    |                              |
| 2008   | 53.42p              | 31.26p             | -                            |
| 2009   | 68.50p              | 35.43p             | 0.00p                        |
| 2010   | 86.11p              | 64.41p             | 0.58p                        |
| 2011   | 87.25p              | 62.14p             | 0.08p                        |
| 2012 <sup>Ⓒ</sup>                              | 72.81p              | 66.47p             | 0.47p                        |
| <b>A-Class Income Shares<sup>®</sup></b>       |                     |                    |                              |
| 2008   | 53.42p              | 31.26p             | -                            |
| 2009   | 68.53p              | 35.43p             | 0.00p                        |
| 2010   | 85.32p              | 63.95p             | 0.58p                        |
| 2011   | 86.45p              | 61.51p             | 0.05p                        |
| 2012 <sup>Ⓒ</sup>                              | 72.07p              | 65.80p             | 0.46p                        |

<sup>®</sup> A-Class Accumulation and A-Class Income Shares were launched on 16 September 2008.

<sup>Ⓒ</sup> To 31 January 2012.

## Portfolio turnover rate

|          |        |
|----------|--------|
| 31.01.11 | 78.8%  |
| 31.01.12 | 104.8% |

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the period.

## Net asset values and Total expense ratios

| Date                               | Net asset value per share class<br>£'000 | Number of shares | Net asset value per share | Total expense ratio |
|------------------------------------|--|------------------|---------------------------|---------------------|
| <b>A-Class Accumulation Shares</b> |  |                  |                           |                     |
| 31.01.10                           | 8,379                                    | 12,938,640       | 64.76p                    | 1.93%               |
| 31.01.11                           | 21,208                                   | 26,262,505       | 80.76p                    | 1.93%               |
| 31.01.12                           | 25,987                                   | 36,111,070       | 71.96p                    | 1.93%               |
| <b>A-Class Income Shares</b>       |  |                  |                           |                     |
| 31.01.10                           | 1,440                                    | 2,244,547        | 64.17p                    | 1.93%               |
| 31.01.11                           | 2,358                                    | 2,949,559        | 79.94p                    | 1.93%               |
| 31.01.12                           | 2,575                                    | 3,637,821        | 70.78p                    | 1.93%               |

The net asset value and the net asset value per income share are shown ex-dividend.

The total expense ratio (TER) takes into account the ACD fee and any fixed expenses charged to revenue expressed as a percentage of the average daily net asset values over the period.

# Portfolio statement

As at 31 January 2012

| Investment  | Holding   | Market value<br>£'000 | Total net<br>assets % |
|---|-----------|-----------------------|-----------------------|
| <b>Brazil - 23.5% (19.8%)</b>                             |           |                       |                       |
| AES Tiete   | 52,217    | 417                   | 1.5                   |
| BR Malls Participacoes                                    | 48,870    | 346                   | 1.2                   |
| Companhia de Concessoes Rodoviaras                        | 133,300   | 578                   | 2.0                   |
| Mills Estruturas e Servicos                               | 58,330    | 435                   | 1.5                   |
| OGX Petroleo e Gas Participacoes                          | 147,100   | 868                   | 3.0                   |
| Petrobras Brasileiro ADR Preference                       | 41,700    | 743                   | 2.6                   |
| Randon sa Implementos e Participaco<br>Non Cum Preference | 83,660    | 288                   | 1.0                   |
| Tegma Gestao Logistica                                    | 42,800    | 396                   | 1.4                   |
| Telefonica Brasil Preference                              | 30,520    | 536                   | 1.9                   |
| Ultrapar Participacoes ADR                                | 77,140    | 962                   | 3.4                   |
| Vale ADR  | 44,491    | 698                   | 2.4                   |
| WEG   | 65,929    | 464                   | 1.6                   |
| <b>India - 11.4% (10.3%)</b>                              |           |                       |                       |
| ACC   | 12,860    | 196                   | 0.7                   |
| Ambuja Cements  | 150,780   | 311                   | 1.1                   |
| Bharti Airtel   | 74,180    | 347                   | 1.2                   |
| Coal India  | 61,273    | 257                   | 0.9                   |
| Crompton Greaves  | 131,510   | 218                   | 0.8                   |
| Gujarat Gas   | 80,200    | 401                   | 1.4                   |
| Jindal Steel & Power                                      | 99,050    | 689                   | 2.4                   |
| Larsen & Toubro   | 33,900    | 568                   | 2.0                   |
| Ultra Tech Cement   | 15,850    | 247                   | 0.9                   |
| <b>China - 10.4% (11.3%)</b>                              |           |                       |                       |
| Anhui Conch Cement 'H'                                    | 123,500   | 264                   | 0.9                   |
| China Gas Holdings  | 884,000   | 261                   | 0.9                   |
| China Shenhua Energy 'H'                                  | 212,500   | 591                   | 2.1                   |
| CNOOC   | 700,000   | 908                   | 3.2                   |
| CNOOC ADS   | 2,500     | 322                   | 1.1                   |
| Towngas China   | 1,737,000 | 633                   | 2.2                   |
| <b>Russia - 8.1% (8.5%)</b>                               |           |                       |                       |
| AO Tatneft ADR  | 16,200    | 356                   | 1.2                   |
| EurAsia Drilling Company GDR                              | 21,870    | 361                   | 1.3                   |
| Lukoil ADR  | 11,800    | 438                   | 1.5                   |
| Magnitogorsk Iron & Steel Works GDR                       | 65,320    | 245                   | 0.9                   |
| Mobile Telesystems ADR                                    | 20,000    | 212                   | 0.7                   |
| Mostotrest  | 122,800   | 497                   | 1.7                   |
| TMK GDR   | 31,400    | 236                   | 0.8                   |
| <b>South Africa - 7.0% (7.9%)</b>                         |           |                       |                       |
| African Rainbow Minerals                                  | 34,700    | 521                   | 1.8                   |
| Bidvest Group   | 60,900    | 839                   | 2.9                   |
| Kumba Iron  | 15,200    | 665                   | 2.3                   |
| <b>South Korea - 5.5% (8.8%)</b>                          |           |                       |                       |
| Hyundai Heavy Industries                                  | 1,910     | 336                   | 1.2                   |
| LG Chemical   | 2,940     | 621                   | 2.2                   |
| POSCO ADR   | 2,900     | 169                   | 0.6                   |
| Samsung Engineering                                       | 3,600     | 434                   | 1.5                   |
| <b>Turkey - 5.3% (4.8%)</b>                               |           |                       |                       |
| Aygaz   | 47,735    | 154                   | 0.5                   |
| KOC   | 224,406   | 559                   | 2.0                   |
| TAV Havalimanlari   | 237,746   | 683                   | 2.4                   |
| Turk Hava Yollari   | 131,655   | 112                   | 0.4                   |
| <b>Hong Kong - 4.6% (5.2%)</b>                            |           |                       |                       |
| China Mobile  | 41,000    | 266                   | 0.9                   |
| China Mobile ADR  | 27,977    | 891                   | 3.1                   |
| Enn Energy  | 94,000    | 179                   | 0.6                   |
| <b>United Arab Emirates - 4.3% (0.0%)</b>                 |           |                       |                       |
| Aggreko   | 43,518    | 906                   | 3.2                   |
| Aramex  | 1,045,500 | 317                   | 1.1                   |
| <b>Colombia - 3.8% (2.9%)</b>                             |           |                       |                       |
| First Quantum Minerals                                    | 31,000    | 428                   | 1.5                   |
| Pacific Rubiales Energy                                   | 42,107    | 665                   | 2.3                   |
| <b>Sweden - 2.8% (0.0%)</b>                               |           |                       |                       |
| Millicom International Cellular BDR                       | 12,600    | 798                   | 2.8                   |
| <b>Mexico - 2.5% (3.0%)</b>                               |           |                       |                       |
| Grupo Aeroportuario del Sureste ADS 'B'                   | 15,284    | 631                   | 2.2                   |
| NII Holdings  | 5,970     | 77                    | 0.3                   |
| <b>Ghana - 2.1% (0.0%)</b>                                |           |                       |                       |
| Tullow Oil  | 43,200    | 590                   | 2.1                   |

| Investment                             | Holding | Market value<br>£'000 | Total net<br>assets % |
|--|---------|-----------------------|-----------------------|
| <b>France - 1.8% (0.0%)</b>            |         |                       |                       |
| Technip                                | 8,500   | 509                   | 1.8                   |
| <b>Chile - 1.8% (0.0%)</b>             |         |                       |                       |
| Empresa Nacional de Telecomunicaciones | 42,500  | 501                   | 1.8                   |
| <b>Indonesia - 1.4% (1.4%)</b>         |         |                       |                       |
| United Tractors                        | 199,500 | 398                   | 1.4                   |
| <b>Nigeria - 0.9% (0.0%)</b>           |         |                       |                       |
| Afren                                  | 210,300 | 251                   | 0.9                   |
| <b>Turkmenistan - 0.9% (2.8%)</b>      |         |                       |                       |
| Dragon Oil                             | 48,800  | 250                   | 0.9                   |
| <b>Singapore - 0.8% (0.0%)</b>         |         |                       |                       |
| Hutchison Port Holding                 | 468,000 | 222                   | 0.8                   |
| <b>Thailand - 0.6% (0.0%)</b>          |         |                       |                       |
| Total Access Communication NVDR        | 123,700 | 169                   | 0.6                   |
| <b>Investment assets</b>               |         | <b>28,430</b>         | <b>99.5</b>           |
| <b>Net other assets</b>                |         | <b>132</b>            | <b>0.5</b>            |
| <b>Net assets</b>                      |         | <b>28,562</b>         | <b>100.0</b>          |

Unless otherwise stated the above securities are admitted to official stock exchange listings or trade on a regulated market.

The comparative percentage figures in brackets are at 31 January 2011.

## Portfolio movements

For the year ending 31 January 2012

|  | £'000         |  | £'000           |
|--|---------------|--|-----------------|
| <b>Total of all purchases for the year (Note 10)</b> | <b>27,461</b> | <b>Total of all sales for the year (Note 10)</b>         | <b>18,577</b>   |
| <b>Major purchases</b>                               | <b>Cost</b>   | <b>Major sales</b>                                       | <b>Proceeds</b> |
| Aggreko  | 1,004         | Chunghwa Telecom ADR                                     | 641             |
| Millicom International Cellular BDR                  | 930           | Petrochina 'H'   | 632             |
| China Mobile ADR                                     | 817           | KGHM Polska Miedz  | 440             |
| Tullow Oil   | 813           | Dragon Oil   | 421             |
| Petrobras Brasileiro ADR Preference                  | 730           | STX Offshore & Shipbuilding                              | 414             |
| Larsen & Toubro                                      | 704           | MMC Norilsk Nickel ADR                                   | 372             |
| OGX Petroleo e Gas Participacoes                     | 688           | AECI   | 361             |
| LG Chemical  | 663           | Magnitogorsk Iron & Steel Works GDR                      | 343             |
| Ultrapar Participacoes ADR                           | 640           | Turkiye Petrol Rafinerileri                              | 312             |
| STX Offshore & Shipbuilding                          | 624           | Cia Transmissao de Energia Electrica Paulista Preference | 300             |
| China Shenhua Energy 'H'                             | 596           | China Gas Holdings                                       | 298             |
| Mostotrest   | 591           | Ultrapar Participacoes ADR                               | 294             |
| First Quantum Minerals                               | 545           | Telecom Argentina ADR 'B'                                | 282             |
| Empresa Nacional de Telecomunicaciones               | 527           | Tullow Oil   | 281             |
| TAV Havalimanlari                                    | 522           | Honam Petrochemical                                      | 280             |
| Jindal Steel & Power                                 | 517           | Petrobras Brasileiro ADR Preference                      | 278             |
| Bidvest Group  | 509           | Gerdau ADR Preference                                    | 277             |
| CNOOC  | 492           | NII Holdings   | 267             |
| African Rainbow Minerals                             | 482           | Perusahaan Gas Negara                                    | 265             |
| Technip  | 463           | Telecomunicacoes de Sao Paulo ADR                        | 255             |

# Financial statements

## Statement of total return

For the year ending 31 January

|   | £'000 | 2012<br>£'000  | £'000 | 2011<br>£'000 |
|---|-------|----------------|-------|---------------|
| Income  |       |                |       |               |
| Net capital (losses)/gains (Note 1)   |       | (3,501)        |       | 2,558         |
| Revenue (Note 2)  | 735   |                | 332   |               |
| Expenses (Note 3)   | (522) |                | (304) |               |
| Net revenue before taxation   | 213   |                | 28    |               |
| Taxation (Note 4)   | (54)  |                | (20)  |               |
| Net revenue after taxation  |       | 159            |       | 8             |
| <b>Total return before distributions</b>  |       | <b>(3,342)</b> |       | <b>2,566</b>  |
| Finance costs:<br>Distributions (Note 5)  |       | (158)          |       | (7)           |
| <b>Change in net assets attributable to shareholders from investment activities</b> |       | <b>(3,500)</b> |       | <b>2,559</b>  |

## Balance sheet

As at 31 January

|  | £'000 | 2012<br>£'000 | £'000 | 2011<br>£'000 |
|--|-------|---------------|-------|---------------|
| <b>ASSETS</b>                                  |       |               |       |               |
| Investment assets                              |       | 28,430        |       | 22,975        |
| Debtors (Note 7)                               | 94    |               | 195   |               |
| Cash and bank balances (Note 8)                | 435   |               | 443   |               |
| <b>Total other assets</b>                      |       | <b>529</b>    |       | <b>638</b>    |
| <b>Total assets</b>                            |       | <b>28,959</b> |       | <b>23,613</b> |
| <b>LIABILITIES</b>                             |       |               |       |               |
| Creditors (Note 9)                             | (380) |               | (46)  |               |
| Distribution payable on income shares          | (17)  |               | (1)   |               |
| <b>Total liabilities</b>                       |       | <b>(397)</b>  |       | <b>(47)</b>   |
| <b>Net assets attributable to shareholders</b> |       | <b>28,562</b> |       | <b>23,566</b> |

The notes to these financial statements are shown on pages 52 to 53.

## Statement of change in net assets attributable to shareholders

For the year ending 31 January

|  | £'000   | 2012<br>£'000 | £'000   | 2011<br>£'000 |
|--|---------|---------------|---------|---------------|
| <b>Opening net assets attributable to shareholders</b>                                   |         | <b>23,566</b> |         | <b>9,819</b>  |
| Amounts receivable on issue of shares  | 13,282  |               | 16,329  |               |
| Amounts payable on cancellation of shares  | (4,954) |               | (5,161) |               |
|  |         | 8,328         |         | 11,168        |
| Change in net assets attributable to shareholders from investment activities (see above) |         | (3,500)       |         | 2,559         |
| Retained distributions on accumulation shares  |         | 169           |         | 21            |
| Stamp duty reserve tax   |         | (1)           |         | (1)           |
| <b>Closing net assets attributable to shareholders</b>                                   |         | <b>28,562</b> |         | <b>23,566</b> |

# Notes to the financial statements for the year ending 31 January 2012

## 1. Net capital (losses)/gains

|                            | 2012           | 2011         |
|----------------------------|----------------|--------------|
|                            | £'000          | £'000        |
| Currency (losses)/gains    | (95)           | 1            |
| Non-derivative securities  | (3,406)        | 2,557        |
| Net capital (losses)/gains | <u>(3,501)</u> | <u>2,558</u> |

## 2. Revenue

|   | 2012       | 2011       |
|---|------------|------------|
|   | £'000      | £'000      |
| Franked income from UK equity investments | 6          | 5          |
| Income from overseas equity investments   | 728        | 327        |
| Interest on bank and term deposits        | 1          | -          |
| Total revenue                             | <u>735</u> | <u>332</u> |

## 3. Expenses

|   | 2012       | 2011       |
|---|------------|------------|
|   | £'000      | £'000      |
| Payable to the ACD or associate of the ACD: |            |            |
| ACD fee                                     | 474        | 276        |
| Fixed expenses                              | 48         | 28         |
| Total expenses                              | <u>522</u> | <u>304</u> |

## 4. Taxation

|  | 2012      | 2011      |
|--|-----------|-----------|
|  | £'000     | £'000     |
| <b>a) Analysis of charge in the year</b> |           |           |
| Overseas tax provision                   | 2         | -         |
| Overseas tax suffered                    | 52        | 20        |
| Current year tax charge (Note 4b)        | <u>54</u> | <u>20</u> |

### b) Factors affecting the tax charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK for an Open-Ended Investment Company (OEIC) (20%). The differences are explained below.

|                             |            |           |
|-----------------------------|------------|-----------|
| Net revenue before taxation | <u>213</u> | <u>28</u> |
| Corporation tax at 20%      | <u>43</u>  | <u>6</u>  |

|   |           |           |
|---|-----------|-----------|
| Effects of:                               |           |           |
| Dividends not subject to corporation tax  | (117)     | (61)      |
| Excess expenses for which no relief taken | 74        | 55        |
| Overseas tax provision                    | 2         | -         |
| Overseas tax suffered                     | 52        | 20        |
|   | <u>11</u> | <u>14</u> |
| Current year tax charge (Note 4a)         | <u>54</u> | <u>20</u> |

No deferred tax asset has been recognised in the financial statements. At the year end date, the fund had a deferred tax asset of £133,558 (31.01.11: £59,741) in relation to £667,790 (31.01.11: £298,704) of excess management expenses which would only be utilised to reduce the tax charge if the fund had an excess of unfranked income over expenses in a future period. There is no excess of unfranked income expected in the future.

## 5. Finance costs

### Distributions

The distributions take account of amounts receivable on the issue of shares and amounts payable on the cancellation of shares and comprise:

|  | 2012       | 2011     |
|--|------------|----------|
|  | £'000      | £'000    |
| Final dividend distribution                    | 186        | 22       |
| Add: Amounts payable on cancellation of shares | 30         | 20       |
| Deduct: Amounts receivable on issue of shares  | (58)       | (35)     |
| Total finance costs                            | <u>158</u> | <u>7</u> |

Details of the distribution per share are set out on page 54.

## 6. Movement between net revenue after taxation and distributions

|   | 2012       | 2011     |
|---|------------|----------|
|   | £'000      | £'000    |
| Net revenue after taxation                    | 159        | 8        |
| Add: Undistributed revenue brought forward    | 2          | 1        |
| Deduct: Undistributed revenue carried forward | (3)        | (2)      |
|   | <u>158</u> | <u>7</u> |

## 7. Debtors

|                                     | 2012      | 2011       |
|-------------------------------------|-----------|------------|
|                                     | £'000     | £'000      |
| Accrued income                      | 38        | 27         |
| Due from the ACD for shares created | 8         | 168        |
| Sales awaiting settlement           | 48        | -          |
| Total debtors                       | <u>94</u> | <u>195</u> |

## 8. Cash and bank balances

|                        | 2012       | 2011       |
|------------------------|------------|------------|
|                        | £'000      | £'000      |
| Cash and bank balances | <u>435</u> | <u>443</u> |

## 9. Creditors

|                                     | 2012       | 2011      |
|-------------------------------------|------------|-----------|
|                                     | £'000      | £'000     |
| Accrued expenses                    | 46         | 39        |
| Due to the ACD for shares cancelled | 40         | 7         |
| Purchases awaiting settlement       | 294        | -         |
| Total creditors                     | <u>380</u> | <u>46</u> |

## Notes to the financial statements – continued

### 10. Portfolio transaction costs

|  | 2012<br>£'000 | 2011<br>£'000 |
|--|---------------|---------------|
| Analysis of total purchase costs           |               |               |
| Purchases in year before transaction costs | 27,397        | 22,284        |
| Commissions                                | 42            | 32            |
| Taxes                                      | 22            | 18            |
| Total purchase costs                       | 64            | 50            |
| Gross purchases total                      | 27,461        | 22,334        |
| Analysis of total sale costs               |               |               |
| Gross sales before transaction costs       | 18,618        | 11,368        |
| Commissions                                | (28)          | (16)          |
| Taxes                                      | (13)          | (7)           |
| Total sale costs                           | (41)          | (23)          |
| Total sales net of transaction costs       | 18,577        | 11,345        |

### 11. Related party transactions

JPMorgan Funds Limited, as Authorised Corporate Director (“ACD”), is a related party, and acts as principal in respect of all transactions of shares in the Company. The aggregate monies received through issue, and paid on cancellation, are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

The balance due to the ACD and their associates at the year end date in respect of related party transactions was £78,222 (31.01.11: £122,669 due from the ACD). Details of related party transactions are given under note 13 on page 389.

Some of the dealing transactions for the fund are carried out through associates of the ACD. Such transactions are carried out on an arm's length basis. The commissions paid to these companies over the year were £7,867 (31.01.11: £10,427). Commission was paid to the associated company JPMorgan Securities Ltd.

The following parties held a material interest in the fund at the year end date:

- FNZ (UK) Nominees Ltd 29.07% (31.01.11: 19.40%)
- FIL (Luxembourg) SA 15.86% (31.01.11: 16.94%)

### 12. Financial instruments

#### Currency exposures

A substantial proportion of the net assets of the fund are denominated in currencies other than sterling, with the effect that the Balance sheet and total return can be significantly affected by currency movements.

| Currency             | Net foreign currency assets |                                |                                    |
|----------------------|-----------------------------|--------------------------------|------------------------------------|
|                      | Total<br>£'000              | Monetary<br>exposures<br>£'000 | Non-monetary<br>exposures<br>£'000 |
| <b>31.01.12</b>      |                             |                                |                                    |
| US Dollar            | 7,644                       | 46                             | 7,598                              |
| Brazilian Real       | 3,810                       | 18                             | 3,792                              |
| Indian Rupee         | 3,234                       | -                              | 3,234                              |
| Hong Kong Dollar     | 3,101                       | -                              | 3,101                              |
| South African Rand   | 2,025                       | 1                              | 2,024                              |
| Turkish Lira         | 1,542                       | 34                             | 1,508                              |
| Korean Won           | 1,411                       | 19                             | 1,392                              |
| Canadian Dollar      | 1,093                       | -                              | 1,093                              |
| Swedish Krona        | 797                         | -                              | 797                                |
| Euro                 | 509                         | -                              | 509                                |
| Chilean Peso         | 501                         | -                              | 501                                |
| Indonesian Rupiah    | 398                         | -                              | 398                                |
| Arab Emirates Dirham | 317                         | -                              | 317                                |
| Thailand Baht        | 169                         | -                              | 169                                |
| Taiwan Dollar        | 14                          | 14                             | -                                  |
| <b>31.01.11</b>      |                             |                                |                                    |
| US Dollar            | 6,184                       | 307                            | 5,877                              |
| Hong Kong Dollar     | 3,635                       | 1                              | 3,634                              |
| Brazilian Real       | 2,975                       | 11                             | 2,964                              |
| Korean Won           | 2,408                       | -                              | 2,408                              |
| Mexican Peso         | 1,934                       | 18                             | 1,916                              |
| Zimbabwe Dollar      | 1,866                       | -                              | 1,866                              |
| Turkish Lira         | 1,143                       | -                              | 1,143                              |
| Thailand Baht        | 682                         | -                              | 682                                |
| Canadian Dollar      | 677                         | -                              | 677                                |
| Taiwan Dollar        | 550                         | 27                             | 523                                |
| Polish Zloty         | 446                         | -                              | 446                                |
| Indonesian Rupiah    | 170                         | -                              | 170                                |

#### Interest rate risk

At the year end date, 1.5% (31.01.11: 1.9%) of the fund's net assets by value were interest bearing.

For consideration of other risks including liquidity, pricing and credit risk, please refer to the notes to the aggregated financial statements, pages 389 to 390.

### 13. Share classes

The fund currently has one share class; Class A shares. The Authorised Corporate Director's (ACD) fee and fixed expenses charge are shown below.

|                 | ACD fee | Fixed expenses |
|-----------------|---------|----------------|
| Class A shares: | 1.75%   | 0.18%          |

The net asset value, the net asset value per share and the number of shares are shown on page 48.

# Distribution table

## Final distribution in pence per share

Group 1 – Shares purchased prior to 1 February 2011

Group 2 – Shares purchased 1 February 2011 to 31 January 2012

|                                    | Gross<br>revenue | Tax<br>at 10% | Net<br>revenue | Equalisation | Distribution<br>payable<br>30.04.12 | Distribution<br>paid<br>30.04.11 |
|------------------------------------|------------------|---------------|----------------|--------------|-------------------------------------|----------------------------------|
| <b>A-Class Accumulation Shares</b> |                  |               |                |              |                                     |                                  |
| Group 1                            | 0.522222         | 0.052222      | 0.470000       | -            | 0.470000                            | 0.080000                         |
| Group 2                            | 0.148737         | 0.014874      | 0.133863       | 0.336137     | 0.470000                            | 0.080000                         |
| <b>A-Class Income Shares</b>       |                  |               |                |              |                                     |                                  |
| Group 1                            | 0.511111         | 0.051111      | 0.460000       | -            | 0.460000                            | 0.050000                         |
| Group 2                            | 0.158321         | 0.015832      | 0.142489       | 0.317511     | 0.460000                            | 0.050000                         |

Equalisation applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of revenue included in the purchase price of all group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.



# JPM Europe Dynamic (ex-UK) Fund

## Important information

### Change of Depositary

As part of an internal re-structuring, The Royal Bank of Scotland plc has transferred its Trustee and Depositary Services business from The Royal Bank of Scotland plc to National Westminster Bank plc and consequently National Westminster Bank plc has been appointed as Depositary of the Fund with effect from 15 October 2011.

As Depositary, National Westminster Bank plc will have the same duties and responsibilities as The Royal Bank of Scotland plc and this change will have no impact on the way the Fund operates.

### Investment objective and policy

To maximise long-term capital growth by investing primarily in continental European equities.

### Risk profile

This equity based Fund is designed to give broad market exposure primarily to European stock markets (which may include investments in emerging European markets and smaller companies).

Equity investment is subject to specific risks relating to the performance of the individual companies held and the market's perception of their performance. Equities are also subject to systematic risks such as general economic conditions, inflation, interest rates, foreign exchange rates and industry sector risks. In general terms, equities tend to be more volatile than bonds.

This Fund is aggressively managed, which may result in higher volatility of the Fund's performance and bigger differences between the performance of the Fund and its benchmark when compared to core funds.

For investors in Share Classes which are not hedged to Sterling, as the underlying assets of the Fund are denominated in currencies other than Sterling, they will therefore be exposed to the currency risk of fluctuations between Sterling and the currency denominations of the underlying assets.

Investors in the A GBP Hedged Share Class should be aware that any currency hedging process may not give a precise hedge. Where currency hedging is undertaken, whilst it may protect an investor in Hedged Shares against a decrease in the value of the currency being hedged, it may also prevent the investor from participating in an increase in the value of that currency.

### Fund review

Persistent sovereign debt concerns and a weak global economic backdrop weighed on European equity markets over the 12 months under review.

The Fund, which maintains an unconstrained focus on stocks with strong value and/or growth characteristics, underperformed its benchmark. Positive contributions to relative returns included stock selection and an underweight position in the banks sector and stock selection and an overweight in automobiles & parts. Stock selection and underweights in food producers and personal goods were the most significant detractors.

At the stock level, the Fund benefited from its overweight position in German bicycle manufacturer Derby Cycle, which received a EUR 210m takeover offer from Dutch conglomerate Pon Holdings. An underweight position in UniCredit was also positive for relative returns as the Italian bank suffered on concerns over Italy's sovereign debt and fell after announcing its intention to raise EUR 7.5 billion in a rights issue. Stock-level detractors from relative returns

included an underweight position in Swiss food producer Nestle, which was expensively valued but which outperformed due to its defensive earnings characteristics. An underweight position in LVMH was also detrimental as the luxury goods manufacturer benefited from strong organic growth and ongoing robust demand in China, despite concerns about weakening economic momentum in Asia's biggest economy. However, the Fund was boosted by its overweight position in drugmaker Sanofi-Aventis, which benefited from encouraging trial results for its Lyxumia diabetes drug and a new formulation of its Lantus insulin analogue.

### Fund outlook

Sovereign debt problems remain a source of uncertainty despite recent progress towards a resolution. However, the European Central Bank's liquidity boost for the region's banks provides support, while valuations are attractive and corporate earnings are benefiting from improving global economic momentum.

### 12 month performance as at 31 January

|                                   | 2012   | 2011  | 2010  | 2009   | 2008 |
|-----------------------------------|--------|-------|-------|--------|------|
| <b>JPM Europe Dynamic (ex-UK)</b> |        |       |       |        |      |
| A-Class Acc                       | -15.6% | 21.4% | 26.0% | -25.4% | 0.9% |
| <b>JPM Europe Dynamic (ex-UK)</b> |        |       |       |        |      |
| B-Class Acc                       | -15.1% | 22.1% | 26.6% | -25.1% | -    |
| Benchmark Index <sup>A</sup>      | -14.2% | 14.7% | 30.2% | -26.5% | 1.6% |
| <b>JPM Europe Dynamic (ex-UK)</b> |        |       |       |        |      |
| A-Class Acc (GBP Hedged)          | -12.4% | -     | -     | -      | -    |
| Hedged Benchmark Index            | -12.4% | -     | -     | -      | -    |

### Fund statistics

|                              |   |
|------------------------------|---|
| Fund size                    | £92.4m  |
| Benchmark Index <sup>A</sup> | FTSE All World Developed Europe ex UK Index (Total Return Net)              |
| Hedged Benchmark Index       | FTSE All World Developed Europe ex UK Index (Total Return Net) (GBP Hedged) |
| Fund charges                 |   |
| A-Class                      | Initial 4.25%, Annual 1.50%   |
| B-Class                      | Initial Nil, Annual 1.00%   |

### Top ten holdings

|                                  | %   |
|----------------------------------|-----|
| Sanofi-Aventis                   | 4.8 |
| TOTAL S.A.                       | 3.9 |
| Roche (Genusscheine)             | 3.4 |
| Nestle                           | 3.2 |
| Banco Bilbao Vizcaya Argentaria  | 2.4 |
| Volkswagen Non-Voting Preference | 2.2 |
| Fresenius                        | 2.1 |
| SAP                              | 2.1 |
| Svenska Handelsbanken 'A'        | 2.0 |
| LVMH                             | 2.0 |

You should remember that past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. For specific risks, please read the Simplified Prospectus.

All performance returns are calculated using the quoted price of the accumulation shares. Performance returns are in Sterling.

Source: J.P. Morgan.

<sup>A</sup> On 01/10/09 the name of the benchmark changed from the FTSE World Europe ex UK (Total Return Net) to the FTSE All World Developed Europe ex UK (Total Return Net).

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## Geographical breakdown

|                            | %     |
|----------------------------|-------|
| Germany                    | 26.2  |
| France                     | 23.5  |
| Switzerland                | 16.8  |
| Sweden                     | 7.5   |
| Spain                      | 4.5   |
| Norway                     | 4.0   |
| Netherlands                | 3.9   |
| Denmark                    | 3.5   |
| United Kingdom             | 2.8   |
| Finland                    | 2.7   |
| Italy                      | 2.5   |
| Belgium                    | 1.8   |
| Austria                    | 1.0   |
| Liquidity funds            | 0.6   |
| Forward currency contracts | (0.1) |
| Net other liabilities      | (1.2) |

The forward exchange contracts are only entered into by the A-Class Accumulation GBP Hedged shares.

## Highest/lowest share price and distribution record

| Calendar year   | Highest share price | Lowest share price | Distribution per share (net) |
|---|---------------------|--------------------|------------------------------|
| <b>A-Class Accumulation Shares</b>                        |                     |                    |                              |
| 2007  | 117.6p              | 96.30p             | 0.49p                        |
| 2008  | 116.8p              | 68.10p             | 1.01p                        |
| 2009  | 103.3p              | 62.69p             | 1.76p                        |
| 2010  | 113.6p              | 86.16p             | 1.22p                        |
| 2011  | 121.5p              | 84.53p             | 0.67p                        |
| 2012 <sup>b</sup>   | 97.15p              | 92.24p             | 1.49p                        |
| <b>A-Class Accumulation GBP Hedged Shares<sup>c</sup></b> |                     |                    |                              |
| 2010  | 109.3p              | 91.67p             | -                            |
| 2011  | 112.7p              | 80.65p             | 0.00p                        |
| 2012 <sup>b</sup>   | 96.55p              | 92.84p             | 1.40p                        |
| <b>A-Class Income Shares<sup>d</sup></b>                  |                     |                    |                              |
| 2007  | 59.39p              | 48.63p             | -                            |
| 2008  | 59.00p              | 34.03p             | 0.50p                        |
| 2009  | 50.44p              | 30.62p             | 0.90p                        |
| 2010  | 54.82p              | 41.59p             | 0.52p                        |
| 2011  | 58.32p              | 40.57p             | 0.32p                        |
| 2012 <sup>b</sup>   | 46.63p              | 44.27p             | 0.73p                        |
| <b>B-Class Accumulation Shares<sup>e</sup></b>            |                     |                    |                              |
| 2007  | 100.0p              | 92.48p             | -                            |
| 2008  | 99.73p              | 58.31p             | 0.14p                        |
| 2009  | 88.75p              | 53.74p             | 1.87p                        |
| 2010  | 98.38p              | 74.44p             | 1.51p                        |
| 2011  | 105.5p              | 73.51p             | 1.04p                        |
| 2012 <sup>b</sup>   | 84.66p              | 80.35p             | 1.78p                        |
| <b>B-Class Income Shares<sup>f</sup></b>                  |                     |                    |                              |
| 2008  | 105.8p              | 63.29p             | -                            |
| 2009  | 94.68p              | 57.34p             | 1.21p                        |
| 2010  | 103.0p              | 77.95p             | 1.54p                        |
| 2011  | 109.3p              | 76.17p             | 1.09p                        |
| 2012 <sup>b</sup>   | 87.75p              | 83.29p             | 1.85p                        |

<sup>a</sup> To 31 January 2012.

<sup>c</sup> A-Class Accumulation GBP Hedged Shares were launched on 1 September 2010.

<sup>d</sup> A-Class Income Shares were launched on 2 January 2007.

<sup>e</sup> B-Class Accumulation Shares were launched on 2 November 2007.

<sup>f</sup> B-Class Income Shares were launched on 24 April 2008.

## Portfolio turnover rate

|          |        |
|----------|--------|
| 31.01.11 | 840.6% |
| 31.01.12 | 694.8% |

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the period.

## Net asset values and Total expense ratios

| Date  | Net asset value per share class<br>£'000 | Number of shares | Net asset value per share | Total expense ratio |
|---|--|------------------|---------------------------|---------------------|
| <b>A-Class Accumulation Shares</b>            |  |                  |                           |                     |
| 31.01.10                                      | 128,028                                  | 136,691,403      | 93.66p                    | 1.68%               |
| 31.01.11                                      | 131,877                                  | 115,968,819      | 113.7p                    | 1.68%               |
| 31.01.12                                      | 78,536                                   | 81,833,122       | 95.97p                    | 1.68%               |
| <b>A-Class Accumulation GBP Hedged Shares</b> |  |                  |                           |                     |
| 31.01.11                                      | 8,796                                    | 8,057,328        | 109.2p                    | 1.68%               |
| 31.01.12                                      | 10,001                                   | 10,460,568       | 95.61p                    | 1.68%               |
| <b>A-Class Income Shares</b>                  |  |                  |                           |                     |
| 31.01.10                                      | 1,295                                    | 2,864,839        | 45.21p                    | 1.68%               |
| 31.01.11                                      | 2,639                                    | 4,836,095        | 54.57p                    | 1.68%               |
| 31.01.12                                      | 3,015                                    | 6,650,123        | 45.33p                    | 1.68%               |
| <b>B-Class Accumulation Shares</b>            |  |                  |                           |                     |
| 31.01.10                                      | 2,077                                    | 2,571,913        | 80.74p                    | 1.15%               |
| 31.01.11                                      | 2,573                                    | 2,610,271        | 98.56p                    | 1.15%               |
| 31.01.12                                      | 834                                      | 997,802          | 83.64p                    | 1.15%               |
| <b>B-Class Income Shares</b>                  |  |                  |                           |                     |
| 31.01.10                                      | 10                                       | 12,000           | 84.55p                    | 1.15%               |
| 31.01.11                                      | 10                                       | 10,000           | 102.1p                    | 1.15%               |
| 31.01.12                                      | 6  | 7,000            | 84.84p                    | 1.15%               |

The net asset value and the net asset value per income share are shown ex-dividend.

The total expense ratio (TER) takes into account the ACD fee and any fixed expenses charged to revenue expressed as a percentage of the average daily net asset values over the period.

# Portfolio statement

As at 31 January 2012

| Investment                              | Holding | Market value<br>£'000 | Total net<br>assets % |
|---|---------|-----------------------|-----------------------|
| <b>Germany - 26.2% (25.3%)</b>          |         |                       |                       |
| Allianz                                 | 22,522  | 1,595                 | 1.7                   |
| BASF                                    | 28,011  | 1,406                 | 1.5                   |
| Bayer                                   | 25,806  | 1,148                 | 1.2                   |
| BMW                                     | 33,411  | 1,836                 | 2.0                   |
| Carl Zeiss Meditec                      | 40,296  | 540                   | 0.6                   |
| Celesio                                 | 41,578  | 512                   | 0.6                   |
| Commerzbank                             | 194,261 | 301                   | 0.3                   |
| Continental                             | 13,711  | 702                   | 0.8                   |
| Deutsche Bank                           | 36,914  | 1,006                 | 1.1                   |
| Deutsche Telekom                        | 116,401 | 841                   | 0.9                   |
| Deutsche Wohnen                         | 111,360 | 927                   | 1.0                   |
| E.ON                                    | 87,237  | 1,192                 | 1.3                   |
| Freenet                                 | 71,119  | 616                   | 0.7                   |
| Fresenius                               | 29,572  | 1,912                 | 2.1                   |
| Hugo Boss Preference                    | 4,204   | 241                   | 0.3                   |
| Kabel Deutschland Holding               | 12,841  | 419                   | 0.5                   |
| Linde                                   | 18,306  | 1,840                 | 2.0                   |
| Porsche Automobil Non Voting Preference | 12,394  | 493                   | 0.5                   |
| SAP                                     | 49,474  | 1,902                 | 2.1                   |
| Sartorius                               | 11,401  | 341                   | 0.4                   |
| Sartorius Preference                    | 18,505  | 567                   | 0.6                   |
| Sixt                                    | 73      | 1                     | -                     |
| Suedzucker                              | 44,757  | 840                   | 0.9                   |
| Volkswagen Non-Voting Preference        | 17,436  | 2,001                 | 2.2                   |
| Wire Card                               | 71,631  | 819                   | 0.9                   |
| <b>France - 23.5% (18.9%)</b>           |         |                       |                       |
| Air Liquide                             | 6,799   | 547                   | 0.6                   |
| Arkema                                  | 24,266  | 1,264                 | 1.4                   |
| AXA                                     | 186,241 | 1,807                 | 2.0                   |
| BNP Paribas                             | 41,381  | 1,144                 | 1.2                   |
| Eurofins Scientific                     | 14,210  | 738                   | 0.8                   |
| GDF Suez                                | 22,120  | 383                   | 0.4                   |
| LVMH                                    | 17,829  | 1,840                 | 2.0                   |
| Michelin                                | 37,519  | 1,649                 | 1.8                   |
| Neopost                                 | 10,786  | 492                   | 0.5                   |
| Rexel                                   | 30,598  | 384                   | 0.4                   |
| Sanofi-Aventis                          | 94,081  | 4,459                 | 4.8                   |
| SCOR                                    | 77,035  | 1,235                 | 1.3                   |
| Societe Generale                        | 26,543  | 455                   | 0.5                   |
| TOTAL S.A.                              | 105,288 | 3,560                 | 3.9                   |
| Vivendi                                 | 74,752  | 998                   | 1.1                   |
| Zodiac Aerospace                        | 13,777  | 783                   | 0.8                   |
| <b>Switzerland - 16.8% (11.5%)</b>      |         |                       |                       |
| Compagnie Financiere Richemont 'A'      | 35,079  | 1,267                 | 1.4                   |
| Credit Suisse                           | 38,850  | 647                   | 0.7                   |
| EFG International                       | 57,988  | 318                   | 0.3                   |
| Nestle                                  | 81,565  | 2,993                 | 3.2                   |
| Novartis                                | 25,810  | 895                   | 1.0                   |
| Roche (Genusscheine)                    | 28,778  | 3,101                 | 3.4                   |
| Swatch Group                            | 3,621   | 977                   | 1.1                   |
| Swiss Re                                | 29,876  | 1,034                 | 1.1                   |
| Syngenta                                | 6,816   | 1,321                 | 1.4                   |
| Tamedia                                 | 5,363   | 415                   | 0.4                   |
| Transocean                              | 16,146  | 485                   | 0.5                   |
| UBS                                     | 34,657  | 304                   | 0.3                   |
| Zurich Financial Services               | 11,692  | 1,814                 | 2.0                   |
| <b>Sweden - 7.5% (9.3%)</b>             |         |                       |                       |
| Africa Oil                              | 316,067 | 340                   | 0.4                   |
| Assa Abloy                              | 78,914  | 1,368                 | 1.5                   |
| Hexpol 'B'                              | 53,092  | 1,054                 | 1.1                   |
| NCC 'B'                                 | 51,274  | 680                   | 0.7                   |
| Svenska Cellulosa 'B'                   | 86,930  | 930                   | 1.0                   |
| Svenska Handelsbanken 'A'               | 97,843  | 1,864                 | 2.0                   |
| Swedbank 'A'                            | 33,930  | 312                   | 0.3                   |
| Tele2 'B'                               | 37,394  | 458                   | 0.5                   |
| <b>Spain - 4.5% (5.6%)</b>              |         |                       |                       |
| Banco Bilbao Vizcaya Argentaria         | 386,261 | 2,185                 | 2.4                   |
| Banco Santander                         | 295,819 | 1,489                 | 1.6                   |
| Telefonica                              | 40,006  | 444                   | 0.5                   |
| <b>Norway - 4.0% (5.6%)</b>             |         |                       |                       |
| Awilco LNG                              | 120,947 | 394                   | 0.4                   |
| Fred Olsen Energy                       | 26,782  | 644                   | 0.7                   |
| Golar LNG                               | 41,397  | 1,084                 | 1.2                   |
| Prosafte                                | 122,426 | 605                   | 0.7                   |
| Statoil                                 | 39,775  | 641                   | 0.7                   |
| TTS Group                               | 251,520 | 289                   | 0.3                   |

| Investment  | Holding | Market value<br>£'000 | Total net<br>assets % |
|---|---------|-----------------------|-----------------------|
| <b>Netherlands - 3.9% (2.7%)</b>                            |         |                       |                       |
| Aegon   | 414,519 | 1,299                 | 1.4                   |
| Ahold   | 47,227  | 398                   | 0.4                   |
| ArcelorMittal   | 15,739  | 208                   | 0.2                   |
| European Aeronautic Defence & Space                         | 32,058  | 683                   | 0.7                   |
| ING Bank  | 189,900 | 1,106                 | 1.2                   |
| <b>Denmark - 3.5% (3.7%)</b>                                |         |                       |                       |
| Novo-Nordisk 'B'  | 23,488  | 1,750                 | 1.9                   |
| Royal Unibrew   | 29,235  | 1,062                 | 1.1                   |
| Topdanmark  | 4,478   | 447                   | 0.5                   |
| <b>United Kingdom - 2.8% (0.0%)</b>                         |         |                       |                       |
| ARM Holdings  | 176,605 | 1,100                 | 1.2                   |
| BG Group  | 66,373  | 940                   | 1.0                   |
| British American Tobacco                                    | 17,345  | 512                   | 0.6                   |
| <b>Finland - 2.7% (5.0%)</b>                                |         |                       |                       |
| Cramo   | 50,631  | 453                   | 0.5                   |
| Kone 'B'  | 8,000   | 277                   | 0.3                   |
| Outotec   | 42,808  | 1,438                 | 1.6                   |
| Ramirent  | 42,740  | 282                   | 0.3                   |
| <b>Italy - 2.5% (4.8%)</b>                                  |         |                       |                       |
| De Longhi   | 40,298  | 254                   | 0.3                   |
| Pirelli   | 132,103 | 793                   | 0.9                   |
| Prysmian  | 52,170  | 500                   | 0.5                   |
| UniCredit   | 253,074 | 771                   | 0.8                   |
| <b>Belgium - 1.8% (4.8%)</b>                                |         |                       |                       |
| Anheuser-Busch InBev  | 43,694  | 1,689                 | 1.8                   |
| <b>Austria - 1.0% (2.5%)</b>                                |         |                       |                       |
| Kapsch TrafficCom   | 18,680  | 942                   | 1.0                   |
| <b>Forward currency contracts A-Class Accumulation</b>      |         |                       |                       |
| <b>GBP Hedged shares - (0.1%) ((0.1%))</b>                  |         |                       |                       |
| <b>Danish Krone</b>   |         |                       |                       |
| Buy DKK 442,239 sell £49,795 dated 23/02/12                 |         | -                     | -                     |
| Sell DKK 3,596,754 buy £483,694 dated 23/02/12              |         | -                     | -                     |
| <b>Euro</b>   |         |                       |                       |
| Buy €197,047 sell £163,263 dated 23/02/12                   |         | 2                     | -                     |
| Buy €151,131 sell £126,321 dated 23/02/12                   |         | -                     | -                     |
| Sell €526,565 buy £440,595 dated 23/02/12                   |         | 1                     | -                     |
| Sell €11,810,485 buy £9,799,608 dated 23/02/12              |         | (61)                  | (0.1)                 |
| <b>Norwegian Krone</b>                                      |         |                       |                       |
| Buy NOK 2,021,864 sell £219,507 dated 23/02/12              |         | 1                     | -                     |
| Sell NOK 5,572,937 buy £723,163 dated 23/02/12              |         | (4)                   | -                     |
| <b>Swedish Krona</b>  |         |                       |                       |
| Buy SEK 2,030,495 sell £191,848 dated 23/02/12              |         | (1)                   | -                     |
| Sell SEK 8,490,267 buy €952,204 dated 23/02/12              |         | (2)                   | -                     |
| Sell SEK 720,569 buy £67,760 dated 23/02/12                 |         | -                     | -                     |
| Sell SEK 911,094 buy £84,703 dated 23/02/12                 |         | (1)                   | -                     |
| <b>Swiss Franc</b>  |         |                       |                       |
| Buy CHF 346,269 sell £240,380 dated 23/02/12                |         | -                     | -                     |
| Sell CHF 2,427,595 buy £2,007,976 dated 23/02/12            |         | (7)                   | -                     |
| Sell CHF 404,155 buy £278,915 dated 23/02/12                |         | (1)                   | -                     |
| <b>Liquidity funds - 0.6% (0.0%)</b>                        |         |                       |                       |
| JPM Euro Liquidity 'X' (Income)^                            | 700,000 | 584                   | 0.6                   |
| <b>Investment assets (including investment liabilities)</b> |         | <b>93,503</b>         | <b>101.2</b>          |
| <b>Net other liabilities</b>                                |         | <b>(1,111)</b>        | <b>(1.2)</b>          |
| <b>Net assets</b>   |         | <b>92,392</b>         | <b>100.0</b>          |

Unless otherwise stated the above securities are admitted to official stock exchange listings or trade on a regulated market.

The comparative percentage figures in brackets are at 31 January 2011.

The forward exchange contracts are only entered into by the A-Class Accumulation GBP Hedged shares.

^ Deemed to be investment in related parties of the ACD

## Portfolio movements

For the year ending 31 January 2012

|  | £'000          |  | £'000           |
|--|----------------|--|-----------------|
| <b>Total of all purchases for the year (Note 10)</b> | <b>414,323</b> | <b>Total of all sales for the year (Note 10)</b> | <b>445,557</b>  |
| <b>Major purchases</b>                               | <b>Cost</b>    | <b>Major sales</b>                               | <b>Proceeds</b> |
| JPM Euro Liquidity 'X' (Income)^                     | 33,316         | JPM Euro Liquidity 'X' (Income)^                 | 32,424          |
| Nestle   | 11,908         | Nestle   | 8,653           |
| Alcatel Lucent 'A'                                   | 6,711          | BNP Paribas                                      | 7,363           |
| BNP Paribas  | 6,425          | Alcatel Lucent 'A'                               | 6,700           |
| Novartis   | 6,006          | BASF   | 6,553           |
| Societe Generale                                     | 6,006          | SAP  | 6,108           |
| SAP  | 5,836          | Societe Generale                                 | 5,508           |
| Sanofi-Aventis                                       | 5,594          | Siemens  | 5,128           |
| BMW  | 5,405          | Telefonica                                       | 5,127           |
| BASF   | 4,849          | Novartis   | 4,905           |
| TOTAL S.A.   | 4,751          | AXA  | 4,735           |
| E.ON   | 4,743          | BMW  | 4,681           |
| Volkswagen Non-Voting Preference                     | 4,551          | Allianz  | 4,483           |
| Deutsche Bank  | 4,433          | Deutsche Bank                                    | 4,453           |
| Michelin   | 4,265          | Repsol YPF                                       | 4,186           |
| Unicredito Italiano                                  | 4,231          | Unilever   | 4,062           |
| SKY Deutschland                                      | 4,201          | Umicore  | 3,877           |
| AXA  | 4,153          | ING Bank   | 3,827           |
| Unilever   | 4,017          | Unicredito Italiano                              | 3,740           |
| ING Bank   | 3,674          | Nordea Bank                                      | 3,621           |

^ Deemed to be investment in related parties of the ACD

# Financial statements

## Statement of total return

For the year ending 31 January

|   | 2012            | 2011          |
|---|-----------------|---------------|
| £'000   | £'000           | £'000         |
| <b>Income</b>   |                 |               |
| Net capital (losses)/gains (Note 1)   | (22,791)        | 26,078        |
| Revenue (Note 2)  | 4,166           | 3,565         |
| Expenses (Note 3)   | (1,937)         | (2,230)       |
| Net revenue before taxation   | 2,229           | 1,335         |
| Taxation (Note 4)   | (468)           | (423)         |
| Net revenue after taxation  | 1,761           | 912           |
| <b>Total return before distributions</b>  | <b>(21,030)</b> | <b>26,990</b> |
| Finance costs:  |                 |               |
| Distributions (Note 5)  | (1,758)         | (937)         |
| <b>Change in net assets attributable to shareholders from investment activities</b> | <b>(22,788)</b> | <b>26,053</b> |

## Statement of change in net assets attributable to shareholders

For the year ending 31 January

|  | 2012           | 2011           |
|--|----------------|----------------|
| £'000  | £'000          | £'000          |
| <b>Opening net assets attributable to shareholders</b>                                   | <b>145,895</b> | <b>131,410</b> |
| Amounts receivable on issue of shares  | 13,239         | 19,190         |
| Amounts payable on cancellation of shares  | (45,333)       | (31,560)       |
|  | (32,094)       | (12,370)       |
| Change in net assets attributable to shareholders from investment activities (see above) | (22,788)       | 26,053         |
| Retained distributions on accumulation shares  | 1,383          | 804            |
| Stamp duty reserve tax   | (4)            | (2)            |
| <b>Closing net assets attributable to shareholders</b>                                   | <b>92,392</b>  | <b>145,895</b> |

## Balance sheet

As at 31 January

|  | 2012           | 2011           |
|--|----------------|----------------|
| £'000  | £'000          | £'000          |
| <b>ASSETS</b>                                  |                |                |
| Investment assets                              | 93,580         | 145,508        |
| Debtors (Note 7)                               | 337            | 7,055          |
| Cash and Bank Balances (Note 8)                | 525            | 885            |
| <b>Total other assets</b>                      | <b>862</b>     | <b>7,940</b>   |
| <b>Total assets</b>                            | <b>94,442</b>  | <b>153,448</b> |
| <b>LIABILITIES</b>                             |                |                |
| Investment liabilities                         | (77)           | (164)          |
| Creditors (Note 9)                             | (1,924)        | (7,373)        |
| Distribution payable on income shares          | (49)           | (16)           |
| <b>Total other liabilities</b>                 | <b>(1,973)</b> | <b>(7,389)</b> |
| <b>Total liabilities</b>                       | <b>(2,050)</b> | <b>(7,553)</b> |
| <b>Net assets attributable to shareholders</b> | <b>92,392</b>  | <b>145,895</b> |

The notes to these financial statements are shown on pages 60 to 62.

# Notes to the financial statements for the year ending 31 January 2012

## 1. Net capital (losses)/gains

|                            | 2012            | 2011          |
|----------------------------|-----------------|---------------|
|                            | £'000           | £'000         |
| Currency gains/(losses)    | 238             | (501)         |
| Derivative contracts       | (2,697)         | 1,443         |
| Forward currency contracts | 342             | (341)         |
| Non-derivative securities  | (20,674)        | 25,477        |
| Net capital (losses)/gains | <u>(22,791)</u> | <u>26,078</u> |

The forward exchange contracts are only entered into by the A-Class Accumulation GBP Hedged shares.

## 2. Revenue

|   | 2012         | 2011         |
|---|--------------|--------------|
|   | £'000        | £'000        |
| Franked income from UK equity investments                         | 35           | 13           |
| Income from overseas equity investments                           | 3,432        | 3,386        |
| Interest on amounts held with futures clearing houses and brokers | 2            | -            |
| Interest on bank and term deposits                                | 11           | 14           |
| Interest on fixed-interest securities                             | 26           | -            |
| Stock dividends   | 492          | 42           |
| Stocklending income*  | 168          | 110          |
| Total revenue   | <u>4,166</u> | <u>3,565</u> |

\* Stocklending income is disclosed net of fees. See note 11.

## 3. Expenses

|   | 2012         | 2011         |
|---|--------------|--------------|
|   | £'000        | £'000        |
| Payable to the ACD or associate of the ACD: |              |              |
| ACD fee                                     | 1,729        | 1,990        |
| Fixed expenses                              | 208          | 240          |
| Total expenses                              | <u>1,937</u> | <u>2,230</u> |

## 4. Taxation

|  | 2012       | 2011       |
|--|------------|------------|
|  | £'000      | £'000      |
| <b>a) Analysis of charge in the year</b> |            |            |
| Overseas tax provision                   | 48         | (66)       |
| Overseas tax suffered                    | 420        | 489        |
| Current year tax charge (Note 4b)        | <u>468</u> | <u>423</u> |

### b) Factors affecting the tax charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK for an Open-Ended Investment Company (OEIC) (20%). The differences are explained below.

|                             |            |            |
|-----------------------------|------------|------------|
| Net revenue before taxation | 2,229      | 1,335      |
| Corporation tax at 20%      | <u>446</u> | <u>267</u> |

### Effects of:

|   |            |            |
|---|------------|------------|
| Dividends not subject to corporation tax  | (760)      | (522)      |
| Excess expenses for which no relief taken | 314        | 255        |
| Overseas tax provision                    | 48         | (66)       |
| Overseas tax suffered                     | 420        | 489        |
|   | <u>22</u>  | <u>156</u> |
| Current year tax charge (Note 4a)         | <u>468</u> | <u>423</u> |

No deferred tax asset has been recognised in the financial statements. At the year end date, the fund had a deferred tax asset of £568,539 (31.01.11: £254,099) in relation to £2,842,693 (31.01.11: £1,270,494) of excess management expenses which would only be utilised to reduce the tax charge if the fund had an excess of unfranked income over expenses in a future period. There is no excess of unfranked income expected in the future.

## 5. Finance costs

### Distributions

The distributions take account of amounts receivable on the issue of shares and amounts payable on the cancellation of shares and comprise:

|  | 2012         | 2011       |
|--|--------------|------------|
|  | £'000        | £'000      |
| Final dividend distribution                    | 1,432        | 820        |
| Add: Amounts payable on cancellation of shares | 457          | 205        |
| Deduct: Amounts receivable on issue of shares  | (131)        | (88)       |
| Total finance costs                            | <u>1,758</u> | <u>937</u> |

Details of the distribution per share are set out on page 63.

## 6. Movement between net revenue after taxation and distributions

|   | 2012         | 2011       |
|---|--------------|------------|
|   | £'000        | £'000      |
| Net revenue after taxation                    | 1,761        | 912        |
| Add: Net expense payable from capital         | -            | 24         |
| Add: Undistributed revenue brought forward    | 3            | 4          |
| Deduct: Undistributed revenue carried forward | (6)          | (3)        |
|   | <u>1,758</u> | <u>937</u> |

## Notes to the financial statements – continued

### 7. Debtors

|                                     | 2012  | 2011  |
|-------------------------------------|-------|-------|
|                                     | £'000 | £'000 |
| Due from the ACD for shares created | 10    | 1,591 |
| Overseas tax recoverable            | 158   | 184   |
| Sales awaiting settlement           | 169   | 5,280 |
| Total debtors                       | 337   | 7,055 |

### 8. Cash and bank balances

|   | 2012  | 2011  |
|---|-------|-------|
|   | £'000 | £'000 |
| Amounts held at futures clearing houses and brokers | 2     | -     |
| Cash and bank balances                              | 523   | 885   |
| Total cash and bank balances                        | 525   | 885   |

### 9. Creditors

|                                     | 2012  | 2011  |
|-------------------------------------|-------|-------|
|                                     | £'000 | £'000 |
| Accrued expenses                    | 131   | 204   |
| Due to the ACD for shares cancelled | 176   | 3     |
| Purchases awaiting settlement       | 1,617 | 7,166 |
| Total creditors                     | 1,924 | 7,373 |

### 10. Portfolio transaction costs

|  | 2012    | 2011    |
|--|---------|---------|
|  | £'000   | £'000   |
| Analysis of total purchase costs           |         |         |
| Purchases in year before transaction costs | 413,947 | 590,544 |
| Commissions                                | 332     | 647     |
| Taxes                                      | 44      | 46      |
| Total purchase costs                       | 376     | 693     |
| Gross purchases total                      | 414,323 | 591,237 |
| Analysis of total sale costs               |         |         |
| Gross sales before transaction costs       | 445,938 | 599,640 |
| Commissions                                | (381)   | (643)   |
| Taxes                                      | -       | (3)     |
| Total sale costs                           | (381)   | (646)   |
| Total sales net of transaction costs       | 445,557 | 598,994 |

### 11. Related party transactions

JPMorgan Funds Limited, as Authorised Corporate Director ("ACD"), is a related party, and acts as principal in respect of all transactions of shares in the Company. The aggregate monies received through issue, and paid on cancellation, are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

The balance due to the ACD and their associates at the year end date in respect of related party transactions was £296,339 (31.01.11: £1,384,263 balance due from the ACD). Details of related party transactions are given under note 13 on page 389.

Investments considered to be related parties have been identified in the portfolio statement on page 57 and the revenue from these investments was £25,765 (31.01.11: £nil).

Some of the dealing transactions for the fund are carried out through associates of the ACD. Such transactions are carried out on an arm's length basis. The commissions paid to these companies over the year were £19,694 (31.01.11: £37,810). Commission was paid to the associated company JPMorgan Securities Ltd.

The gross stocklending income received was £203,318 (31.01.11: £133,370), with fees deducted of £35,581 (31.01.11: £23,340).

The following parties held a material interest in the fund at the year end date:

- Scottish Equitable 15.61% (31.01.11: 12.52%)
- BNY AIS Nominees Limited 13.89% (31.01.11: 34.41%)
- Scottish Widows Unit Funds Limited 12.12% (31.01.11: nil)

### 12. Financial instruments

#### Currency exposures

A substantial proportion of the net assets of the fund are denominated in currencies other than sterling, with the effect that the Balance sheet and total return can be significantly affected by currency movements.

| Currency        | Net foreign currency assets |                            |                    |                        |
|-----------------|-----------------------------|----------------------------|--------------------|------------------------|
|                 | Total                       | Forward exchange contracts | Monetary exposures | Non-monetary exposures |
|                 | £'000                       | £'000                      | £'000              | £'000                  |
| <b>31.01.12</b> |                             |                            |                    |                        |
| Euro            | 53,180                      | (6,531)                    | (1,002)            | 60,713                 |
| Swiss Franc     | 14,721                      | (1,723)                    | 54                 | 16,390                 |
| Swedish Krona   | 6,246                       | (759)                      | (1)                | 7,006                  |
| Norwegian Krone | 3,310                       | (387)                      | 40                 | 3,657                  |
| Danish Krone    | 2,905                       | (354)                      | -                  | 3,259                  |
| <b>31.01.11</b> |                             |                            |                    |                        |
| Euro            | 95,168                      | (6,018)                    | (370)              | 101,556                |
| Swiss Franc     | 16,370                      | (1,046)                    | 576                | 16,840                 |
| Swedish Krona   | 12,751                      | (794)                      | -                  | 13,545                 |
| Norwegian Krone | 8,188                       | (533)                      | 324                | 8,397                  |
| Danish Krone    | 4,809                       | (311)                      | (35)               | 5,155                  |
| Canadian Dollar | (21)                        | (21)                       | -                  | -                      |

The forward exchange contracts are only entered into by the A-Class Accumulation GBP Hedged shares.

## Notes to the financial statements – continued

### Interest rate risk

The tables below detail the interest rate profile of the fund's assets and liabilities as at the year end.

| Currency        | Total assets<br>£'000 | Forward exchange contracts<br>£'000 | Floating rate financial assets<br>£'000 | Financial assets not carrying any interest<br>£'000 |
|-----------------|-----------------------|-------------------------------------|---|---|
| <b>31.01.12</b> |                       |                                     |   |   |
| Euro            | 54,796                | (6,531)                             | 1,134                                   | 60,193  |
| Swiss Franc     | 14,721                | (1,723)                             | (169)                                   | 16,613  |
| UK Sterling     | 12,387                | 9,680                               | 144                                     | 2,563   |
| Swedish Krona   | 6,246                 | (759)                               | -                                       | 7,005   |
| Norwegian Krone | 3,310                 | (387)                               | -                                       | 3,697   |
| Danish Krone    | 2,905                 | (354)                               | -                                       | 3,259   |
| <b>31.01.11</b> |                       |                                     |   |   |
| Euro            | 102,174               | (6,018)                             | 4,855                                   | 103,337   |
| Swiss Franc     | 16,370                | (1,046)                             | (607)                                   | 18,023  |
| Swedish Krona   | 12,751                | (794)                               | -                                       | 13,545  |
| UK Sterling     | 8,853                 | 8,574                               | (1,312)                                 | 1,591   |
| Norwegian Krone | 8,293                 | (533)                               | (2,018)                                 | 10,844  |
| Danish Krone    | 4,864                 | (311)                               | (33)                                    | 5,208   |
| Canadian Dollar | (21)                  | (21)                                | -                                       | -   |

The forward exchange contracts are only entered into by the A-Class Accumulation GBP Hedged shares.

The floating rate financial assets are bank balances that bear interest at rates based on LIBOR or its overseas equivalent.

| Currency        | Total liabilities<br>£'000 | Floating rate financial liabilities<br>£'000 | Financial liabilities not carrying any interest<br>£'000 |
|-----------------|----------------------------|--|--|
| <b>31.01.12</b> |                            |  |  |
| Euro            | 1,616                      | -  | 1,616  |
| UK Sterling     | 357                        | -  | 357  |
| <b>31.01.11</b> |                            |  |  |
| Euro            | 7,006                      | -  | 7,006  |
| UK Sterling     | 223                        | -  | 223  |
| Norwegian Krone | 105                        | -  | 105  |
| Danish Krone    | 55                         | -  | 55   |

For consideration of other risks including liquidity, pricing and credit risk, please refer to the notes to the aggregated financial statements, pages 389 to 390.

### 13. Share classes

The fund currently has two share classes; Class A shares and Class B shares. The Authorised Corporate Director's (ACD) fee and fixed expenses charge are shown below.

|                 | ACD fee | Fixed expenses |
|-----------------|---------|----------------|
| Class A shares: | 1.50%   | 0.18%          |
| Class B shares: | 1.00%   | 0.15%          |

The net asset value of each share class, the net asset value per share and the number of shares in each class are shown on page 56. All classes have the same rights on winding up except for any foreign currency contracts, which would close on the wind-up date and any realised gains or losses would remain in the A-Class Accumulation GBP Hedge share class.

### 14. Derivatives

The A-Class Accumulation GBP Hedge share class enters into derivative transactions in the form of forward currency contracts. The share class may use derivatives for investment purposes or efficient portfolio management including hedging, where appropriate. The commitment approach has been used to calculate the global exposure.

Further information on the derivative risks can be found in the notes to the aggregated financial statements on page 390.



# Distribution table

## Final distribution in pence per share

Group 1 – Shares purchased prior to 1 February 2011

Group 2 – Shares purchased 1 February 2011 to 31 January 2012

|   | Gross revenue | Tax at 10% | Net revenue | Equalisation | Distribution payable 30.04.12 | Distribution paid 30.04.11 |
|---|---------------|------------|-------------|--------------|-------------------------------|----------------------------|
| <b>A-Class Accumulation Shares</b>            |               |            |             |              |                               |                            |
| Group 1                                       | 1.655556      | 0.165556   | 1.490000    | -            | 1.490000                      | 0.670000                   |
| Group 2                                       | 0.462540      | 0.046254   | 0.416286    | 1.073714     | 1.490000                      | 0.670000                   |
| <b>A-Class Accumulation GBP Hedged Shares</b> |               |            |             |              |                               |                            |
| Group 1                                       | 1.555556      | 0.155556   | 1.400000    | -            | 1.400000                      | 0.000000                   |
| Group 2                                       | 0.293482      | 0.029348   | 0.264134    | 1.135866     | 1.400000                      | 0.000000                   |
| <b>A-Class Income Shares</b>                  |               |            |             |              |                               |                            |
| Group 1                                       | 0.811111      | 0.081111   | 0.730000    | -            | 0.730000                      | 0.320000                   |
| Group 2                                       | 0.183580      | 0.018358   | 0.165222    | 0.564778     | 0.730000                      | 0.320000                   |
| <b>B-Class Accumulation Shares</b>            |               |            |             |              |                               |                            |
| Group 1                                       | 1.977778      | 0.197778   | 1.780000    | -            | 1.780000                      | 1.040000                   |
| Group 2                                       | 1.977778      | 0.197778   | 1.780000    | 0.000000     | 1.780000                      | 1.040000                   |
| <b>B-Class Income Shares</b>                  |               |            |             |              |                               |                            |
| Group 1                                       | 2.055556      | 0.205556   | 1.850000    | -            | 1.850000                      | 1.090000                   |
| Group 2                                       | 2.055556      | 0.205556   | 1.850000    | 0.000000     | 1.850000                      | 1.090000                   |

Equalisation applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of revenue included in the purchase price of all group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

# JPM Europe Fund

## Important information

### Change of Depositary

As part of an internal re-structuring, The Royal Bank of Scotland plc has transferred its Trustee and Depositary Services business from The Royal Bank of Scotland plc to National Westminster Bank plc and consequently National Westminster Bank plc has been appointed as Depositary of the Fund with effect from 15 October 2011.

As Depositary, National Westminster Bank plc will have the same duties and responsibilities as The Royal Bank of Scotland plc and this change will have no impact on the way the Fund operates.

### Investment objective and policy

To provide a portfolio primarily invested in the shares of European companies in any economic sector. The Fund aims to provide capital growth over the long term.

### Risk profile

This equity based Fund is designed to give broad market exposure primarily to European stock markets (which may include investments in emerging European markets and smaller companies).

Equity investment is subject to specific risks relating to the performance of the individual companies held and the market's perception of their performance. Equities are also subject to systematic risks such as general economic conditions, inflation, interest rates, foreign exchange rates and industry sector risks. In general terms, equities tend to be more volatile than bonds.

The underlying assets of the Fund are denominated in currencies other than Sterling and are not hedged back to Sterling. Investors will therefore be exposed to the currency risk of fluctuations between Sterling and the currency denomination of the underlying assets.

### Fund review

Persistent sovereign debt concerns and a weak global economic backdrop weighed on European equity markets over the 12 months under review.

The Fund, which invests in stocks with strong value and/or growth characteristics, delivered a negative return but outperformed its benchmark. Positive contributions to relative returns included an overweight position in the automobiles & parts sector and stock selection and an underweight in banks. Stock selection and underweight positions in the personal goods and general retailers sectors detracted from relative performance.

At the stock level, the Fund benefited in relative terms from an underweight position in Italian bank UniCredit, which suffered on concerns over Italy's sovereign debt and fell after announcing its intention to raise EUR 7.5 billion in a rights issue. An overweight position in Tognum was also positive after the German auto engine manufacturer was acquired by Rolls-Royce and Daimler for EUR 3.4 billion. Stock-level detractors from relative returns included an underweight position in luxury goods manufacturer Hermes International, which delivered strong earnings growth on rising demand from the US and Asia. An underweight position in Inditex was also detrimental as the owner of the Zara clothing retail chain saw strong sales growth despite the weak economic backdrop in its home market of Spain. However, the Fund was boosted by its overweight position in drugmaker Sanofi-Aventis, which benefited from encouraging trial results for its Lyxumia diabetes drug and a new formulation of its Lantus insulin analogue.

You should remember that past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. For specific risks, please read the Simplified Prospectus.

All performance returns are calculated using the quoted price of the accumulation or income shares. Performance returns are in Sterling.

Source: J.P. Morgan.

<sup>a</sup> On 01/10/09 the name of the benchmark changed from the FTSE World Europe ex UK (Total Return Net) to the FTSE All World Developed Europe ex UK (Total Return Net).

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## Fund outlook

Sovereign debt problems remain a source of uncertainty despite recent progress towards a resolution. However, the European Central Bank's liquidity boost for the region's banks provides support, while valuations are attractive and corporate earnings are benefiting from improving global economic momentum.

## 12 month performance as at 31 January

|                               | 2012          | 2011         | 2010         | 2009          | 2008        |
|-------------------------------|---------------|--------------|--------------|---------------|-------------|
| <b>JPM Europe A-Class Acc</b> | <b>-13.8%</b> | <b>16.1%</b> | <b>20.4%</b> | <b>-23.3%</b> | <b>1.7%</b> |
| <b>JPM Europe B-Class Acc</b> | <b>-13.4%</b> | <b>16.7%</b> | <b>21.1%</b> | <b>-</b>      | <b>-</b>    |
| <b>JPM Europe C-Class Inc</b> | <b>-13.2%</b> | <b>17.0%</b> | <b>24.9%</b> | <b>-</b>      | <b>-</b>    |
| Benchmark Index <sup>a</sup>  | -14.2%        | 14.7%        | 30.2%        | -26.5%        | 1.6%        |

## Fund statistics

|                              |  |
|------------------------------|--|
| Fund size                    | £162.5m  |
| Benchmark Index <sup>a</sup> | FTSE All World Developed Europe ex UK Index (Total Return Net) |
| Fund charges                 |  |
| A-Class                      | Initial 4.25%, Annual 1.50%                                    |
| B-Class                      | Initial Nil, Annual 1.00%                                      |
| C-Class                      | Initial Nil, Annual 0.75%                                      |

## Top ten holdings (excluding Liquidity funds)

|                      | %   |
|----------------------|-----|
| Novartis             | 3.8 |
| Sanofi-Aventis       | 3.2 |
| Nestle               | 3.2 |
| Roche (Genusscheine) | 3.1 |
| TOTAL S.A.           | 3.1 |
| BASF                 | 2.6 |
| SAP                  | 2.2 |
| ENI                  | 2.1 |
| Statoil              | 1.8 |
| Daimler              | 1.8 |

## Geographical breakdown

|                       | %     |
|-----------------------|-------|
| France                | 19.3  |
| Germany               | 18.7  |
| Switzerland           | 16.8  |
| Sweden                | 9.9   |
| Spain                 | 6.5   |
| Netherlands           | 6.2   |
| Italy                 | 5.8   |
| Finland               | 4.4   |
| Norway                | 3.3   |
| Denmark               | 2.9   |
| Belgium               | 2.8   |
| Liquidity funds       | 2.3   |
| Portugal              | 0.6   |
| Austria               | 0.6   |
| Net other liabilities | (0.1) |

## Highest/lowest share price and distribution record

| Calendar year                                  | Highest share price | Lowest share price | Distribution per share (net) |
|--|---------------------|--------------------|------------------------------|
| <b>A-Class Accumulation Shares</b>             |                     |                    |                              |
| 2007   | 839.7p              | 698.8p             | 3.31p                        |
| 2008   | 844.8p              | 510.1p             | 7.29p                        |
| 2009   | 770.6p              | 473.4p             | 15.72p                       |
| 2010   | 793.6p              | 624.6p             | 9.93p                        |
| 2011   | 837.1p              | 589.1p             | 7.26p                        |
| 2012 <sup>b</sup>                              | 686.2p              | 648.4p             | 9.52p                        |
| <b>A-Class Income Shares<sup>c</sup></b>       |                     |                    |                              |
| 2007   | 53.92p              | 48.55p             | -                            |
| 2008   | 54.25p              | 32.74p             | 0.00p                        |
| 2009   | 48.17p              | 29.60p             | 0.98p                        |
| 2010   | 48.91p              | 38.49p             | 0.61p                        |
| 2011   | 51.12p              | 35.97p             | 0.44p                        |
| 2012 <sup>b</sup>                              | 41.90p              | 39.59p             | 0.57p                        |
| <b>B-Class Accumulation Shares<sup>d</sup></b> |                     |                    |                              |
| 2008   | 107.4p              | 65.54p             | -                            |
| 2009   | 99.42p              | 60.90p             | 2.07p                        |
| 2010   | 103.0p              | 80.89p             | 1.70p                        |
| 2011   | 108.9p              | 76.80p             | 1.43p                        |
| 2012 <sup>b</sup>                              | 89.62p              | 84.65p             | 1.73p                        |
| <b>C-Class Accumulation Shares<sup>e</sup></b> |                     |                    |                              |
| 2011   | 105.9p              | 75.34p             | -                            |
| 2012 <sup>b</sup>                              | 88.00p              | 83.11p             | 0.30p                        |
| <b>C-Class Income Shares<sup>e</sup></b>       |                     |                    |                              |
| 2008   | 113.8p              | 69.54p             | -                            |
| 2009   | 108.8p              | 65.39p             | 0.00p                        |
| 2010   | 110.6p              | 86.72p             | 2.19p                        |
| 2011   | 115.0p              | 81.18p             | 1.93p                        |
| 2012 <sup>b</sup>                              | 94.83p              | 89.56p             | 2.09p                        |

<sup>a</sup> To 31 January 2012.

<sup>c</sup> A-Class Income Shares were launched on 1 September 2007.

<sup>d</sup> B-Class Accumulation and C-Class Income Shares were launched on 14 April 2008.

<sup>e</sup> C-Class Accumulation Shares were launched on 27 June 2011.

## Portfolio turnover rate

|          |        |
|----------|--------|
| 31.01.11 | 725.4% |
| 31.01.12 | 484.1% |

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the period.

## Net asset values and Total expense ratios

| Date                               | Net asset value per share class<br>£'000 | Number of shares | Net asset value per share | Total expense ratio |
|------------------------------------|--|------------------|---------------------------|---------------------|
| <b>A-Class Accumulation Shares</b> |  |                  |                           |                     |
| 31.01.10                           | 286,965                                  | 42,326,548       | 678.0p                    | 1.67%               |
| 31.01.11                           | 232,652                                  | 29,565,686       | 786.9p                    | 1.68%               |
| 31.01.12                           | 158,609                                  | 23,386,955       | 678.2p                    | 1.66%               |
| <b>A-Class Income Shares</b>       |  |                  |                           |                     |
| 31.01.10                           | 1,680                                    | 4,021,780        | 41.78p                    | 1.68%               |
| 31.01.11                           | 1,629                                    | 3,390,254        | 48.05p                    | 1.68%               |
| 31.01.12                           | 1,386                                    | 3,394,415        | 40.84p                    | 1.68%               |
| <b>B-Class Accumulation Shares</b> |  |                  |                           |                     |
| 31.01.10                           | 2,858                                    | 3,262,022        | 87.60p                    | 1.15%               |
| 31.01.11                           | 2,666                                    | 2,608,523        | 102.2p                    | 1.15%               |
| 31.01.12                           | 1,973                                    | 2,226,974        | 88.57p                    | 1.13%               |
| <b>C-Class Accumulation Shares</b> |  |                  |                           |                     |
| 31.01.12                           | 501                                      | 575,742          | 86.98p                    | 0.87%               |
| <b>C-Class Income Shares</b>       |  |                  |                           |                     |
| 31.01.10                           | 313                                      | 333,963          | 93.81p                    | 0.87%               |
| 31.01.11                           | 91                                       | 83,863           | 107.9p                    | 0.87%               |
| 31.01.12                           | 75                                       | 81,711           | 91.64p                    | 0.87%               |

The net asset value and the net asset value per income share are shown ex-dividend.

The total expense ratio (TER) takes into account the ACD fee and any fixed expenses charged to revenue expressed as a percentage of the average daily net asset values over the period.

# Portfolio statement

As at 31 January 2012

| Investment                         | Holding | Market value<br>€'000 | Total net<br>assets % | Investment                                  | Holding | Market value<br>€'000 | Total net<br>assets % |
|------------------------------------|---------|-----------------------|-----------------------|---|---------|-----------------------|-----------------------|
| <b>France - 19.3% (20.3%)</b>      |         |                       |                       | <b>Switzerland - 16.8% (12.2%)</b>          |         |                       |                       |
| Alstom                             | 21,479  | 523                   | 0.3                   | Compagnie Financiere Richemont 'A'          | 42,628  | 1,539                 | 0.9                   |
| Arkema                             | 22,099  | 1,151                 | 0.7                   | Credit Suisse                               | 84,509  | 1,407                 | 0.9                   |
| Atos Origin                        | 26,323  | 846                   | 0.5                   | Fischer (George)                            | 1,884   | 497                   | 0.3                   |
| AXA                                | 117,485 | 1,140                 | 0.7                   | Forbo                                       | 253     | 97                    | 0.1                   |
| BNP Paribas                        | 74,464  | 2,058                 | 1.3                   | Helvetia                                    | 1,815   | 387                   | 0.2                   |
| Bouygues                           | 39,570  | 782                   | 0.5                   | Lindt & Spruengli                           | 9       | 196                   | 0.1                   |
| Christian Dior                     | 16,336  | 1,474                 | 0.9                   | Nestle                                      | 140,967 | 5,173                 | 3.2                   |
| Compagnie de Saint-Gobain          | 14,853  | 423                   | 0.3                   | Novartis                                    | 176,888 | 6,136                 | 3.8                   |
| Danone                             | 1,168   | 46                    | -                     | Roche (Genusscheine)                        | 47,800  | 5,151                 | 3.1                   |
| Eurofins Scientific                | 1,385   | 72                    | -                     | Schmolz + Bickenbach                        | 81,195  | 365                   | 0.2                   |
| Faurecia                           | 20,374  | 322                   | 0.2                   | Swatch Group                                | 3,437   | 928                   | 0.6                   |
| France Telecom                     | 115,963 | 1,103                 | 0.7                   | Swiss Reinsurance                           | 43,242  | 1,496                 | 0.9                   |
| Gecina                             | 15,393  | 945                   | 0.6                   | Syngenta                                    | 5,811   | 1,126                 | 0.7                   |
| Hermes International               | 5,717   | 1,262                 | 0.8                   | Tecan Group                                 | 2,390   | 111                   | 0.1                   |
| LVMH                               | 15,523  | 1,602                 | 1.0                   | Valora Holding                              | 903     | 132                   | 0.1                   |
| Mersen                             | 3,834   | 83                    | 0.1                   | Zehnder Group                               | 2,283   | 92                    | 0.1                   |
| Pernod-Ricard                      | 3,610   | 220                   | 0.1                   | Zurich Financial Services                   | 16,055  | 2,491                 | 1.5                   |
| Plastic-Omnium                     | 16,580  | 279                   | 0.2                   |   |         |                       |                       |
| PPR                                | 6,275   | 624                   | 0.4                   | <b>Sweden - 9.9% (9.7%)</b>                 |         |                       |                       |
| Rallye                             | 9,991   | 204                   | 0.1                   | Axfood                                      | 8,662   | 201                   | 0.1                   |
| Safran                             | 43,783  | 848                   | 0.5                   | Axis  | 18,048  | 272                   | 0.2                   |
| Sanofi-Aventis                     | 109,174 | 5,175                 | 3.2                   | Betsson 'B'                                 | 18,526  | 304                   | 0.2                   |
| SCOR                               | 77,190  | 1,237                 | 0.8                   | Billia                                      | 9,842   | 113                   | 0.1                   |
| SES FDR 'A'                        | 40,358  | 595                   | 0.4                   | Boliden                                     | 147,115 | 1,623                 | 1.0                   |
| Societe Generale                   | 13,820  | 237                   | 0.1                   | Eniro                                       | 74,319  | 103                   | 0.1                   |
| Sodexo                             | 6,909   | 325                   | 0.2                   | Ericsson 'B'                                | 76,146  | 444                   | 0.3                   |
| TOTAL S.A.                         | 150,585 | 5,091                 | 3.1                   | Getinge 'B'                                 | 14,133  | 245                   | 0.1                   |
| Valeo                              | 22,912  | 680                   | 0.4                   | Hexpol Class 'B'                            | 11,065  | 220                   | 0.1                   |
| Vivendi                            | 132,505 | 1,769                 | 1.1                   | Hoganas 'B'                                 | 3,440   | 78                    | -                     |
| Zodiac Aerospace                   | 4,202   | 239                   | 0.1                   | Industrivarden 'A'                          | 22,120  | 211                   | 0.1                   |
|                                    |         |                       |                       | Investor 'B'                                | 123,191 | 1,603                 | 1.0                   |
| <b>Germany - 18.7% (23.0%)</b>     |         |                       |                       | JM  | 35,791  | 424                   | 0.3                   |
| Adidas                             | 2,218   | 103                   | 0.1                   | Loomis 'B'                                  | 12,832  | 120                   | 0.1                   |
| Allianz                            | 11,080  | 785                   | 0.5                   | Lundin Petroleum                            | 5,781   | 83                    | -                     |
| Aurubis                            | 14,128  | 509                   | 0.3                   | Meda 'A'                                    | 26,129  | 175                   | 0.1                   |
| BASF                               | 83,259  | 4,181                 | 2.6                   | Mekonomen                                   | 2,259   | 51                    | -                     |
| Bechtle                            | 6,489   | 145                   | 0.1                   | NCC 'B'                                     | 72,537  | 962                   | 0.6                   |
| Bertrandt                          | 4,585   | 221                   | 0.1                   | New Wave Group                              | 36,768  | 101                   | 0.1                   |
| Bilfinger Berger                   | 3,949   | 233                   | 0.1                   | Nordea Bank                                 | 119,045 | 640                   | 0.4                   |
| BMW                                | 21,481  | 1,180                 | 0.7                   | Saab 'B'                                    | 21,101  | 287                   | 0.2                   |
| Continental                        | 4,664   | 239                   | 0.1                   | Securitas 'B'                               | 44,764  | 267                   | 0.2                   |
| Daimler                            | 81,149  | 2,901                 | 1.8                   | SKF 'B'                                     | 44,060  | 671                   | 0.4                   |
| Delticom                           | 2,772   | 179                   | 0.1                   | Svenska Handelsbanken 'A'                   | 67,990  | 1,295                 | 0.8                   |
| Deutsche Bank                      | 23,880  | 650                   | 0.4                   | Swedbank 'A'                                | 184,067 | 1,690                 | 1.0                   |
| Deutsche Post                      | 68,134  | 721                   | 0.4                   | Swedish Match                               | 35,323  | 782                   | 0.5                   |
| Deutsche Telekom                   | 134,581 | 973                   | 0.6                   | Tele2 'B'                                   | 188,164 | 2,304                 | 1.4                   |
| Drillisch                          | 49,524  | 307                   | 0.2                   | Trelleborg 'B'                              | 101,530 | 612                   | 0.4                   |
| Duerr                              | 10,677  | 344                   | 0.2                   | Unibet Group                                | 11,751  | 181                   | 0.1                   |
| E.ON                               | 82,878  | 1,132                 | 0.7                   |   |         |                       |                       |
| Freenet                            | 143,807 | 1,245                 | 0.8                   | <b>Spain - 6.5% (6.0%)</b>                  |         |                       |                       |
| Fresenius                          | 16,990  | 1,099                 | 0.7                   | Acciona                                     | 1,432   | 73                    | -                     |
| Fresenius Medical Care             | 14,307  | 648                   | 0.4                   | Banco Bilbao Vizcaya Argentaria             | 166,573 | 942                   | 0.6                   |
| GEA Group                          | 2,945   | 61                    | -                     | Banco Santander                             | 203,605 | 1,025                 | 0.6                   |
| GSW Immobilien                     | 8,360   | 163                   | 0.1                   | Construcciones y Auxiliar de Ferrocarriles  | 2,542   | 845                   | 0.5                   |
| Hannover Rueckversicherungs        | 39,980  | 1,359                 | 0.8                   | Corporación Financiera Alba                 | 6,853   | 178                   | 0.1                   |
| Hugo Boss Preference               | 14,764  | 848                   | 0.5                   | Distribuidora Internacional de Alimentación | 216,735 | 639                   | 0.4                   |
| Jungheinrich Non-Voting Preference | 10,023  | 195                   | 0.1                   | Duro Felguera                               | 11,836  | 51                    | -                     |
| Leoni                              | 20,624  | 592                   | 0.4                   | Endesa                                      | 23,954  | 300                   | 0.2                   |
| MunichRe                           | 795     | 67                    | -                     | Ferrovial                                   | 40,793  | 307                   | 0.2                   |
| Rheinmetall                        | 12,233  | 419                   | 0.3                   | Gas Natural                                 | 75,090  | 789                   | 0.5                   |
| RWE 'A'                            | 83,668  | 2,057                 | 1.3                   | Industria de Diseno Textil                  | 20,005  | 1,112                 | 0.7                   |
| SAP                                | 91,174  | 3,506                 | 2.2                   | Pescanova                                   | 4,445   | 98                    | 0.1                   |
| Siemens                            | 19,869  | 1,208                 | 0.7                   | Red Electrica Corporacion                   | 7,811   | 229                   | 0.2                   |
| Volkswagen Non-Voting Preference   | 17,940  | 2,058                 | 1.3                   | Repsol YPF                                  | 159,607 | 2,825                 | 1.7                   |
| Xing                               | 3,869   | 146                   | 0.1                   | Telefonica                                  | 98,668  | 1,094                 | 0.7                   |
|                                    |         |                       |                       | <b>Netherlands - 6.2% (3.0%)</b>            |         |                       |                       |
|                                    |         |                       |                       | AMG   | 19,376  | 146                   | 0.1                   |
|                                    |         |                       |                       | ArcelorMittal                               | 4,163   | 55                    | -                     |
|                                    |         |                       |                       | Delta Lloyd                                 | 5,942   | 70                    | -                     |
|                                    |         |                       |                       | European Aeronautic Defence and Space       | 95,103  | 2,028                 | 1.2                   |
|                                    |         |                       |                       | Gemalto                                     | 9,486   | 321                   | 0.2                   |
|                                    |         |                       |                       | Imtech                                      | 22,194  | 439                   | 0.3                   |
|                                    |         |                       |                       | ING Bank                                    | 484,516 | 2,822                 | 1.7                   |
|                                    |         |                       |                       | KPN   | 36,830  | 255                   | 0.2                   |
|                                    |         |                       |                       | Mediq                                       | 10,462  | 106                   | 0.1                   |
|                                    |         |                       |                       | Philips Electronics                         | 3,867   | 49                    | -                     |
|                                    |         |                       |                       | Royal Boskalis Westminster Groep            | 34,127  | 844                   | 0.5                   |
|                                    |         |                       |                       | Royal Dutch Shell 'A'                       | 6,871   | 155                   | 0.1                   |
|                                    |         |                       |                       | Unilever                                    | 133,687 | 2,838                 | 1.8                   |

## Portfolio statement – continued

As at 31 January 2012

| Investment                    | Holding | Market value<br>£'000 | Total net<br>assets % |
|-------------------------------|---------|-----------------------|-----------------------|
| <b>Italy – 5.8% (6.6%)</b>    |         |                       |                       |
| Acea                          | 17,025  | 68                    | -                     |
| Astaldi                       | 55,326  | 236                   | 0.1                   |
| Autostrada Torino-Milano      | 14,945  | 89                    | 0.1                   |
| Beni Stabili                  | 370,777 | 114                   | 0.1                   |
| CIR-Compagnie Industriali     | 138,979 | 143                   | 0.1                   |
| Davide de Campari             | 322,834 | 1,377                 | 0.8                   |
| Enel                          | 755,908 | 1,979                 | 1.2                   |
| ENI                           | 235,066 | 3,344                 | 2.1                   |
| Intesa Sanpaolo               | 112,331 | 137                   | 0.1                   |
| Pirelli                       | 130,271 | 782                   | 0.5                   |
| Recordati                     | 48,282  | 240                   | 0.1                   |
| Sogefi                        | 55,975  | 99                    | 0.1                   |
| Sorin                         | 89,346  | 102                   | 0.1                   |
| Telecom Italia                | 994,030 | 653                   | 0.4                   |
| <b>Finland – 4.4% (5.8%)</b>  |         |                       |                       |
| Amer Sports 'A'               | 35,775  | 289                   | 0.2                   |
| Fortum                        | 52,099  | 738                   | 0.5                   |
| Huhtamaki 'I'                 | 24,422  | 191                   | 0.1                   |
| Kone 'B'                      | 47,484  | 1,643                 | 1.0                   |
| Metso                         | 6,829   | 189                   | 0.1                   |
| Nokia                         | 196,278 | 628                   | 0.4                   |
| Nokian Renkaa                 | 4,490   | 103                   | 0.1                   |
| Orion 'B'                     | 43,360  | 532                   | 0.3                   |
| Pohjola Bank 'A'              | 83,398  | 568                   | 0.3                   |
| Sampo 'A'                     | 106,262 | 1,771                 | 1.1                   |
| Stora Enso 'R'                | 36,419  | 165                   | 0.1                   |
| Tieto                         | 30,174  | 289                   | 0.2                   |
| <b>Norway – 3.3% (3.1%)</b>   |         |                       |                       |
| Cermaq                        | 19,496  | 169                   | 0.1                   |
| DNB                           | 38,768  | 259                   | 0.2                   |
| Golden Ocean                  | 284,644 | 149                   | 0.1                   |
| Norske Skogsindustrier        | 99,515  | 76                    | -                     |
| Statoil                       | 183,400 | 2,957                 | 1.8                   |
| Statoil Fuel and Retail       | 19,737  | 92                    | 0.1                   |
| Telenor                       | 79,106  | 827                   | 0.5                   |
| Yara International            | 32,048  | 827                   | 0.5                   |
| <b>Denmark – 2.9% (3.5%)</b>  |         |                       |                       |
| Coloplast 'B'                 | 10,976  | 1,029                 | 0.6                   |
| D/S Norden                    | 10,809  | 172                   | 0.1                   |
| FLSmidth & Co                 | 12,136  | 576                   | 0.4                   |
| H. Lundbeck                   | 30,643  | 381                   | 0.2                   |
| Novo-Nordisk 'B'              | 27,984  | 2,085                 | 1.3                   |
| Royal Unibrew                 | 3,247   | 118                   | 0.1                   |
| SimCorp                       | 1,017   | 98                    | 0.1                   |
| TDC                           | 29,004  | 143                   | 0.1                   |
| <b>Belgium – 2.8% (2.4%)</b>  |         |                       |                       |
| Anheuser-Busch InBev          | 31,782  | 1,228                 | 0.7                   |
| Barco                         | 3,049   | 102                   | 0.1                   |
| Belgacom                      | 31,350  | 620                   | 0.4                   |
| Kinopolis Group               | 1,820   | 86                    | 0.1                   |
| Mobistar                      | 21,310  | 676                   | 0.4                   |
| Nyrstar                       | 153,156 | 918                   | 0.6                   |
| SIPEF                         | 15,657  | 812                   | 0.4                   |
| UCB                           | 1,800   | 46                    | -                     |
| Umicore                       | 3,704   | 112                   | 0.1                   |
| <b>Portugal – 0.6% (0.0%)</b> |         |                       |                       |
| Jeronimo Martins              | 96,019  | 1,016                 | 0.6                   |
| <b>Austria – 0.6% (1.8%)</b>  |         |                       |                       |
| Lenzing                       | 765     | 45                    | -                     |
| Oesterreichische Post         | 6,120   | 127                   | 0.1                   |
| OMV                           | 7,381   | 155                   | 0.1                   |
| Strabag                       | 8,034   | 148                   | 0.1                   |
| Voestalpine                   | 21,445  | 468                   | 0.3                   |

| Investment                           | Holding   | Market value<br>£'000 | Total net<br>assets % |
|--------------------------------------|-----------|-----------------------|-----------------------|
| <b>Liquidity funds – 2.3% (0.0%)</b> |           |                       |                       |
| JPM Euro Liquidity 'X' (Income)^     | 4,550,693 | 3,799                 | 2.3                   |
| <b>Investment assets</b>             |           | <b>162,635</b>        | <b>100.1</b>          |
| <b>Net other liabilities</b>         |           | <b>(91)</b>           | <b>(0.1)</b>          |
| <b>Net assets</b>                    |           | <b>162,544</b>        | <b>100.0</b>          |

Unless otherwise stated the above securities are admitted to official stock exchange listings or trade on a regulated market.

The comparative percentage figures in brackets are at 31 January 2011.

^ Deemed to be investment in related parties of the ACD

## Portfolio movements

For the year ending 31 January 2012

|  | £'000          |  | £'000           |
|--|----------------|--|-----------------|
| <b>Total of all purchases for the year (Note 10)</b> | <b>475,486</b> | <b>Total of all sales for the year (Note 10)</b> | <b>518,703</b>  |
| <b>Major purchases</b>                               | <b>Cost</b>    | <b>Major sales</b>                               | <b>Proceeds</b> |
| JPM Euro Liquidity 'X' (Income)^                     | 34,028         | JPM Euro Liquidity 'X' (Income)^                 | 29,771          |
| Nestle   | 9,621          | Telefonica                                       | 13,390          |
| Telefonica   | 8,762          | Nestle   | 9,730           |
| Repsol YPF   | 7,248          | Daimler  | 8,389           |
| Novartis   | 7,213          | Volvo 'B'  | 6,180           |
| ENI  | 6,100          | SAP  | 5,985           |
| Roche (Genusscheine)                                 | 6,081          | Arkema   | 5,742           |
| SAP  | 5,839          | Allianz  | 5,547           |
| BASF   | 5,352          | UBS  | 5,382           |
| Enel   | 5,090          | Repsol YPF                                       | 5,055           |
| Volkswagen Non-Voting Preference                     | 5,088          | Siemens  | 5,016           |
| Daimler  | 5,025          | Clariant   | 4,957           |
| Anheuser-Busch InBev                                 | 5,013          | Alcatel Lucent 'A'                               | 4,855           |
| Alcatel Lucent 'A'                                   | 4,764          | BMW  | 4,779           |
| RWE 'A'  | 4,708          | ENI  | 4,690           |
| TOTAL S.A.   | 4,432          | Infineon Technologies                            | 4,628           |
| BMW  | 4,348          | UPM-Kymmene                                      | 4,592           |
| Valeo  | 4,174          | Valeo  | 4,531           |
| Ericsson 'B'   | 4,144          | Umicore  | 4,485           |
| KPN  | 4,141          | Bayer  | 4,484           |

^ Deemed to be investment in related parties of the ACD

# Financial statements

## Statement of total return

For the year ending 31 January

|   | 2012            | 2011          |
|---|-----------------|---------------|
| £'000   | £'000           | £'000         |
| Income  |                 |               |
| Net capital (losses)/gains (Note 1)   | (32,553)        | 33,219        |
| Revenue (Note 2)  | 6,585           | 8,192         |
| Expenses (Note 3)   | (3,224)         | (4,255)       |
| Net revenue before taxation   | 3,361           | 3,937         |
| Taxation (Note 4)   | (626)           | (944)         |
| Net revenue after taxation  | 2,735           | 2,993         |
| <b>Total return before distributions</b>  | <b>(29,818)</b> | <b>36,212</b> |
| Finance costs:<br>Distributions (Note 5)  | (2,734)         | (2,993)       |
| <b>Change in net assets attributable to shareholders from investment activities</b> | <b>(32,552)</b> | <b>33,219</b> |

## Balance sheet

As at 31 January

|  | 2012           | 2011            |
|--|----------------|-----------------|
| £'000  | £'000          | £'000           |
| <b>ASSETS</b>                                  |                |                 |
| Investment assets                              | 162,635        | 234,979         |
| Debtors (Note 7)                               | 251            | 7,331           |
| Cash and bank balances (Note 8)                | 471            | 5,251           |
| <b>Total other assets</b>                      | <b>722</b>     | <b>12,582</b>   |
| <b>Total assets</b>                            | <b>163,357</b> | <b>247,561</b>  |
| <b>LIABILITIES</b>                             |                |                 |
| Creditors (Note 9)                             | (792)          | (10,507)        |
| Distribution payable on income shares          | (21)           | (16)            |
| <b>Total liabilities</b>                       | <b>(813)</b>   | <b>(10,523)</b> |
| <b>Net assets attributable to shareholders</b> | <b>162,544</b> | <b>237,038</b>  |

The notes to these financial statements are shown on pages 70 to 71.

## Statement of change in net assets attributable to shareholders

For the year ending 31 January

|  | 2012           | 2011           |
|--|----------------|----------------|
| £'000  | £'000          | £'000          |
| <b>Opening net assets attributable to shareholders</b>                                   | <b>237,038</b> | <b>291,816</b> |
| Amounts receivable on issue of shares  | 1,966          | 3,849          |
| Amounts payable on cancellation of shares  | (46,174)       | (94,027)       |
|  | (44,208)       | (90,178)       |
| Change in net assets attributable to shareholders from investment activities (see above) | (32,552)       | 33,219         |
| Retained distributions on accumulation shares  | 2,267          | 2,184          |
| Stamp duty reserve tax   | (1)            | (3)            |
| <b>Closing net assets attributable to shareholders</b>                                   | <b>162,544</b> | <b>237,038</b> |

# Notes to the financial statements for the year ending 31 January 2012

## 1. Net capital (losses)/gains

|                            | 2012            | 2011          |
|----------------------------|-----------------|---------------|
|                            | £'000           | £'000         |
| Currency gains/(losses)    | 810             | (796)         |
| Custodian handling charges | (42)            | (18)          |
| Derivative contracts       | (4,217)         | 595           |
| Non-derivative securities  | (29,104)        | 33,438        |
| Net capital (losses)/gains | <u>(32,553)</u> | <u>33,219</u> |

## 2. Revenue

|   | 2012         | 2011         |
|---|--------------|--------------|
|   | £'000        | £'000        |
| Franked income from UK equity investments | -            | 56           |
| Income from overseas equity investments   | 5,824        | 7,812        |
| Interest on bank and term deposits        | 42           | 15           |
| Interest on fixed-interest securities     | (8)          | -            |
| Management fee rebates                    | 19           | 29           |
| Stock dividends                           | 461          | -            |
| Stocklending income*                      | 247          | 280          |
| Total revenue                             | <u>6,585</u> | <u>8,192</u> |

\* Stocklending income is disclosed net of fees. See note 11.

## 3. Expenses

|  | 2012         | 2011         |
|--|--------------|--------------|
|  | £'000        | £'000        |
| <b>Payable to the ACD or associate of the ACD:</b> |              |              |
| ACD fee  | 2,923        | 3,815        |
| Fixed expenses                                     | 310          | 440          |
|  | <u>3,233</u> | <u>4,255</u> |
| <b>Payable to third parties:</b>                   |              |              |
| VAT recovered*                                     | (9)          | -            |
| Total expenses                                     | <u>3,224</u> | <u>4,255</u> |

\* VAT recovered includes amounts arising as a result of changes to the policy of HM Revenue & Customs ("HMRC") concerning VAT exemption for the management of authorised collective investment schemes (UK Law, items 9 and 10 of group 5, Schedule 9, to the VAT Act 1994) where these services have historically been treated as subject to VAT in the UK. These changes are in accordance with the Business Brief 07/06 (item 3) from HMRC in light of the European Court of Justice judgment in case C-196/04, Abbey National and Inscape Investment Fund.

## 4. Taxation

|  | 2012       | 2011       |
|--|------------|------------|
|  | £'000      | £'000      |
| <b>a) Analysis of charge in the year</b> |            |            |
| Overseas tax provision                   | (25)       | 42         |
| Overseas tax suffered                    | 651        | 902        |
| Current year tax charge (Note 4b)        | <u>626</u> | <u>944</u> |

### b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an Open-Ended Investment Company (OEIC) (20%). The differences are explained below.

|                             |            |            |
|-----------------------------|------------|------------|
| Net revenue before taxation | 3,361      | 3,937      |
| Corporation tax at 20%      | <u>672</u> | <u>787</u> |

### Effects of:

|   |             |            |
|---|-------------|------------|
| Dividends not subject to corporation tax  | (1,212)     | (1,243)    |
| Excess expenses for which no relief taken | 540         | 456        |
| Overseas tax provision                    | (25)        | 42         |
| Overseas tax suffered                     | 651         | 902        |
|   | <u>(46)</u> | <u>157</u> |
| Current year tax charge (Note 4a)         | <u>626</u>  | <u>944</u> |

No deferred tax asset has been recognised in the financial statements. At the year end date, the fund had a deferred tax asset of £995,875 (31.01.11: £456,170) in relation to £4,979,373 (31.01.11: £2,280,850) of excess management expenses which would only be utilised to reduce the tax charge if the fund had an excess of unfranked income over expenses in a future period. There is no excess of unfranked income expected in the future.

## 5. Finance costs

### Distributions

The distributions take account of amounts receivable on the issue of shares and amounts payable on the cancellation of shares and comprise:

|  | 2012         | 2011         |
|--|--------------|--------------|
|  | £'000        | £'000        |
| Final dividend distribution                    | 2,288        | 2,200        |
| Add: Amounts payable on cancellation of shares | 453          | 819          |
| Deduct: Amounts receivable on issue of shares  | (7)          | (26)         |
| Total finance costs                            | <u>2,734</u> | <u>2,993</u> |

Details of the distribution per share are set out on page 72.

## 6. Movement between net revenue after taxation and distributions

|   | 2012         | 2011         |
|---|--------------|--------------|
|   | £'000        | £'000        |
| Net revenue after taxation                    | 2,735        | 2,993        |
| Add: Undistributed revenue brought forward    | 1            | 1            |
| Deduct: Undistributed revenue carried forward | (2)          | (1)          |
|   | <u>2,734</u> | <u>2,993</u> |

## 7. Debtors

|                                     | 2012       | 2011         |
|-------------------------------------|------------|--------------|
|                                     | £'000      | £'000        |
| Accrued income                      | 2          | 4            |
| Due from the ACD for shares created | -          | 10           |
| Overseas tax recoverable            | 249        | 288          |
| Sales awaiting settlement           | -          | 7,029        |
| Total debtors                       | <u>251</u> | <u>7,331</u> |



## Notes to the financial statements – continued

### 8. Cash and bank balances

|   | 2012<br>£'000 | 2011<br>£'000 |
|---|---------------|---------------|
| Amounts held at futures clearing houses and brokers | -             | 214           |
| Cash and bank balances                              | 471           | 5,037         |
| <b>Total cash and bank balances</b>                 | <b>471</b>    | <b>5,251</b>  |

### 9. Creditors

|                                     | 2012<br>£'000 | 2011<br>£'000 |
|-------------------------------------|---------------|---------------|
| Accrued expenses                    | 227           | 340           |
| Due to the ACD for shares cancelled | 565           | 570           |
| Purchases awaiting settlement       | -             | 9,597         |
| <b>Total creditors</b>              | <b>792</b>    | <b>10,507</b> |

### 10. Portfolio transaction costs

|  | 2012<br>£'000 | 2011<br>£'000 |
|--|---------------|---------------|
| Analysis of total purchase costs           |               |               |
| Purchases in year before transaction costs | 475,096       | 930,924       |
| Commissions                                | 371           | 896           |
| Taxes                                      | 19            | 106           |
| Total purchase costs                       | 390           | 1,002         |
| Gross purchases total                      | 475,486       | 931,926       |
| Analysis of total sale costs               |               |               |
| Gross sales before transaction costs       | 519,143       | 1,004,373     |
| Commissions                                | (440)         | (955)         |
| Total sale costs                           | (440)         | (955)         |
| Total sales net of transaction costs       | 518,703       | 1,003,418     |

### 11. Related party transactions

JPMorgan Funds Limited, as Authorised Corporate Director (“ACD”), is a related party, and acts as principal in respect of all transactions of shares in the Company. The aggregate monies received through issue, and paid on cancellation, are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

The balance due to the ACD and their associates at the year end date in respect of related party transactions was £792,578 (31.01.11: £899,637). Details of related party transactions are given under note 13 on page 389.

Investments considered to be related parties have been identified in the portfolio statement on pages 66 to 67 and the revenue from these investments was £32,794 (31.01.11: £16,079).

Some of the dealing transactions for the fund are carried out through associates of the ACD. Such transactions are carried out on an arm's length basis. The commissions paid to these companies over the year were £49,034 (31.01.11: £87,905). Commission was paid to the associated company JPMorgan Securities Ltd.

The gross stocklending income received was £299,780 (31.01.11: £339,505), with fees deducted of £52,461 (31.01.11: £59,413).

The following party held a material interest in the fund at the year end date:

- Turnsonic Nominees Ltd 23.06% (31.01.11: nil)

### 12. Financial instruments

#### Currency exposures

A substantial proportion of the net assets of the fund are denominated in currencies other than sterling, with the effect that the Balance sheet and total return can be significantly affected by currency movements.

| Currency        | Net foreign currency assets |                                |                                    |
|-----------------|-----------------------------|--------------------------------|------------------------------------|
|                 | Total<br>£'000              | Monetary<br>exposures<br>£'000 | Non-monetary<br>exposures<br>£'000 |
| <b>31.01.12</b> |                             |                                |                                    |
| Euro            | 109,424                     | 133                            | 109,291                            |
| Swiss Franc     | 27,403                      | 80                             | 27,323                             |
| Swedish Krona   | 16,064                      | -                              | 16,064                             |
| Norwegian Krone | 5,421                       | 65                             | 5,356                              |
| Danish Krone    | 4,603                       | 2                              | 4,601                              |
| <b>31.01.11</b> |                             |                                |                                    |
| Euro            | 168,122                     | 2,602                          | 165,520                            |
| Swiss Franc     | 28,944                      | 103                            | 28,841                             |
| Swedish Krona   | 23,080                      | -                              | 23,080                             |
| Danish Krone    | 8,310                       | (46)                           | 8,356                              |
| Norwegian Krone | 7,464                       | 112                            | 7,352                              |

#### Interest rate risk

At the year end date, 2.6% (31.01.11: 2.2%) of the fund's net assets by value were interest bearing.

For consideration of other risks including liquidity, pricing and credit risk, please refer to the notes to the aggregated financial statements, pages 389 to 390.

### 13. Share classes

The fund currently has three share classes; Class A shares, Class B shares and Class C shares. The Authorised Corporate Director's (ACD) fee and fixed expenses charge are shown below.

|                 | ACD fee | Fixed expenses |
|-----------------|---------|----------------|
| Class A shares: | 1.50%   | 0.18%          |
| Class B shares: | 1.00%   | 0.15%          |
| Class C shares: | 0.75%   | 0.12%          |

The net asset value of each share class, the net asset value per share and the number of shares in each class are shown on page 65. All classes have the same rights on winding up.

### 14. Derivatives

The fund enters into derivative transactions in the form of futures for the purpose of efficient portfolio management. The commitment approach has been used to calculate the global exposure.

Further information on the derivative risks can be found in the notes to the aggregated financial statements on page 390.

# Distribution table

## Final distribution in pence per share

Group 1 – Shares purchased prior to 1 February 2011

Group 2 – Shares purchased 1 February 2011 to 31 January 2012

|                                    | Gross revenue | Tax at 10% | Net revenue | Equalisation | Distribution payable 30.04.12 | Distribution paid 30.04.11 |
|------------------------------------|---------------|------------|-------------|--------------|-------------------------------|----------------------------|
| <b>A-Class Accumulation Shares</b> |               |            |             |              |                               |                            |
| Group 1                            | 10.577778     | 1.057778   | 9.520000    | -            | 9.520000                      | 7.260000                   |
| Group 2                            | 4.138808      | 0.413881   | 3.724927    | 5.795073     | 9.520000                      | 7.260000                   |
| <b>A-Class Income Shares</b>       |               |            |             |              |                               |                            |
| Group 1                            | 0.633333      | 0.063333   | 0.570000    | -            | 0.570000                      | 0.440000                   |
| Group 2                            | 0.293862      | 0.029386   | 0.264476    | 0.305524     | 0.570000                      | 0.440000                   |
| <b>B-Class Accumulation Shares</b> |               |            |             |              |                               |                            |
| Group 1                            | 1.922222      | 0.192222   | 1.730000    | -            | 1.730000                      | 1.430000                   |
| Group 2                            | 0.614809      | 0.061481   | 0.553328    | 1.176672     | 1.730000                      | 1.430000                   |
| <b>C-Class Accumulation Shares</b> |               |            |             |              |                               |                            |
| Group 1                            | 0.333333      | 0.033333   | 0.300000    | -            | 0.300000                      | -                          |
| Group 2                            | 0.333333      | 0.033333   | 0.300000    | 0.000000     | 0.300000                      | -                          |
| <b>C-Class Income Shares</b>       |               |            |             |              |                               |                            |
| Group 1                            | 2.322222      | 0.232222   | 2.090000    | -            | 2.090000                      | 1.930000                   |
| Group 2                            | 1.657708      | 0.165771   | 1.491937    | 0.598063     | 2.090000                      | 1.930000                   |

Equalisation applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of revenue included in the purchase price of all group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

# JPM Global Consumer Trends Fund

## Important information

### Change of Depositary

As part of an internal re-structuring, The Royal Bank of Scotland plc has transferred its Trustee and Depositary Services business from The Royal Bank of Scotland plc to National Westminster Bank plc and consequently National Westminster Bank plc has been appointed as Depositary of the Fund with effect from 15 October 2011.

As Depositary, National Westminster Bank plc will have the same duties and responsibilities as The Royal Bank of Scotland plc and this change will have no impact on the way the Fund operates.

### Investment objective and policy

To provide long term capital growth by investing primarily in companies throughout the world benefiting from consumer driven opportunities. Investments may include, but are not limited to, companies providing goods and services relating to consumer related activities, wealth, leisure, lifestyle, health and wellness. Issuers of these securities may be located in any country and the Fund may invest significantly in emerging markets and in smaller companies (see sections 11.8 and 11.11 of full Prospectus - Risk Warnings). Derivatives may be used for the purposes of Efficient Portfolio Management, including hedging, where appropriate (see section 11.14 of full Prospectus - Derivatives). The Fund may hold non-equity investments from time to time as appropriate.

### Risk profile

Equity investment is subject to specific risks relating to the performance of the individual companies held and the market's perception of their performance. Equities are also subject to systematic risks such as general economic conditions, inflation, interest rates, foreign exchange rates and industry sector risks. In general terms, equities tend to be more volatile than bonds.

The Fund is not managed with reference to an index and its composition may significantly deviate from any index used for comparison purposes.

The Fund may be invested in emerging markets, which may be subject to additional political and economic risks, low liquidity, poor transparency and greater financial risks.

Smaller companies' securities may be less liquid than the securities of larger companies as a result of inadequate trading volume or restrictions on trading. Smaller companies may possess greater potential for growth, but can also involve greater risks, such as limited product lines and markets, and financial or managerial resources. Trading in such securities may be subject to more abrupt price movements and greater fluctuations in available liquidity than trading in the securities of larger companies.

The underlying assets of the Fund are denominated in currencies other than Sterling and are not hedged back to Sterling. Investors will therefore be exposed to the currency risk of fluctuations between Sterling and the currency denomination of the underlying assets.

## Fund review

Global equity markets performed poorly in the period under review as the European sovereign debt crisis dominated investor sentiment. Italian and Spanish ten-year borrowing costs soared to record euro-era levels, as policymakers failed to allay fears of contagion. These developments, along with disappointing French and German GDP data, led to Europe being a particularly difficult market. In defiance of developments in Europe, the US was the best performing region as housing, employment and consumer confidence data continued to point to an improving economy. Defensive sectors strongly outperformed cyclical sectors.

In markets heavily influenced by macroeconomic factors, the Fund produced negative absolute returns. Stock selection in our direct emerging markets exposure, as well as indirectly through global brands, detracted the most from performance. VisionChina Media was a significant detractor from performance at the stock level. Our holdings in defensive stocks, such as Merck & Co in the healthcare sector, helped to mitigate the negative performance.

## Fund outlook

We continue to believe firmly in the long-term structural growth story for consumer trends and are taking the opportunity to add to positions where investors have become short-term focused. The Fund continues to target three main growth areas: aspiration, health & wellness and demographics. The Fund's unconstrained approach means it is free to invest wherever changing consumer demand exists. This could be directly in thriving emerging markets or in western companies with exposure to emerging market growth.

## 12 month performance as at 31 January

|                                   | 2012  | 2011  | 2010  |
|-----------------------------------|-------|-------|-------|
| <b>JPM Global Consumer Trends</b> |       |       |       |
| A-Class Acc                       | -6.1% | 17.4% | 41.8% |
| <b>JPM Global Consumer Trends</b> |       |       |       |
| B-Class Inc <sup>A</sup>          | -     | -     | -     |
| <b>JPM Global Consumer Trends</b> |       |       |       |
| C-Class Acc                       | -5.3% | -     | -     |
| Benchmark Index <sup>B</sup>      | -1.5% | 19.3% | 22.9% |
| Comparator                        | -7.1% | 20.3% | 23.9% |

## Fund statistics

|                              |   |
|------------------------------|---|
| Fund size                    | £93.9m  |
| Benchmark Index <sup>B</sup> | MSCI World Index (Total Return Net)   |
| Comparator                   | MSCI World Index Consumer Discretionary/<br>MSCI World Index Consumer Staples -<br>Market Cap Weighted (Total Return Net) |
| Fund charges                 |   |
| A-Class                      | Initial 4.25%, Annual 1.50%   |
| B-Class                      | Initial Nil, Annual 1.00%   |
| C-Class                      | Initial Nil, Annual 0.75%   |

You should remember that past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. For specific risks, please read the Simplified Prospectus.

All performance returns are calculated using the quoted price of the accumulation shares. Performance returns are in Sterling.

Source: J.P. Morgan.

<sup>A</sup> The launch of this share class occurred less than 12 months ago and as a result no performance return is reported.

<sup>B</sup> As at 01/11/09 the primary benchmark for the JPM Global Consumer Trends Fund changed from MSCI World Index Consumer Discretionary/MSCI World Index Consumer Staples - Market Cap Weighted (Total Return Net) to MSCI World Index (Total Return Net).

The Fund is not managed with reference to the indices shown. They are provided for comparison purposes only. The benchmark - the MSCI World Index - shows how the Fund has performed against the broader global market. The Comparator - MSCI World Index Consumer Discretionary/MSCI World Index Consumer Staples - Market Cap Weighted - is a narrower composite index of consumer sectors.

Benchmark Source: MSCI. The MSCI data is comprised of a custom index calculated by MSCI for, and as requested by JPMorgan Asset Management (UK) Ltd. The MSCI data is for internal use only and may not be redistributed or used in connection with creating or offering any securities, financial products or indices. Neither MSCI nor any other third party involved in or related to compiling, computing or creating the MSCI data (the "MSCI Parties") makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and the MSCI Parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to such data. Without limiting any of the foregoing, in no event shall any of the MSCI Parties have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

## Top ten holdings (excluding Liquidity funds) %

|                                    |     |
|------------------------------------|-----|
| Merck & Co                         | 3.7 |
| TOTAL S.A.                         | 2.9 |
| Ports Design                       | 2.9 |
| Sanofi-Aventis                     | 2.8 |
| PPR                                | 2.7 |
| Nestle                             | 2.6 |
| Chevron                            | 2.6 |
| Apple                              | 2.5 |
| Guess                              | 2.5 |
| Teva Pharmaceutical Industries ADR | 2.4 |

## Geographical breakdown %

|                          |      |
|--------------------------|------|
| United States of America | 34.4 |
| China                    | 14.4 |
| Hong Kong                | 11.0 |
| France                   | 9.5  |
| United Kingdom           | 7.6  |
| Switzerland              | 6.9  |
| India                    | 4.6  |
| Liquidity funds          | 4.5  |
| Israel                   | 2.4  |
| Netherlands              | 0.8  |
| South Africa             | 0.8  |
| Greece                   | 0.7  |
| Japan                    | 0.5  |
| Germany                  | 0.5  |
| Taiwan                   | 0.4  |
| Net other assets         | 1.0  |

## Highest/lowest share price and distribution record

| Calendar year                                  | Highest share price | Lowest share price | Distribution per share (net) |
|--|---------------------|--------------------|------------------------------|
| <b>A-Class Accumulation Shares<sup>c</sup></b> |                     |                    |                              |
| 2008   | 52.34p              | 34.94p             | -                            |
| 2009   | 63.15p              | 37.62p             | 0.66p                        |
| 2010   | 75.34p              | 61.53p             | 0.32p                        |
| 2011   | 75.64p              | 57.26p             | 0.77p                        |
| 2012 <sup>d</sup>                              | 69.11p              | 64.28p             | 0.49p                        |
| <b>A-Class Income Shares<sup>c</sup></b>       |                     |                    |                              |
| 2008   | 52.34p              | 34.94p             | -                            |
| 2009   | 62.22p              | 37.07p             | 0.66p                        |
| 2010   | 73.87p              | 60.61p             | 0.31p                        |
| 2011   | 74.16p              | 55.55p             | 0.75p                        |
| 2012 <sup>d</sup>                              | 67.04p              | 62.36p             | 0.47p                        |
| <b>B-Class Income Shares<sup>e</sup></b>       |                     |                    |                              |
| 2011   | 102.8p              | 78.16p             | -                            |
| 2012 <sup>d</sup>                              | 94.48p              | 87.85p             | 1.08p                        |
| <b>C-Class Accumulation Shares<sup>f</sup></b> |                     |                    |                              |
| 2010   | 115.5p              | 95.74p             | -                            |
| 2011   | 116.1p              | 88.34p             | 0.97p                        |
| 2012 <sup>d</sup>                              | 106.9p              | 99.37p             | 1.58p                        |
| <b>C-Class Income Shares<sup>g</sup></b>       |                     |                    |                              |
| 2011   | 103.7p              | 78.95p             | -                            |
| 2012 <sup>d</sup>                              | 95.53p              | 88.80p             | 1.26p                        |

<sup>c</sup> A-Class Accumulation and A-Class Income Shares were launched on 7 April 2008.

<sup>d</sup> To 31 January 2012.

<sup>e</sup> B-Class Income Shares were launched on 14 February 2011.

<sup>f</sup> C-Class Accumulation Shares were launched on 9 June 2010.

<sup>g</sup> C-Class Income Shares were launched on 29 March 2011.

## Portfolio turnover rate

|          |        |
|----------|--------|
| 31.01.11 | 166.0% |
| 31.01.12 | 180.9% |

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the period.

## Net asset values and Total expense ratios

| Date                               | Net asset value per share class £'000 | Number of shares | Net asset value per share | Total expense ratio |
|------------------------------------|---------------------------------------|------------------|---------------------------|---------------------|
| <b>A-Class Accumulation Shares</b> |                                       |                  |                           |                     |
| 31.01.10                           | 5,234                                 | 8,525,355        | 61.39p                    | 1.68%               |
| 31.01.11                           | 44,374                                | 61,392,409       | 72.28p                    | 1.68%               |
| 31.01.12                           | 63,913                                | 94,090,461       | 67.93p                    | 1.66%               |
| <b>A-Class Income Shares</b>       |                                       |                  |                           |                     |
| 31.01.10                           | 1,968                                 | 3,270,027        | 60.18p                    | 1.68%               |
| 31.01.11                           | 9,323                                 | 13,297,145       | 70.11p                    | 1.68%               |
| 31.01.12                           | 11,366                                | 17,373,832       | 65.42p                    | 1.65%               |
| <b>B-Class Income Shares</b>       |                                       |                  |                           |                     |
| 31.01.12                           | 2,285                                 | 2,489,770        | 91.79p                    | 1.15%               |
| <b>C-Class Accumulation Shares</b> |                                       |                  |                           |                     |
| 31.01.11                           | 34,157                                | 30,793,224       | 110.9p                    | 0.87%               |
| 31.01.12                           | 14,288                                | 13,598,329       | 105.1p                    | 0.87%               |
| <b>C-Class Income Shares</b>       |                                       |                  |                           |                     |
| 31.01.12                           | 2,004                                 | 2,163,389        | 92.63p                    | 0.87%               |

The net asset value and the net asset value per income share are shown ex-dividend.

The total expense ratio (TER) takes into account the ACD fee and any fixed expenses charged to revenue expressed as a percentage of the average daily net asset values over the period.

# Portfolio statement

As at 31 January 2012

| Investment                                      | Holding    | Market value<br>£'000 | Total net<br>assets % |
|---|------------|-----------------------|-----------------------|
| <b>United States of America - 34.4% (32.3%)</b> |            |                       |                       |
| Abbott Laboratories                             | 56,596     | 1,952                 | 2.1                   |
| Abercrombie & Fitch 'A'                         | 47,208     | 1,400                 | 1.5                   |
| Agilent Technologies                            | 43,407     | 1,187                 | 1.3                   |
| Annaly Capital Management 'A'                   | 91,000     | 968                   | 1.0                   |
| Apache  | 14,728     | 922                   | 1.0                   |
| Apple   | 8,226      | 2,360                 | 2.5                   |
| Asiainfo-Linkage                                | 160,078    | 1,161                 | 1.2                   |
| Baker Hughes                                    | 47,280     | 1,480                 | 1.6                   |
| Becton Dickinson & Co                           | 20,720     | 1,037                 | 1.1                   |
| Chevron   | 36,587     | 2,395                 | 2.6                   |
| Cisco Systems                                   | 140,679    | 1,742                 | 1.9                   |
| Covidien  | 46,603     | 1,521                 | 1.6                   |
| Emerson Electric                                | 28,824     | 944                   | 1.0                   |
| Fluor   | 30,127     | 1,072                 | 1.1                   |
| Google 'A'                                      | 2,580      | 944                   | 1.0                   |
| Guess   | 126,890    | 2,359                 | 2.5                   |
| Hewlett Packard                                 | 51,688     | 913                   | 1.0                   |
| Merck & Co                                      | 142,008    | 3,498                 | 3.7                   |
| Metlife   | 75,629     | 1,709                 | 1.8                   |
| Samsonite                                       | 369,000    | 372                   | 0.4                   |
| Thermo Fisher Scientific                        | 34,569     | 1,148                 | 1.2                   |
| Veeco Instruments                               | 82,407     | 1,266                 | 1.3                   |
| <b>China - 14.4% (11.6%)</b>                    |            |                       |                       |
| Baidu ADR                                       | 5,300      | 439                   | 0.5                   |
| Beauty China‡                                   | 133,000    | -                     | -                     |
| China Construction Bank 'H'                     | 1,000,000  | 506                   | 0.5                   |
| China Dongxiang                                 | 1,798,000  | 188                   | 0.2                   |
| China Hongxing Sports†                          | 22,764,000 | 760                   | 0.8                   |
| China Merchants Bank 'H'                        | 351,500    | 490                   | 0.5                   |
| Giant Interactive ADR                           | 353,766    | 939                   | 1.0                   |
| Hengdeli Holdings Limited                       | 2,400,000  | 578                   | 0.6                   |
| Hisoft Technology International ADR             | 141,153    | 1,010                 | 1.1                   |
| iSoftStone                                      | 88,883     | 599                   | 0.6                   |
| Melco Crown Entertainment                       | 77,115     | 530                   | 0.6                   |
| New World Department Store China                | 1,502,000  | 572                   | 0.6                   |
| Perfect World ADR 'B'                           | 196,032    | 1,350                 | 1.4                   |
| Ping An Insurance 'H'                           | 100,000    | 501                   | 0.5                   |
| Shanda Games ADR 'A'                            | 290,473    | 661                   | 0.7                   |
| Sinopharm Group 'H'                             | 310,000    | 464                   | 0.5                   |
| Vinda International                             | 1,448,000  | 1,113                 | 1.2                   |
| VisionChina Media ADR                           | 492,375    | 477                   | 0.5                   |
| Want Want China                                 | 1,365,000  | 802                   | 0.9                   |
| WuXi PharmaTech(Cayman) ADS                     | 190,240    | 1,577                 | 1.7                   |
| <b>Hong Kong - 11.0% (7.7%)</b>                 |            |                       |                       |
| Agile Property                                  | 710,000    | 500                   | 0.5                   |
| China Resources Land                            | 448,000    | 500                   | 0.5                   |
| China Yurun Food Group                          | 1,542,000  | 1,604                 | 1.7                   |
| Emperor Watch & Jewellery                       | 7,060,000  | 571                   | 0.6                   |
| Franshion Properties                            | 7,266,000  | 1,116                 | 1.2                   |
| HengAn International                            | 1,500      | 8                     | -                     |
| Oriental Watch                                  | 3,307,680  | 948                   | 1.0                   |
| Parkson Retail Group                            | 620,500    | 467                   | 0.5                   |
| PCD Stores                                      | 4,708,000  | 450                   | 0.5                   |
| Ports Design                                    | 2,653,500  | 2,744                 | 2.9                   |
| Renhe Commercial Holdings                       | 5,226,000  | 388                   | 0.4                   |
| United Laboratories International               | 820,000    | 327                   | 0.4                   |
| West China Cement                               | 6,616,000  | 692                   | 0.8                   |
| <b>France - 9.5% (10.4%)</b>                    |            |                       |                       |
| LVMH  | 9,537      | 984                   | 1.1                   |
| PPR   | 25,871     | 2,574                 | 2.7                   |
| Sanofi-Aventis                                  | 55,290     | 2,621                 | 2.8                   |
| TOTAL S.A.                                      | 81,622     | 2,760                 | 2.9                   |
| <b>United Kingdom - 7.6% (13.6%)</b>            |            |                       |                       |
| GlaxoSmithKline                                 | 145,400    | 2,065                 | 2.2                   |
| Royal Dutch Shell 'A'                           | 82,793     | 1,868                 | 2.0                   |
| Unilever  | 68,979     | 1,415                 | 1.5                   |
| Vodafone Group                                  | 1,040,458  | 1,796                 | 1.9                   |
| <b>Switzerland - 6.9% (6.1%)</b>                |            |                       |                       |
| Compagnie Financiere Richemont 'A'              | 52,526     | 1,896                 | 2.0                   |
| Nestle  | 67,696     | 2,484                 | 2.6                   |
| Swatch Group                                    | 7,849      | 2,119                 | 2.3                   |

| Investment                           | Holding   | Market value<br>£'000 | Total net<br>assets % |
|--------------------------------------|-----------|-----------------------|-----------------------|
| <b>India - 4.6% (2.9%)</b>           |           |                       |                       |
| Axis Bank                            | 41,709    | 579                   | 0.6                   |
| Federal Bank                         | 147,066   | 748                   | 0.8                   |
| Infrastructure Development Finance   | 718,264   | 1,232                 | 1.3                   |
| Mahindra & Mahindra                  | 52,551    | 456                   | 0.5                   |
| Yes Bank                             | 303,033   | 1,283                 | 1.4                   |
| <b>Israel - 2.4% (1.4%)</b>          |           |                       |                       |
| Teva Pharmaceutical Industries ADR   | 79,284    | 2,256                 | 2.4                   |
| <b>Netherlands - 0.8% (3.5%)</b>     |           |                       |                       |
| KPN                                  | 106,676   | 738                   | 0.8                   |
| <b>South Africa - 0.8% (1.2%)</b>    |           |                       |                       |
| MTN Group                            | 66,712    | 722                   | 0.8                   |
| <b>Greece - 0.7% (1.5%)</b>          |           |                       |                       |
| Duty Free Shops                      | 118,004   | 665                   | 0.7                   |
| <b>Japan - 0.5% (0.0%)</b>           |           |                       |                       |
| Gree                                 | 27,000    | 492                   | 0.5                   |
| <b>Germany - 0.5% (0.0%)</b>         |           |                       |                       |
| Gerresheimer                         | 14,547    | 445                   | 0.5                   |
| <b>Taiwan - 0.4% (0.0%)</b>          |           |                       |                       |
| HTC                                  | 33,200    | 345                   | 0.4                   |
| <b>Liquidity funds - 4.5% (0.0%)</b> |           |                       |                       |
| JPM USD Liquidity 'X' (Income)^      | 6,630,974 | 4,200                 | 4.5                   |
| <b>Investment assets</b>             |           | <b>92,964</b>         | <b>99.0</b>           |
| <b>Net other assets</b>              |           | <b>892</b>            | <b>1.0</b>            |
| <b>Net assets</b>                    |           | <b>93,856</b>         | <b>100.0</b>          |

Unless otherwise stated the above securities are admitted to official stock exchange listings or trade on a regulated market.

The comparative percentage figures in brackets are at 31 January 2011.

† Suspended security

‡ Delisted security

^ Deemed to be investment in related parties of the CAD

## Portfolio movements

For the year ending 31 January 2012

|  | £'000          |  | £'000           |
|--|----------------|--|-----------------|
| <b>Total of all purchases for the year (Note 10)</b> | <b>143,656</b> | <b>Total of all sales for the year (Note 10)</b> | <b>126,316</b>  |
| <b>Major purchases</b>                               | <b>Cost</b>    | <b>Major sales</b>                               | <b>Proceeds</b> |
| JPM USD Liquidity 'X' (Income)^                      | 23,605         | JPM USD Liquidity 'X' (Income)^                  | 19,535          |
| Ports Design   | 3,566          | British American Tobacco                         | 3,014           |
| Apple  | 3,165          | VF   | 2,486           |
| Longtop Financial Technologies ADR                   | 3,038          | Wolters-Kluwer                                   | 2,390           |
| China Yurun Food Group                               | 2,386          | Volkswagen                                       | 2,042           |
| Guess  | 2,315          | Apache   | 1,856           |
| Volkswagen   | 2,273          | Renhe Commercial Holdings                        | 1,826           |
| Merck & Co   | 2,252          | Time Warner                                      | 1,780           |
| Emerson Electric                                     | 2,170          | Medtronic  | 1,740           |
| Perfect World ADR 'B'                                | 1,990          | Hewlett Packard                                  | 1,706           |
| Metlife  | 1,945          | ExxonMobil                                       | 1,688           |
| Apache   | 1,885          | Imperial Tobacco Group                           | 1,686           |
| Teva Pharmaceutical Industries ADR                   | 1,884          | AFLAC  | 1,656           |
| West China Cement                                    | 1,856          | Abercrombie & Fitch 'A'                          | 1,653           |
| Infrastructure Development Finance                   | 1,794          | Apple  | 1,549           |
| Abercrombie & Fitch 'A'                              | 1,776          | Atlas Copco A                                    | 1,461           |
| Georgia Gulf Corporation                             | 1,767          | Unilever   | 1,456           |
| AFLAC  | 1,718          | 3M   | 1,446           |
| British American Tobacco                             | 1,673          | China Security & Surveillance                    | 1,434           |
| WuXi PharmaTech(Cayman) ADS                          | 1,652          | AXA  | 1,431           |

^ Deemed to be investment in related parties of the ACD

# Financial statements

## Statement of total return

For the year ending 31 January

|   | £'000   | 2012<br>£'000  | £'000 | 2011<br>£'000 |
|---|---------|----------------|-------|---------------|
| Income  |         |                |       |               |
| Net capital (losses)/gains (Note 1)   |         | (8,609)        |       | 4,004         |
| Revenue (Note 2)  | 2,631   |                | 1,163 |               |
| Expenses (Note 3)   | (1,401) |                | (546) |               |
| Net revenue before taxation   | 1,230   |                | 617   |               |
| Taxation (Note 4)   | (229)   |                | (92)  |               |
| Net revenue after taxation  |         | 1,001          |       | 525           |
| <b>Total return before distributions</b>  |         | <b>(7,608)</b> |       | <b>4,529</b>  |
| Finance costs:<br>Distributions (Note 5)  |         | (1,000)        |       | (524)         |
| <b>Change in net assets attributable to shareholders from investment activities</b> |         | <b>(8,608)</b> |       | <b>4,005</b>  |

## Balance sheet

As at 31 January

|  | £'000 | 2012<br>£'000  | £'000   | 2011<br>£'000  |
|--|-------|----------------|---------|----------------|
| <b>ASSETS</b>                                  |       |                |         |                |
| Investment assets                              |       | 92,964         |         | 84,269         |
| Debtors (Note 7)                               | 1,713 |                | 2,545   |                |
| Cash and bank balances (Note 8)                | 185   |                | 2,616   |                |
| <b>Total other assets</b>                      |       | <b>1,898</b>   |         | <b>5,161</b>   |
| <b>Total assets</b>                            |       | <b>94,862</b>  |         | <b>89,430</b>  |
| <b>LIABILITIES</b>                             |       |                |         |                |
| Creditors (Note 9)                             | (870) |                | (1,476) |                |
| Distribution payable on income shares          | (136) |                | (100)   |                |
| <b>Total liabilities</b>                       |       | <b>(1,006)</b> |         | <b>(1,576)</b> |
| <b>Net assets attributable to shareholders</b> |       | <b>93,856</b>  |         | <b>87,854</b>  |

The notes to these financial statements are shown on pages 78 to 79.

## Statement of change in net assets attributable to shareholders

For the year ending 31 January

|  | £'000    | 2012<br>£'000 | £'000   | 2011<br>£'000 |
|--|----------|---------------|---------|---------------|
| <b>Opening net assets attributable to shareholders</b>                                   |          | <b>87,854</b> |         | <b>7,202</b>  |
| Amounts receivable on issue of shares  | 60,511   |               | 82,003  |               |
| Amounts payable on cancellation of shares  | (46,548) |               | (6,121) |               |
|  |          | 13,963        |         | 75,882        |
| Change in net assets attributable to shareholders from investment activities (see above) |          | (8,608)       |         | 4,005         |
| Retained distributions on accumulation shares  |          | 676           |         | 771           |
| Stamp duty reserve tax   |          | (29)          |         | (6)           |
| <b>Closing net assets attributable to shareholders</b>                                   |          | <b>93,856</b> |         | <b>87,854</b> |

# Notes to the financial statements for the year ending 31 January 2012

## 1. Net capital (losses)/gains

|                            | 2012           | 2011         |
|----------------------------|----------------|--------------|
|                            | £'000          | £'000        |
| Currency gains/(losses)    | 54             | (276)        |
| Custodian handling charges | (19)           | -            |
| Non-derivative securities  | (8,644)        | 4,280        |
| Net capital (losses)/gains | <u>(8,609)</u> | <u>4,004</u> |

## 2. Revenue

|   | 2012         | 2011         |
|---|--------------|--------------|
|   | £'000        | £'000        |
| Franked income from UK equity investments | 405          | 194          |
| Income from overseas equity investments   | 2,083        | 967          |
| Interest on bank and term deposits        | 3            | 2            |
| Interest on fixed-interest securities     | 6            | -            |
| Stock dividends                           | 134          | -            |
| Total revenue                             | <u>2,631</u> | <u>1,163</u> |

## 3. Expenses

|   | 2012         | 2011       |
|---|--------------|------------|
|   | £'000        | £'000      |
| Payable to the ACD or associate of the ACD: |              |            |
| ACD fee                                     | 1,260        | 484        |
| Fixed expenses                              | 141          | 62         |
| Total expenses                              | <u>1,401</u> | <u>546</u> |

## 4. Taxation

|  | 2012       | 2011      |
|--|------------|-----------|
|  | £'000      | £'000     |
| <b>a) Analysis of charge in the year</b> |            |           |
| Overseas tax provision                   | 1          | -         |
| Overseas tax suffered                    | 228        | 92        |
| Current year tax charge (Note 4b)        | <u>229</u> | <u>92</u> |

### b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an Open-Ended Investment Company (OEIC) (20%). The differences are explained below.

|   |              |             |
|---|--------------|-------------|
| Net revenue before taxation               | <u>1,230</u> | <u>617</u>  |
| Corporation tax at 20%                    | <u>246</u>   | <u>123</u>  |
| Effects of:                               |              |             |
| Dividends not subject to corporation tax  | (517)        | (231)       |
| Excess expenses for which no relief taken | 271          | 108         |
| Overseas tax provision                    | 1            | -           |
| Overseas tax suffered                     | 228          | 92          |
|   | <u>(17)</u>  | <u>(31)</u> |
| Current year tax charge (Note 4a)         | <u>229</u>   | <u>92</u>   |

No deferred tax asset has been recognised in the financial statements. At the year end date, the fund had a deferred tax asset of £386,833 (31.01.11: £115,599) in relation to £1,934,167 (31.01.11: £577,997) of excess management expenses which would only be utilised to reduce the tax charge if the fund had an excess of unfranked income over expenses in a future period. There is no excess of unfranked income expected in the future.

## 5. Finance costs

### Distributions

The distributions take account of amounts receivable on the issue of shares and amounts payable on the cancellation of shares and comprise:

|  | 2012         | 2011       |
|--|--------------|------------|
|  | £'000        | £'000      |
| Final dividend distribution                    | 812          | 871        |
| Add: Amounts payable on cancellation of shares | 476          | 46         |
| Deduct: Amounts receivable on issue of shares  | (288)        | (393)      |
| Total finance costs                            | <u>1,000</u> | <u>524</u> |

Details of the distribution per share are set out on page 80.

## 6. Movement between net revenue after taxation and distributions

|   | 2012         | 2011       |
|---|--------------|------------|
|   | £'000        | £'000      |
| Net revenue after taxation                    | 1,001        | 525        |
| Add: Undistributed revenue brought forward    | 2            | 1          |
| Deduct: Undistributed revenue carried forward | (3)          | (2)        |
|   | <u>1,000</u> | <u>524</u> |

## 7. Debtors

|                                     | 2012         | 2011         |
|-------------------------------------|--------------|--------------|
|                                     | £'000        | £'000        |
| Accrued income                      | 77           | 98           |
| Due from the ACD for shares created | 1,113        | 1,098        |
| Overseas tax recoverable            | 31           | 5            |
| Sales awaiting settlement           | 492          | 1,344        |
| Total debtors                       | <u>1,713</u> | <u>2,545</u> |

## 8. Cash and bank balances

|                        | 2012       | 2011         |
|------------------------|------------|--------------|
|                        | £'000      | £'000        |
| Cash and bank balances | <u>185</u> | <u>2,616</u> |

## 9. Creditors

|                                     | 2012       | 2011         |
|-------------------------------------|------------|--------------|
|                                     | £'000      | £'000        |
| Accrued expenses                    | 121        | 100          |
| Due to the ACD for shares cancelled | 302        | -            |
| Purchases awaiting settlement       | 447        | 1,376        |
| Total creditors                     | <u>870</u> | <u>1,476</u> |



## Notes to the financial statements – continued

### 10. Portfolio transaction costs

|  | 2012<br>£'000 | 2011<br>£'000 |
|--|---------------|---------------|
| Analysis of total purchase costs           |               |               |
| Purchases in year before transaction costs | 143,449       | 114,757       |
| Commissions                                | 140           | 115           |
| Taxes                                      | 67            | 89            |
| Total purchase costs                       | 207           | 204           |
| Gross purchases total                      | 143,656       | 114,961       |
| Analysis of total sale costs               |               |               |
| Gross sales before transaction costs       | 126,438       | 42,017        |
| Commissions                                | (98)          | (47)          |
| Taxes                                      | (24)          | (9)           |
| Total sale costs                           | (122)         | (56)          |
| Total sales net of transaction costs       | 126,316       | 41,961        |

### 11. Related party transactions

JPMorgan Funds Limited, as Authorised Corporate Director (“ACD”), is a related party, and acts as principal in respect of all transactions of shares in the Company. The aggregate monies received through issue, and paid on cancellation, are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

The balance due from the ACD and their associates at the year end date in respect of related party transactions was £690,433 (31.01.11: £998,496). Details of related party transactions are given under note 13 on page 389.

Investments considered to be related parties have been identified in the portfolio statement on page 75 and the revenue from these investments was £5,593 (31.01.11: £nil).

Some of the dealing transactions for the fund are carried out through associates of the ACD. Such transactions are carried out on an arm's length basis. The commissions paid to these companies over the year were £33,857 (31.01.11: £10,899). Commission was paid to the associated company JPMorgan Securities Ltd.

The following party held a material interest in the fund at the year end date:

- Skandia MultiFunds (Nominees) Ltd 10.29% (31.01.11: 4.15%)

### 12. Financial instruments

#### Currency exposures

A substantial proportion of the net assets of the fund are denominated in currencies other than sterling, with the effect that the Balance sheet and total return can be significantly affected by currency movements.

| Currency           | Net foreign currency assets |                                |                                    |
|--------------------|-----------------------------|--------------------------------|------------------------------------|
|                    | Total<br>£'000              | Monetary<br>exposures<br>£'000 | Non-monetary<br>exposures<br>£'000 |
| <b>31.01.12</b>    |                             |                                |                                    |
| US Dollar          | 46,541                      | 524                            | 46,017                             |
| Hong Kong Dollar   | 15,901                      | -                              | 15,901                             |
| Euro               | 10,787                      | 1                              | 10,786                             |
| Swiss Franc        | 6,529                       | 30                             | 6,499                              |
| Indian Rupee       | 4,298                       | -                              | 4,298                              |
| Singapore Dollar   | 760                         | -                              | 760                                |
| Thailand Baht      | 722                         | -                              | 722                                |
| Japanese Yen       | 492                         | -                              | 492                                |
| Taiwan Dollar      | 354                         | 9                              | 345                                |
| <b>31.01.11</b>    |                             |                                |                                    |
| US Dollar          | 40,164                      | 2,420                          | 37,744                             |
| Euro               | 13,581                      | -                              | 13,581                             |
| Hong Kong Dollar   | 8,445                       | 144                            | 8,301                              |
| Swiss Franc        | 5,372                       | 4                              | 5,368                              |
| Indian Rupee       | 2,578                       | -                              | 2,578                              |
| Singapore Dollar   | 1,733                       | -                              | 1,733                              |
| South African Rand | 1,075                       | -                              | 1,075                              |
| Indonesian Rupiah  | 679                         | -                              | 679                                |
| Canadian Dollar    | 554                         | -                              | 554                                |
| Australian Dollar  | 422                         | -                              | 422                                |
| Brazilian Real     | 277                         | 5                              | 272                                |

#### Interest rate risk

At the year end date, 4.7% (31.01.11: 2.9%) of the fund's net assets by value were interest bearing.

For consideration of other risks including liquidity, pricing and credit risk, please refer to the notes to the aggregated financial statements, pages 389 to 390.

### 13. Share classes

The fund currently has three share classes: Class A shares, Class B shares and Class C shares. The Authorised Corporate Director's (ACD) fee and fixed expenses charge are shown below.

|                 | ACD fee | Fixed expenses |
|-----------------|---------|----------------|
| Class A shares: | 1.50%   | 0.18%          |
| Class B shares: | 1.00%   | 0.15%          |
| Class C shares: | 0.75%   | 0.12%          |

The net asset value of each share class, the net asset value per share and the number of shares in each class are shown on page 74. All classes have the same rights on winding up.

# Distribution table

## Final distribution in pence per share

Group 1 – Shares purchased prior to 1 February 2011

Group 2 – Shares purchased 1 February 2011 to 31 January 2012

|                                    | Gross revenue | Tax at 10% | Net revenue | Equalisation | Distribution payable 30.04.12 | Distribution paid 30.04.11 |
|------------------------------------|---------------|------------|-------------|--------------|-------------------------------|----------------------------|
| <b>A-Class Accumulation Shares</b> |               |            |             |              |                               |                            |
| Group 1                            | 0.544444      | 0.054444   | 0.490000    | -            | 0.490000                      | 0.770000                   |
| Group 2                            | 0.166319      | 0.016632   | 0.149687    | 0.340313     | 0.490000                      | 0.770000                   |
| <b>A-Class Income Shares</b>       |               |            |             |              |                               |                            |
| Group 1                            | 0.522222      | 0.052222   | 0.470000    | -            | 0.470000                      | 0.750000                   |
| Group 2                            | 0.271218      | 0.027122   | 0.244096    | 0.225904     | 0.470000                      | 0.750000                   |
| <b>B-Class Income Shares</b>       |               |            |             |              |                               |                            |
| Group 1                            | 1.200000      | 0.120000   | 1.080000    | -            | 1.080000                      | -                          |
| Group 2                            | 1.179184      | 0.117918   | 1.061266    | 0.018734     | 1.080000                      | -                          |
| <b>C-Class Accumulation Shares</b> |               |            |             |              |                               |                            |
| Group 1                            | 1.755556      | 0.175556   | 1.580000    | -            | 1.580000                      | 0.970000                   |
| Group 2                            | 0.783969      | 0.078397   | 0.705572    | 0.874428     | 1.580000                      | 0.970000                   |
| <b>C-Class Income Shares</b>       |               |            |             |              |                               |                            |
| Group 1                            | 1.400000      | 0.140000   | 1.260000    | -            | 1.260000                      | -                          |
| Group 2                            | 0.492499      | 0.049250   | 0.443249    | 0.816751     | 1.260000                      | -                          |

Equalisation applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of revenue included in the purchase price of all group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

# JPM Global Equity Absolute Alpha Fund

## Important information

### Change of Depositary

As part of an internal re-structuring, The Royal Bank of Scotland plc has transferred its Trustee and Depositary Services business from The Royal Bank of Scotland plc to National Westminster Bank plc and consequently National Westminster Bank plc has been appointed as Depositary of the Fund with effect from 15 October 2011.

As Depositary, National Westminster Bank plc will have the same duties and responsibilities as The Royal Bank of Scotland plc and this change will have no impact on the way the Fund operates.

### Investment objective and policy

The Fund aims to provide a return in excess of the return on one month Sterling (GBP) LIBOR over rolling 12 month periods in any market conditions, although this is not guaranteed.

The Fund will seek to achieve an absolute return normally through long and short positions in equities and equity linked securities anywhere in the world (which may include emerging markets). Long positions may be achieved through direct investments and/or derivative instruments. Short positions will be achieved through derivatives only. The Fund may have a concentrated portfolio of securities.

In addition, the Fund may invest, at the discretion of the Investment Adviser, up to 100% in cash and cash equivalents. The Fund may also invest in fixed and floating rate debt securities.

There is no restriction on the value of the property of the Fund that may be invested in transferable securities which are warrants. If more than 5% of the property of the Fund is invested in warrants, the net asset value of the Fund may become highly volatile on occasions.

The Fund may use derivatives for investment purposes. The Fund may also use derivatives for Efficient Portfolio Management, including hedging, where appropriate.

Although most of the Fund's non-Sterling assets will normally be hedged back to Sterling, the Fund's non-Sterling assets may not be hedged, at the discretion of the Investment Adviser, in order to enhance potential returns.

### Risk profile

The Fund aims to provide a positive return in any market conditions over a rolling 12 month period, although this is not guaranteed. The Fund can use sophisticated investment techniques that differ from those used in traditional equity funds. The Fund should not be used as a substitute for liquidity funds or cash accounts.

The Fund may use derivatives (including forward transactions) for investment purposes, potentially increasing the volatility and therefore risk of the Fund.

Equity investment is subject to specific risks relating to the performance of the individual companies held and the market's perception of their performance. Equities are also subject to systematic risks such as general economic conditions, inflation, interest rates, foreign exchange rates and industry sector risks. In general terms, equities tend to be more volatile than bonds.

Bond prices can fluctuate significantly depending not only on global economic and interest rate conditions but also on the general credit market environment and the creditworthiness of the issuer.

The Fund may have a concentrated portfolio which may be subject to greater volatility than a more diversified portfolio.

The Fund may be invested in emerging markets, which may be subject to additional political and economic risks, low liquidity, poor transparency and greater financial risks.

The Fund may invest in smaller companies. Smaller companies' securities may be less liquid than the securities of larger companies as a result of inadequate trading volumes or restrictions on trading. Smaller companies may possess greater potential for growth, but can also involve greater risks, such as limited product lines and markets, and financial or managerial resources. Trading in such securities may be subject to more abrupt price movements and greater fluctuations in available liquidity than trading in the securities of larger companies.

The Fund invests opportunistically and exposure to equity markets may vary substantially depending on market conditions. Therefore the Fund may not be fully invested in rising markets; conversely the Fund could be fully invested in a falling market. In both circumstances the performance of the Fund would suffer.

To the extent that any underlying assets of the Fund are denominated in a currency other than Sterling and are not hedged back to Sterling, investors will be exposed to the currency risk of fluctuations between Sterling and the currency denomination of the underlying assets.

The possible loss from taking a short position on a security differs from the loss that could be incurred from a cash investment in the security; the former may be unlimited as there is no restriction on the price to which a security may rise, whereas the latter cannot exceed the total amount of the cash investment. The short selling of investments may be subject to changes in regulations, which could adversely impact returns to investors.

When the Fund invests in warrants, the values of these warrants are likely to fluctuate more than the prices of the underlying securities.

### Fund review

The Fund launched in July 2011, during a challenging period for global equity markets. The European sovereign debt crisis dominated investor sentiment, with policymakers failing to allay fears of contagion. Markets rebounded towards the end of the period under review, with the US strongly outperforming the broader equity market as domestic housing, employment and consumer confidence data beat expectations.

In markets heavily influenced by macroeconomic factors, the Fund produced negative absolute returns and underperformed its benchmark. Our approximate one third net exposure to the market detracted from performance given the market backdrop in the third quarter. The net exposure was reduced as a result, but the lower exposure meant we did not benefit as much from the recovery towards the end of the review period. In the third quarter, our holdings in Chinese stocks detracted from performance, while our defensive holdings offered some downside protection. In the fourth quarter, our holdings in Chinese stocks added value as investor fears surrounding a hard economic landing eased.

### Fund outlook

While headwinds to growth remain, the macroeconomic outlook is not as bad as first feared. The injection of liquidity from the European Central Bank's long-term refinancing programme appears to have bought European authorities more time to address the unresolved structural issues. In the US, recent economic data has generally been better than expected, as shown by the increase in the Citigroup economic surprise index. Investors are now sceptical as to how long this improving trend can be sustained. In China, lingering doubts remain over the government's capacity to stimulate the economy in the face of European recession. The immediate catalyst for markets to move higher will be the company reporting season. Guidance for earnings in 2012 will be given particular attention.

## Performance as at 31 January 2012

Since launch 06/07/11

|  |       |
|--|-------|
| JPM Global Equity Absolute Alpha A-Class Acc | -2.6% |
| Benchmark Index                              | 0.5%  |

## Fund statistics

|                 |                             |
|-----------------|-----------------------------|
| Fund size       | £6.1m                       |
| Benchmark Index | BBA LIBOR GBP 1 month Index |
| Fund charges    | Initial 4.25%, Annual 1.25% |

## Top ten holdings (excluding Liquidity funds) %

|                                    |     |
|------------------------------------|-----|
| Merck & Co                         | 2.2 |
| Annaly Capital Management 'A'      | 2.1 |
| TOTAL S.A.                         | 1.6 |
| Teva Pharmaceutical Industries ADR | 1.4 |
| Sanofi-Aventis                     | 1.2 |
| Apple                              | 1.2 |
| Anheuser-Busch InBev               | 1.1 |
| Volkswagen                         | 1.1 |
| Vodafone Group                     | 1.1 |
| Vivendi                            | 0.9 |

## Geographical breakdown %

|                            |       |
|----------------------------|-------|
| United States of America   | 10.0  |
| Liquidity funds            | 8.9   |
| France                     | 3.7   |
| Hong Kong                  | 2.0   |
| China                      | 1.7   |
| Germany                    | 1.7   |
| Israel                     | 1.4   |
| Belgium                    | 1.1   |
| United Kingdom             | 1.1   |
| Singapore                  | 0.6   |
| Netherlands                | 0.4   |
| Poland                     | 0.2   |
| Forward currency contracts | 0.2   |
| Contracts for difference   | (0.6) |
| Net other assets           | 67.6  |

In line with current accounting practice the sector breakdown includes the unrealised profit or loss on derivative holdings and consequently the economic market exposure of the fund cannot be fully determined from the above disclosure.

## Highest/lowest share price and distribution record

| Calendar year                                  | Highest share price | Lowest share price | Distribution per share (net) |
|--|---------------------|--------------------|------------------------------|
| <b>A-Class Accumulation Shares<sup>A</sup></b> |                     |                    |                              |
| 2011   | 50.11p              | 47.33p             | -                            |
| 2012 <sup>B</sup>                              | 48.75p              | 48.45p             | 0.00p                        |
| <b>A-Class Income Shares<sup>A</sup></b>       |                     |                    |                              |
| 2011   | 50.11p              | 47.33p             | -                            |
| 2012 <sup>B</sup>                              | 48.75p              | 48.45p             | 0.00p                        |

<sup>A</sup> A-Class Accumulation and A-Class Income Shares were launched on 6 July 2011.

<sup>B</sup> To 31 January 2012.

## Portfolio turnover rate

|          |         |
|----------|---------|
| 31.01.12 | (20.7)% |
|----------|---------|

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the period.

## Net asset values and Total expense ratios

| Date                               | Net asset value per share class £'000 | Number of shares | Net asset value per share | Total expense ratio |
|------------------------------------|---------------------------------------|------------------|---------------------------|---------------------|
| <b>A-Class Accumulation Shares</b> |                                       |                  |                           |                     |
| 31.01.12                           | 3,069                                 | 6,312,594        | 48.61p                    | 1.43%               |
| <b>A-Class Income Shares</b>       |                                       |                  |                           |                     |
| 31.01.12                           | 3,019                                 | 6,211,037        | 48.61p                    | 1.43%               |

The net asset value and the net asset value per income share are shown ex-dividend.

The total expense ratio ("TER") includes the ACD fee and any fixed expenses charged to revenue over the period. When expressed as a percentage of the average daily net asset values over the same period this equates to 1.43%. The TER also includes a performance fee which is calculated as 10% of any outperformance of the Fund against its benchmark British Bankers Association (BBA) LIBOR GBP 1 month rate. If the net asset value per share under-performs the benchmark for one or more accounting periods the ACD will not receive a performance fee until that under-performance has been recovered. The performance fee is also subject a high-water mark, where the ACD will not receive a performance fee until the net asset value per share has exceeded the net asset value per share at the end of the last accounting period when a performance fee was charged. When expressed as a percentage of the average daily net asset values over the same period this equates to 0.00%. Full details on how the performance fee is calculated can be found in the Prospectus. The total TER for the period therefore is 1.43%.

You should remember that past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. For specific risks, please read the Simplified Prospectus.

All performance returns are calculated using the quoted price of the accumulation shares. Performance returns are in Sterling.

Source: J.P. Morgan.

Performance fee is 20% when the Fund return exceeds the benchmark return. Please refer to the Fund's Prospectus for conditions on the application of the performance fees.

# Portfolio statement

As at 31 January 2012

| Investment                                     | Holding | Notional exposure<br>£'000 | Market value<br>£'000 | Total net assets % |
|--|---------|----------------------------|-----------------------|--------------------|
| <b>United States of America - 10.0%</b>        |         |                            |                       |                    |
| Air Products & Chemicals                       | 857     |                            | 48                    | 0.8                |
| Annaly Capital Management 'A'                  | 12,000  |                            | 128                   | 2.1                |
| Apache   | 780     |                            | 49                    | 0.8                |
| Apple  | 246     |                            | 71                    | 1.2                |
| Baker Hughes                                   | 1,279   |                            | 40                    | 0.7                |
| Chevron  | 467     |                            | 31                    | 0.5                |
| Citigroup                                      | 954     |                            | 18                    | 0.3                |
| Guess  | 1,427   |                            | 26                    | 0.4                |
| Hewlett Packard                                | 1,784   |                            | 31                    | 0.5                |
| Merck & Co                                     | 5,300   |                            | 131                   | 2.2                |
| Veeco Instruments                              | 2,159   |                            | 33                    | 0.5                |
| <b>France - 3.7%</b>                           |         |                            |                       |                    |
| Sanofi-Aventis                                 | 1,517   |                            | 72                    | 1.2                |
| TOTAL S.A.                                     | 2,868   |                            | 97                    | 1.6                |
| Vivendi  | 4,135   |                            | 55                    | 0.9                |
| <b>Hong Kong - 2.0%</b>                        |         |                            |                       |                    |
| Agile Property                                 | 26,000  |                            | 18                    | 0.3                |
| China Yurun Food Group                         | 41,000  |                            | 43                    | 0.7                |
| New World Department Store China               | 46,000  |                            | 18                    | 0.3                |
| Ports Design                                   | 40,000  |                            | 41                    | 0.7                |
| <b>China - 1.7%</b>                            |         |                            |                       |                    |
| Anhui Conch Cement 'H'                         | 8,000   |                            | 17                    | 0.3                |
| Beijing Capital International Airport          | 56,000  |                            | 18                    | 0.3                |
| Giant Interactive ADR                          | 8,800   |                            | 23                    | 0.4                |
| Industrial & Commercial Bank of China 'H'      | 41,000  |                            | 18                    | 0.3                |
| Perfect World ADR 'B'                          | 3,240   |                            | 22                    | 0.3                |
| VisionChina Media ADR                          | 6,600   |                            | 7                     | 0.1                |
| <b>Germany - 1.7%</b>                          |         |                            |                       |                    |
| Bayer  | 883     |                            | 39                    | 0.6                |
| Volkswagen                                     | 625     |                            | 65                    | 1.1                |
| <b>Israel - 1.4%</b>                           |         |                            |                       |                    |
| Teva Pharmaceutical Industries ADR             | 3,040   |                            | 87                    | 1.4                |
| <b>Belgium - 1.1%</b>                          |         |                            |                       |                    |
| Anheuser-Busch InBev                           | 1,785   |                            | 69                    | 1.1                |
| <b>United Kingdom - 1.1%</b>                   |         |                            |                       |                    |
| Vodafone Group                                 | 37,697  |                            | 65                    | 1.1                |
| <b>Singapore - 0.6%</b>                        |         |                            |                       |                    |
| Avago Technologies                             | 1,593   |                            | 34                    | 0.6                |
| <b>Netherlands - 0.4%</b>                      |         |                            |                       |                    |
| KPN  | 3,856   |                            | 27                    | 0.4                |
| <b>Poland - 0.2%</b>                           |         |                            |                       |                    |
| 3Legs Resources*                               | 20,330  |                            | 12                    | 0.2                |
| <b>Forward currency contracts - 0.2%</b>       |         |                            |                       |                    |
| <b>Euro</b>                                    |         |                            |                       |                    |
| Buy €799,291 sell £673,775 dated 07/02/12      |         |                            | (7)                   | (0.1)              |
| Sell €1,376,929 buy £1,172,518 dated 07/02/12  |         |                            | 22                    | 0.3                |
| <b>Hong Kong Dollar</b>                        |         |                            |                       |                    |
| Buy HKD 802,192 sell £84,920 dated 07/02/12    |         |                            | -                     | -                  |
| Sell HKD 393,567 buy £31,830 dated 07/02/12    |         |                            | -                     | -                  |
| Sell HKD 1,386,227 buy £113,882 dated 07/02/12 |         |                            | 1                     | -                  |
| <b>Singapore Dollar</b>                        |         |                            |                       |                    |
| Buy SGD 63,648 sell £32,127 dated 07/02/12     |         |                            | -                     | -                  |
| Sell SGD 63,348 buy £31,534 dated 07/02/12     |         |                            | (1)                   | -                  |
| Sell SGD 63,348 buy £32,165 dated 07/02/12     |         |                            | -                     | -                  |
| <b>Swiss Franc</b>                             |         |                            |                       |                    |
| Buy CHF 1,270 sell £900 dated 07/02/12         |         |                            | -                     | -                  |
| <b>US Dollar</b>                               |         |                            |                       |                    |
| Buy \$225,516 sell £141,563 dated 07/02/12     |         |                            | 1                     | -                  |
| Buy \$1,013,470 sell £644,214 dated 07/02/12   |         |                            | (2)                   | -                  |
| Sell \$1,182,005 buy £753,322 dated 07/02/12   |         |                            | 4                     | 0.1                |
| Sell \$979,710 buy £615,410 dated 07/02/12     |         |                            | (5)                   | (0.1)              |

| Investment  | Holding | Notional exposure<br>£'000 | Market value<br>£'000 | Total net assets % |
|---|---------|----------------------------|-----------------------|--------------------|
| <b>Contracts for difference - (0.6)%</b>                    |         |                            |                       |                    |
| <b>Swedish Krone - (0.1)%</b>                               |         |                            |                       |                    |
| Electrolux  | (3,011) | (35)                       | (5)                   | (0.1)              |
| <b>US Dollar - (0.5)%</b>                                   |         |                            |                       |                    |
| Aon   | (1,033) | (31)                       | (1)                   | -                  |
| Whole Foods Market  | (838)   | (39)                       | (8)                   | (0.2)              |
| Forest Laboratories   | (1,917) | (38)                       | (2)                   | -                  |
| Praxair   | (703)   | (47)                       | (2)                   | -                  |
| Lululemon Athletic  | (963)   | (39)                       | (12)                  | (0.2)              |
| McDonald's  | (600)   | (38)                       | (4)                   | (0.1)              |
| Maxim Integrated Products                                   | (1,857) | (32)                       | (2)                   | -                  |
| Starbucks   | (979)   | (30)                       | (1)                   | -                  |
| <b>Liquidity funds - 8.9%</b>                               |         |                            |                       |                    |
| JPM Sterling Liquidity 'X' (Income)^                        | 542,059 |                            | 542                   | 8.9                |
| <b>Investment assets (including investment liabilities)</b> |         |                            | <b>1,971</b>          | <b>32.4</b>        |
| <b>Net other assets</b>                                     |         |                            | <b>4,117</b>          | <b>67.6</b>        |
| <b>Net assets</b>   |         |                            | <b>6,088</b>          | <b>100.0</b>       |

Unless otherwise stated the above securities are admitted to official stock exchange listings or trade on a regulated market.

\* Listed on Alternative Investment Market (AIM)

^ Deemed to be investment in related parties of the ACD

## Portfolio movements

For the period ending 31 January 2012

|  | £'000        |  | £'000           |
|--|--------------|--|-----------------|
| <b>Total of all purchases for the period (Note 10)</b> | <b>3,598</b> | <b>Total of all sales for the period (Note 10)</b> | <b>1,424</b>    |
| <b>Major purchases</b>                                 | <b>Cost</b>  | <b>Major sales</b>                                 | <b>Proceeds</b> |
| JPM Sterling Liquidity 'X' (Income)^                   | 642          | JPM Sterling Liquidity 'X' (Income)^               | 100             |
| Guess  | 134          | AXA  | 96              |
| TOTAL S.A.   | 127          | Morgan Stanley                                     | 90              |
| Annaly Capital Management 'A'                          | 126          | Guess  | 84              |
| Hewlett Packard  | 109          | Volkswagen Non-Voting Preference                   | 62              |
| Merck & Co   | 109          | ENI  | 62              |
| Morgan Stanley   | 100          | Virgin Media                                       | 59              |
| Volkswagen   | 98           | Carlsberg 'B'                                      | 58              |
| AXA  | 96           | Hewlett Packard                                    | 54              |
| Sanofi-Aventis   | 91           | Premier Farnell                                    | 52              |
| Veeco Instruments                                      | 87           | Bechtle  | 48              |
| Teva Pharmaceutical Industries ADR                     | 86           | Rheinmetall  | 33              |
| Apple  | 85           | Temenos Group                                      | 31              |
| Virgin Media   | 65           | Adobe Systems                                      | 31              |
| Vodafone Group   | 63           | Aviva  | 31              |
| KPN  | 63           | Emerson Electric                                   | 31              |
| Carlsberg 'B'  | 63           | State Street                                       | 31              |
| Volkswagen Non-Voting Preference                       | 63           | Compagnie Financiere Richemont 'A'                 | 31              |
| Bechtle  | 63           | KBC Groep  | 30              |
| Chevron  | 63           | Apple  | 29              |

^ Deemed to be investment in related parties of the ACD

# Financial statements

## Statement of total return

For the period from 6 July 2011 to 31 January 2012

|   | £'000 | 2012<br>£'000 |
|---|-------|---------------|
| Income  |       |               |
| Net capital losses (Note 1)   |       | (152)         |
| Revenue (Note 2)  | 30    |               |
| Expenses (Note 3)   | (50)  |               |
| Performance (Note 3)  | -     |               |
| Net expense before taxation   | (20)  |               |
| Taxation (Note 4)   | (2)   |               |
| Net expense after taxation  |       | (22)          |
| <b>Total return before distributions</b>  |       | <b>(174)</b>  |
| Finance costs: Distributions (Note 5)   |       | -             |
| <b>Change in net assets attributable to shareholders from investment activities</b> |       | <b>(174)</b>  |

## Balance sheet

As at 31 January

|  | £'000 | 2012<br>£'000 |
|--|-------|---------------|
| <b>ASSETS</b>                                  |       |               |
| Investment assets                              |       | 2,023         |
| Debtors (Note 7)                               | 54    |               |
| Cash and bank balances (Note 8)                | 4,070 |               |
| <b>Total other assets</b>                      |       | <b>4,124</b>  |
| <b>Total assets</b>                            |       | <b>6,147</b>  |
| <b>LIABILITIES</b>                             |       |               |
| Investment liabilities                         |       | (52)          |
| Creditors (Note 9)                             | (7)   |               |
| <b>Total other liabilities</b>                 |       | <b>(7)</b>    |
| <b>Total liabilities</b>                       |       | <b>(59)</b>   |
| <b>Net assets attributable to shareholders</b> |       | <b>6,088</b>  |

The notes to these financial statements are shown on pages 86 to 87.

## Statement of change in net assets attributable to shareholders

For the period from 6 July 2011 to 31 January 2012

|  | £'000 | 2012<br>£'000 |
|--|-------|---------------|
| <b>Opening net assets attributable to shareholders</b>                                   |       | <b>-</b>      |
| Amounts receivable on issue of shares  | 6,271 |               |
| Amounts payable on cancellation of shares  | (9)   |               |
|  |       | 6,262         |
| Change in net assets attributable to shareholders from investment activities (see above) |       | (174)         |
| <b>Closing net assets attributable to shareholders</b>                                   |       | <b>6,088</b>  |

# Notes to the financial statements for the period ending 31 January 2012

## 1. Net capital losses

|                            | 2012<br>£'000 |
|----------------------------|---------------|
| Currency gains             | 1             |
| Derivative contracts       | (11)          |
| Forward currency contracts | 28            |
| Non-derivative securities  | (170)         |
| Net capital losses         | <u>(152)</u>  |

## 2. Revenue

|   | 2012<br>£'000 |
|---|---------------|
| Franked income from UK equity investments | 4             |
| Income from overseas equity investments   | 15            |
| Interest on bank and term deposits        | 9             |
| Interest on fixed-interest securities     | 2             |
| Total revenue                             | <u>30</u>     |

## 3. Expenses

|  | 2012<br>£'000 |
|--|---------------|
| <b>Payable to the ACD or associate of the ACD:</b> |               |
| ACD fee  | 44            |
| Fixed expenses                                     | 6             |
| Performance fee                                    | -             |
| Total expenses                                     | <u>50</u>     |

## 4. Taxation

|  | 2012<br>£'000 |
|--|---------------|
| <b>a) Analysis of charge in the period</b> |               |
| Overseas tax suffered                      | 2             |
| Current period tax charge (Note 4b)        | <u>2</u>      |

### b) Factors affecting the tax charge for the period

The tax assessed for the period is higher than the standard rate of corporation tax in the UK for an Open-Ended Investment Company (OEIC) (20%). The differences are explained below.

|   |            |
|---|------------|
| Net expense before taxation               | (20)       |
| Corporation tax at 20%                    | <u>(4)</u> |
| Effects of:                               |            |
| Dividends not subject to corporation tax  | (3)        |
| Excess expenses for which no relief taken | 7          |
| Overseas tax suffered                     | 2          |
|   | <u>6</u>   |
| Current period tax charge (Note 4a)       | <u>2</u>   |

No deferred tax asset has been recognised in the financial statements. At the period end date, the fund had a deferred tax asset of £7,446 in relation to £37,230 of excess management expenses which would only be utilised to reduce the tax charge if the fund had an excess of unfranked income over expenses in a future period. There is no excess of unfranked income expected in the future.

## 5. Finance costs

### Distributions

The distributions take account of amounts receivable on the issue of shares and amounts payable on the cancellation of shares and comprise:

|                             | 2012<br>£'000 |
|-----------------------------|---------------|
| Final dividend distribution | -             |
| Total finance costs         | <u>-</u>      |

Details of the distribution per share are set out on page 88.

## 6. Movement between net expense after taxation and distributions

|                                       | 2012<br>£'000 |
|---------------------------------------|---------------|
| Net expense after taxation            | (22)          |
| Add: Net expense payable from capital | 22            |
|                                       | <u>-</u>      |

## 7. Debtors

|  | 2012<br>£'000 |
|--|---------------|
| Accrued income                               | 3             |
| Due from brokers on contracts for difference | 26            |
| Sales awaiting settlement                    | 25            |
| Total debtors                                | <u>54</u>     |

## 8. Cash and bank balances

|                        | 2012<br>£'000 |
|------------------------|---------------|
| Cash and bank balances | <u>4,070</u>  |

## 9. Creditors

|                  | 2012<br>£'000 |
|------------------|---------------|
| Accrued expenses | 7             |
| Total creditors  | <u>7</u>      |

## 10. Portfolio transaction costs

|  | 2012<br>£'000 |
|--|---------------|
| <b>Analysis of total purchase costs</b>    |               |
| Purchases in year before transaction costs | 3,595         |
| Commissions                                | 2             |
| Taxes                                      | 1             |
| Total purchase costs                       | 3             |
| Gross purchases total                      | <u>3,598</u>  |
| <b>Analysis of total sale costs</b>        |               |
| Gross sales before transaction costs       | 1,425         |
| Commissions                                | (1)           |
| Total sale costs                           | (1)           |
| Total sales net of transaction costs       | <u>1,424</u>  |



## Notes to the financial statements – continued

### 11. Related party transactions

JPMorgan Funds Limited, as Authorised Corporate Director (“ACD”), is a related party, and acts as principal in respect of all transactions of shares in the Company. The aggregate monies received through issue, and paid on cancellation, are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

The balance due to the ACD and their associates at the period end date in respect of related party transactions was £7,365. Details of related party transactions are given under note 13 on page 389.

Investments considered to be related parties have been identified in the portfolio statement on page 83 and the revenue from these investments was £2,425 (31.01.11: £nil).

Some of the dealing transactions for the fund are carried out through associates of the ACD. Such transactions are carried out on an arm’s length basis. The commissions paid to these companies over the period were £696. Commission was paid to the associated company JPMorgan Securities Ltd.

The following party held a material interest in the fund at the period end date:

- JPMorgan Investments Limited 99.01%

### 12. Financial instruments

#### Currency exposures

A proportion of the net assets of the fund are denominated in currencies other than sterling, with the effect that the Balance sheet and total return can be affected by currency movements.

| Currency         | Net foreign currency assets |                                |                                    |
|------------------|-----------------------------|--------------------------------|------------------------------------|
|                  | Total<br>£’000              | Monetary<br>exposures<br>£’000 | Non-monetary<br>exposures<br>£’000 |
| <b>31.01.12</b>  |                             |                                |                                    |
| US Dollar        | 176                         | (571)                          | 747                                |
| Hong Kong Dollar | 93                          | (80)                           | 173                                |
| Euro             | 3                           | (421)                          | 424                                |
| Swiss Franc      | 1                           | 1                              | -                                  |
| Swedish Krona    | (5)                         | -                              | (5)                                |
| Singapore Dollar | (32)                        | (32)                           | -                                  |

#### Interest rate risk

The tables below detail the interest rate profile of the fund’s assets and liabilities as at the year end.

| Currency         | Total<br>assets<br>£’000 | Floating<br>rate<br>financial<br>assets<br>£’000 | Fixed<br>rate<br>financial<br>assets<br>£’000 | Financial<br>assets<br>not<br>carrying<br>any<br>interest |
|------------------|--------------------------|--|---|---|
|                  |                          |  |   | £’000   |
| <b>31.01.12</b>  |                          |  |   |   |
| UK Sterling      | 5,859                    | 4,012  | -   | 1,847   |
| US Dollar        | 176                      | -  | -   | 176   |
| Hong Kong Dollar | 93                       | -  | -   | 93  |
| Euro             | 3                        | 58   | -   | (55)  |
| Swiss Franc      | 1                        | -  | -   | 1   |
| Swedish Krona    | (5)                      | -  | -   | (5)   |
| Singapore Dollar | (32)                     | -  | -   | (32)  |

The floating rate financial assets are bank balances that bear interest at rates based on LIBOR or its overseas equivalent.

| Currency        | Total<br>liabilities<br>£’000 | Floating<br>rate<br>financial<br>liabilities<br>£’000 | Financial<br>liabilities<br>not carrying<br>any interest |
|-----------------|-------------------------------|---|--|
|                 |                               |   | £’000  |
| <b>31.01.12</b> |                               |   |  |
| UK Sterling     | 7                             | -   | 7  |

For consideration of other risks including liquidity, pricing and credit risk, please refer to the notes to the aggregated financial statements, pages 389 to 390.

### 13. Share classes

The fund currently has one share class; Class A shares. The Authorised Corporate Director’s (ACD) fee and fixed expenses charge are shown below.

| Class A shares: | ACD fee | Fixed expenses |
|-----------------|---------|----------------|
|                 | 1.25%   | 0.18%          |

The performance fee is calculated as 10% of any outperformance of the Fund against its benchmark British Bankers Association (BBA) LIBOR GBP 1 month rate. If the net asset value per share under-performs the benchmark for one or more accounting periods the ACD will not receive a performance fee until that under-performance has been recovered. The performance fee is also subject a high-water mark, where the ACD will not receive a performance fee until the net asset value per share has exceeded the net asset value per share at the end of the last accounting period when a performance fee was charged. Full details on how the performance fee is calculated can be found in the Prospectus.

The net asset value of each share class, the net asset value per share and the number of shares in each class are shown on page 82. All classes have the same rights on winding up.

### 14. Derivatives

The fund enters into derivative transactions in the form of forward currency contracts and contracts for difference. The fund may use derivatives for investment purposes or efficient portfolio management including hedging, where appropriate.

The Investment Adviser assesses the market risk of the fund’s investments, including derivative exposure, using the Monte Carlo simulation methodology. This process provides an estimate of the maximum potential loss that could be expected to occur as a result of changes in market prices over a given period of time in all but a given percentage of circumstances. The VaR is calculated on a 99% confidence level with a 20 day horizon & 250 days of history. As at the balance sheet date the VaR was 3.00%.

Further information on the derivative risks can be found in the notes to the aggregated financial statements on page 390.

# Distribution table

## Final distribution in pence per share

Group 1 – Shares purchased prior to 6 July 2011

Group 2 – Shares purchased 6 July 2011 to 31 January 2012

|                                    | Gross revenue | Tax at 10% | Net revenue | Equalisation | Distribution payable 30.04.12 |
|------------------------------------|---------------|------------|-------------|--------------|-------------------------------|
| <b>A-Class Accumulation Shares</b> |               |            |             |              |                               |
| Group 1                            | 0.000000      | 0.000000   | 0.000000    | -            | 0.000000                      |
| Group 2                            | 0.000000      | 0.000000   | 0.000000    | 0.000000     | 0.000000                      |
| <b>A-Class Income Shares</b>       |               |            |             |              |                               |
| Group 1                            | 0.000000      | 0.000000   | 0.000000    | -            | 0.000000                      |
| Group 2                            | 0.000000      | 0.000000   | 0.000000    | 0.000000     | 0.000000                      |

Equalisation applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of revenue included in the purchase price of all group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

# JPM Global Equity Income Fund

## Important information

### Change of Depositary

As part of an internal re-structuring, The Royal Bank of Scotland plc has transferred its Trustee and Depositary Services business from The Royal Bank of Scotland plc to National Westminster Bank plc and consequently National Westminster Bank plc has been appointed as Depositary of the Fund with effect from 15 October 2011.

As Depositary, National Westminster Bank plc will have the same duties and responsibilities as The Royal Bank of Scotland plc and this change will have no impact on the way the Fund operates.

### Changes to the investment policy and share class names

On 14 November 2011, the Authorised Corporate Director informed shareholders of amendments to the currency hedging of the Fund. With effect from 16 December 2011, the existing currency hedging was transferred from the Fund level to the share class level. There were no implications to shareholders of the Fund apart from changes to the names of the existing share classes.

The Authorised Corporate Director launched unhedged share classes in the Fund on 30 December 2011 to cater to investors seeking unhedged exposure to currency fluctuations between Sterling and the underlying assets of the Fund.

### Investment objective and policy

To provide a portfolio designed to achieve high and rising income by investing globally, primarily in equities, in any economic sector whilst participating in long-term capital growth.

### Risk profile

This equity based Fund may include investments in emerging market equities and smaller companies.

The Fund may be hedged back to Sterling where appropriate, to mitigate currency risk.

Equity investment is subject to specific risks relating to the performance of the individual companies held and the market's perception of their performance. Equities are also subject to systematic risks such as general economic conditions, inflation, interest rates, foreign exchange rates and industry sector risks. In general terms, equities tend to be more volatile than bonds.

As the Fund is primarily focused on generating income, the Fund may deviate from its benchmark.

This Fund charges the fees of the ACD against capital, which will increase the amount of income available for distribution to Shareholders, but may constrain capital growth. It may also have tax implications for certain investors.

For investors in Share Classes which are not hedged to Sterling, as the underlying assets of the Fund are denominated in currencies other than Sterling, they will therefore be exposed to the currency risk of fluctuations between Sterling and the currency denominations of the underlying assets.

Investors in Hedged Shares should be aware that any currency hedging process may not give a precise hedge. Where currency hedging is undertaken, whilst it may protect an investor in Hedged Shares against a decrease in the value of the currency being hedged, it may also prevent an investor from participating in an increase in the value of that currency.

### Fund review

Global equity markets had a challenging 12 months to 31 January 2012. The European sovereign debt crisis dominated investor sentiment, with policymakers failing to allay fears of contagion. Meanwhile, the US was the best performing region as housing, employment and consumer confidence data pointed to an improving economy.

In markets heavily influenced by macroeconomic factors, the Fund underperformed its benchmark. Stock selection was weak across the telecoms, technology - hardware and insurance sectors, while healthcare and consumer non durables contributed positively. On a regional basis, stock selection in the US and Japan contributed positively to returns, while emerging markets and Europe ex UK detracted. The projected 2012 dividend yield of the portfolio is 4.6% versus the MSCI World, which is yielding 2.7%. A number of companies in the portfolio announced healthy dividend increases in 2011 and we expect strong dividend growth over the coming quarters.

### Fund outlook

While headwinds to growth remain, the macroeconomic outlook is not as bad as first feared. The injection of liquidity from the European Central Bank's long-term refinancing programme appears to have bought European authorities more time to address the unresolved structural issues. In the US, recent economic data has generally been better than expected, as shown by the increase in the Citigroup economic surprise index. Investors are now sceptical as to how long this improving trend can be sustained. In China, lingering doubts remain over the government's capacity to stimulate the economy in the face of European recession. The immediate catalyst for markets to move higher will be the company reporting season, which has so far been mixed. Guidance for earnings in 2012 will be given particular attention.

### 12 month performance as at 31 January

|                                     | 2012  | 2011  | 2010  | 2009   | 2008  |
|-------------------------------------|-------|-------|-------|--------|-------|
| <b>JPM Global Equity Income</b>     |       |       |       |        |       |
| A-Class Acc (GBP Hedged)            | -5.3% | 15.0% | 20.3% | -23.9% | -8.2% |
| <b>JPM Global Equity Income</b>     |       |       |       |        |       |
| C-Class Inc (GBP Hedged)            | -4.5% | 15.9% | 21.2% | -      | -     |
| Hedged Benchmark Index <sup>A</sup> | -3.6% | 16.1% | 27.5% | -19.2% | -2.8% |
| <b>JPM Global Equity Income</b>     |       |       |       |        |       |
| A-Class Acc <sup>B</sup>            | -     | -     | -     | -      | -     |
| Benchmark Index                     | -     | -     | -     | -      | -     |

You should remember that past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. For specific risks, please read the Simplified Prospectus.

On 16/12/11 the Fund switched to currency hedging at share class level and existing share classes were renamed GBP Hedged Shares.

All performance returns are calculated using the quoted price of the accumulation or income shares. Performance returns are in Sterling.

Source: J.P. Morgan.

<sup>A</sup> On 01/05/09 the benchmark for the Fund was changed from MSCI World Index (Total Return Net) to MSCI World Index Hedged into GBP (Total Return Net).

<sup>B</sup> The launch of this share class occurred less than 12 months ago and as a result no performance return is reported.

Benchmark Source: MSCI. Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express of implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent.

## Fund statistics

|                                     |   |
|-------------------------------------|---|
| Fund size                           | £105.0m   |
| Hedged Benchmark Index <sup>A</sup> | MSCI World Index Hedged into GBP (Total Return Net) |
| Benchmark Index                     | MSCI World Index (Total Return Net)                 |
| Fund charges                        |   |
| A-Class                             | Initial 4.25%, Annual 1.50%                         |
| C-Class                             | Initial Nil, Annual 0.75%                           |
| X-Class                             | On application <sup>C</sup>                         |

## Top ten holdings (excluding Liquidity funds) %

|                          |     |
|--------------------------|-----|
| Time Warner              | 2.8 |
| Du Pont de Nemours       | 2.5 |
| Merck & Co               | 2.4 |
| Schneider Electric       | 2.4 |
| Royal Dutch Shell 'A'    | 2.3 |
| British American Tobacco | 2.3 |
| Roche (Genusscheine)     | 2.2 |
| Sumitomo                 | 2.1 |
| Hutchison Whampoa        | 2.0 |
| Pfizer                   | 2.0 |

## Geographical breakdown %

|   |       |
|---|-------|
| United States of America                            | 30.7  |
| United Kingdom                                      | 13.8  |
| France  | 12.2  |
| Japan   | 8.9   |
| Germany   | 7.6   |
| Switzerland   | 5.0   |
| Australia   | 2.1   |
| Liquidity funds                                     | 2.1   |
| Hong Kong   | 2.0   |
| Sweden  | 2.0   |
| New Zealand   | 1.9   |
| South Africa  | 1.9   |
| Italy   | 1.8   |
| Netherlands   | 1.5   |
| Forward currency contracts GBP Hedged share classes | 1.5   |
| China   | 1.4   |
| South Korea   | 1.4   |
| Finland   | 1.4   |
| Singapore   | 1.1   |
| Forward currency contracts Fund level               | (0.5) |
| Net other assets                                    | 0.2   |

The forward exchange contracts are entered into at Fund level, and additional forward exchange contracts are entered into by the A-Class Accumulation GBP Hedged shares, A-Class Income GBP Hedged shares, and the C-Class Income GBP Hedged shares.

## Highest/lowest share price and distribution record

| Calendar year   | Highest share price | Lowest share price | Distribution per share (net) |
|---|---------------------|--------------------|------------------------------|
| <b>A-Class Accumulation Shares<sup>D</sup></b>            |                     |                    |                              |
| 2011  | 50.00p              | 50.00p             | -                            |
| 2012 <sup>E</sup>   | 51.13p              | 49.96p             | 0.01p                        |
| <b>A-Class Accumulation GBP Hedged Shares<sup>F</sup></b> |                     |                    |                              |
| 2007  | 53.79p              | 47.18p             | 1.35p                        |
| 2008  | 51.36p              | 32.81p             | 1.81p                        |
| 2009  | 44.13p              | 29.50p             | 1.59p                        |
| 2010  | 48.64p              | 40.78p             | 1.55p                        |
| 2011  | 50.06p              | 40.47p             | 1.84p                        |
| 2012 <sup>E</sup>   | 46.23p              | 44.94p             | 0.23p                        |
| <b>A-Class Income Shares<sup>D</sup></b>                  |                     |                    |                              |
| 2011  | 50.00p              | 50.00p             | -                            |
| 2012 <sup>E</sup>   | 51.13p              | 49.96p             | 0.01p                        |
| <b>A-Class Income GBP Hedged Shares<sup>F</sup></b>       |                     |                    |                              |
| 2007  | 52.73p              | 46.85p             | 1.33p                        |
| 2008  | 49.99p              | 30.88p             | 1.73p                        |
| 2009  | 39.41p              | 27.34p             | 1.46p                        |
| 2010  | 41.94p              | 35.87p             | 1.36p                        |
| 2011  | 42.89p              | 33.89p             | 1.57p                        |
| 2012 <sup>E</sup>   | 38.85p              | 37.28p             | 0.19p                        |
| <b>C-Class Income GBP Hedged Shares<sup>F6</sup></b>      |                     |                    |                              |
| 2008  | 107.3p              | 71.49p             | 2.96p                        |
| 2009  | 92.05p              | 63.42p             | 3.42p                        |
| 2010  | 98.66p              | 83.99p             | 3.29p                        |
| 2011  | 101.2p              | 80.18p             | 3.73p                        |
| 2012 <sup>E</sup>   | 90.99p              | 88.42p             | 0.47p                        |
| <b>X-Class Accumulation Shares</b>                        |                     |                    |                              |
| 2007  | 105.1p              | 93.36p             | 0.00p                        |
| 2008  | 100.7p              | 65.00p             | 3.10p                        |
| 2009  | 88.78p              | 58.74p             | 3.18p                        |
| 2010  | 99.42p              | 82.57p             | 3.28p                        |
| 2011 <sup>H</sup>   | 102.8p              | 83.68p             | 2.97p                        |
| <b>X-Class Income Shares</b>                              |                     |                    |                              |
| 2007  | 105.1p              | 93.36p             | 0.00p                        |
| 2008  | 100.7p              | 63.17p             | 3.06p                        |
| 2009  | 81.91p              | 56.16p             | 2.99p                        |
| 2010  | 88.42p              | 74.93p             | 2.99p                        |
| 2011 <sup>H</sup>   | 90.88p              | 72.23p             | 2.61p                        |

<sup>D</sup> A-Class Accumulation and A-Class Income Shares were launched on 30 December 2011.

<sup>E</sup> To 31 January 2012.

<sup>F</sup> A-Class Accumulation, A-Class Income and C-Class Income shares changed name to GBP Hedged shares on 16 December 2011.

<sup>G</sup> C-Class Income Shares were launched on 28 March 2008.

<sup>H</sup> X-Class Accumulation and X-Class Income Shares were closed on 12 October 2011.

## Portfolio turnover rate

|          |        |
|----------|--------|
| 31.01.11 | 96.1%  |
| 31.01.12 | 146.2% |

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the period.

## Net asset values and Total expense ratios

| Date  | Net asset value per share class<br>£'000 | Number of shares | Net asset value per share | Total expense ratio |
|---|--|------------------|---------------------------|---------------------|
| <b>A-Class Accumulation Shares</b>            |  |                  |                           |                     |
| 31.01.12                                      | 3  | 5,000            | 50.41p                    | 1.68%               |
| <b>A-Class Accumulation GBP Hedged Shares</b> |  |                  |                           |                     |
| 31.01.10                                      | 73,237                                   | 174,307,430      | 42.02p                    | 1.66%               |
| 31.01.11                                      | 95,052                                   | 196,741,525      | 48.31p                    | 1.67%               |
| 31.01.12                                      | 83,943                                   | 183,385,494      | 45.77p                    | 1.68%               |
| <b>A-Class Income Shares</b>                  |  |                  |                           |                     |
| 31.01.12                                      | 3  | 5,000            | 50.40p                    | 1.68%               |
| <b>A-Class Income GBP Hedged Shares</b>       |  |                  |                           |                     |
| 31.01.10                                      | 13,385                                   | 35,867,126       | 37.32p                    | 1.66%               |
| 31.01.11                                      | 18,409                                   | 44,472,589       | 41.39p                    | 1.67%               |
| 31.01.12                                      | 18,068                                   | 47,820,860       | 37.78p                    | 1.67%               |
| <b>C-Class Income GBP Hedged Shares</b>       |  |                  |                           |                     |
| 31.01.10                                      | 1,668                                    | 1,913,828        | 87.17p                    | 0.87%               |
| 31.01.11                                      | 2,658                                    | 2,727,345        | 97.46p                    | 0.87%               |
| 31.01.12                                      | 2,982                                    | 3,327,317        | 89.63p                    | 0.87%               |
| <b>X-Class Accumulation Shares</b>            |  |                  |                           |                     |
| 31.01.10                                      | 5  | 6,000            | 84.65p                    | 0.06%               |
| 31.01.11                                      | 6  | 6,000            | 98.86p                    | 0.06%               |
| <b>X-Class Income Shares</b>                  |  |                  |                           |                     |
| 31.01.10                                      | 5  | 7,000            | 77.60p                    | 0.06%               |
| 31.01.11                                      | 5  | 6,000            | 87.38p                    | 0.06%               |

The net asset value and the net asset value per income share are shown ex-dividend.

The total expense ratio (TER) takes into account the ACD fee and any fixed expenses charged to revenue expressed as a percentage of the average daily net asset values over the period.

# Portfolio statement

As at 31 January 2012

| Investment                                      | Holding   | Market value<br>£'000 | Total net<br>assets % |
|---|-----------|-----------------------|-----------------------|
| <b>United States of America - 30.7% (28.0%)</b> |           |                       |                       |
| Apple   | 5,296     | 1,519                 | 1.4                   |
| Bristol-Myers Squibb                            | 67,471    | 1,379                 | 1.3                   |
| Carnival  | 63,440    | 1,211                 | 1.2                   |
| Chevron   | 23,705    | 1,552                 | 1.5                   |
| Coca-Cola                                       | 35,091    | 1,499                 | 1.4                   |
| ConocoPhillips                                  | 24,013    | 1,045                 | 1.0                   |
| Du Pont de Nemours                              | 81,810    | 2,641                 | 2.5                   |
| Emerson Electric                                | 47,790    | 1,565                 | 1.5                   |
| Mattel  | 43,786    | 819                   | 0.8                   |
| McDonald's                                      | 28,618    | 1,789                 | 1.7                   |
| Merck & Co                                      | 101,238   | 2,494                 | 2.4                   |
| Microsoft                                       | 88,536    | 1,660                 | 1.6                   |
| Paychex   | 46,423    | 927                   | 0.9                   |
| Pfizer  | 156,794   | 2,141                 | 2.0                   |
| PG&E  | 58,640    | 1,500                 | 1.4                   |
| Sysco   | 51,378    | 980                   | 0.9                   |
| Time Warner                                     | 121,774   | 2,889                 | 2.8                   |
| Verizon Communications                          | 83,091    | 1,980                 | 1.9                   |
| Wells Fargo                                     | 92,543    | 1,715                 | 1.6                   |
| Williams  | 53,660    | 975                   | 0.9                   |
| <b>United Kingdom - 13.8% (12.4%)</b>           |           |                       |                       |
| British American Tobacco                        | 81,807    | 2,413                 | 2.3                   |
| Cairn Energy                                    | 220,047   | 620                   | 0.6                   |
| Centrica  | 512,140   | 1,516                 | 1.4                   |
| GlaxoSmithKline                                 | 130,442   | 1,852                 | 1.8                   |
| HSBC  | 283,707   | 1,511                 | 1.4                   |
| Royal Dutch Shell 'A'                           | 107,566   | 2,428                 | 2.3                   |
| Standard Chartered                              | 80,493    | 1,240                 | 1.2                   |
| SABMiller                                       | 39,999    | 970                   | 0.9                   |
| Vodafone Group                                  | 1,140,168 | 1,968                 | 1.9                   |
| <b>France - 12.2% (15.1%)</b>                   |           |                       |                       |
| Compagnie de Saint-Gobain                       | 46,100    | 1,313                 | 1.3                   |
| GDF Suez  | 55,929    | 969                   | 0.9                   |
| PPR   | 16,283    | 1,620                 | 1.5                   |
| Sanofi-Aventis                                  | 26,034    | 1,234                 | 1.2                   |
| Schneider Electric                              | 62,801    | 2,487                 | 2.4                   |
| Sodexo  | 36,013    | 1,695                 | 1.6                   |
| Suez Environment                                | 91,985    | 753                   | 0.7                   |
| TOTAL S.A.                                      | 44,885    | 1,518                 | 1.4                   |
| Unibail   | 10,596    | 1,300                 | 1.2                   |
| <b>Japan - 8.9% (3.7%)</b>                      |           |                       |                       |
| Canon   | 69,400    | 1,890                 | 1.8                   |
| Daito Trust Construction                        | 30,200    | 1,795                 | 1.7                   |
| Japan Tobacco                                   | 544       | 1,684                 | 1.6                   |
| Nippon Telegraph & Telephone                    | 57,800    | 1,826                 | 1.7                   |
| Sumitomo  | 248,500   | 2,254                 | 2.1                   |
| <b>Germany - 7.6% (7.3%)</b>                    |           |                       |                       |
| Allianz   | 22,556    | 1,597                 | 1.5                   |
| BASF  | 32,822    | 1,648                 | 1.6                   |
| BMW   | 29,093    | 1,599                 | 1.5                   |
| Deutsche Boerse                                 | 43,231    | 1,623                 | 1.5                   |
| E.ON  | 113,604   | 1,552                 | 1.5                   |
| <b>Switzerland - 5.0% (2.1%)</b>                |           |                       |                       |
| Nestle  | 40,818    | 1,498                 | 1.4                   |
| Roche (Genusscheine)                            | 21,304    | 2,296                 | 2.2                   |
| Swiss Reinsurance                               | 41,792    | 1,446                 | 1.4                   |
| <b>Australia - 2.1% (3.5%)</b>                  |           |                       |                       |
| Australia & New Zealand Bank Group              | 85,937    | 1,241                 | 1.2                   |
| Tatts Group                                     | 555,044   | 948                   | 0.9                   |
| <b>Hong Kong - 2.0% (2.2%)</b>                  |           |                       |                       |
| Hutchison Whampoa                               | 356,000   | 2,141                 | 2.0                   |
| <b>Sweden - 2.0% (0.0%)</b>                     |           |                       |                       |
| Ericsson 'B'                                    | 211,730   | 1,236                 | 1.2                   |
| Swedbank 'A'                                    | 88,006    | 808                   | 0.8                   |
| <b>New Zealand - 1.9% (0.0%)</b>                |           |                       |                       |
| Telecom Corporation of New Zealand              | 1,803,600 | 1,976                 | 1.9                   |
| <b>South Africa - 1.9% (0.8%)</b>               |           |                       |                       |
| African Bank Investments                        | 307,178   | 924                   | 0.9                   |
| MTN Group                                       | 92,753    | 1,004                 | 1.0                   |

| Investment   | Holding   | Market value<br>£'000 | Total net<br>assets % |
|--|-----------|-----------------------|-----------------------|
| <b>Italy - 1.8% (4.0%)</b>   |           |                       |                       |
| ENI  | 133,426   | 1,898                 | 1.8                   |
| <b>Netherlands - 1.5% (4.5%)</b>   |           |                       |                       |
| Unilever   | 72,079    | 1,530                 | 1.5                   |
| <b>China - 1.4% (2.5%)</b>   |           |                       |                       |
| China Construction Bank 'H'  | 3,006,000 | 1,522                 | 1.4                   |
| <b>South Korea - 1.4% (0.9%)</b>   |           |                       |                       |
| KT ADR   | 156,057   | 1,470                 | 1.4                   |
| <b>Finland - 1.4% (0.0%)</b>   |           |                       |                       |
| UPM-Kymmene  | 176,656   | 1,452                 | 1.4                   |
| <b>Singapore - 1.1% (2.4%)</b>   |           |                       |                       |
| Singapore Telecommunications   | 756,000   | 1,182                 | 1.1                   |
| <b>Forward currency contracts GBP Hedged share classes - 1.5% ((0.0%))</b> |           |                       |                       |
| <b>Australian Dollar</b>   |           |                       |                       |
| Sell AUD 5,753,272 buy £3,883,017 dated 23/02/12                           |           | 7                     | -                     |
| <b>Canadian Dollar</b>   |           |                       |                       |
| Sell CAD 8,553,656 buy £5,484,343 dated 23/02/12                           |           | 55                    | 0.1                   |
| <b>Euro</b>  |           |                       |                       |
| Sell €464,062 buy £387,792 dated 23/02/12                                  |           | -                     | -                     |
| Sell €14,584,479 buy £12,326,469 dated 23/02/12                            |           | (76)                  | (0.1)                 |
| <b>Hong Kong Dollar</b>  |           |                       |                       |
| Sell HKD 19,702,802 buy £1,641,780 dated 23/02/12                          |           | 32                    | -                     |
| <b>Japanese Yen</b>  |           |                       |                       |
| Sell ¥1,135,596,871 buy £9,618,551 dated 23/02/12                          |           | 201                   | 0.2                   |
| <b>New Zealand Dollar</b>  |           |                       |                       |
| Sell NZD 97,411 buy £50,580 dated 23/02/12                                 |           | -                     | -                     |
| <b>Norwegian Krone</b>   |           |                       |                       |
| Sell NOK 3,795,170 buy £411,262 dated 23/02/12                             |           | (2)                   | -                     |
| <b>Singapore Dollar</b>  |           |                       |                       |
| Sell SGD 1,482,457 buy £751,043 dated 23/02/12                             |           | 1                     | -                     |
| <b>Swedish Krona</b>   |           |                       |                       |
| Sell SEK 14,313,295 buy £1,344,223 dated 23/02/12                          |           | 1                     | -                     |
| <b>Swiss Franc</b>   |           |                       |                       |
| Sell CHF 5,525,539 buy £3,800,066 dated 23/02/12                           |           | (31)                  | -                     |
| <b>US Dollar</b>   |           |                       |                       |
| Buy \$3,196,748 sell £2,066,840 dated 23/02/12                             |           | (42)                  | -                     |
| Sell \$82,383,220 buy £53,526,245 dated 23/02/12                           |           | 1,334                 | 1.3                   |
| <b>Forward currency contracts Fund level - (0.5%) ((0.5%))</b>             |           |                       |                       |
| <b>Australian Dollar</b>   |           |                       |                       |
| Buy AUD 423,087 sell \$423,087 dated 23/02/12                              |           | 12                    | -                     |
| Buy AUD 1,957,808 sell £1,312,881 dated 23/02/12                           |           | 6                     | -                     |
| <b>Canadian Dollar</b>   |           |                       |                       |
| Buy CAD 8,581,229 sell \$8,374,954 dated 23/02/12                          |           | 141                   | 0.1                   |
| <b>Euro</b>  |           |                       |                       |
| Buy €613,188 sell CHF 744,293 dated 23/02/12                               |           | (4)                   | -                     |
| Sell €1,593,025 buy £1,330,543 dated 23/02/12                              |           | 1                     | -                     |
| Sell €1,672,736 buy £1,395,212 dated 23/02/12                              |           | (1)                   | -                     |
| <b>New Zealand Dollar</b>  |           |                       |                       |
| Buy NZD 202,345 sell \$160,369 dated 23/02/12                              |           | 5                     | -                     |
| <b>Norwegian Krone</b>   |           |                       |                       |
| Buy NOK 8,847,332 sell £963,879 dated 23/02/12                             |           | -                     | -                     |
| <b>Swedish Krona</b>   |           |                       |                       |
| Sell SEK 8,691,662 buy £826,518 dated 23/02/12                             |           | 11                    | -                     |
| <b>Swiss Franc</b>   |           |                       |                       |
| Sell CHF 1,271,975 buy £880,182 dated 23/02/12                             |           | (2)                   | -                     |
| <b>US Dollar</b>   |           |                       |                       |
| Buy \$16,417,071 sell €12,896,188 dated 23/02/12                           |           | (367)                 | (0.3)                 |
| Buy \$1,155,985 sell HKD 8,977,778 dated 23/02/12                          |           | (1)                   | -                     |
| Buy \$208,720 sell ¥16,088,367 dated 23/02/12                              |           | (1)                   | -                     |
| Buy \$2,788,463 sell NZD 3,579,055 dated 23/02/12                          |           | (108)                 | (0.1)                 |
| Buy \$786,712 sell NOK 4,748,983 dated 23/02/12                            |           | (19)                  | -                     |
| Buy \$722,491 sell SGD 934,561 dated 23/02/12                              |           | (15)                  | -                     |
| Buy \$14,664,926 sell £9,495,706 dated 23/02/12                            |           | (205)                 | (0.2)                 |
| Buy \$288,996 sell CHF 276,232 dated 23/02/12                              |           | (8)                   | -                     |
| Sell \$786,283 buy £501,197 dated 23/02/12                                 |           | 3                     | -                     |

## Portfolio statement – continued

As at 31 January 2012

| Investment  | Holding   | Market value<br>£'000 | Total net<br>assets % |
|---|-----------|-----------------------|-----------------------|
| <b>Liquidity funds - 2.1% (0.0%)</b>                        |           |                       |                       |
| JPM Sterling Liquidity 'X' (Income)^                        | 2,176,145 | 2,176                 | 2.1                   |
| <b>Investment assets (including investment liabilities)</b> |           | <b>104,831</b>        | <b>99.8</b>           |
| <b>Net other assets</b>                                     |           | <b>168</b>            | <b>0.2</b>            |
| <b>Net assets</b>   |           | <b>104,999</b>        | <b>100.0</b>          |

Unless otherwise stated the above securities are admitted to official stock exchange listings or trade on a regulated market.

The comparative percentage figures in brackets are at 31 January 2011.

The forward exchange contracts are entered into at Fund level, and additional forward exchange contracts are entered into by the A-Class Accumulation GBP Hedged shares, A-Class Income GBP Hedged shares, and the C-Class Income GBP Hedged shares.

^ Deemed to be investment in related parties of the ACD

## Portfolio movements

For the year ending 31 January 2012

|  | £'000         |  | £'000           |
|--|---------------|--|-----------------|
| <b>Total of all purchases for the year (Note 10)</b> | <b>86,913</b> | <b>Total of all sales for the year (Note 10)</b> | <b>88,298</b>   |
| <b>Major purchases</b>                               | <b>Cost</b>   | <b>Major sales</b>                               | <b>Proceeds</b> |
| JPM Sterling Liquidity 'X' (Income)^                 | 14,529        | JPM Sterling Liquidity 'X' (Income)^             | 12,353          |
| UPM-Kymmene  | 2,513         | Xcel Energy                                      | 2,515           |
| Roche (Genusscheine)                                 | 2,276         | Banco Santander                                  | 2,331           |
| Canon  | 2,239         | IBM  | 2,271           |
| Wells Fargo  | 2,195         | Zurich Financial Services                        | 2,180           |
| Telecom Corporation of New Zealand                   | 2,190         | Abbott Laboratories                              | 2,160           |
| Sampo 'A'  | 2,041         | China Construction Bank 'H'                      | 2,087           |
| Schneider Electric                                   | 2,000         | Canon  | 2,085           |
| Sanofi-Aventis                                       | 1,953         | Taiwan Semiconductor Manufacturing ADS           | 1,915           |
| Deutsche Boerse                                      | 1,920         | Sampo 'A'  | 1,810           |
| China Construction Bank 'H'                          | 1,907         | Telefonica                                       | 1,761           |
| Nippon Telegraph & Telephone                         | 1,906         | Philips Electronics                              | 1,758           |
| Japan Tobacco  | 1,817         | ONEOK  | 1,726           |
| DnB  | 1,775         | Centerpoint Energy                               | 1,724           |
| ONEOK  | 1,723         | Vivendi  | 1,698           |
| Daito Trust Construction                             | 1,712         | Daimler  | 1,600           |
| Ericsson 'B'   | 1,697         | HSBC   | 1,581           |
| Centerpoint Energy                                   | 1,671         | KPN  | 1,577           |
| E.ON   | 1,648         | Enel   | 1,554           |
| Microsoft  | 1,540         | Royal Dutch Shell 'A'                            | 1,463           |

^ Deemed to be investment in related parties of the ACD



# Financial statements

## Statement of total return

For the year ending 31 January

|   | £'000   | 2012<br>£'000   | £'000   | 2011<br>£'000 |
|---|---------|-----------------|---------|---------------|
| Income  |         |                 |         |               |
| Net capital (losses)/gains (Note 1)   |         | (8,827)         |         | 13,238        |
| Revenue (Note 2)  | 4,866   |                 | 4,212   |               |
| Expenses (Note 3)   | (1,820) |                 | (1,707) |               |
| Net revenue before taxation   | 3,046   |                 | 2,505   |               |
| Taxation (Note 4)   | (454)   |                 | (412)   |               |
| Net revenue after taxation  |         | 2,592           |         | 2,093         |
| <b>Total return before distributions</b>  |         | <b>(6,235)</b>  |         | <b>15,331</b> |
| Finance costs:<br>Distributions (Note 5)  |         | (4,211)         |         | (3,602)       |
| <b>Change in net assets attributable to shareholders from investment activities</b> |         | <b>(10,446)</b> |         | <b>11,729</b> |

## Statement of change in net assets attributable to shareholders

For the year ending 31 January

|  | £'000    | 2012<br>£'000  | £'000    | 2011<br>£'000  |
|--|----------|----------------|----------|----------------|
| <b>Opening net assets attributable to shareholders</b>                                   |          | <b>116,130</b> |          | <b>88,300</b>  |
| Amounts receivable on issue of shares  | 6,074    |                | 23,590   |                |
| Amounts payable on cancellation of shares  | (10,154) |                | (10,596) |                |
|  |          | (4,080)        |          | 12,994         |
| Change in net assets attributable to shareholders from investment activities (see above) |          | (10,446)       |          | 11,729         |
| Retained distributions on accumulation shares  |          | 3,400          |          | 3,114          |
| Stamp duty reserve tax   |          | (5)            |          | (7)            |
| <b>Closing net assets attributable to shareholders</b>                                   |          | <b>104,999</b> |          | <b>116,130</b> |

## Balance sheet

As at 31 January

|  | £'000   | 2012<br>£'000  | £'000 | 2011<br>£'000  |
|--|---------|----------------|-------|----------------|
| <b>ASSETS</b>                                  |         |                |       |                |
| Investment assets                              |         | 105,713        |       | 113,700        |
| Debtors (Note 7)                               | 905     |                | 1,229 |                |
| Cash and bank balances (Note 8)                | 730     |                | 3,073 |                |
| <b>Total other assets</b>                      |         | <b>1,635</b>   |       | <b>4,302</b>   |
| <b>Total assets</b>                            |         | <b>107,348</b> |       | <b>118,002</b> |
| <b>LIABILITIES</b>                             |         |                |       |                |
| Investment liabilities                         |         | (882)          |       | (1,250)        |
| Creditors (Note 9)                             | (1,361) |                | (485) |                |
| Distribution payable on income shares          | (106)   |                | (137) |                |
| <b>Total other liabilities</b>                 |         | <b>(1,467)</b> |       | <b>(622)</b>   |
| <b>Total liabilities</b>                       |         | <b>(2,349)</b> |       | <b>(1,872)</b> |
| <b>Net assets attributable to shareholders</b> |         | <b>104,999</b> |       | <b>116,130</b> |

The notes to these financial statements are shown on pages 96 to 98.

# Notes to the financial statements for the year ending 31 January 2012

## 1. Net capital (losses)/gains

|                            | 2012           | 2011          |
|----------------------------|----------------|---------------|
|                            | £'000          | £'000         |
| Currency gains/(losses)    | 813            | (61)          |
| Custodian handling charges | (5)            | (7)           |
| Derivative contracts       | 16             | (147)         |
| Forward currency contracts | (1,752)        | (1,978)       |
| Non-derivative securities  | (7,899)        | 15,431        |
| Net capital (losses)/gains | <u>(8,827)</u> | <u>13,238</u> |

## 2. Revenue

|   | 2012         | 2011         |
|---|--------------|--------------|
|   | £'000        | £'000        |
| Franked income from UK equity investments | 654          | 499          |
| Income from overseas equity investments   | 3,978        | 3,604        |
| Interest on bank and term deposits        | 7            | 7            |
| Interest on fixed-interest securities     | 6            | -            |
| Stock dividends                           | 137          | 51           |
| Stocklending income*                      | 84           | 51           |
| Total revenue                             | <u>4,866</u> | <u>4,212</u> |

\* Stocklending income is disclosed net of fees. See note 11.

## 3. Expenses

|   | 2012         | 2011         |
|---|--------------|--------------|
|   | £'000        | £'000        |
| Payable to the ACD or associate of the ACD: |              |              |
| ACD fee                                     | 1,631        | 1,530        |
| Fixed expenses                              | 189          | 177          |
| Total expenses                              | <u>1,820</u> | <u>1,707</u> |

## 4. Taxation

|  | 2012       | 2011       |
|--|------------|------------|
|  | £'000      | £'000      |
| <b>a) Analysis of charge in the year</b> |            |            |
| Overseas tax provision                   | -          | (11)       |
| Overseas tax suffered                    | 452        | 423        |
| Prior year adjustments                   | 2          | -          |
| Current year tax charge (Note 4b)        | <u>454</u> | <u>412</u> |

### b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an Open-Ended Investment Company (OEIC) (20%). The differences are explained below.

|   |              |              |
|---|--------------|--------------|
| Net revenue before taxation               | <u>3,046</u> | <u>2,505</u> |
| Corporation tax at 20%                    | <u>609</u>   | <u>501</u>   |
| Effects of:                               |              |              |
| Dividends not subject to corporation tax  | (938)        | (784)        |
| Excess expenses for which no relief taken | 329          | 283          |
| Overseas tax provision                    | -            | (11)         |
| Overseas tax suffered                     | 452          | 423          |
| Prior year adjustments                    | 2            | -            |
|   | <u>(155)</u> | <u>(89)</u>  |
| Current year tax charge (Note 4a)         | <u>454</u>   | <u>412</u>   |

No deferred tax asset has been recognised in the financial statements. At the year end date, the fund had a deferred tax asset of £612,937 (31.01.11: £283,548) in relation to £3,064,686 (31.01.11: £1,417,738) of excess management expenses which would only be utilised to reduce the tax charge if the fund had an excess of unfranked income over expenses in a future period. There is no excess of unfranked income expected in the future.

## 5. Finance costs

### Distributions

The distributions take account of amounts receivable on the issue of shares and amounts payable on the cancellation of shares and comprise:

|  | 2012         | 2011         |
|--|--------------|--------------|
|  | £'000        | £'000        |
| First interim dividend distribution            | 961          | 889          |
| Second interim dividend distribution           | 1,704        | 1,414        |
| Third interim dividend distribution            | 1,005        | 718          |
| Final dividend distribution                    | 528          | 747          |
| Add: Amounts payable on cancellation of shares | 47           | 65           |
| Deduct: Amounts receivable on issue of shares  | (34)         | (231)        |
| Total finance costs                            | <u>4,211</u> | <u>3,602</u> |

Details of the distribution per share are set out on pages 99 and 100.

## 6. Movement between net revenue after taxation and distributions

|  | 2012         | 2011         |
|--|--------------|--------------|
|  | £'000        | £'000        |
| Net revenue after taxation                         | 2,592        | 2,093        |
| Add: ACD fee (net of tax relief) paid from capital | 1,631        | 1,508        |
| Add: Undistributed revenue brought forward         | 6            | 7            |
| Deduct: Undistributed revenue carried forward      | (18)         | (6)          |
|  | <u>4,211</u> | <u>3,602</u> |

## Notes to the financial statements – continued

### 7. Debtors

|                                     | 2012  | 2011  |
|-------------------------------------|-------|-------|
|                                     | £'000 | £'000 |
| Accrued income                      | 154   | 124   |
| Corporation tax recoverable         | -     | 2     |
| Due from the ACD for shares created | 670   | 205   |
| Overseas tax recoverable            | 40    | 74    |
| Sales awaiting settlement           | 41    | 824   |
| Total debtors                       | 905   | 1,229 |

### 8. Cash and bank balances

|   | 2012  | 2011  |
|---|-------|-------|
|   | £'000 | £'000 |
| Amounts held at futures clearing houses and brokers | -     | 111   |
| Cash and bank balances                              | 730   | 2,962 |
| Total cash and bank balances                        | 730   | 3,073 |

### 9. Creditors

|                                     | 2012  | 2011  |
|-------------------------------------|-------|-------|
|                                     | £'000 | £'000 |
| Accrued expenses                    | 147   | 164   |
| Due to the ACD for shares cancelled | 34    | 19    |
| Purchases awaiting settlement       | 1,180 | 302   |
| Total creditors                     | 1,361 | 485   |

### 10. Portfolio transaction costs

|  | 2012   | 2011   |
|--|--------|--------|
|  | £'000  | £'000  |
| Analysis of total purchase costs           |        |        |
| Purchases in year before transaction costs | 86,912 | 70,945 |
| Commissions                                | -      | 57     |
| Taxes                                      | 1      | 30     |
| Total purchase costs                       | 1      | 87     |
| Gross purchases total                      | 86,913 | 71,032 |
| Analysis of total sale costs               |        |        |
| Gross sales before transaction costs       | 88,377 | 59,219 |
| Commissions                                | (73)   | (54)   |
| Taxes                                      | (6)    | (5)    |
| Total sale costs                           | (79)   | (59)   |
| Total sales net of transaction costs       | 88,298 | 59,160 |

### 11. Related party transactions

JPMorgan Funds Limited, as Authorised Corporate Director ("ACD"), is a related party, and acts as principal in respect of all transactions of shares in the Company. The aggregate monies received through issue, and paid on cancellation, are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

The balance due from the ACD and their associates at the year end date in respect of related party transactions was £488,710 (31.01.11: £22,066). Details of related party transactions are given under note 13 on page 389.

Investments considered to be related parties have been identified in the portfolio statement on pages 92 to 93 and the revenue from these investments was £6,036 (31.01.11: £nil).

The gross stocklending income received was £101,393 (31.01.11: £62,341), with fees deducted of £17,744 (31.01.11: £10,910).

The following parties held a material interest in the fund at the year end date:

- S&P Pensions Ltd 28.39% (31.01.11: 29.67%)
- S&P Pensions Ltd 16.54% (31.01.11: 15.78%)

### 12. Financial instruments

#### Currency exposures

A proportion of the net assets of the fund are denominated in currencies other than sterling, with the effect that the Balance sheet and total return can be affected by currency movements.

| Currency           | Total<br>£'000 | Net foreign currency assets               |                                |  |
|--------------------|----------------|---|--------------------------------|--|
|                    |                | Forward<br>exchange<br>contracts<br>£'000 | Monetary<br>exposures<br>£'000 | Non-<br>monetary<br>exposures<br>£'000 |
| <b>31.01.12</b>    |                |   |                                |  |
| South African Rand | 1,693          | -   | (235)                          | 1,928                                  |
| Hong Kong Dollar   | 1,321          | (1,609)                                   | (733)                          | 3,663                                  |
| US Dollar          | 948            | (50,167)                                  | 17,365                         | 33,750                                 |
| New Zealand Dollar | 157            | (51)                                      | (1,768)                        | 1,976                                  |
| Norwegian Krone    | 59             | (413)                                     | 472                            | -                                      |
| Euro               | 33             | (12,790)                                  | (12,964)                       | 25,787                                 |
| Canadian Dollar    | 18             | (5,429)                                   | 5,447                          | -                                      |
| Singapore Dollar   | (21)           | (750)                                     | (453)                          | 1,182                                  |
| Australian Dollar  | (83)           | (3,876)                                   | 1,604                          | 2,189                                  |
| Japanese Yen       | (70)           | (9,418)                                   | (101)                          | 9,449                                  |
| Swedish Krona      | (115)          | (1,343)                                   | (816)                          | 2,044                                  |
| Swiss Franc        | (181)          | (3,832)                                   | (1,589)                        | 5,240                                  |
| <b>31.01.11</b>    |                |   |                                |  |
| US Dollar          | 3,761          | -   | (33,012)                       | 36,773                                 |
| Hong Kong Dollar   | 2,851          | -   | (2,564)                        | 5,415                                  |
| South African Rand | 1,001          | -   | 27                             | 974                                    |
| Swiss Franc        | 516            | -   | (1,900)                        | 2,416                                  |
| Norwegian Krone    | 400            | -   | (805)                          | 1,205                                  |
| Singapore Dollar   | 123            | -   | (2,601)                        | 2,724                                  |
| Japanese Yen       | 95             | -   | (4,261)                        | 4,356                                  |
| Australian Dollar  | 83             | -   | (4,028)                        | 4,111                                  |
| Euro               | (274)          | -   | (40,996)                       | 40,722                                 |

The forward exchange contracts are entered into at fund level and are disclosed within Monetary exposures, and additional forward exchange contracts are entered into by the A-Class Accumulation GBP Hedged shares, A-Class Income GBP Hedged shares and C-Class Income GBP Hedged shares.

#### Interest rate risk

At the year end date, 2.8% (31.01.11: 2.6%) of the fund's net assets by value were interest bearing.

For consideration of other risks including liquidity, pricing and credit risk, please refer to the notes to the aggregated financial statements, pages 389 to 390.

## Notes to the financial statements – continued

### 13. Share classes

The fund currently has two share classes; Class A shares and Class C shares. The Authorised Corporate Director's (ACD) fee and fixed expenses charge are shown below.

|                 | ACD fee | Fixed expenses |
|-----------------|---------|----------------|
| Class A shares: | 1.50%   | 0.18%          |
| Class C shares: | 0.75%   | 0.12%          |

The net asset value of each share class, the net asset value per share and the number of shares in each class are shown on page 91. All classes have the same rights on winding up except for any foreign currency contracts, which would close on the wind-up date and any realised gains or losses would remain in the relevant hedged share class.

### 14. Derivatives

The fund enters into derivative transactions in the form of forward currency contracts. The fund may use derivatives for efficient portfolio management including hedging, where appropriate. The A-Class Accumulation GBP Hedged share, A-Class Income GBP Hedged share and C-Class Income GBP Hedged share classes enter into additional forward currency contracts. The share classes may use derivatives for efficient portfolio management including hedging, where appropriate. The commitment approach has been used to calculate the global exposure.

Further information on the derivative risks can be found in the notes to the aggregated financial statements on page 390.

## Distribution table

### Final distribution in pence per share

Group 1 – Shares purchased prior to 1 November 2011

Group 2 – Shares purchased 1 November 2011 to 31 January 2012

|   | Gross revenue | Tax at 10% | Net revenue | Equalisation | Distribution payable 30.04.12 | Distribution paid 30.04.11 |
|---|---------------|------------|-------------|--------------|-------------------------------|----------------------------|
| <b>A-Class Accumulation Shares</b>            |               |            |             |              |                               |                            |
| Group 1                                       | 0.011111      | 0.001111   | 0.010000    | -            | 0.010000                      | -                          |
| Group 2                                       | 0.011111      | 0.001111   | 0.010000    | 0.000000     | 0.010000                      | -                          |
| <b>A-Class Accumulation GBP Hedged Shares</b> |               |            |             |              |                               |                            |
| Group 1                                       | 0.255556      | 0.025556   | 0.230000    | -            | 0.230000                      | 0.310000                   |
| Group 2                                       | 0.068377      | 0.006838   | 0.061539    | 0.168461     | 0.230000                      | 0.310000                   |
| <b>A-Class Income Shares</b>                  |               |            |             |              |                               |                            |
| Group 1                                       | 0.011111      | 0.001111   | 0.010000    | -            | 0.010000                      | -                          |
| Group 2                                       | 0.011111      | 0.001111   | 0.010000    | 0.000000     | 0.010000                      | -                          |
| <b>A-Class Income GBP Hedged Shares</b>       |               |            |             |              |                               |                            |
| Group 1                                       | 0.211111      | 0.021111   | 0.190000    | -            | 0.190000                      | 0.270000                   |
| Group 2                                       | 0.070544      | 0.007054   | 0.063490    | 0.126510     | 0.190000                      | 0.270000                   |
| <b>C-Class Income GBP Hedged Shares</b>       |               |            |             |              |                               |                            |
| Group 1                                       | 0.522222      | 0.052222   | 0.470000    | -            | 0.470000                      | 0.630000                   |
| Group 2                                       | 0.034438      | 0.003444   | 0.030994    | 0.439006     | 0.470000                      | 0.630000                   |
| <b>X-Class Accumulation shares</b>            |               |            |             |              |                               |                            |
| Group 1                                       | -             | -          | -           | -            | -                             | 0.610000                   |
| Group 2                                       | -             | -          | -           | -            | -                             | 0.610000                   |
| <b>X-Class Income shares</b>                  |               |            |             |              |                               |                            |
| Group 1                                       | -             | -          | -           | -            | -                             | 0.540000                   |
| Group 2                                       | -             | -          | -           | -            | -                             | 0.540000                   |

### Third interim distribution in pence per share

Group 1 – Shares purchased prior to 1 August 2011

Group 2 – Shares purchased 1 August 2011 to 31 October 2011

|   | Gross revenue | Tax at 10% | Net revenue | Equalisation | Distribution paid 31.01.12 | Distribution paid 31.01.11 |
|---|---------------|------------|-------------|--------------|----------------------------|----------------------------|
| <b>A-Class Accumulation GBP Hedged Shares</b> |               |            |             |              |                            |                            |
| Group 1                                       | 0.466667      | 0.046667   | 0.420000    | -            | 0.420000                   | 0.300000                   |
| Group 2                                       | 0.203426      | 0.020343   | 0.183083    | 0.236917     | 0.420000                   | 0.300000                   |
| <b>A-Class Income GBP Hedged Shares</b>       |               |            |             |              |                            |                            |
| Group 1                                       | 0.400000      | 0.040000   | 0.360000    | -            | 0.360000                   | 0.260000                   |
| Group 2                                       | 0.168223      | 0.016822   | 0.151401    | 0.208599     | 0.360000                   | 0.260000                   |
| <b>C-Class Income GBP Hedged Shares</b>       |               |            |             |              |                            |                            |
| Group 1                                       | 0.933333      | 0.093333   | 0.840000    | -            | 0.840000                   | 0.610000                   |
| Group 2                                       | 0.933333      | 0.093333   | 0.840000    | 0.000000     | 0.840000                   | 0.610000                   |
| <b>X-Class Accumulation shares</b>            |               |            |             |              |                            |                            |
| Group 1                                       | -             | -          | -           | -            | -                          | 0.620000                   |
| Group 2                                       | -             | -          | -           | -            | -                          | 0.620000                   |
| <b>X-Class Income shares</b>                  |               |            |             |              |                            |                            |
| Group 1                                       | -             | -          | -           | -            | -                          | 0.560000                   |
| Group 2                                       | -             | -          | -           | -            | -                          | 0.560000                   |

## Distribution table – continued

### Second interim distribution in pence per share

Group 1 – Shares purchased prior to 1 May 2011

Group 2 – Shares purchased 1 May 2011 to 31 July 2011

|   | Gross revenue | Tax at 10% | Net revenue | Equalisation | Distribution paid 31.10.11 | Distribution paid 31.10.10 |
|---|---------------|------------|-------------|--------------|----------------------------|----------------------------|
| <b>A-Class Accumulation GBP Hedged Shares</b> |               |            |             |              |                            |                            |
| Group 1                                       | 0.788889      | 0.078889   | 0.710000    | -            | 0.710000                   | 0.580000                   |
| Group 2                                       | 0.193094      | 0.019309   | 0.173785    | 0.536215     | 0.710000                   | 0.580000                   |
| <b>A-Class Income GBP Hedged Shares</b>       |               |            |             |              |                            |                            |
| Group 1                                       | 0.666667      | 0.066667   | 0.600000    | -            | 0.600000                   | 0.510000                   |
| Group 2                                       | 0.164409      | 0.016441   | 0.147968    | 0.452032     | 0.600000                   | 0.510000                   |
| <b>C-Class Income GBP Hedged Shares</b>       |               |            |             |              |                            |                            |
| Group 1                                       | 1.588889      | 0.158889   | 1.430000    | -            | 1.430000                   | 1.210000                   |
| Group 2                                       | 1.588889      | 0.158889   | 1.430000    | 0.000000     | 1.430000                   | 1.210000                   |
| <b>X-Class Accumulation Shares</b>            |               |            |             |              |                            |                            |
| Group 1                                       | 1.666667      | 0.166667   | 1.500000    | -            | 1.500000                   | 1.200000                   |
| Group 2                                       | 1.666667      | 0.166667   | 1.500000    | 0.000000     | 1.500000                   | 1.200000                   |
| <b>X-Class Income Shares</b>                  |               |            |             |              |                            |                            |
| Group 1                                       | 1.455556      | 0.145556   | 1.310000    | -            | 1.310000                   | 1.090000                   |
| Group 2                                       | 1.455556      | 0.145556   | 1.310000    | 0.000000     | 1.310000                   | 1.090000                   |

### First interim distribution in pence per share

Group 1 – Shares purchased prior to 1 February 2011

Group 2 – Shares purchased 1 February 2011 to 30 April 2011

|   | Gross revenue | Tax at 10% | Net revenue | Equalisation | Distribution paid 31.07.11 | Distribution paid 31.07.10 |
|---|---------------|------------|-------------|--------------|----------------------------|----------------------------|
| <b>A-Class Accumulation GBP Hedged Shares</b> |               |            |             |              |                            |                            |
| Group 1                                       | 0.444444      | 0.044444   | 0.400000    | -            | 0.400000                   | 0.430000                   |
| Group 2                                       | 0.214599      | 0.021460   | 0.193139    | 0.206861     | 0.400000                   | 0.430000                   |
| <b>A-Class Income GBP Hedged Shares</b>       |               |            |             |              |                            |                            |
| Group 1                                       | 0.377778      | 0.037778   | 0.340000    | -            | 0.340000                   | 0.380000                   |
| Group 2                                       | 0.180042      | 0.018004   | 0.162038    | 0.177962     | 0.340000                   | 0.380000                   |
| <b>C-Class Income GBP Hedged Shares</b>       |               |            |             |              |                            |                            |
| Group 1                                       | 0.922222      | 0.092222   | 0.830000    | -            | 0.830000                   | 0.910000                   |
| Group 2                                       | 0.922222      | 0.092222   | 0.830000    | 0.000000     | 0.830000                   | 0.910000                   |
| <b>X-Class Accumulation Shares</b>            |               |            |             |              |                            |                            |
| Group 1                                       | 0.955556      | 0.095556   | 0.860000    | -            | 0.860000                   | 0.910000                   |
| Group 2                                       | 0.955556      | 0.095556   | 0.860000    | 0.000000     | 0.860000                   | 0.910000                   |
| <b>X-Class Income Shares</b>                  |               |            |             |              |                            |                            |
| Group 1                                       | 0.844444      | 0.084444   | 0.760000    | -            | 0.760000                   | 0.830000                   |
| Group 2                                       | 0.844444      | 0.084444   | 0.760000    | 0.000000     | 0.760000                   | 0.830000                   |

Equalisation applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of revenue included in the purchase price of all group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

# JPM Global (ex-UK) Bond Fund

## Important information

### Change of Depositary

As part of an internal re-structuring, The Royal Bank of Scotland plc has transferred its Trustee and Depositary Services business from The Royal Bank of Scotland plc to National Westminster Bank plc and consequently National Westminster Bank plc has been appointed as Depositary of the Fund with effect from 15 October 2011.

As Depositary, National Westminster Bank plc will have the same duties and responsibilities as The Royal Bank of Scotland plc and this change will have no impact on the way the Fund operates.

### Investment objective and policy

To provide income with the prospect of capital growth from investment anywhere in the world in non-sterling denominated interest-bearing securities in any economic sector. The Fund is primarily hedged back into sterling. The Fund may invest up to 100% in government and public securities (see section 3.11(e) of the full Prospectus).

### Risk profile

This bond Fund invests primarily in a broad range of investment grade government securities (outside the UK). The Fund may also invest in other interest bearing securities including non-investment grade bonds.

Bond funds may not behave like direct investments in the underlying bonds themselves. By investing in bond funds, the certainty of receiving a regular fixed amount of income for a defined period of time with the prospect of a future known return of capital is lost.

There is a lower risk of capital loss because the Fund invests primarily in investment grade bonds.

Bond prices can fluctuate significantly depending not only on the global economic and interest rate conditions but also on the general credit market environment and the creditworthiness of the issuer.

Bond funds will normally distribute a combination of coupon and the expected discount/premium on the securities. Therefore, a fund's distribution will comprise income received and an element of projected capital gains or losses. This could result in an element of capital gain being taxed as income in the hands of an investor.

### Fund review

The deepening eurozone crisis and weakening global economic data kept market volatility high and investor risk appetite low. When market anxiety spiked in early August Italian and Spanish ten-year yields soared past 6% and their respective spreads over Bunds topped 400 basis points. European Central Bank buying initially caused Italian and Spanish yields to plummet back to 5% helping to abate fears surrounding the eurozone debt situation.

We articulated a bearish stance on dollar bloc rates through money market steepeners in the US, Australia and Canada, which we implemented early in the year. However, these moved against us and were ultimately closed as the eurozone crisis deepened. The growing tensions provided the basis for our switch from a short to a long headline duration position, which was a key driver of performance. Towards the end of the year the gains from our longstanding positioning in Japanese government bonds were wiped out by the losses from our US exposure and positioning in France.

## Fund outlook

Our models still indicate economic growth that is above consensus estimates and it is likely that the big buyers of government debt, namely central banks, will suspend quantitative easing programmes until they expire in May/June. With the macroeconomic backdrop largely supportive and spread carry still attractive relative to yield curve carry, we think conditions remain supportive of risky assets.

## 12 month performance as at 31 January

|  | 2012        | 2011        | 2010        | 2009         | 2008        |
|--|-------------|-------------|-------------|--------------|-------------|
| <b>JPM Global (ex-UK) Bond A-Class Acc</b> | <b>5.8%</b> | <b>2.6%</b> | <b>2.9%</b> | <b>-4.3%</b> | <b>4.1%</b> |
| <b>JPM Global (ex-UK) Bond I-Class Acc</b> | <b>6.2%</b> | <b>3.0%</b> | <b>3.5%</b> | <b>-4.0%</b> | <b>4.5%</b> |
| Benchmark Index                            | 7.1%        | 3.1%        | 3.4%        | 8.1%         | 8.6%        |

## Fund statistics

|                 |   |
|-----------------|---|
| Fund size       | £53.0m  |
| Benchmark Index | JPMorgan GBI ex UK hedged in GBP (Total Return Gross) |
| Fund charges    |   |
| A-Class         | Initial 3.50%, Annual 0.75%                           |
| I-Class         | Initial Nil, Annual 0.45%                             |

## Top ten holdings (excluding Liquidity funds) %

|                            |     |
|----------------------------|-----|
| Japan 1.1% 2020            | 5.0 |
| Japan 1.7% 2016            | 4.3 |
| US Treasury 3.625% 2020    | 4.2 |
| Japan 1.3% 2020            | 3.5 |
| Japan 1.9% 2023            | 3.4 |
| France 2.5% 2016           | 2.9 |
| European Union 3.125% 2015 | 2.7 |
| US Treasury 3.125% 2019    | 2.7 |
| Italy 4.75% 2021           | 2.7 |
| Japan 1.9% 2025            | 2.3 |

## Sector breakdown %

|                            |      |
|----------------------------|------|
| Government stock           | 70.8 |
| Corporate debt             | 20.2 |
| Supra-National Bank        | 5.9  |
| Forward currency contracts | 0.7  |
| Liquidity funds            | 0.6  |
| Futures                    | 0.0  |
| Net other assets           | 1.8  |

You should remember that past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. For specific risks, please read the Simplified Prospectus.

All performance returns are calculated using the quoted price of the accumulation shares. Performance returns are in Sterling.  
Source: J.P. Morgan.

## Highest/lowest share price and distribution record

| Calendar year  | Highest share price | Lowest share price | Distribution per share |
|--|---------------------|--------------------|------------------------|
| <b>A-Class Accumulation Shares</b>                   |                     |                    |                        |
| 2007   | 207.3p              | 198.7p             | 5.14p                  |
| 2008   | 209.3p              | 195.4p             | 5.73p                  |
| 2009   | 206.0p              | 194.8p             | 4.04p                  |
| 2010   | 217.4p              | 203.6p             | 2.82p                  |
| 2011   | 221.3p              | 208.5p             | 2.54p                  |
| 2012 <sup>A</sup>                                    | 222.3p              | 219.5p             | 1.42p                  |
| <b>A-Class Income Shares</b>                         |                     |                    |                        |
| 2007   | 182.3p              | 177.2p             | 4.54p                  |
| 2008   | 183.9p              | 167.0p             | 5.01p                  |
| 2009   | 173.4p              | 164.4p             | 3.44p                  |
| 2010   | 179.5p              | 170.5p             | 2.41p                  |
| 2011   | 180.7p              | 171.4p             | 2.09p                  |
| 2012 <sup>A</sup>                                    | 181.5p              | 179.2p             | 1.17p                  |
| <b>I-Class Accumulation Shares</b>                   |                     |                    |                        |
| 2007   | 128.5p              | 122.9p             | 3.64p                  |
| 2008   | 129.8p              | 121.5p             | 4.04p                  |
| 2009   | 128.5p              | 121.4p             | 2.89p                  |
| 2010   | 136.1p              | 127.1p             | 2.29p                  |
| 2011   | 139.1p              | 130.7p             | 2.10p                  |
| 2012 <sup>A</sup>                                    | 139.9p              | 138.1p             | 1.16p                  |
| <b>I-Class Gross Accumulation Shares<sup>B</sup></b> |                     |                    |                        |
| 2007   | 104.6p              | 99.68p             | 2.00p                  |
| 2008   | 105.8p              | 99.65p             | 4.10p                  |
| 2009   | 106.0p              | 99.93p             | 3.05p                  |
| 2010   | 112.7p              | 104.9p             | 2.36p                  |
| 2011   | 115.6p              | 108.3p             | 2.17p                  |
| 2012 <sup>A</sup>                                    | 116.4p              | 114.9p             | 1.21p                  |
| <b>I-Class Income Shares</b>                         |                     |                    |                        |
| 2007   | 112.9p              | 109.8p             | 3.26p                  |
| 2008   | 114.0p              | 103.5p             | 3.54p                  |
| 2009   | 107.5p              | 101.9p             | 2.45p                  |
| 2010   | 111.2p              | 105.7p             | 1.89p                  |
| 2011   | 111.9p              | 106.1p             | 1.73p                  |
| 2012 <sup>A</sup>                                    | 112.6p              | 111.1p             | 0.94p                  |

<sup>A</sup> To 31 January 2012.

<sup>B</sup> I-Class Gross Accumulation Shares were launched on 1 February 2007.

## Portfolio turnover rate

|          |        |
|----------|--------|
| 31.01.11 | 228.4% |
| 31.01.12 | 111.3% |

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the period.

## Net asset values and Total expense ratios

| Date                                     | Net asset value per share class<br>£'000 | Number of shares | Net asset value per share | Total expense ratio |
|--|--|------------------|---------------------------|---------------------|
| <b>A-Class Accumulation Shares</b>       |  |                  |                           |                     |
| 31.01.10                                 | 6,881                                    | 3,360,911        | 204.7p                    | 0.93%               |
| 31.01.11                                 | 23,042                                   | 10,971,611       | 210.0p                    | 0.93%               |
| 31.01.12                                 | 26,754                                   | 12,047,696       | 222.1p                    | 0.93%               |
| <b>A-Class Income Shares</b>             |  |                  |                           |                     |
| 31.01.10                                 | 3,589                                    | 2,109,182        | 170.2p                    | 0.93%               |
| 31.01.11                                 | 2,646                                    | 1,532,493        | 172.6p                    | 0.93%               |
| 31.01.12                                 | 2,447                                    | 1,358,319        | 180.1p                    | 0.93%               |
| <b>I-Class Accumulation Shares</b>       |  |                  |                           |                     |
| 31.01.10                                 | 166                                      | 129,933          | 127.8p                    | 0.45%               |
| 31.01.11                                 | 88                                       | 67,193           | 131.7p                    | 0.45%               |
| 31.01.12                                 | 94                                       | 67,193           | 139.8p                    | 0.45%               |
| <b>I-Class Gross Accumulation Shares</b> |  |                  |                           |                     |
| 31.01.10                                 | 17,421                                   | 16,508,176       | 105.5p                    | 0.45%               |
| 31.01.11                                 | 27,456                                   | 25,164,435       | 109.1p                    | 0.45%               |
| 31.01.12                                 | 23,685                                   | 20,367,485       | 116.3p                    | 0.45%               |
| <b>I-Class Income Shares</b>             |  |                  |                           |                     |
| 31.01.10                                 | 278                                      | 264,163          | 105.3p                    | 0.45%               |
| 31.01.11                                 | 172                                      | 161,493          | 106.8p                    | 0.45%               |
| 31.01.12                                 | 63                                       | 57,000           | 111.5p                    | 0.45%               |

The net asset value and the net asset value per income share are shown ex-dividend.

The total expense ratio (TER) takes into account the ACD fee and any fixed expenses charged to revenue expressed as a percentage of the average daily net asset values over the period.



# Portfolio statement

As at 31 January 2012

| Investment                              | Holding       | Market value<br>£'000 | Total net<br>assets % |
|---|---------------|-----------------------|-----------------------|
| <b>Government stock - 70.8% (71.8%)</b> |               |                       |                       |
| <b>Austria - 0.6%</b>                   |               |                       |                       |
| Austria 2% 2012                         | \$500,000     | 319                   | 0.6                   |
| <b>Belgium - 1.9%</b>                   |               |                       |                       |
| Belgium 3.5% 2014                       | €910,000      | 781                   | 1.5                   |
| Belgium 4.25% 2022                      | €215,000      | 185                   | 0.4                   |
| <b>Brazil - 0.8%</b>                    |               |                       |                       |
| Brazil 10% 2013                         | BRL 1,150     | 425                   | 0.8                   |
| <b>Canada - 1.5%</b>                    |               |                       |                       |
| Canada 3.75% 2019                       | CAD 130,000   | 94                    | 0.2                   |
| Canada 3.5% 2020                        | CAD 490,000   | 350                   | 0.7                   |
| Canada 5.75% 2033                       | CAD 312,000   | 302                   | 0.6                   |
| <b>Denmark - 0.9%</b>                   |               |                       |                       |
| Denmark 4% 2017                         | DKK 3,750,000 | 491                   | 0.9                   |
| <b>France - 6.2%</b>                    |               |                       |                       |
| France 3% 2014                          | €320,000      | 280                   | 0.5                   |
| France 2.5% 2016                        | €1,800,000    | 1,543                 | 2.9                   |
| France 3.5% 2020                        | €621,000      | 543                   | 1.0                   |
| France 3.25% 2021                       | €250,000      | 211                   | 0.4                   |
| France 5.75% 2032                       | €660,000      | 707                   | 1.3                   |
| France 4% 2038                          | €60,000       | 52                    | 0.1                   |
| <b>Germany - 3.4%</b>                   |               |                       |                       |
| Germany 3% 2020                         | €290,000      | 269                   | 0.5                   |
| Germany 2.5% 2021                       | €570,000      | 509                   | 1.0                   |
| Germany 4.75% 2034                      | €796,000      | 907                   | 1.7                   |
| Germany 3.25% 2042                      | €115,000      | 111                   | 0.2                   |
| <b>Italy - 6.6%</b>                     |               |                       |                       |
| Italy 3.75% 2013                        | €447,000      | 373                   | 0.7                   |
| Italy 3.5% 2014                         | €420,000      | 347                   | 0.6                   |
| Italy 5.25% 2017                        | €890,000      | 747                   | 1.4                   |
| Italy 4.5% 2018                         | €350,000      | 281                   | 0.5                   |
| Italy 4.75% 2021                        | €1,819,000    | 1,405                 | 2.7                   |
| Italy 5% 2025                           | €409,000      | 305                   | 0.6                   |
| Italy 5% 2040                           | €75,000       | 51                    | 0.1                   |
| <b>Japan - 27.7%</b>                    |               |                       |                       |
| Japan 0.5% 2013                         | ¥122,000,000  | 1,017                 | 1.9                   |
| Japan 0.7% 2014                         | ¥70,000,000   | 588                   | 1.1                   |
| Japan 1.7% 2016                         | ¥260,000,000  | 2,298                 | 4.3                   |
| Japan 1.1% 2020                         | ¥315,000,000  | 2,684                 | 5.0                   |
| Japan 1.3% 2020                         | ¥211,000,000  | 1,829                 | 3.5                   |
| Japan 1.1% 2021                         | ¥100,000,000  | 841                   | 1.6                   |
| Japan 1.9% 2023                         | ¥200,500,000  | 1,798                 | 3.4                   |
| Japan 1.9% 2025                         | ¥140,000,000  | 1,241                 | 2.3                   |
| Japan 2% 2030                           | ¥112,000,000  | 974                   | 1.8                   |
| Japan 2.5% 2035                         | ¥84,000,000   | 786                   | 1.5                   |
| Japan 2.3% 2039                         | ¥49,000,000   | 443                   | 0.8                   |
| Japan 2.4% 2048                         | ¥17,000,000   | 153                   | 0.3                   |
| Japan 2.2% 2051                         | ¥14,500,000   | 123                   | 0.2                   |
| <b>Mexico - 1.0%</b>                    |               |                       |                       |
| Mexico 8% 2013                          | MXN 100,000   | 520                   | 1.0                   |
| <b>Netherlands - 1.1%</b>               |               |                       |                       |
| Netherlands 4% 2018                     | €307,000      | 292                   | 0.5                   |
| Netherlands 3.25% 2021                  | €250,000      | 227                   | 0.4                   |
| Netherlands 3.75% 2042                  | €125,000      | 129                   | 0.2                   |
| <b>Russia - 1.0%</b>                    |               |                       |                       |
| Russian Federation FRN 2030             | \$718,100     | 540                   | 1.0                   |
| <b>Singapore - 1.0%</b>                 |               |                       |                       |
| Singapore 2.25% 2013                    | SGD 1,000,000 | 520                   | 1.0                   |
| <b>South Africa - 0.8%</b>              |               |                       |                       |
| South Africa 13.5% 2015                 | ZAR 4,200,000 | 419                   | 0.8                   |
| <b>South Korea - 1.1%</b>               |               |                       |                       |
| Korea 5.75% 2014                        | \$850,000     | 583                   | 1.1                   |
| <b>Spain - 1.4%</b>                     |               |                       |                       |
| Spain 3.25% 2016                        | €750,000      | 621                   | 1.2                   |
| Spain 4.7% 2041                         | €140,000      | 99                    | 0.2                   |
| <b>Sweden - 0.4%</b>                    |               |                       |                       |
| Sweden 4.25% 2019                       | SEK 1,900,000 | 211                   | 0.4                   |
| <b>Qatar - 1.1%</b>                     |               |                       |                       |
| Qatar 5.15% 2014                        | \$150,000     | 102                   | 0.2                   |
| Qatar 4% 2015                           | \$750,000     | 498                   | 0.9                   |

| Investment   | Holding     | Market value<br>£'000 | Total net<br>assets % |
|--|-------------|-----------------------|-----------------------|
| <b>United States of America - 12.3%</b>            |             |                       |                       |
| US Treasury 1.25% 2015                             | \$350,000   | 228                   | 0.4                   |
| US Treasury 1.5% 2016                              | \$226,100   | 149                   | 0.3                   |
| US Treasury 3.125% 2019                            | \$2,012,000 | 1,437                 | 2.7                   |
| US Treasury 3.625% 2020                            | \$3,027,000 | 2,235                 | 4.2                   |
| US Treasury 5.375% 2031                            | \$746,000   | 669                   | 1.3                   |
| US Treasury 4.5% 2038                              | \$450,000   | 371                   | 0.7                   |
| US Treasury 4.375% 2039                            | \$600,000   | 486                   | 0.9                   |
| US Treasury 4.5% 2039                              | \$1,170,000 | 966                   | 1.8                   |
| <b>Corporate debt - 20.2% (17.0%)</b>              |             |                       |                       |
| <b>Austria - 3.0%</b>                              |             |                       |                       |
| Autobahnen und Schnellstr 4.125% 2014              | €1,083,000  | 955                   | 1.8                   |
| Oesterreichische Post 3.5% 2014                    | €750,000    | 655                   | 1.2                   |
| <b>Australia - 0.7%</b>                            |             |                       |                       |
| Commonwealth Bank of Australia 2.625% 2017         | €450,000    | 379                   | 0.7                   |
| <b>Denmark - 0.2%</b>                              |             |                       |                       |
| SpareBank 2.5% 2012                                | €150,000    | 126                   | 0.2                   |
| <b>France - 6.0%</b>                               |             |                       |                       |
| Autoroutes du Sud de la France 5.625% 2022         | €300,000    | 276                   | 0.5                   |
| Autoroutes Paris 5% 2017                           | €300,000    | 260                   | 0.5                   |
| BNP Paribas 3.375% 2017                            | €500,000    | 431                   | 0.8                   |
| Casino Guichard-Perrachon 5.5% 2015                | €300,000    | 267                   | 0.5                   |
| Cse D'Amort Dette 1.375% 2014                      | €900,000    | 570                   | 1.1                   |
| Societe de Financement 2.125% 2012                 | €700,000    | 587                   | 1.1                   |
| Societe de Financement 3% 2014                     | €900,000    | 774                   | 1.5                   |
| <b>Italy - 0.5%</b>                                |             |                       |                       |
| Italy 4% 2037                                      | €465,000    | 281                   | 0.5                   |
| <b>Netherlands - 4.1%</b>                          |             |                       |                       |
| HIT Finance 5.75% 2018                             | €300,000    | 257                   | 0.5                   |
| ING Bank 3% 2014                                   | €450,000    | 390                   | 0.7                   |
| ING Bank 3.375% 2014                               | €650,000    | 568                   | 1.1                   |
| NIBC Bank 3.5% 2014                                | €500,000    | 439                   | 0.8                   |
| Rabobank 4.2% 2014                                 | \$800,000   | 530                   | 1.0                   |
| <b>Spain - 1.3%</b>                                |             |                       |                       |
| Instituto de Credito Oficial 5.5% 2012             | AUD 550,000 | 362                   | 0.7                   |
| Telefonica Emisiones 5.462% 2021                   | \$500,000   | 314                   | 0.6                   |
| <b>United Kingdom - 3.9%</b>                       |             |                       |                       |
| BAA Funding 'A' FRN 2016                           | €350,000    | 305                   | 0.6                   |
| Imperial Tobacco Finance 8.375% 2016               | €200,000    | 202                   | 0.4                   |
| Lloyds Banking Group 6.25% 2014                    | €300,000    | 265                   | 0.5                   |
| Nationwide Building Society 2.5% FRN 2012          | €560,000    | 358                   | 0.7                   |
| Royal Bank of Scotland 2.625% 2012                 | €300,000    | 191                   | 0.4                   |
| Royal Bank of Scotland 4.875% 2015                 | €350,000    | 299                   | 0.6                   |
| Royal Bank of Scotland 4% 2016                     | €450,000    | 391                   | 0.7                   |
| Themeleion Mortgage Finance FRN 2040               | €31,734     | 17                    | -                     |
| <b>United States of America - 0.5%</b>             |             |                       |                       |
| Citigroup 6.5% 2013                                | \$390,000   | 262                   | 0.5                   |
| <b>Supra-National Bank - 5.9% (0.0%)</b>           |             |                       |                       |
| Asian Development Bank 0.75% 2015                  | \$823,000   | 523                   | 1.0                   |
| European Investment Bank 2.5% 2015                 | €490,000    | 420                   | 0.8                   |
| European Investment Bank 4.25% 2015                | €540,000    | 488                   | 0.9                   |
| European Union 2.5% 2015                           | €300,000    | 258                   | 0.5                   |
| European Union 3.125% 2015                         | €1,650,000  | 1,446                 | 2.7                   |
| <b>Forward currency contracts - 0.7% (1.0%)</b>    |             |                       |                       |
| <b>Australian Dollar</b>                           |             |                       |                       |
| Buy AUD 428,948 sell £290,046 dated 06/03/12       |             | (1)                   | -                     |
| Sell AUD 1,049,738 buy £694,423 dated 07/02/12     |             | (14)                  | -                     |
| <b>Canadian Dollar</b>                             |             |                       |                       |
| Sell CAD 1,115,196 buy £707,823 dated 07/02/12     |             | -                     | -                     |
| <b>Euro</b>  |             |                       |                       |
| Buy €389,677 sell £323,611 dated 07/02/12          |             | 2                     | -                     |
| Sell €22,213,708 buy £18,580,851 dated 07/02/12    |             | 37                    | 0.1                   |
| Sell €2,253,581 buy £1,886,183 dated 06/03/12      |             | 4                     | -                     |
| Sell €2,464,900 buy £2,050,663 dated 07/02/12      |             | (7)                   | -                     |
| <b>Danish Krone</b>                                |             |                       |                       |
| Sell DKK 3,885,764 buy £437,231 dated 07/02/12     |             | 1                     | -                     |
| <b>Japanese Yen</b>                                |             |                       |                       |
| Buy ¥10,866,258 sell £89,087 dated 07/02/12        |             | 1                     | -                     |
| Buy ¥50,303,862 sell £418,628 dated 06/03/12       |             | (1)                   | -                     |
| Buy ¥82,306,638 sell £698,680 dated 07/02/12       |             | (16)                  | -                     |
| Sell ¥1,824,663,889 buy £15,284,454 dated 07/02/12 |             | 157                   | 0.3                   |
| Sell ¥97,843,505 buy £811,581 dated 06/03/12       |             | -                     | -                     |

## Portfolio statement – continued

As at 31 January 2012

| Investment  | Holding  | Market value<br>£'000 | Total net<br>assets % |
|---|----------|-----------------------|-----------------------|
| <b>Mexican Peso</b>   |          |                       |                       |
| Buy MXN 2,163,217 sell £103,793 dated 07/02/12              |          | 2                     | -                     |
| Sell MXN 2,163,217 buy £100,304 dated 07/02/12              |          | (6)                   | -                     |
| <b>Swedish Krona</b>  |          |                       |                       |
| Buy SEK 2,923,496 sell £273,699 dated 07/02/12              |          | 1                     | -                     |
| Sell SEK 4,934,321 buy £462,574 dated 07/02/12              |          | (1)                   | -                     |
| <b>US Dollar</b>  |          |                       |                       |
| Buy \$1,613,857 sell £1,037,722 dated 07/02/12              |          | (16)                  | -                     |
| Sell \$19,314,755 buy £12,386,589 dated 07/02/12            |          | 151                   | 0.3                   |
| Sell \$299,272 buy £190,651 dated 06/03/12                  |          | 1                     | -                     |
| <b>South African Rand</b>                                   |          |                       |                       |
| Sell ZAR 4,681,135 buy £370,800 dated 07/02/12              |          | (11)                  | -                     |
| <b>Futures – 0.0% (0.0%)</b>                                |          |                       |                       |
| Australia 10 Year Bond Futures Mar 2012                     | 15       | 9                     | -                     |
| Canada 10 Year Bond Futures Mar 2012                        | 10       | 4                     | -                     |
| Euro BOBL Futures Mar 2012                                  | (33)     | (41)                  | (0.1)                 |
| Euro Bund Futures Mar 2012                                  | 10       | 7                     | -                     |
| Euro-Schatz Futures Mar 2012                                | (42)     | (8)                   | -                     |
| JGB Mini 10 Year Note Futures Mar 2012                      | 3        | 3                     | -                     |
| US 10 Year Note Futures Mar 2012                            | (21)     | (18)                  | -                     |
| US 2 Year Note Futures Mar 2012                             | 2        | -                     | -                     |
| US 5 Year Note Futures Mar 2012                             | 52       | 36                    | 0.1                   |
| <b>Liquidity funds – 0.6% (5.0%)</b>                        |          |                       |                       |
| JPM Sterling Liquidity 'X' (Income) ^                       | £300,000 | 300                   | 0.6                   |
| <b>Investment assets (including investment liabilities)</b> |          | <b>52,087</b>         | <b>98.2</b>           |
| <b>Net other assets</b>                                     |          | <b>956</b>            | <b>1.8</b>            |
| <b>Net assets</b>   |          | <b>53,043</b>         | <b>100.0</b>          |

Unless otherwise stated the above securities are admitted to official stock exchange listings or trade on a regulated market.

The comparative percentage figures in brackets are at 31 January 2011.

^ Deemed to be investment in related parties of the ACD

| Portfolio credit ratings                                    | Market value<br>£'000 |
|---|-----------------------|
| AAA   | 15,230                |
| AA+   | 9,626                 |
| AA  | 2,096                 |
| AA-   | 14,773                |
| A   | 6,141                 |
| A-  | 1,086                 |
| BBB+  | 1,015                 |
| BBB   | 999                   |
| BBB-  | 528                   |
| BB+   | 17                    |
| <b>Total bonds</b>  | <b>51,511</b>         |
| Forward currency contracts                                  | 284                   |
| Futures   | (8)                   |
| Liquidity funds   | 300                   |
| <b>Investment assets (including investment liabilities)</b> | <b>52,087</b>         |

## Portfolio movements

For the year ending 31 January 2012

|  | £'000         |  | £'000           |
|--|---------------|--|-----------------|
| <b>Total of all purchases for the year</b> | <b>40,068</b> | <b>Total of all sales for the year</b> | <b>40,776</b>   |
| <b>Major purchases</b>                     | <b>Cost</b>   | <b>Major sales</b>                     | <b>Proceeds</b> |
| JPM Sterling Liquidity 'X' (Income)^       | 10,141        | JPM Sterling Liquidity 'X' (Income)^   | 12,491          |
| France 2.5% 2016                           | 1,583         | Spain 5.5% 2021                        | 1,696           |
| Italy 4.75% 2021                           | 1,497         | US Treasury 1.875% 2015                | 1,486           |
| European 3.125% 2015                       | 1,430         | Germany 4% 2012                        | 1,081           |
| Japan 1.1% 2021                            | 1,426         | Japan 1.9% 2023                        | 1,047           |
| Spain 5.5% 2021                            | 1,339         | Germany 1.75% 2015                     | 951             |
| Belgium 3.5% 2014                          | 1,085         | US Treasury 4% 2018                    | 947             |
| Japan 1.7% 2016                            | 983           | US Treasury 0.5% 2014                  | 905             |
| US Treasury 0.5% 2014                      | 869           | Japan 1.3% 2020                        | 884             |
| SFEF 3% 2014                               | 776           | France 3.75% 2017                      | 737             |
| Japan 1.9% 2025                            | 742           | Italy 4% 2020                          | 733             |
| US Treasury 3.125% 2019                    | 717           | Japan 1.1% 2020                        | 699             |
| Asian 0.75% 2015                           | 664           | Italy 2% 2013                          | 681             |
| Oesterreichisc 3.5% 2014                   | 654           | Italy 5% 2025                          | 625             |
| Spain 3.25% 2016                           | 614           | Japan 1.1% 2021                        | 597             |
| France 5.75% 2032                          | 612           | Germany 2.25% 2015                     | 595             |
| US Treasury 3.625% 2020                    | 599           | Germany 4.25% 2018                     | 575             |
| Japan 1.1% 2020                            | 597           | Japan 0.5% 2013                        | 537             |
| Germany 1.75% 2015                         | 554           | Germany 4.75% 2028                     | 534             |
| Rabobank 4.2% 2014                         | 526           | Germany 4.25% 2014                     | 525             |

^ Deemed to be investment in related parties of the ACD

## Financial statements

### Statement of total return

For the year ending 31 January

|   | £'000 | 2012<br>£'000 | £'000 | 2011<br>£'000 |
|---|-------|---------------|-------|---------------|
| Income  |       |               |       |               |
| Net capital gains (Note 1)  |       | 2,023         |       | 298           |
| Revenue (Note 2)  | 1,245 |               | 1,037 |               |
| Expenses (Note 3)   | (320) |               | (307) |               |
| Net revenue before taxation   | 925   |               | 730   |               |
| Taxation (Note 4)   | -     |               | -     |               |
| Net revenue after taxation  |       | 925           |       | 730           |
| <b>Total return before distributions</b>  |       | <b>2,948</b>  |       | <b>1,028</b>  |
| Finance costs:<br>Distributions (Note 5)  |       | (924)         |       | (730)         |
| <b>Change in net assets attributable to shareholders from investment activities</b> |       | <b>2,024</b>  |       | <b>298</b>    |

### Statement of change in net assets attributable to shareholders

For the year ending 31 January

|  | £'000    | 2012<br>£'000 | £'000    | 2011<br>£'000 |
|--|----------|---------------|----------|---------------|
| <b>Opening net assets attributable to shareholders</b>                                   |          | <b>53,404</b> |          | <b>28,335</b> |
| Amounts receivable on issue of shares  | 12,616   |               | 37,440   |               |
| Amounts payable on cancellation of shares  | (15,849) |               | (13,463) |               |
|  |          | (3,233)       |          | 23,977        |
| Change in net assets attributable to shareholders from investment activities (see above) |          | 2,024         |          | 298           |
| Retained distributions on accumulation shares  |          | 847           |          | 793           |
| Unclaimed distributions  |          | 1             |          | 1             |
| <b>Closing net assets attributable to shareholders</b>                                   |          | <b>53,043</b> |          | <b>53,404</b> |

### Balance sheet

As at 31 January

|  | £'000 | 2012<br>£'000 | £'000 | 2011<br>£'000  |
|--|-------|---------------|-------|----------------|
| <b>ASSETS</b>                                  |       |               |       |                |
| Investment assets                              |       | 52,227        |       | 50,776         |
| Debtors (Note 7)                               | 1,036 |               | 1,192 |                |
| Cash and bank balances (Note 8)                | 525   |               | 2,458 |                |
| <b>Total other assets</b>                      |       | <b>1,561</b>  |       | <b>3,650</b>   |
| <b>Total assets</b>                            |       | <b>53,788</b> |       | <b>54,426</b>  |
| <b>LIABILITIES</b>                             |       |               |       |                |
| Investment liabilities                         |       | (140)         |       | (155)          |
| Creditors (Note 9)                             | (589) |               | (852) |                |
| Distribution payable on income shares          | (16)  |               | (15)  |                |
| <b>Total other liabilities</b>                 |       | <b>(605)</b>  |       | <b>(867)</b>   |
| <b>Total liabilities</b>                       |       | <b>(745)</b>  |       | <b>(1,022)</b> |
| <b>Net assets attributable to shareholders</b> |       | <b>53,043</b> |       | <b>53,404</b>  |

The notes to these financial statements are shown on pages 107 to 109.

# Notes to the financial statements for the year ending 31 January 2012

## 1. Net capital gains

|                            | 2012<br>£'000 | 2011<br>£'000 |
|----------------------------|---------------|---------------|
| Currency losses            | (21)          | (248)         |
| Custodian handling charges | (1)           | (1)           |
| Derivative contracts       | 37            | (9)           |
| Forward currency contracts | (596)         | (1,140)       |
| Non-derivative securities  | 2,604         | 1,696         |
| Net capital gains          | <u>2,023</u>  | <u>298</u>    |

## 2. Revenue

|   | 2012<br>£'000 | 2011<br>£'000 |
|---|---------------|---------------|
| Income from overseas equity investments | -             | 7             |
| Interest on bank and term deposits      | 8             | 2             |
| Interest on fixed-interest securities   | 1,237         | 1,025         |
| Stocklending income*                    | -             | 3             |
| Total revenue                           | <u>1,245</u>  | <u>1,037</u>  |

\* Stocklending income is disclosed net of fees. See note 11.

## 3. Expenses

|  | 2012<br>£'000 | 2011<br>£'000 |
|--|---------------|---------------|
| <b>Payable to the ACD or associate of the ACD:</b> |               |               |
| ACD fee  | 285           | 269           |
| Fixed expenses                                     | 41            | 38            |
|  | <u>326</u>    | <u>307</u>    |
| <b>Payable to third parties:</b>                   |               |               |
| VAT recovered*                                     | (6)           | -             |
| Total expenses                                     | <u>320</u>    | <u>307</u>    |

\* VAT recovered includes amounts arising as a result of changes to the policy of HM Revenue & Customs ("HMRC") concerning VAT exemption for the management of authorised collective investment schemes (UK Law, items 9 and 10 of group 5, Schedule 9, to the VAT Act 1994) where these services have historically been treated as subject to VAT in the UK. These changes are in accordance with the Business Brief 07/06 (item 3) from HMRC in light of the European Court of Justice judgment in case C-196/04, Abbey National and Inscape Investment Fund.

## 4. Taxation

|  | 2012<br>£'000 | 2011<br>£'000 |
|--|---------------|---------------|
| <b>a) Analysis of charge in the year</b> |               |               |
| Corporation tax at 20%                   | -             | -             |
| Current year tax charge (Note 4b)        | <u>-</u>      | <u>-</u>      |

### b) Factors affecting the tax charge for the year

The tax assessed for the year is nil. This is different than the standard rate of corporation tax in the UK for an Open-Ended Investment Company (OEIC) (20%). The differences are explained below.

|                             |            |            |
|-----------------------------|------------|------------|
| Net revenue before taxation | 925        | 730        |
| Corporation tax at 20%      | <u>185</u> | <u>146</u> |

|  |              |              |
|--|--------------|--------------|
| Effects of:  |              |              |
| Interest distributions deductible for tax purposes | (185)        | (146)        |
|  | <u>(185)</u> | <u>(146)</u> |
| Current year tax charge (Note 4a)                  | <u>-</u>     | <u>-</u>     |

No deferred tax asset has been recognised in the financial statements. At the year end date, the fund had a deferred tax asset of £1,626 (31.01.11: £1,769) in relation to £8,131 (31.01.11: £8,847) of excess management expenses which would only be utilised to reduce the tax charge if the fund had an excess of unfranked income over expenses in a future period. There is no excess of unfranked income expected in the future.

## 5. Finance costs

### Distributions

The distributions take account of amounts receivable on the issue of shares and amounts payable on the cancellation of shares and comprise:

|  | 2012<br>£'000 | 2011<br>£'000 |
|--|---------------|---------------|
| Interim interest distribution                  | 418           | 476           |
| Final interest distribution                    | 543           | 412           |
| Add: Amounts payable on cancellation of shares | 41            | 49            |
| Deduct: Amounts receivable on issue of shares  | (78)          | (207)         |
| Total finance costs                            | <u>924</u>    | <u>730</u>    |

Details of the distribution per share are set out on page 110.

## 6. Movement between net revenue after taxation and distributions

|   | 2012<br>£'000 | 2011<br>£'000 |
|---|---------------|---------------|
| Net revenue after taxation                    | 925           | 730           |
| Add: Undistributed revenue brought forward    | 1             | 1             |
| Deduct: Undistributed revenue carried forward | (2)           | (1)           |
|   | <u>924</u>    | <u>730</u>    |

## Notes to the financial statements – continued

### 7. Debtors

|                           | 2012         | 2011         |
|---------------------------|--------------|--------------|
|                           | £'000        | £'000        |
| Accrued income            | 619          | 614          |
| Sales awaiting settlement | 417          | 578          |
| Total debtors             | <u>1,036</u> | <u>1,192</u> |

### 8. Cash and bank balances

|   | 2012       | 2011         |
|---|------------|--------------|
|   | £'000      | £'000        |
| Amounts held at futures clearing houses and brokers | 155        | 77           |
| Cash and bank balances                              | 370        | 2,381        |
| Total cash and bank balances                        | <u>525</u> | <u>2,458</u> |

### 9. Creditors

|                                     | 2012       | 2011       |
|-------------------------------------|------------|------------|
|                                     | £'000      | £'000      |
| Accrued expenses                    | 30         | 31         |
| Due to the ACD for shares cancelled | 1          | 213        |
| Income tax payable                  | 37         | 28         |
| Purchases awaiting settlement       | 521        | 580        |
| Total creditors                     | <u>589</u> | <u>852</u> |

### 10. Portfolio transaction costs

No portfolio transactions costs were incurred during the current or prior year.

### 11. Related party transactions

JPMorgan Funds Limited, as Authorised Corporate Director (“ACD”), is a related party, and acts as principal in respect of all transactions of shares in the Company. The aggregate monies received through issue, and paid on cancellation, are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

The balance due to the ACD and their associates at the year end date in respect of related party transactions was £30,452 (31.01.11: £243,533). Details of related party transactions are given under note 13 on page 389.

Investments considered to be related parties have been identified in the portfolio statement on pages 103 to 104 and the revenue from these investments was £8,875 (31.01.11: £7,621).

The gross stocklending income received was £nil (31.01.11: £3,140), with fees deducted of £nil (31.01.11: £549).

The following parties held a material interest in the fund at the year end date:

- JP Morgan Life Ltd 43.43% (31.01.11: 45.95%)
- S&P Pensions Ltd 37.24% (31.01.11: 30.72%)

### 12. Financial instruments

#### Currency exposures

A proportion of the net assets of the fund are denominated in currencies other than sterling, with the effect that the Balance sheet and total return can be affected by currency movements.

| Currency           | Net foreign currency assets |                          |                              |
|--------------------|-----------------------------|--------------------------|------------------------------|
|                    | Total exposures £'000       | Monetary exposures £'000 | Non-monetary exposures £'000 |
| <b>31.01.12</b>    |                             |                          |                              |
| Mexican Peso       | 524                         | 4                        | 520                          |
| Japanese Yen       | 494                         | (14,281)                 | 14,775                       |
| Brazilian Real     | 445                         | 20                       | 425                          |
| US Dollar          | 96                          | (11,253)                 | 11,349                       |
| Danish Krone       | 58                          | (433)                    | 491                          |
| South African Rand | 55                          | (364)                    | 419                          |
| Canadian Dollar    | 47                          | (703)                    | 750                          |
| Australian Dollar  | 32                          | (339)                    | 371                          |
| Swedish Krona      | 29                          | (182)                    | 211                          |
| Euro               | 28                          | (21,643)                 | 21,671                       |
| Singapore Dollar   | (1)                         | (521)                    | 520                          |

#### 31.01.11

|                    |     |          |        |
|--------------------|-----|----------|--------|
| Mexican Peso       | 552 | 4        | 548    |
| Brazilian Real     | 414 | -        | 414    |
| US Dollar          | 111 | (10,214) | 10,325 |
| South African Rand | 111 | 5        | 106    |
| Japanese Yen       | 106 | (13,405) | 13,511 |
| Swedish Krona      | 85  | (349)    | 434    |
| Euro               | 78  | (20,320) | 20,398 |
| Canadian Dollar    | 56  | (623)    | 679    |
| Australian Dollar  | 54  | (591)    | 645    |
| Danish Krone       | 54  | (410)    | 464    |

#### Interest rate risk

The tables below detail the interest rate profile of the fund's assets and liabilities as at the year end.

| Currency           | Total assets £'000 | Floating rate financial assets £'000 | Fixed rate financial assets £'000 | Financial assets not carrying any interest £'000 |
|--------------------|--------------------|--------------------------------------|-----------------------------------|--|
| <b>31.01.12</b>    |                    |                                      |                                   |  |
| UK Sterling        | 51,320             | 590                                  | -                                 | 50,730   |
| Mexican Peso       | 524                | -                                    | 520                               | 4  |
| Singapore Dollar   | 520                | -                                    | 520                               | -  |
| Japanese Yen       | 494                | 2                                    | 14,773                            | (14,281)   |
| Brazilian Real     | 445                | 20                                   | 425                               | -  |
| US Dollar          | 96                 | 564                                  | 10,791                            | (11,259)   |
| Danish Krone       | 58                 | -                                    | 491                               | (433)  |
| South African Rand | 55                 | -                                    | 419                               | (364)  |
| Canadian Dollar    | 47                 | -                                    | 746                               | (699)  |
| Australian Dollar  | 32                 | 74                                   | 363                               | (405)  |
| Swedish Krona      | 29                 | -                                    | 211                               | (182)  |
| Euro               | 28                 | 132                                  | 21,695                            | (21,799)   |
| <b>31.01.11</b>    |                    |                                      |                                   |  |
| UK Sterling        | 52,069             | 2,121                                | 2,650                             | 47,298   |
| Euro               | 659                | 461                                  | 19,939                            | (19,741)   |
| Mexican Peso       | 552                | -                                    | 548                               | 4  |
| Brazilian Real     | 414                | -                                    | 414                               | -  |
| US Dollar          | 111                | 176                                  | 10,363                            | (10,428)   |
| South African Rand | 111                | -                                    | 106                               | 5  |
| Japanese Yen       | 106                | 15                                   | 13,514                            | (13,423)   |
| Swedish Krona      | 85                 | -                                    | 434                               | (349)  |
| Canadian Dollar    | 56                 | -                                    | 679                               | (623)  |
| Australian Dollar  | 54                 | 55                                   | 645                               | (646)  |
| Danish Krone       | 54                 | -                                    | 464                               | (410)  |

## Notes to the financial statements – continued

The floating rate financial assets comprise investments in variable interest rate paying corporate debt and bank balances that bear interest at rates based on LIBOR or its overseas equivalent.

| Currency         | Total liabilities<br>£'000 | Floating rate financial liabilities<br>£'000 | Financial liabilities not carrying any interest<br>£'000 |
|------------------|----------------------------|--|--|
| <b>31.01.12</b>  |                            |  |  |
| Singapore Dollar | 521                        | -  | 521  |
| UK Sterling      | 84                         | -  | 84   |
| <b>31.01.11</b>  |                            |  |  |
| Euro             | 581                        | -  | 581  |
| UK Sterling      | 286                        | -  | 286  |

### 14. Derivatives

The fund enters into derivative transactions in the form of forward currency contracts and futures for the purpose of efficient portfolio management. The commitment approach has been used to calculate the global exposure.

Further information on the derivative risks can be found in the notes to the aggregated financial statements on page 390.

| Currency           | Weighted average interest rate | Weighted average period for which rate is fixed (years) |
|--------------------|--------------------------------|---|
| <b>31.01.12</b>    |                                |   |
| Australian Dollar  | 8.3%                           | 0.7   |
| Mexican Peso       | 7.5%                           | 1.9   |
| South African Rand | 6.5%                           | 3.6   |
| Euro               | 2.7%                           | 6.8   |
| Canadian Dollar    | 2.1%                           | 13.4  |
| US Dollar          | 1.8%                           | 9.6   |
| Swedish Krona      | 1.5%                           | 7.1   |
| Danish Krone       | 1.0%                           | 5.8   |
| Japanese Yen       | 0.9%                           | 10.6  |
| Singapore Dollar   | 0.3%                           | 1.4   |
| Brazilian Real     | 0.0%                           | 0.9   |
| <b>31.01.11</b>    |                                |   |
| South African Rand | 7.9%                           | 4.6   |
| Australian Dollar  | 6.5%                           | 1.4   |
| Canadian Dollar    | 3.4%                           | 13.2  |
| Euro               | 3.2%                           | 8.0   |
| Danish Krone       | 2.8%                           | 6.8   |
| US Dollar          | 2.8%                           | 9.2   |
| Swedish Krona      | 2.1%                           | 2.5   |
| Japanese Yen       | 1.1%                           | 10.7  |
| Mexican Peso       | 0.1%                           | 2.9   |
| Brazilian Real     | 0.0%                           | 1.9   |

For consideration of other risks including liquidity, pricing and credit risk, please refer to the notes to the aggregated financial statements, pages 389 to 390.

### 13. Share classes

The fund currently has two share classes; Class A shares and Class I shares. The Authorised Corporate Director's (ACD) fee and fixed expenses charge are shown below.

|                 | ACD fee | Fixed expenses |
|-----------------|---------|----------------|
| Class A shares: | 0.75%   | 0.18%          |
| Class I shares: | 0.45%   | 0.00%          |

The net asset value, the net asset value per share and the number of shares are shown on page 102. All classes have the same rights on winding up.

# Distribution table

## Final interest distribution in pence per share

Group 1 – Shares purchased prior to 1 August 2011

Group 2 – Shares purchased 1 August 2011 to 31 January 2012

|  | Gross revenue | Tax at 20% | Net revenue | Equalisation | Distribution payable 30.04.12 | Distribution paid 30.04.11 |
|--|---------------|------------|-------------|--------------|-------------------------------|----------------------------|
| <b>A-Class Accumulation Shares</b>       |               |            |             |              |                               |                            |
| Group 1                                  | 1.775000      | 0.355000   | 1.420000    | -            | 1.420000                      | 1.070000                   |
| Group 2                                  | 0.231876      | 0.046375   | 0.185501    | 1.234499     | 1.420000                      | 1.070000                   |
| <b>A-Class Income Shares</b>             |               |            |             |              |                               |                            |
| Group 1                                  | 1.462500      | 0.292500   | 1.170000    | -            | 1.170000                      | 0.880000                   |
| Group 2                                  | 0.795060      | 0.159012   | 0.636048    | 0.533952     | 1.170000                      | 0.880000                   |
| <b>I-Class Accumulation Shares</b>       |               |            |             |              |                               |                            |
| Group 1                                  | 1.450000      | 0.290000   | 1.160000    | -            | 1.160000                      | 0.920000                   |
| Group 2                                  | 1.450000      | 0.290000   | 1.160000    | 0.000000     | 1.160000                      | 0.920000                   |
| <b>I-Class Gross Accumulation Shares</b> |               |            |             |              |                               |                            |
| Group 1                                  | 1.210000      | 0.000000   | 1.210000    | -            | 1.210000                      | 0.960000                   |
| Group 2                                  | 0.344474      | 0.000000   | 0.344474    | 0.865526     | 1.210000                      | 0.960000                   |
| <b>I-Class Income Shares</b>             |               |            |             |              |                               |                            |
| Group 1                                  | 1.175000      | 0.235000   | 0.940000    | -            | 0.940000                      | 0.780000                   |
| Group 2                                  | 1.175000      | 0.235000   | 0.940000    | 0.000000     | 0.940000                      | 0.780000                   |

## Interim interest distribution in pence per share

Group 1 – Shares purchased prior to 1 February 2011

Group 2 – Shares purchased 1 February 2011 to 31 July 2011

|  | Gross revenue | Tax at 20% | Net revenue | Equalisation | Distribution paid 31.10.11 | Distribution paid 31.10.10 |
|--|---------------|------------|-------------|--------------|----------------------------|----------------------------|
| <b>A-Class Accumulation Shares</b>       |               |            |             |              |                            |                            |
| Group 1                                  | 1.837500      | 0.367500   | 1.470000    | -            | 1.470000                   | 1.270000                   |
| Group 2                                  | 0.213425      | 0.042685   | 0.170740    | 1.299260     | 1.470000                   | 1.270000                   |
| <b>A-Class Income Shares</b>             |               |            |             |              |                            |                            |
| Group 1                                  | 1.512500      | 0.302500   | 1.210000    | -            | 1.210000                   | 1.110000                   |
| Group 2                                  | 0.585941      | 0.117188   | 0.468753    | 0.741247     | 1.210000                   | 1.110000                   |
| <b>I-Class Accumulation Shares</b>       |               |            |             |              |                            |                            |
| Group 1                                  | 1.475000      | 0.295000   | 1.180000    | -            | 1.180000                   | 1.080000                   |
| Group 2                                  | 1.475000      | 0.295000   | 1.180000    | 0.000000     | 1.180000                   | 1.080000                   |
| <b>I-Class Gross Accumulation Shares</b> |               |            |             |              |                            |                            |
| Group 1                                  | 1.210000      | 0.000000   | 1.210000    | -            | 1.210000                   | 1.110000                   |
| Group 2                                  | 0.071782      | 0.000000   | 0.071782    | 1.138218     | 1.210000                   | 1.110000                   |
| <b>I-Class Income Shares</b>             |               |            |             |              |                            |                            |
| Group 1                                  | 1.187500      | 0.237500   | 0.950000    | -            | 0.950000                   | 0.890000                   |
| Group 2                                  | 1.187500      | 0.237500   | 0.950000    | 0.000000     | 0.950000                   | 0.890000                   |

Equalisation applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of revenue included in the purchase price of all group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.



# JPM Global Financials Fund

## Important information

### Change of Depositary

As part of an internal re-structuring, The Royal Bank of Scotland plc has transferred its Trustee and Depositary Services business from The Royal Bank of Scotland plc to National Westminster Bank plc and consequently National Westminster Bank plc has been appointed as Depositary of the Fund with effect from 15 October 2011.

As Depositary, National Westminster Bank plc will have the same duties and responsibilities as The Royal Bank of Scotland plc and this change will have no impact on the way the Fund operates.

### Investment objective and policy

To provide capital growth over the long-term by investing throughout the world primarily in financial services sectors.

### Risk profile

This specialist equity based Fund focuses on one sector of the global stock market (and may include exposure to emerging markets and smaller companies).

Equity investment is subject to specific risks relating to the performance of the individual companies held and the market's perception of their performance. Equities are also subject to systematic risks such as general economic conditions, inflation, interest rates, foreign exchange rates and industry sector risks. In general terms, equities tend to be more volatile than bonds.

Funds that invest predominantly in a single market, asset class or sector may be subject to greater volatility than those funds with a more diversified portfolio.

The underlying assets of the Fund are denominated in currencies other than Sterling and are not hedged back to Sterling. Investors will therefore be exposed to the currency risk of fluctuations between Sterling and the currency denomination of the underlying assets.

### Fund review

Global equity markets had a challenging 12 months to 31 January 2012. The European sovereign debt crisis dominated investor sentiment, with policymakers failing to allay fears of contagion. Meanwhile, the US was the best performing region as housing, employment and consumer confidence data pointed to an improving economy.

In markets heavily influenced by macroeconomic factors, the Fund underperformed its benchmark. Stock selection in capital markets brokerage and global retail banks detracted from performance, while stock selection in life and health insurance and capital markets - asset management made a positive contribution. On a regional basis, stock selection in Europe ex UK and the US detracted from performance, while stock selection in emerging markets made a positive contribution.

## Fund outlook

While headwinds to growth remain, the macroeconomic outlook is not as bad as first feared. The injection of liquidity from the European Central Bank's long-term refinancing programme appears to have bought European authorities more time to address the unresolved structural issues. However, it remains to be seen whether the extra liquidity will feed through into the ailing peripheral European economies. In the US, recent economic data has generally been better than expected, as shown by the increase in the Citigroup economic surprise index, which recently rose to the highest level since March 2011. Investors are now sceptical as to how long this improving trend can be sustained. In China, lingering doubts remain over the government's capacity to stimulate the economy in the face of European recession. The immediate catalyst for markets to move higher will be the company reporting season, which has so far been mixed. Guidance for earnings in 2012 will be given particular attention.

## 12 month performance as at 31 January

|  | 2012          | 2011         | 2010         | 2009          | 2008          |
|--|---------------|--------------|--------------|---------------|---------------|
| <b>JPM Global Financials A-Class Acc</b> | <b>-16.3%</b> | <b>11.3%</b> | <b>42.6%</b> | <b>-46.8%</b> | <b>-18.4%</b> |
| Benchmark Index                          | -13.6%        | 14.2%        | 36.9%        | -44.4%        | -16.4%        |

## Fund statistics

|                 |  |
|-----------------|--|
| Fund size       | £102.0m  |
| Benchmark Index | MSCI World Financials Index (Total Return Net) |
| Fund charges    | Initial 4.25%, Annual 1.50%                    |

## Top ten holdings (excluding Liquidity funds) %

|                             |     |
|-----------------------------|-----|
| Wells Fargo                 | 5.0 |
| Citigroup                   | 4.0 |
| HSBC                        | 3.8 |
| Metlife                     | 2.7 |
| Royal Bank of Canada        | 2.7 |
| Prudential Financial        | 2.6 |
| Bank of America             | 2.5 |
| Prudential                  | 2.4 |
| China Construction Bank 'H' | 2.3 |
| Yes Bank                    | 2.2 |

You should remember that past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. For specific risks, please read the Simplified Prospectus.

All performance returns are calculated using the quoted price of the accumulation shares. Performance returns are in Sterling.

Source: J.P. Morgan.

Benchmark Source: MSCI. Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express of implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent.

## Geographical breakdown

|                            | %    |
|----------------------------|------|
| United States of America   | 37.4 |
| United Kingdom             | 11.4 |
| Australia                  | 6.4  |
| Switzerland                | 5.8  |
| Liquidity funds            | 5.6  |
| China                      | 5.3  |
| India                      | 4.1  |
| France                     | 4.0  |
| Hong Kong                  | 3.8  |
| Canada                     | 3.2  |
| Spain                      | 2.7  |
| Japan                      | 2.5  |
| Germany                    | 2.0  |
| Netherlands                | 1.3  |
| South Africa               | 1.1  |
| South Korea                | 1.0  |
| Mexico                     | 0.9  |
| Forward currency contracts | 0.5  |
| Net other assets           | 1.0  |

## Highest/lowest share price and distribution record

| Calendar year                            | Highest share price | Lowest share price | Distribution per share (net) |
|--|---------------------|--------------------|------------------------------|
| <b>A-Class Accumulation Shares</b>       |                     |                    |                              |
| 2007                                     | 899.1p              | 729.8p             | 7.74p                        |
| 2008                                     | 788.5p              | 341.5p             | 11.55p                       |
| 2009                                     | 610.9p              | 276.2p             | 17.59p                       |
| 2010                                     | 626.5p              | 510.7p             | 4.99p                        |
| 2011                                     | 611.0p              | 395.3p             | 3.87p                        |
| 2012 <sup>A</sup>                        | 498.9p              | 448.5p             | 5.25p                        |
| <b>A-Class Income Shares<sup>B</sup></b> |                     |                    |                              |
| 2007                                     | 54.22p              | 45.89p             | -                            |
| 2008                                     | 49.58p              | 21.44p             | 0.07p                        |
| 2009                                     | 36.59p              | 16.54p             | 1.11p                        |
| 2010                                     | 37.16p              | 30.29p             | 0.30p                        |
| 2011                                     | 35.99p              | 23.29p             | 0.23p                        |
| 2012 <sup>A</sup>                        | 29.40p              | 26.43p             | 0.31p                        |

<sup>A</sup> To 31 January 2012.

<sup>B</sup> A-Class Income Shares were launched on 1 September 2007.

## Portfolio turnover rate

|          |        |
|----------|--------|
| 31.01.11 | 142.3% |
| 31.01.12 | 65.8%  |

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the period.

## Net asset values and Total expense ratios

| Date                               | Net asset value per share class<br>£'000 | Number of shares | Net asset value per share | Total expense ratio |
|------------------------------------|--|------------------|---------------------------|---------------------|
| <b>A-Class Accumulation Shares</b> |  |                  |                           |                     |
| 31.01.10                           | 132,596                                  | 25,230,201       | 525.5p                    | 1.67%               |
| 31.01.11                           | 133,703                                  | 22,846,645       | 585.2p                    | 1.68%               |
| 31.01.12                           | 100,024                                  | 20,430,665       | 489.6p                    | 1.68%               |
| <b>A-Class Income Shares</b>       |  |                  |                           |                     |
| 31.01.10                           | 3,536                                    | 11,341,855       | 31.18p                    | 1.67%               |
| 31.01.11                           | 4,544                                    | 13,177,476       | 34.48p                    | 1.68%               |
| 31.01.12                           | 1,941                                    | 6,800,801        | 28.54p                    | 1.68%               |

The net asset value and the net asset value per income share are shown ex-dividend.

The total expense ratio (TER) takes into account the ACD fee and any fixed expenses charged to revenue expressed as a percentage of the average daily net asset values over the period.

# Portfolio statement

As at 31 January 2012

| Investment                                      | Holding   | Market value<br>£'000 | Total net<br>assets % |
|---|-----------|-----------------------|-----------------------|
| <b>United States of America – 37.4% (36.3%)</b> |           |                       |                       |
| ACE   | 50,847    | 2,222                 | 2.2                   |
| AFLAC   | 54,706    | 1,678                 | 1.6                   |
| American Express                                | 30,494    | 949                   | 0.9                   |
| Ameriprise Financial                            | 46,475    | 1,568                 | 1.5                   |
| Annaly Capital Management 'A'                   | 140,000   | 1,490                 | 1.5                   |
| Bank of America                                 | 578,606   | 2,588                 | 2.5                   |
| Capital One Financial                           | 25,866    | 734                   | 0.7                   |
| Citigroup                                       | 212,430   | 4,068                 | 4.0                   |
| Everest Re Group                                | 19,503    | 1,046                 | 1.0                   |
| Goldman Sachs Group                             | 32,913    | 2,288                 | 2.2                   |
| Hartford Financial Services Group               | 103,631   | 1,146                 | 1.1                   |
| Invesco   | 52,424    | 749                   | 0.7                   |
| Metlife   | 123,774   | 2,797                 | 2.7                   |
| Morgan Stanley                                  | 192,696   | 2,221                 | 2.2                   |
| PNC Financial Services Group                    | 39,283    | 1,469                 | 1.4                   |
| Prudential Financial                            | 73,583    | 2,675                 | 2.6                   |
| State Street                                    | 83,592    | 2,056                 | 2.0                   |
| US Bancorp Delaware                             | 90,601    | 1,607                 | 1.6                   |
| Wells Fargo                                     | 277,636   | 5,144                 | 5.0                   |
| <b>United Kingdom – 11.4% (11.8%)</b>           |           |                       |                       |
| Barclays  | 679,239   | 1,452                 | 1.4                   |
| HSBC  | 720,522   | 3,838                 | 3.8                   |
| Lloyds Banking Group                            | 3,518,624 | 1,087                 | 1.1                   |
| Prudential                                      | 347,880   | 2,449                 | 2.4                   |
| Resolution                                      | 368,917   | 998                   | 1.0                   |
| Royal Bank of Scotland Group                    | 2,228,328 | 599                   | 0.6                   |
| Standard Chartered                              | 74,384    | 1,146                 | 1.1                   |
| <b>Australia – 6.4% (5.1%)</b>                  |           |                       |                       |
| Australia & New Zealand Bank Group              | 154,268   | 2,228                 | 2.2                   |
| MacQuarie Group                                 | 59,405    | 1,018                 | 1.0                   |
| National Australia Bank                         | 75,163    | 1,209                 | 1.2                   |
| Westpac Banking                                 | 140,140   | 1,999                 | 2.0                   |
| <b>Switzerland – 5.8% (7.2%)</b>                |           |                       |                       |
| Credit Suisse                                   | 115,704   | 1,926                 | 1.9                   |
| Swiss Reinsurance                               | 17,500    | 605                   | 0.6                   |
| UBS   | 153,121   | 1,341                 | 1.3                   |
| Zurich Financial Services                       | 13,185    | 2,046                 | 2.0                   |
| <b>China – 5.3% (3.5%)</b>                      |           |                       |                       |
| China Construction Bank 'H'                     | 4,541,770 | 2,300                 | 2.3                   |
| China Merchants Bank 'H'                        | 1,614,000 | 2,251                 | 2.2                   |
| Ping An Insurance 'H'                           | 160,000   | 801                   | 0.8                   |
| <b>India – 4.1% (3.5%)</b>                      |           |                       |                       |
| Housing Development Finance                     | 74,136    | 664                   | 0.7                   |
| Infrastructure Development Finance              | 735,884   | 1,262                 | 1.2                   |
| Yes Bank  | 540,877   | 2,290                 | 2.2                   |
| <b>France – 4.0% (6.6%)</b>                     |           |                       |                       |
| AXA   | 152,239   | 1,477                 | 1.4                   |
| BNP Paribas                                     | 48,466    | 1,340                 | 1.3                   |
| Societe Generale                                | 77,625    | 1,331                 | 1.3                   |
| <b>Hong Kong – 3.8% (3.0%)</b>                  |           |                       |                       |
| Aia Group                                       | 348,800   | 739                   | 0.7                   |
| China Resources Land                            | 790,000   | 881                   | 0.9                   |
| Henderson Land Development                      | 316,000   | 1,087                 | 1.1                   |
| Sun Hung Kai Properties                         | 122,000   | 1,073                 | 1.1                   |
| <b>Canada – 3.2% (2.4%)</b>                     |           |                       |                       |
| Manulife Financial                              | 73,887    | 553                   | 0.5                   |
| Royal Bank of Canada                            | 81,248    | 2,705                 | 2.7                   |
| <b>Spain – 2.7% (3.0%)</b>                      |           |                       |                       |
| Banco Bilbao Vizcaya Argentaria                 | 194,546   | 1,100                 | 1.1                   |
| Banco Santander                                 | 328,494   | 1,654                 | 1.6                   |
| <b>Japan – 2.5% (3.1%)</b>                      |           |                       |                       |
| Advance Residence REIT                          | 234       | 267                   | 0.3                   |
| Kenedix Realty Investment                       | 109       | 202                   | 0.2                   |
| Mitsubishi UFJ Financial Group                  | 348,700   | 1,006                 | 1.0                   |
| Sumitomo Mitsui Financial Group                 | 48,300    | 970                   | 1.0                   |
| <b>Germany – 2.0% (2.3%)</b>                    |           |                       |                       |
| Allianz   | 28,838    | 2,042                 | 2.0                   |
| <b>Netherlands – 1.3% (2.2%)</b>                |           |                       |                       |
| ING Bank  | 223,838   | 1,304                 | 1.3                   |

| Investment  | Holding   | Market value<br>£'000 | Total net<br>assets % |
|---|-----------|-----------------------|-----------------------|
| <b>South Africa – 1.1% (1.4%)</b>                           |           |                       |                       |
| African Bank Investments                                    | 375,963   | 1,131                 | 1.1                   |
| <b>South Korea – 1.0% (1.0%)</b>                            |           |                       |                       |
| Samsung Fire & Marine                                       | 8,663     | 1,062                 | 1.0                   |
| <b>Mexico – 0.9% (0.8%)</b>                                 |           |                       |                       |
| Grupo Financiero Banorte 'O'                                | 379,934   | 966                   | 0.9                   |
| <b>Forward currency contracts – 0.5% (0.1%)</b>             |           |                       |                       |
| <b>Australian Dollar</b>                                    |           |                       |                       |
| Buy AUD 5,077,820 sell £3,257,352 dated 16/03/12            |           | 156                   | 0.2                   |
| Sell AUD 468,204 buy £307,689 dated 16/03/12                |           | (7)                   | -                     |
| <b>Canadian Dollar</b>                                      |           |                       |                       |
| Buy CAD 8,858,210 sell £5,532,923 dated 16/03/12            |           | 88                    | 0.1                   |
| Buy CAD 674,116 sell £431,517 dated 16/03/12                |           | (4)                   | -                     |
| <b>Euro</b>   |           |                       |                       |
| Buy €4,310,757 sell £3,645,781 dated 16/03/12               |           | (46)                  | -                     |
| Buy €491,183 sell \$628,191 dated 16/03/12                  |           | 12                    | -                     |
| Buy €520,000 sell £433,303 dated 16/03/12                   |           | 1                     | -                     |
| Sell €1,167,515 buy £968,978 dated 16/03/12                 |           | (6)                   | -                     |
| <b>Hong Kong Dollar</b>                                     |           |                       |                       |
| Sell HKD 32,487,134 buy £2,685,621 dated 16/03/12           |           | 31                    | -                     |
| <b>Japanese Yen</b>   |           |                       |                       |
| Buy ¥748,403,764 sell £6,174,952 dated 16/03/12             |           | 34                    | -                     |
| <b>Singapore Dollar</b>                                     |           |                       |                       |
| Buy SGD 3,622,107 sell £1,789,670 dated 16/03/12            |           | 43                    | -                     |
| <b>Swedish Krona</b>  |           |                       |                       |
| Buy SEK 20,042,758 sell £1,872,526 dated 16/03/12           |           | 7                     | -                     |
| Sell SEK 3,499,338 buy £325,765 dated 16/03/12              |           | (2)                   | -                     |
| <b>Swiss Franc</b>  |           |                       |                       |
| Sell CHF 2,908,011 buy £2,001,797 dated 16/03/12            |           | (15)                  | -                     |
| <b>US Dollars</b>   |           |                       |                       |
| Buy \$4,808,201 sell £3,087,621 dated 16/03/12              |           | (41)                  | -                     |
| Sell \$18,778,751 buy £12,065,083 dated 16/03/12            |           | 166                   | 0.2                   |
| <b>Liquidity funds – 5.6% (0.0%)</b>                        |           |                       |                       |
| JPM Sterling Liquidity 'X' (Income)^                        | 5,666,456 | 5,666                 | 5.6                   |
| <b>Investment assets (including investment liabilities)</b> |           | <b>100,977</b>        | <b>99.0</b>           |
| <b>Net other assets</b>                                     |           | <b>988</b>            | <b>1.0</b>            |
| <b>Net assets</b>   |           | <b>101,965</b>        | <b>100.0</b>          |

Unless otherwise stated the above securities are admitted to official stock exchange listings or trade on a regulated market.

The comparative percentage figures in brackets are at 31 January 2011.

^ Deemed to be investment in related parties of the ACD

## Portfolio movements

For the year ending 31 January 2012

|  | £'000         |  | £'000           |
|--|---------------|--|-----------------|
| <b>Total of all purchases for the year (Note 10)</b> | <b>40,596</b> | <b>Total of all sales for the year (Note 10)</b> | <b>52,010</b>   |
| <b>Major purchases</b>                               | <b>Cost</b>   | <b>Major sales</b>                               | <b>Proceeds</b> |
| JPM Sterling Liquidity 'X' (Income)^                 | 11,611        | JPM Sterling Liquidity 'X' (Income)^             | 5,945           |
| Morgan Stanley                                       | 2,198         | Erste Group Bank                                 | 2,258           |
| Commerzbank  | 2,137         | Assicurazioni Generali                           | 2,086           |
| Unicredito Italiano                                  | 1,856         | MasterCard                                       | 1,950           |
| Ameriprise Financial                                 | 1,772         | Reliance Capital                                 | 1,864           |
| Infrastructure Development Finance                   | 1,640         | Morgan Stanley                                   | 1,834           |
| Citigroup  | 1,529         | KBC Groep  | 1,657           |
| Annaly Capital Management 'A'                        | 1,464         | UBS  | 1,568           |
| Standard Chartered                                   | 1,233         | RenaissanceRe                                    | 1,483           |
| China Resources Land                                 | 1,124         | ACE  | 1,443           |
| China Merchants Bank 'H'                             | 1,077         | ING Bank   | 1,211           |
| Everest Re Group                                     | 980           | Resolution                                       | 1,172           |
| Goldman Sachs Group                                  | 963           | Swiss Life                                       | 1,144           |
| AXA  | 956           | Allianz  | 1,113           |
| Wells Fargo  | 913           | American Express                                 | 1,109           |
| AFLAC  | 884           | AXA  | 1,077           |
| Banca Monte dei Paschi di Siena                      | 842           | Barclays   | 1,074           |
| Credit Suisse  | 768           | US Bancorp Delaware                              | 1,030           |
| Invesco  | 751           | China Merchants Bank 'H'                         | 992             |
| Metlife  | 714           | Aia Group  | 972             |

^ Deemed to be investment in related parties of the ACD

# Financial statements

## Statement of total return

For the year ending 31 January

|   | 2012            | 2011          |
|---|-----------------|---------------|
| £'000   | £'000           | £'000         |
| <b>Income</b>   |                 |               |
| Net capital (losses)/gains (Note 1)   | (22,870)        | 13,987        |
| Revenue (Note 2)  | 3,243           | 3,584         |
| Expenses (Note 3)   | (1,825)         | (2,341)       |
| Net revenue before taxation   | 1,418           | 1,243         |
| Taxation (Note 4)   | (250)           | (262)         |
| Net revenue after taxation  | 1,168           | 981           |
| <b>Total return before distributions</b>  | <b>(21,702)</b> | <b>14,968</b> |
| Finance costs:<br>Distributions (Note 5)  | (1,169)         | (982)         |
| <b>Change in net assets attributable to shareholders from investment activities</b> | <b>(22,871)</b> | <b>13,986</b> |

## Statement of change in net assets attributable to shareholders

For the year ending 31 January

|  | 2012           | 2011           |
|--|----------------|----------------|
| £'000  | £'000          | £'000          |
| <b>Opening net assets attributable to shareholders</b>                                   | <b>138,247</b> | <b>136,132</b> |
| Amounts receivable on issue of shares  | 1,840          | 4,234          |
| Amounts payable on cancellation of shares  | (16,322)       | (16,982)       |
|  | (14,482)       | (12,748)       |
| Change in net assets attributable to shareholders from investment activities (see above) | (22,871)       | 13,986         |
| Retained distributions on accumulation shares  | 1,073          | 884            |
| Stamp duty reserve tax   | (2)            | (7)            |
| <b>Closing net assets attributable to shareholders</b>                                   | <b>101,965</b> | <b>138,247</b> |

## Balance sheet

As at 31 January

|  | 2012           | 2011           |
|--|----------------|----------------|
| £'000  | £'000          | £'000          |
| <b>ASSETS</b>                                  |                |                |
| Investment assets                              | 101,098        | 136,126        |
| Debtors (Note 7)                               | 862            | 1,972          |
| Cash and bank balances (Note 8)                | 686            | 3,140          |
| <b>Total other assets</b>                      | <b>1,548</b>   | <b>5,112</b>   |
| <b>Total assets</b>                            | <b>102,646</b> | <b>141,238</b> |
| <b>LIABILITIES</b>                             |                |                |
| Investment liabilities                         | (121)          | (316)          |
| Creditors (Note 9)                             | (539)          | (2,645)        |
| Distribution payable on income shares          | (21)           | (30)           |
| <b>Total other liabilities</b>                 | <b>(560)</b>   | <b>(2,675)</b> |
| <b>Total liabilities</b>                       | <b>(681)</b>   | <b>(2,991)</b> |
| <b>Net assets attributable to shareholders</b> | <b>101,965</b> | <b>138,247</b> |

The notes to these financial statements are shown on pages 116 to 118.

# Notes to the financial statements for the year ending 31 January 2012

## 1. Net capital (losses)/gains

|                            | 2012            | 2011          |
|----------------------------|-----------------|---------------|
|                            | £'000           | £'000         |
| Currency losses            | (154)           | (47)          |
| Custodian handling charges | (5)             | (7)           |
| Forward currency contracts | 943             | 469           |
| Non-derivative securities  | (23,654)        | 13,572        |
| Net capital (losses)/gains | <u>(22,870)</u> | <u>13,987</u> |

## 2. Revenue

|   | 2012         | 2011         |
|---|--------------|--------------|
|   | £'000        | £'000        |
| Franked income from UK equity investments | 352          | 724          |
| Income from overseas equity investments   | 2,809        | 2,838        |
| Interest on bank and term deposits        | 66           | 8            |
| Interest on fixed-interest securities     | 16           | -            |
| Property income distributions             | -            | 14           |
| Total revenue                             | <u>3,243</u> | <u>3,584</u> |

## 3. Expenses

|  | 2012         | 2011         |
|--|--------------|--------------|
|  | £'000        | £'000        |
| <b>Payable to the ACD or associate of the ACD:</b> |              |              |
| ACD fee  | 1,705        | 2,096        |
| Fixed expenses                                     | 200          | 245          |
|  | <u>1,905</u> | <u>2,341</u> |
| <b>Payable to third parties:</b>                   |              |              |
| VAT recovered*                                     | (80)         | -            |
| Total expenses                                     | <u>1,825</u> | <u>2,341</u> |

\* VAT recovered includes amounts arising as a result of changes to the policy of HM Revenue & Customs ("HMRC") concerning VAT exemption for the management of authorised collective investment schemes (UK Law, items 9 and 10 of group 5, Schedule 9, to the VAT Act 1994) where these services have historically been treated as subject to VAT in the UK. These changes are in accordance with the Business Brief 07/06 (item 3) from HMRC in light of the European Court of Justice judgment in case C-196/04, Abbey National and Inscape Investment Fund.

## 4. Taxation

|  | 2012       | 2011       |
|--|------------|------------|
|  | £'000      | £'000      |
| <b>a) Analysis of charge in the year</b> |            |            |
| Overseas tax provision                   | 6          | (5)        |
| Overseas tax suffered                    | 244        | 267        |
| Current year tax charge (Note 4b)        | <u>250</u> | <u>262</u> |

### b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an Open-Ended Investment Company (OEIC) (20%). The differences are explained below.

|   |             |            |
|---|-------------|------------|
| Net revenue before taxation               | 1,418       | 1,243      |
| Corporation tax at 20%                    | <u>284</u>  | <u>249</u> |
| Effects of:                               |             |            |
| Dividends not subject to corporation tax  | (609)       | (704)      |
| Excess expenses for which no relief taken | 325         | 455        |
| Overseas tax provision                    | 6           | (5)        |
| Overseas tax suffered                     | 244         | 267        |
|   | <u>(34)</u> | <u>13</u>  |
| Current year tax charge (Note 4a)         | <u>250</u>  | <u>262</u> |

No deferred tax asset has been recognised in the financial statements. At the year end date, the fund had a deferred tax asset of £1,308,288 (31.01.11: £982,433) in relation to £6,541,442 (31.01.11: £4,912,164) of excess management expenses which would only be utilised to reduce the tax charge if the fund had an excess of unfranked income over expenses in a future period. There is no excess of unfranked income expected in the future.

## 5. Finance costs

### Distributions

The distributions take account of amounts receivable on the issue of shares and amounts payable on the cancellation of shares and comprise:

|  | 2012         | 2011       |
|--|--------------|------------|
|  | £'000        | £'000      |
| Final dividend distribution                    | 1,094        | 914        |
| Add: Amounts payable on cancellation of shares | 90           | 88         |
| Deduct: Amounts receivable on issue of shares  | (15)         | (20)       |
| Total finance costs                            | <u>1,169</u> | <u>982</u> |

Details of the distribution per share are set out on page 119.

## 6. Movement between net revenue after taxation and distributions

|   | 2012         | 2011       |
|---|--------------|------------|
|   | £'000        | £'000      |
| Net revenue after taxation                    | 1,168        | 981        |
| Add: Undistributed revenue brought forward    | 3            | 4          |
| Deduct: Undistributed revenue carried forward | (2)          | (3)        |
|   | <u>1,169</u> | <u>982</u> |

## Notes to the financial statements – continued

### 7. Debtors

|                                     | 2012  | 2011  |
|-------------------------------------|-------|-------|
|                                     | £'000 | £'000 |
| Accrued income                      | 48    | 80    |
| Due from the ACD for shares created | 104   | 1     |
| Overseas tax recoverable            | 32    | 75    |
| Sales awaiting settlement           | 678   | 1,816 |
| Total debtors                       | 862   | 1,972 |

### 8. Cash and bank balances

|                        | 2012  | 2011  |
|------------------------|-------|-------|
|                        | £'000 | £'000 |
| Cash and bank balances | 686   | 3,140 |

### 9. Creditors

|                                     | 2012  | 2011  |
|-------------------------------------|-------|-------|
|                                     | £'000 | £'000 |
| Accrued expenses                    | 142   | 197   |
| Due to the ACD for shares cancelled | 397   | 157   |
| Purchases awaiting settlement       | -     | 2,291 |
| Total creditors                     | 539   | 2,645 |

### 10. Portfolio transaction costs

|  | 2012   | 2011    |
|--|--------|---------|
|  | £'000  | £'000   |
| Analysis of total purchase costs           |        |         |
| Purchases in year before transaction costs | 40,555 | 102,284 |
| Commissions                                | 25     | 103     |
| Taxes                                      | 16     | 92      |
| Total purchase costs                       | 41     | 195     |
| Gross purchases total                      | 40,596 | 102,479 |
| Analysis of total sale costs               |        |         |
| Gross sales before transaction costs       | 52,058 | 114,975 |
| Commissions                                | (40)   | (128)   |
| Taxes                                      | (8)    | (19)    |
| Total sale costs                           | (48)   | (147)   |
| Total sales net of transaction costs       | 52,010 | 114,828 |

### 11. Related party transactions

JPMorgan Funds Limited, as Authorised Corporate Director ("ACD"), is a related party, and acts as principal in respect of all transactions of shares in the Company. The aggregate monies received through issue, and paid on cancellation, are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

The balance due to the ACD and their associates at the year end date in respect of related party transactions was £435,129 (31.01.11: £353,341). Details of related party transactions are given under note 13 on page 389.

Investments considered to be related parties have been identified in the portfolio statement on page 113 and the revenue from these investments was £16,190 (31.01.11: £nil).

### 12. Financial instruments

#### Currency exposures

A substantial proportion of the net assets of the fund are denominated in currencies other than sterling, with the effect that the Balance sheet and total return can be significantly affected by currency movements.

| Currency           | Net foreign currency assets |                    |                    |
|--------------------|-----------------------------|--------------------|--------------------|
|                    | Total                       | Monetary           | Non-monetary       |
|                    | £'000                       | exposures<br>£'000 | exposures<br>£'000 |
| <b>31.01.12</b>    |                             |                    |                    |
| US Dollar          | 29,262                      | 16                 | 29,246             |
| Euro               | 13,747                      | 29                 | 13,718             |
| Australian Dollar  | 9,552                       | -                  | 9,552              |
| Canadian Dollar    | 9,329                       | 24                 | 9,305              |
| Japanese Yen       | 8,669                       | 16                 | 8,653              |
| Hong Kong Dollar   | 6,478                       | -                  | 6,478              |
| Indian Rupee       | 4,422                       | 207                | 4,215              |
| Swiss Franc        | 3,905                       | 4                  | 3,901              |
| Singapore Dollar   | 1,833                       | -                  | 1,833              |
| Swedish Krona      | 1,551                       | -                  | 1,551              |
| South African Rand | 1,131                       | -                  | 1,131              |
| Korean Won         | 1,062                       | -                  | 1,062              |
| Mexican Peso       | 969                         | 3                  | 966                |
| <b>31.01.11</b>    |                             |                    |                    |
| US Dollar          | 41,643                      | 9                  | 41,634             |
| Euro               | 22,615                      | 43                 | 22,572             |
| Japanese Yen       | 11,694                      | 43                 | 11,651             |
| Canadian Dollar    | 11,314                      | 21                 | 11,293             |
| Australian Dollar  | 10,917                      | 705                | 10,212             |
| Hong Kong Dollar   | 7,235                       | -                  | 7,235              |
| Swiss Franc        | 5,816                       | 31                 | 5,785              |
| Indian Rupee       | 4,865                       | -                  | 4,865              |
| Swedish Krona      | 2,613                       | -                  | 2,613              |
| Singapore Dollar   | 2,231                       | -                  | 2,231              |
| Korean Won         | 1,367                       | -                  | 1,367              |
| Mexican Peso       | 1,086                       | -                  | 1,086              |
| Turkish Lira       | 737                         | -                  | 737                |
| South African Rand | 251                         | 48                 | 203                |
| Indonesian Rupiah  | 2                           | 2                  | -                  |

## Notes to the financial statements – continued

### Interest rate risk

The tables below detail the interest rate profile of the fund's assets and liabilities as at the year end.

| Currency           | Total assets<br>£'000 | Floating rate financial assets<br>£'000 | Fixed rate financial assets<br>£'000 | Financial assets not carrying any interest<br>£'000 |
|--------------------|-----------------------|---|--------------------------------------|---|
| <b>31.01.12</b>    |                       |   |                                      |   |
| US Dollar          | 29,262                | 10                                      | -                                    | 29,252  |
| Euro               | 13,747                | -                                       | -                                    | 13,747  |
| UK Sterling        | 10,615                | 6,331                                   | -                                    | 4,284   |
| Australian Dollar  | 9,552                 | -                                       | -                                    | 9,552   |
| Canadian Dollar    | 9,329                 | -                                       | -                                    | 9,329   |
| Japanese Yen       | 8,669                 | 8                                       | -                                    | 8,661   |
| Hong Kong Dollar   | 6,478                 | -                                       | -                                    | 6,478   |
| Indian Rupee       | 4,422                 | -                                       | -                                    | 4,422   |
| Swiss Franc        | 3,905                 | -                                       | -                                    | 3,905   |
| Singapore Dollar   | 1,833                 | -                                       | -                                    | 1,833   |
| Swedish Krona      | 1,551                 | -                                       | -                                    | 1,551   |
| South African Rand | 1,131                 | -                                       | -                                    | 1,131   |
| Korean Won         | 1,062                 | -                                       | -                                    | 1,062   |
| Mexican Peso       | 969                   | 3                                       | -                                    | 966   |
| <b>31.01.11</b>    |                       |   |                                      |   |
| US Dollar          | 42,422                | 7                                       | -                                    | 42,415  |
| Euro               | 22,615                | -                                       | -                                    | 22,615  |
| UK Sterling        | 14,625                | 2,958                                   | -                                    | 11,667  |
| Japanese Yen       | 11,694                | 66                                      | -                                    | 11,628  |
| Canadian Dollar    | 11,314                | 58                                      | -                                    | 11,256  |
| Australian Dollar  | 10,917                | -                                       | -                                    | 10,917  |
| Hong Kong Dollar   | 7,235                 | -                                       | -                                    | 7,235   |
| Swiss Franc        | 6,948                 | -                                       | -                                    | 6,948   |
| Indian Rupee       | 4,865                 | -                                       | -                                    | 4,865   |
| Swedish Krona      | 2,613                 | -                                       | -                                    | 2,613   |
| Singapore Dollar   | 2,231                 | -                                       | -                                    | 2,231   |
| Korean Won         | 1,367                 | -                                       | -                                    | 1,367   |
| Mexican Peso       | 1,086                 | -                                       | -                                    | 1,086   |
| Turkish Lira       | 737                   | -                                       | -                                    | 737   |
| South African Rand | 251                   | 47                                      | -                                    | 204   |
| Indonesian Rupiah  | 2                     | -                                       | -                                    | 2   |

The floating rate financial assets are bank balances that bear interest at rates based on LIBOR or its overseas equivalent.

| Currency        | Total liabilities<br>£'000 | Floating rate financial liabilities<br>£'000 | Financial liabilities not carrying any interest<br>£'000 |
|-----------------|----------------------------|--|--|
| <b>31.01.12</b> |                            |  |  |
| UK Sterling     | 560                        | -  | 560  |
| <b>31.01.11</b> |                            |  |  |
| Swiss Franc     | 1,132                      | -  | 1,132  |
| US Dollar       | 779                        | -  | 779  |
| UK Sterling     | 764                        | -  | 764  |

For consideration of other risks including liquidity, pricing and credit risk, please refer to the notes to the aggregated financial statements, pages 389 to 390.

### 13. Share classes

The fund currently has one share class; Class A shares. The Authorised Corporate Director's (ACD) fee and fixed expenses charge are shown below.

|                 |                  |                         |
|-----------------|------------------|-------------------------|
| Class A shares: | ACD fee<br>1.50% | Fixed expenses<br>0.18% |
|-----------------|------------------|-------------------------|

The net asset value, the net asset value per share and the number of shares are shown on page 112.

### 14. Derivatives

The fund enters into derivative transactions in the form of forward currency contracts for the purpose of efficient portfolio management. The commitment approach has been used to calculate the global exposure.

Further information on the derivative risks can be found in the notes to the aggregated financial statements on page 390.



# Distribution table

## Final distribution in pence per share

Group 1 – Shares purchased prior to 1 February 2011

Group 2 – Shares purchased 1 February 2011 to 31 January 2012

|                                    | Gross revenue | Tax at 10% | Net revenue | Equalisation | Distribution payable 30.04.12 | Distribution paid 30.04.11 |
|------------------------------------|---------------|------------|-------------|--------------|-------------------------------|----------------------------|
| <b>A-Class Accumulation Shares</b> |               |            |             |              |                               |                            |
| Group 1                            | 5.833333      | 0.583333   | 5.250000    | -            | 5.250000                      | 3.870000                   |
| Group 2                            | 1.198250      | 0.119825   | 1.078425    | 4.171575     | 5.250000                      | 3.870000                   |
| <b>A-Class Income Shares</b>       |               |            |             |              |                               |                            |
| Group 1                            | 0.344444      | 0.034444   | 0.310000    | -            | 0.310000                      | 0.230000                   |
| Group 2                            | 0.169811      | 0.016981   | 0.152830    | 0.157170     | 0.310000                      | 0.230000                   |

Equalisation applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of revenue included in the purchase price of all group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

# JPM Global Fund

## Important information

### Change of Depositary

As part of an internal re-structuring, The Royal Bank of Scotland plc has transferred its Trustee and Depositary Services business from The Royal Bank of Scotland plc to National Westminster Bank plc and consequently National Westminster Bank plc has been appointed as Depositary of the Fund with effect from 15 October 2011.

As Depositary, National Westminster Bank plc will have the same duties and responsibilities as The Royal Bank of Scotland plc and this change will have no impact on the way the Fund operates.

### Investment objective and policy

To provide capital growth over the long-term by investing throughout the world in any economic sector.

### Risk profile

This equity based Fund is designed to give broad market exposure to global stock markets (which may include investment in emerging markets and smaller companies).

Equity investment is subject to specific risks relating to the performance of the individual companies held and the market's perception of their performance. Equities are also subject to systematic risks such as general economic conditions, inflation, interest rates, foreign exchange rates and industry sector risks. In general terms, equities tend to be more volatile than bonds.

The underlying assets of the Fund are denominated in currencies other than Sterling and are not hedged back to Sterling. Investors will therefore be exposed to the currency risk of fluctuations between Sterling and the currency denomination of the underlying assets.

### Fund review

Global equity markets had a challenging 12 months to 31 January 2012. The European sovereign debt crisis dominated investor sentiment, with policymakers failing to allay fears of contagion. Meanwhile, the US was the best performing region as housing, employment and consumer confidence data pointed to an improving economy. Defensive sectors strongly outperformed cyclical sectors.

In markets heavily influenced by macroeconomic factors, the Fund produced negative absolute returns and underperformed its benchmark. Stock selection in information technology, telecoms and materials detracted from performance, while stock selection in energy and financials made a positive contribution. On a regional basis, exposure to the US and emerging markets detracted from performance, while exposure to Japan and the UK made a positive contribution.

## Fund outlook

While headwinds to growth remain, the macroeconomic outlook is not as bad as first feared. The injection of liquidity from the European Central Bank's long-term refinancing programme appears to have bought European authorities more time to address the unresolved structural issues. However, it remains to be seen whether the extra liquidity will feed through into the ailing peripheral European economies. In the US, recent economic data has generally been better than expected, as shown by the increase in the Citigroup economic surprise index, which recently rose to the highest level since March 2011. Investors are now sceptical as to how long this improving trend can be sustained. In China, lingering doubts remain over the government's capacity to stimulate the economy in the face of European recession. The immediate catalyst for markets to move higher will be the company reporting season, which has so far been mixed. Guidance for earnings in 2012 will be given particular attention.

## 12 month performance as at 31 January

|                        | 2012  | 2011  | 2010  | 2009   | 2008  |
|------------------------|-------|-------|-------|--------|-------|
| JPM Global A-Class Acc | -6.1% | 14.9% | 25.0% | -20.5% | -5.6% |
| Benchmark Index        | -1.5% | 19.3% | 22.9% | -19.2% | -2.0% |

## Fund statistics

|                 |                                     |
|-----------------|-------------------------------------|
| Fund size       | £161.3m                             |
| Benchmark Index | MSCI World Index (Total Return Net) |
| Fund charges    | Initial 4.25%, Annual 1.50%         |

## Top ten holdings (excluding Liquidity funds)

|                                  | %   |
|----------------------------------|-----|
| Apple                            | 4.0 |
| Royal Dutch Shell 'B'            | 3.0 |
| Vodafone Group                   | 2.6 |
| Comcast 'A'                      | 2.5 |
| TOTAL S.A.                       | 2.5 |
| Sanofi-Aventis                   | 2.3 |
| Unilever                         | 2.2 |
| Norfolk Southern                 | 2.2 |
| Wells Fargo                      | 2.1 |
| Volkswagen Non-Voting Preference | 2.1 |

You should remember that past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. For specific risks, please read the Simplified Prospectus.

All performance returns are calculated using the quoted price of the accumulation shares. Performance returns are in Sterling.

Source: J.P. Morgan.

Benchmark Source: MSCI. Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express of implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent.

## Geographical breakdown

|                          | %     |
|--------------------------|-------|
| United States of America | 42.6  |
| United Kingdom           | 15.2  |
| France                   | 8.5   |
| Germany                  | 4.7   |
| Switzerland              | 4.7   |
| Liquidity funds          | 4.6   |
| China                    | 4.3   |
| Japan                    | 3.4   |
| Hong Kong                | 3.3   |
| India                    | 2.0   |
| Israel                   | 1.9   |
| Belgium                  | 1.8   |
| Netherlands              | 1.0   |
| Denmark                  | 0.8   |
| Indonesia                | 0.7   |
| Canada                   | 0.6   |
| Taiwan                   | 0.0   |
| Net other liabilities    | (0.1) |

## Portfolio turnover rate

|          |        |
|----------|--------|
| 31.01.11 | 131.4% |
| 31.01.12 | 189.4% |

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the period.

## Net asset values and Total expense ratios

| Date                               | Net asset value per share class<br>£'000 | Number of shares | Net asset value per share | Total expense ratio |
|------------------------------------|--|------------------|---------------------------|---------------------|
| <b>A-Class Accumulation Shares</b> |  |                  |                           |                     |
| 31.01.10                           | 173,850                                  | 28,279,343       | 614.8p                    | 1.67%               |
| 31.01.11                           | 185,321                                  | 26,234,672       | 706.4p                    | 1.68%               |
| 31.01.12                           | 160,567                                  | 24,211,529       | 663.2p                    | 1.67%               |
| <b>A-Class Income Shares</b>       |  |                  |                           |                     |
| 31.01.10                           | 402                                      | 855,589          | 46.94p                    | 1.68%               |
| 31.01.11                           | 563                                      | 1,051,084        | 53.56p                    | 1.68%               |
| 31.01.12                           | 695                                      | 1,391,386        | 49.95p                    | 1.68%               |

The net asset value and the net asset value per income share are shown ex-dividend.

The total expense ratio (TER) takes into account the ACD fee and any fixed expenses charged to revenue expressed as a percentage of the average daily net asset values over the period.

## Highest/lowest share price and distribution record

| Calendar year                            | Highest share price | Lowest share price | Distribution per share (net) |
|--|---------------------|--------------------|------------------------------|
| <b>A-Class Accumulation Shares</b>       |                     |                    |                              |
| 2007                                     | 692.9p              | 611.1p             | 1.49p                        |
| 2008                                     | 690.4p              | 425.3p             | 2.62p                        |
| 2009                                     | 654.1p              | 412.5p             | 7.03p                        |
| 2010                                     | 719.8p              | 601.4p             | 4.33p                        |
| 2011                                     | 734.1p              | 561.1p             | 5.06p                        |
| 2012 <sup>a</sup>                        | 672.6p              | 636.6p             | 4.29p                        |
| <b>A-Class Income Shares<sup>b</sup></b> |                     |                    |                              |
| 2007                                     | 53.98p              | 49.05p             | -                            |
| 2008                                     | 53.80p              | 33.14p             | 0.00p                        |
| 2009                                     | 50.30p              | 31.72p             | 0.54p                        |
| 2010                                     | 54.96p              | 45.92p             | 0.34p                        |
| 2011                                     | 55.65p              | 42.54p             | 0.38p                        |
| 2012 <sup>a</sup>                        | 51.00p              | 48.27p             | 0.33p                        |

<sup>a</sup> To 31 January 2012.

<sup>b</sup> A-Class Income Shares were launched on 1 September 2007.

# Portfolio statement

As at 31 January 2012

| Investment                                      | Holding   | Market value<br>£'000 | Total net<br>assets % |
|---|-----------|-----------------------|-----------------------|
| <b>United States of America - 42.6% (42.7%)</b> |           |                       |                       |
| Abbott Laboratories                             | 75,107    | 2,590                 | 1.6                   |
| Adobe Systems                                   | 51,153    | 1,005                 | 0.6                   |
| American Express                                | 50,200    | 1,562                 | 1.0                   |
| Anadarko Petroleum                              | 58,928    | 2,987                 | 1.8                   |
| Annaly Capital Management 'A'                   | 151,700   | 1,614                 | 1.0                   |
| Apache  | 31,110    | 1,948                 | 1.2                   |
| Apple   | 22,382    | 6,421                 | 4.0                   |
| Chevron   | 47,251    | 3,094                 | 1.9                   |
| Cisco Systems                                   | 178,567   | 2,211                 | 1.4                   |
| Citigroup                                       | 89,123    | 1,707                 | 1.1                   |
| Comcast 'A'                                     | 239,549   | 4,000                 | 2.5                   |
| Covidien  | 78,662    | 2,567                 | 1.6                   |
| Dow Chemical                                    | 136,239   | 2,865                 | 1.8                   |
| Emerson Electric                                | 51,925    | 1,700                 | 1.1                   |
| Georgia Gulf Corporation                        | 38,716    | 850                   | 0.5                   |
| Google 'A'                                      | 8,857     | 3,241                 | 2.0                   |
| Guess   | 74,908    | 1,393                 | 0.9                   |
| Merck & Co                                      | 122,117   | 3,008                 | 1.9                   |
| Norfolk Southern                                | 76,687    | 3,554                 | 2.2                   |
| Occidental Petroleum                            | 44,258    | 2,792                 | 1.7                   |
| Prudential Financial                            | 85,331    | 3,102                 | 1.9                   |
| Starwood Hotels 'B'                             | 30,285    | 1,040                 | 0.6                   |
| Time Warner                                     | 80,004    | 1,898                 | 1.2                   |
| United Health Group                             | 37,534    | 1,214                 | 0.7                   |
| United Technologies                             | 31,458    | 1,546                 | 1.0                   |
| Veeco Instruments                               | 140,554   | 2,159                 | 1.3                   |
| VF  | 17,876    | 1,483                 | 0.9                   |
| Virgin Media                                    | 114,728   | 1,745                 | 1.1                   |
| Wells Fargo                                     | 182,069   | 3,373                 | 2.1                   |
| <b>United Kingdom - 15.2% (14.5%)</b>           |           |                       |                       |
| Aviva   | 459,038   | 1,613                 | 1.0                   |
| Barclays  | 699,924   | 1,496                 | 0.9                   |
| BG Group  | 136,625   | 1,935                 | 1.2                   |
| BHP Billiton                                    | 81,515    | 1,766                 | 1.1                   |
| British American Tobacco                        | 65,454    | 1,931                 | 1.2                   |
| Prudential                                      | 262,908   | 1,851                 | 1.1                   |
| Royal Dutch Shell 'B'                           | 204,421   | 4,758                 | 3.0                   |
| Unilever  | 173,927   | 3,567                 | 2.2                   |
| Vodafone Group                                  | 2,468,508 | 4,261                 | 2.6                   |
| Xstrata   | 138,721   | 1,509                 | 0.9                   |
| <b>France - 8.5% (8.7%)</b>                     |           |                       |                       |
| AXA   | 165,421   | 1,605                 | 1.0                   |
| PPR   | 19,771    | 1,967                 | 1.2                   |
| Sanofi-Aventis                                  | 77,474    | 3,672                 | 2.3                   |
| TOTAL S.A.                                      | 117,865   | 3,985                 | 2.5                   |
| Vivendi   | 180,176   | 2,405                 | 1.5                   |
| <b>Germany - 4.7% (4.5%)</b>                    |           |                       |                       |
| Bayer   | 66,265    | 2,947                 | 1.8                   |
| Rheinmetall                                     | 38,412    | 1,317                 | 0.8                   |
| Volkswagen Non-Voting Preference                | 29,027    | 3,331                 | 2.1                   |
| <b>Switzerland - 4.7% (5.0%)</b>                |           |                       |                       |
| Compagnie Financiere Richemont 'A'              | 69,128    | 2,496                 | 1.6                   |
| Nestle  | 84,989    | 3,119                 | 1.9                   |
| Novartis  | 55,673    | 1,931                 | 1.2                   |
| <b>China - 4.3% (2.9%)</b>                      |           |                       |                       |
| Anhui Conch Cement 'H'                          | 205,000   | 439                   | 0.3                   |
| Baidu ADR                                       | 10,437    | 864                   | 0.5                   |
| Beijing Capital International Airport 'H'       | 2,532,000 | 823                   | 0.5                   |
| China Merchants Bank 'H'                        | 1,286,669 | 1,795                 | 1.1                   |
| Industrial & Commercial Bank of China 'H'       | 3,717,000 | 1,648                 | 1.0                   |
| Perfect World ADR 'B'                           | 141,344   | 973                   | 0.6                   |
| WuXi PharmaTech ADS                             | 51,576    | 428                   | 0.3                   |
| <b>Japan - 3.4% (4.5%)</b>                      |           |                       |                       |
| Komatsu   | 132,800   | 2,360                 | 1.4                   |
| Mitsubishi                                      | 108,300   | 1,558                 | 1.0                   |
| SMC   | 14,800    | 1,619                 | 1.0                   |
| <b>Hong Kong - 3.3% (2.4%)</b>                  |           |                       |                       |
| Agile Property                                  | 638,000   | 450                   | 0.3                   |
| China Yurun Food Group                          | 1,061,000 | 1,104                 | 0.7                   |
| Franshion Properties                            | 6,482,000 | 995                   | 0.6                   |
| Hengdeli Holdings                               | 3,768,000 | 908                   | 0.6                   |
| New World Department Store China                | 2,116,000 | 805                   | 0.5                   |
| Ports Design                                    | 634,000   | 655                   | 0.4                   |
| West China Cement                               | 3,816,000 | 399                   | 0.2                   |

| Investment                           | Holding   | Market value<br>£'000 | Total net<br>assets % |
|--------------------------------------|-----------|-----------------------|-----------------------|
| <b>India - 2.0% (0.5%)</b>           |           |                       |                       |
| Federal Bank                         | 203,737   | 1,037                 | 0.6                   |
| Infrastructure Development Finance   | 525,648   | 901                   | 0.6                   |
| Yes Bank                             | 288,371   | 1,221                 | 0.8                   |
| <b>Israel - 1.9% (1.4%)</b>          |           |                       |                       |
| Teva Pharmaceutical Industries ADR   | 108,054   | 3,075                 | 1.9                   |
| <b>Belgium - 1.8% (0.0%)</b>         |           |                       |                       |
| Anheuser-Busch InBev                 | 75,111    | 2,903                 | 1.8                   |
| <b>Netherlands - 1.0% (1.1%)</b>     |           |                       |                       |
| KPN                                  | 224,899   | 1,555                 | 1.0                   |
| <b>Denmark - 0.8% (0.7%)</b>         |           |                       |                       |
| Carlsberg 'B'                        | 27,591    | 1,330                 | 0.8                   |
| <b>Indonesia - 0.7% (0.8%)</b>       |           |                       |                       |
| Bank Rakyat Indonesia                | 2,215,500 | 1,061                 | 0.7                   |
| <b>Canada - 0.6% (1.4%)</b>          |           |                       |                       |
| First Quantum Minerals               | 70,741    | 976                   | 0.6                   |
| <b>Taiwan - 0.0% (1.2%)</b>          |           |                       |                       |
| HTC                                  | 150       | 2                     | -                     |
| <b>Liquidity funds - 4.6% (0.0%)</b> |           |                       |                       |
| JPM Sterling Liquidity 'X' (Income)^ | 7,431,868 | 7,432                 | 4.6                   |
| <b>Investment assets</b>             |           | <b>161,447</b>        | <b>100.1</b>          |
| <b>Net other liabilities</b>         |           | <b>(185)</b>          | <b>(0.1)</b>          |
| <b>Net assets</b>                    |           | <b>161,262</b>        | <b>100.0</b>          |

Unless otherwise stated the above securities are admitted to official stock exchange listings or trade on a regulated market.

The comparative percentage figures in brackets are at 31 January 2011.

^ Deemed to be investment in related parties of the ACD

## Portfolio movements

For the year ending 31 January 2012

|  | £'000          |  | £'000           |
|--|----------------|--|-----------------|
| <b>Total of all purchases for the year (Note 10)</b> | <b>162,556</b> | <b>Total of all sales for the year (Note 10)</b> | <b>171,125</b>  |
| <b>Major purchases</b>                               | <b>Cost</b>    | <b>Major sales</b>                               | <b>Proceeds</b> |
| JPM Sterling Liquidity 'X' (Income)^                 | 30,632         | JPM Sterling Liquidity 'X' (Income)^             | 23,200          |
| Volkswagen Non-Voting Preference                     | 4,855          | Hewlett Packard                                  | 3,973           |
| Veeco Instruments                                    | 4,152          | Veeco Instruments                                | 3,748           |
| Virgin Media   | 3,361          | GlaxoSmithKline                                  | 2,937           |
| Apple  | 3,259          | Avago Technologies                               | 2,746           |
| Thyssen Krupp  | 2,888          | United Technologies                              | 2,515           |
| Sprint Nextel  | 2,828          | Barclays   | 2,362           |
| Anheuser-Busch InBev                                 | 2,649          | Emerson Electric                                 | 2,360           |
| Infrastructure Development Finance                   | 2,594          | Siemens  | 2,341           |
| Georgia Gulf Corporation                             | 2,568          | Analog Devices                                   | 2,305           |
| Vivendi  | 2,564          | Medtronic  | 2,302           |
| Covidien   | 2,509          | Thyssen Krupp                                    | 2,143           |
| Komatsu  | 2,282          | Taiwan Semiconductor Manufacturing ADS           | 2,075           |
| Compagnie Financiere Richemont 'A'                   | 2,261          | Zurich Financial Services                        | 2,054           |
| Novartis   | 2,132          | Honda Motor                                      | 2,018           |
| Barclays   | 2,103          | Lafarge  | 1,901           |
| Carlsberg 'B'  | 1,989          | Volkswagen Non-Voting Preference                 | 1,877           |
| Prudential   | 1,961          | Infrastructure Development Finance               | 1,873           |
| Unilever   | 1,958          | BNP Paribas                                      | 1,770           |
| Rheinmetall  | 1,932          | SKF 'B'  | 1,760           |

^ Deemed to be investment in related parties of the ACD

# Financial statements

## Statement of total return

For the year ending 31 January

|   | 2012            | 2011          |
|---|-----------------|---------------|
| £'000   | £'000           | £'000         |
| Income  |                 |               |
| Net capital (losses)/gains (Note 1)   | (12,310)        | 23,750        |
| Revenue (Note 2)  | 4,302           | 4,938         |
| Expenses (Note 3)   | (2,788)         | (3,061)       |
| Net revenue before taxation   | 1,514           | 1,877         |
| Taxation (Note 4)   | (406)           | (489)         |
| Net revenue after taxation  | 1,108           | 1,388         |
| <b>Total return before distributions</b>  | <b>(11,202)</b> | <b>25,138</b> |
| Finance costs:  |                 |               |
| Distributions (Note 5)  | (1,109)         | (1,389)       |
| <b>Change in net assets attributable to shareholders from investment activities</b> | <b>(12,311)</b> | <b>23,749</b> |

## Balance sheet

As at 31 January

|  | 2012           | 2011           |
|--|----------------|----------------|
| £'000  | £'000          | £'000          |
| <b>ASSETS</b>                                  |                |                |
| Investment assets                              | 161,447        | 182,556        |
| Debtors (Note 7)                               | 252            | 984            |
| Cash and bank balances (Note 8)                | 1,491          | 4,269          |
| <b>Total other assets</b>                      | <b>1,743</b>   | <b>5,253</b>   |
| <b>Total assets</b>                            | <b>163,190</b> | <b>187,809</b> |
| <b>LIABILITIES</b>                             |                |                |
| Creditors (Note 9)                             | (1,923)        | (1,921)        |
| Bank overdraft                                 | (1)            | -              |
| Distribution payable on income shares          | (4)            | (4)            |
| <b>Total liabilities</b>                       | <b>(1,928)</b> | <b>(1,925)</b> |
| <b>Net assets attributable to shareholders</b> | <b>161,262</b> | <b>185,884</b> |

## Statement of change in net assets attributable to shareholders

For the year ending 31 January

|  | 2012           | 2011           |
|--|----------------|----------------|
| £'000  | £'000          | £'000          |
| <b>Opening net assets attributable to shareholders</b>                                   | <b>185,884</b> | <b>174,252</b> |
| Amounts receivable on issue of shares  | 375            | 605            |
| Amounts payable on cancellation of shares  | (13,723)       | (14,047)       |
|  | (13,348)       | (13,442)       |
| Change in net assets attributable to shareholders from investment activities (see above) | (12,311)       | 23,749         |
| Retained distributions on accumulation shares  | 1,039          | 1,327          |
| Stamp duty reserve tax   | (2)            | (2)            |
| <b>Closing net assets attributable to shareholders</b>                                   | <b>161,262</b> | <b>185,884</b> |

The notes to these financial statements are shown on pages 125 to 127.

# Notes to the financial statements for the year ending 31 January 2012

## 1. Net capital (losses)/gains

|                            | 2012     | 2011   |
|----------------------------|----------|--------|
|                            | £'000    | £'000  |
| Currency gains/(losses)    | 54       | (244)  |
| Custodian handling charges | (13)     | (8)    |
| Derivative contracts       | 158      | -      |
| Forward currency contracts | -        | (26)   |
| Non-derivative securities  | (12,509) | 24,028 |
| Net capital (losses)/gains | (12,310) | 23,750 |

## 2. Revenue

|   | 2012  | 2011  |
|---|-------|-------|
|   | £'000 | £'000 |
| Franked income from UK equity investments | 1,060 | 685   |
| Income from overseas equity investments   | 2,889 | 4,152 |
| Interest on bank and term deposits        | 37    | 26    |
| Interest on fixed-interest securities     | 39    | -     |
| Stock dividends                           | 167   | -     |
| Stocklending income*                      | 110   | 75    |
| Total revenue                             | 4,302 | 4,938 |

\* Stocklending income is disclosed net of fees. See note 11.

## 3. Expenses

|  | 2012  | 2011  |
|--|-------|-------|
|  | £'000 | £'000 |
| <b>Payable to the ACD or associate of the ACD:</b> |       |       |
| ACD fee  | 2,534 | 2,740 |
| Fixed expenses                                     | 291   | 321   |
|  | 2,825 | 3,061 |
| <b>Payable to third parties:</b>                   |       |       |
| VAT recovered*                                     | (37)  | -     |
| Total expenses                                     | 2,788 | 3,061 |

\* VAT recovered includes amounts arising as a result of changes to the policy of HM Revenue & Customs ("HMRC") concerning VAT exemption for the management of authorised collective investment schemes (UK Law, items 9 and 10 of group 5, Schedule 9, to the VAT Act 1994) where these services have historically been treated as subject to VAT in the UK. These changes are in accordance with the Business Brief 07/06 (item 3) from HMRC in light of the European Court of Justice judgment in case C-196/04, Abbey National and Inscape Investment Fund.

## 4. Taxation

|  | 2012  | 2011  |
|--|-------|-------|
|  | £'000 | £'000 |
| <b>a) Analysis of charge in the year</b> |       |       |
| Overseas tax provision                   | (4)   | (15)  |
| Overseas tax suffered                    | 410   | 504   |
| Current year tax charge (Note 4b)        | 406   | 489   |

### b) Factors affecting the tax charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK for an Open-Ended Investment Company (OEIC) (20%). The differences are explained below.

|                             |       |       |
|-----------------------------|-------|-------|
| Net revenue before taxation | 1,514 | 1,877 |
| Corporation tax at 20%      | 303   | 375   |

### Effects of:

|   |       |       |
|---|-------|-------|
| Dividends not subject to corporation tax  | (815) | (908) |
| Excess expenses for which no relief taken | 512   | 533   |
| Overseas tax provision                    | (4)   | (15)  |
| Overseas tax suffered                     | 410   | 504   |
|   | 103   | 114   |
| Current year tax charge (Note 4a)         | 406   | 489   |

No deferred tax asset has been recognised in the financial statements. At the year end date, the fund had a deferred tax asset of £4,073,851 (31.01.11: £3,561,237) in relation to £20,369,257 (31.01.11: £17,806,183) of excess management expenses which would only be utilised to reduce the tax charge if the fund had an excess of unfranked income over expenses in a future period. There is no excess of unfranked income expected in the future.

## 5. Finance costs

### Distributions

The distributions take account of amounts receivable on the issue of shares and amounts payable on the cancellation of shares and comprise:

|  | 2012  | 2011  |
|--|-------|-------|
|  | £'000 | £'000 |
| Final dividend distribution                    | 1,043 | 1,331 |
| Add: Amounts payable on cancellation of shares | 68    | 61    |
| Deduct: Amounts receivable on issue of shares  | (2)   | (3)   |
| Total finance costs                            | 1,109 | 1,389 |

Details of the distribution per share are set out on page 128.

## 6. Movement between net revenue after taxation and distributions

|   | 2012  | 2011  |
|---|-------|-------|
|   | £'000 | £'000 |
| Net revenue after taxation                    | 1,108 | 1,388 |
| Add: Undistributed revenue brought forward    | 1     | 2     |
| Deduct: Undistributed revenue carried forward | -     | (1)   |
|   | 1,109 | 1,389 |

## 7. Debtors

|                                     | 2012  | 2011  |
|-------------------------------------|-------|-------|
|                                     | £'000 | £'000 |
| Accrued income                      | 212   | 117   |
| Due from the ACD for shares created | -     | 15    |
| Overseas tax recoverable            | 40    | 82    |
| Sales awaiting settlement           | -     | 770   |
| Total debtors                       | 252   | 984   |

## Notes to the financial statements – continued

### 8. Cash and bank balances

|                        | 2012  | 2011  |
|------------------------|-------|-------|
|                        | £'000 | £'000 |
| Cash and bank balances | 1,491 | 4,269 |

### 9. Creditors

|                                     | 2012  | 2011  |
|-------------------------------------|-------|-------|
|                                     | £'000 | £'000 |
| Accrued expenses                    | 229   | 269   |
| Due to the ACD for shares cancelled | 283   | 167   |
| Purchases awaiting settlement       | 1,411 | 1,485 |
| Total creditors                     | 1,923 | 1,921 |

### 10. Portfolio transaction costs

|  | 2012    | 2011    |
|--|---------|---------|
|  | £'000   | £'000   |
| Analysis of total purchase costs           |         |         |
| Purchases in year before transaction costs | 162,340 | 119,231 |
| Commissions                                | 128     | 121     |
| Taxes                                      | 88      | 92      |
| Total purchase costs                       | 216     | 213     |
| Gross purchases total                      | 162,556 | 119,444 |
| Analysis of total sale costs               |         |         |
| Gross sales before transaction costs       | 171,292 | 133,972 |
| Commissions                                | (147)   | (121)   |
| Taxes                                      | (20)    | (11)    |
| Total sale costs                           | (167)   | (132)   |
| Total sales net of transaction costs       | 171,125 | 133,840 |

### 11. Related party transactions

JPMorgan Funds Limited, as Authorised Corporate Director ("ACD"), is a related party, and acts as principal in respect of all transactions of shares in the Company. The aggregate monies received through issue, and paid on cancellation, are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

The balance due to the ACD and their associates at the year end date in respect of related party transactions was £511,568 (31.01.11: £420,303). Details of related party transactions are given under note 13 on page 389.

Investments considered to be related parties have been identified in the portfolio statement on page 122 and the revenue from these investments was £38,584 (31.01.11: £nil).

Some of the dealing transactions for the fund are carried out through associates of the ACD. Such transactions are carried out on an arm's length basis. The commissions paid to these companies over the year were £55,062 (31.01.11: £12,600). Commission was paid to the associated company JPMorgan Securities Ltd.

The gross stocklending income received was £133,448 (31.01.11: £91,466), with fees deducted of £23,353 (31.01.11: £16,006).

The following party held a material interest in the fund at the year end date:

- FNZ (UK) Nominees Ltd 22.05% (31.01.11: 22.00%)

### 12. Financial instruments

#### Currency exposures

A substantial proportion of the net assets of the fund are denominated in currencies other than sterling, with the effect that the Balance sheet and total return can be significantly affected by currency movements.

| Currency          | Net foreign currency assets |           |              |
|-------------------|-----------------------------|-----------|--------------|
|                   | Total                       | Monetary  | Non-monetary |
|                   | £'000                       | exposures | exposures    |
|                   |                             | £'000     | £'000        |
| <b>31.01.12</b>   |                             |           |              |
| US Dollar         | 72,644                      | (1,366)   | 74,010       |
| Euro              | 25,697                      | 10        | 25,687       |
| Hong Kong Dollar  | 10,021                      | -         | 10,021       |
| Swiss Franc       | 7,568                       | 22        | 7,546        |
| Japanese Yen      | 5,537                       | -         | 5,537        |
| Indian Rupee      | 3,159                       | -         | 3,159        |
| Danish Krone      | 1,330                       | -         | 1,330        |
| Taiwan Dollar     | 1,246                       | 1,244     | 2            |
| Indonesian Rupiah | 1,061                       | -         | 1,061        |
| Canadian Dollar   | 976                         | -         | 976          |
| <b>31.01.11</b>   |                             |           |              |
| US Dollar         | 90,881                      | 806       | 90,075       |
| Euro              | 33,112                      | 71        | 33,041       |
| Japanese Yen      | 8,291                       | 6         | 8,285        |
| Swiss Franc       | 7,831                       | 61        | 7,770        |
| Hong Kong Dollar  | 7,035                       | -         | 7,035        |
| Canadian Dollar   | 2,649                       | 1         | 2,648        |
| Australian Dollar | 1,634                       | -         | 1,634        |
| Indonesian Rupiah | 1,539                       | -         | 1,539        |
| Swedish Krona     | 1,446                       | -         | 1,446        |
| Danish Krone      | 1,224                       | -         | 1,224        |
| Indian Rupee      | 960                         | -         | 960          |
| Norwegian Krone   | 3                           | 3         | -            |

#### Interest rate risk

The tables below detail the interest rate profile of the fund's assets and liabilities as at the year end.

| Currency          | Total  | Financial assets |            | Financial assets not carrying any interest |
|-------------------|--------|------------------|------------|--|
|                   |        | Floating rate    | Fixed rate |  |
|                   | assets | financial        | financial  |  |
|                   | £'000  | assets           | assets     | £'000                                      |
| <b>31.01.12</b>   |        |                  |            |  |
| US Dollar         | 74,055 | -                | -          | 74,055                                     |
| UK Sterling       | 32,539 | 7,679            | -          | 24,860                                     |
| Euro              | 25,698 | -                | -          | 25,698                                     |
| Hong Kong Dollar  | 10,021 | -                | -          | 10,021                                     |
| Swiss Franc       | 7,568  | -                | -          | 7,568                                      |
| Japanese Yen      | 5,537  | -                | -          | 5,537                                      |
| Indian Rupee      | 3,159  | -                | -          | 3,159                                      |
| Danish Krone      | 1,330  | -                | -          | 1,330                                      |
| Taiwan Dollar     | 1,246  | 1,244            | -          | 2  |
| Indonesian Rupiah | 1,061  | -                | -          | 1,061                                      |
| Canadian Dollar   | 976    | -                | -          | 976  |
| <b>31.01.11</b>   |        |                  |            |  |
| US Dollar         | 92,366 | 1,485            | -          | 90,881                                     |
| Euro              | 33,112 | 58               | -          | 33,054                                     |
| Japanese Yen      | 8,292  | -                | -          | 8,292                                      |
| Swiss Franc       | 7,831  | -                | -          | 7,831                                      |
| Hong Kong Dollar  | 7,035  | -                | -          | 7,035                                      |
| UK Sterling       | 2,725  | -                | -          | 26,993                                     |
| Canadian Dollar   | 2,648  | -                | -          | 2,648                                      |
| Australian Dollar | 1,634  | -                | -          | 1,634                                      |
| Indonesian Rupiah | 1,539  | -                | -          | 1,539                                      |
| Swedish Krona     | 1,446  | -                | -          | 1,446                                      |
| Danish Krone      | 1,224  | -                | -          | 1,224                                      |
| Indian Rupee      | 960    | -                | -          | 960  |
| Norwegian Krone   | 3      | -                | -          | 3  |



## Notes to the financial statements – continued

The floating rate financial assets are bank balances that bear interest at rates based on LIBOR or its overseas equivalent.

| Currency        | Total liabilities<br>£'000 | Floating rate financial liabilities<br>£'000 | Financial liabilities not carrying any interest<br>£'000 |
|-----------------|----------------------------|--|--|
| <b>31.01.12</b> |                            |  |  |
| US Dollar       | 1,411                      | -  | 1,411  |
| UK Sterling     | 516                        | -  | 516  |
| Euro            | 1                          | 1  | -  |
| <b>31.01.11</b> |                            |  |  |
| US Dollar       | 1,485                      | -  | 1,485  |
| UK Sterling     | 439                        | -  | 439  |

For consideration of other risks including liquidity, pricing and credit risk, please refer to the notes to the aggregated financial statements, pages 389 to 390.

### 13. Share classes

The fund currently has one share class; Class A shares. The Authorised Corporate Director's (ACD) fee and fixed expenses charge are shown below.

|                 | ACD fee | Fixed expenses |
|-----------------|---------|----------------|
| Class A shares: | 1.50%   | 0.18%          |

The net asset value, the net asset value per share and the number of shares are shown on page 121.

### 14. Derivatives

The fund enters into derivative transactions in the form of futures for the purpose of efficient portfolio management. The commitment approach has been used to calculate the global exposure.

Further information on the derivative risks can be found in the notes to the aggregated financial statements on page 390.

# Distribution table

## Final distribution in pence per share

Group 1 – Shares purchased prior to 1 February 2011

Group 2 – Shares purchased 1 February 2011 to 31 January 2012

|                                    | Gross<br>revenue | Tax<br>at 10% | Net<br>revenue | Equalisation | Distribution<br>payable<br>30.04.12 | Distribution<br>paid<br>30.04.11 |
|------------------------------------|------------------|---------------|----------------|--------------|-------------------------------------|----------------------------------|
| <b>A-Class Accumulation Shares</b> |                  |               |                |              |                                     |                                  |
| Group 1                            | 4.766667         | 0.476667      | 4.290000       | -            | 4.290000                            | 5.060000                         |
| Group 2                            | 1.427993         | 0.142799      | 1.285194       | 3.004806     | 4.290000                            | 5.060000                         |
| <b>A-Class Income Shares</b>       |                  |               |                |              |                                     |                                  |
| Group 1                            | 0.366667         | 0.036667      | 0.330000       | -            | 0.330000                            | 0.380000                         |
| Group 2                            | 0.072208         | 0.007221      | 0.064987       | 0.265013     | 0.330000                            | 0.380000                         |

Equalisation applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of revenue included in the purchase price of all group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

# JPM Global High Yield Bond Fund

## Important information

### Change of Depositary

As part of an internal re-structuring, The Royal Bank of Scotland plc has transferred its Trustee and Depositary Services business from The Royal Bank of Scotland plc to National Westminster Bank plc and consequently National Westminster Bank plc has been appointed as Depositary of the Fund with effect from 15 October 2011.

As Depositary, National Westminster Bank plc will have the same duties and responsibilities as The Royal Bank of Scotland plc and this change will have no impact on the way the Fund operates.

### Investment objective and policy

To provide a high return from a diversified portfolio of bond and other debt securities. The Fund will invest primarily in bond and other debt securities (mainly below investment grade securities or unrated securities) of issuers in developed countries, primarily corporations and banks. The Fund may also invest in bond and other debt securities of issuers of emerging countries. The Fund will aim to hedge non-sterling securities back to sterling.

### Risk profile

Bond funds may not behave like direct investments in the underlying bonds themselves. By investing in bond funds, the certainty of receiving a regular fixed amount of income for a defined period of time with the prospect of a future known return of capital is lost.

There is an increased risk of capital loss because the Fund invests in non-investment grade high yield bonds.

Bond prices can fluctuate significantly depending not only on the global economic and interest rate conditions but also on the general credit market environment and the creditworthiness of the issuer.

The credit quality of high yield bonds is below investment grade and they usually offer higher yields to compensate for the reduced creditworthiness and the increased risk of default relative to investment grade bonds.

Bonds with a lower credit rating may have a higher risk of defaulting which may in turn have an adverse effect on the performance of funds which invest in them.

This Fund charges the fees of the ACD against capital, which will increase the amount of income available for distribution to Shareholders, but may constrain capital growth. It may also have tax implications for certain investors.

Bond funds will normally distribute a combination of coupon and the expected discount/premium on the securities. Therefore, the Fund's distribution will comprise income received and an element of projected capital gains or losses. This could result in an element of capital gain being taxed as income in the hands of an investor.

## Fund review

Solid corporate fundamentals, modest economic growth, healthy primary market conditions, ample mutual fund inflows and a negligible default environment were all conducive to producing strong returns in high yield in the first half of 2011. However, the onslaught of macroeconomic events overshadowed this positive backdrop, leading to a more volatile environment in the second half of 2011, before the market rebounded again in December 2011/January 2012. During the annual review period, the market's yield-to-worst rose to 7.53% from 7.09% a year ago as high yield spreads widened 157 basis points.

## Fund outlook

In 2012, we expect a more stable economic background and the continuation of solid corporate fundamentals to underpin a strong high yield environment. We anticipate US economic growth to improve slightly, averaging between 2-3%. Global growth will remain positive but will be slightly impacted by weak economic conditions in the eurozone and slowing conditions in parts of Asia. Given the continued uncertainty in the global environment, we expect corporations to remain conservative in their use of capital and cash generation. This should result in continued improvement in overall credit metrics for much of the high yield universe. Although defaults are likely to rise modestly in 2012 from their sub 2% level in 2011, we expect rates to remain in the low single digits and below historical averages of 4%. In this credit environment, we will continue to rely on our individual security selection to be the primary driver of performance.

## 12 month performance as at 31 January

|   | 2012 | 2011  | 2010  | 2009   | 2008  |
|---|------|-------|-------|--------|-------|
| <b>JPM Global High Yield Bond A-Class Acc</b>                   | 4.1% | 12.4% | 41.4% | -23.0% | -0.8% |
| <b>JPM Global High Yield Bond B-Class Inc</b>                   | 4.4% | 12.8% | -     | -      | -     |
| <b>JPM Global High Yield Bond I-Class Acc</b>                   | 4.9% | 13.2% | 42.8% | -22.3% | 0.1%  |
| <b>JPM Global High Yield Bond X-Class Gross Acc<sup>a</sup></b> | -    | -     | -     | -      | -     |
| Benchmark Index   | 5.0% | 15.3% | 37.8% | -17.6% | 2.1%  |

## Fund statistics

|                 |  |
|-----------------|--|
| Fund size       | £172.6m  |
| Benchmark Index | BofA Merrill Lynch High Yield US BB-B Constrained Index Hedged into GBP (Total Return Gross) |
| Fund charges    |  |
| A-Class         | Initial 3.50%, Annual 1.10%  |
| B-Class         | Initial Nil, Annual 0.75%  |
| I-Class         | Initial Nil, Annual 0.45%  |
| X-Class         | On application <sup>b</sup>  |

You should remember that past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. For specific risks, please read the Simplified Prospectus.

All performance returns are calculated using the quoted price of the accumulation or income shares. Performance returns are in Sterling.

Source: J.P. Morgan.

<sup>a</sup> The launch of this share class occurred less than 12 months ago and as a result no performance return is reported.

<sup>b</sup> As agreed from time to time between the ACD and the relevant JPMorgan Chase & Co. entity.

## Top ten holdings

|                                    | %   |
|------------------------------------|-----|
| Sprint Capital 8.75% 2032          | 1.6 |
| Harrahs Operating 11.25% 2017      | 1.4 |
| HCA 7.5% 2022                      | 1.3 |
| Biomet 10.375% 2017                | 1.2 |
| Ally Financial 6.25% 2017          | 1.0 |
| Sungard Data Systems 10.25% 2015   | 0.9 |
| Clear Channel Worldwide 9.25% 2017 | 0.9 |
| Dish DBS 7.875% 2019               | 0.9 |
| CIT Group 7% 2016                  | 0.9 |
| Dish DBS 7.125% 2016               | 0.8 |

## Sector breakdown

|                            | %    |
|----------------------------|------|
| Corporate debt             | 94.8 |
| Forward currency contracts | 0.4  |
| Equities                   | 0.0  |
| Liquidation claim          | 0.0  |
| Net other assets           | 4.8  |

## Highest/lowest share price and distribution record

| Calendar year  | Highest share price | Lowest share price | Distribution per share |
|--|---------------------|--------------------|------------------------|
| <b>A-Class Accumulation Shares</b>                   |                     |                    |                        |
| 2007   | 69.08p              | 64.74p             | 3.90p                  |
| 2008   | 69.45p              | 43.59p             | 4.99p                  |
| 2009   | 71.79p              | 46.39p             | 4.06p                  |
| 2010   | 80.28p              | 70.48p             | 4.87p                  |
| 2011   | 83.64p              | 75.53p             | 5.07p                  |
| 2012 <sup>c</sup>                                    | 84.79p              | 82.44p             | 1.29p                  |
| <b>A-Class Income Shares</b>                         |                     |                    |                        |
| 2007   | 44.10p              | 40.87p             | 2.51p                  |
| 2008   | 41.62p              | 24.74p             | 2.98p                  |
| 2009   | 38.07p              | 25.79p             | 2.23p                  |
| 2010   | 40.07p              | 36.76p             | 2.51p                  |
| 2011   | 40.59p              | 35.86p             | 2.46p                  |
| 2012 <sup>c</sup>                                    | 39.61p              | 38.52p             | 0.61p                  |
| <b>B-Class Income Shares<sup>o</sup></b>             |                     |                    |                        |
| 2009   | 104.5p              | 100.0p             | 0.22p                  |
| 2010   | 110.3p              | 100.8p             | 6.86p                  |
| 2011   | 111.9p              | 99.01p             | 6.83p                  |
| 2012 <sup>c</sup>                                    | 109.5p              | 106.4p             | 1.68p                  |
| <b>I-Class Accumulation Shares</b>                   |                     |                    |                        |
| 2007   | 115.3p              | 107.8p             | 8.61p                  |
| 2008   | 116.5p              | 73.52p             | 8.83p                  |
| 2009   | 122.3p              | 78.39p             | 7.14p                  |
| 2010   | 137.5p              | 120.2p             | 8.40p                  |
| 2011   | 144.1p              | 130.3p             | 8.92p                  |
| 2012 <sup>c</sup>                                    | 146.7p              | 142.5p             | 2.29p                  |
| <b>I-Class Gross Accumulation Shares<sup>e</sup></b> |                     |                    |                        |
| 2007   | 101.2p              | 94.28p             | 3.28p                  |
| 2008   | 103.3p              | 66.08p             | 9.34p                  |
| 2009   | 111.5p              | 70.91p             | 7.89p                  |
| 2010   | 127.4p              | 109.9p             | 9.72p                  |
| 2011   | 134.9p              | 122.5p             | 10.34p                 |
| 2012 <sup>c</sup>                                    | 138.4p              | 134.4p             | 2.67p                  |
| <b>I-Class Income Shares</b>                         |                     |                    |                        |
| 2007   | 102.9p              | 95.45p             | 6.03p                  |
| 2008   | 97.70p              | 58.32p             | 7.18p                  |
| 2009   | 90.33p              | 60.96p             | 5.49p                  |
| 2010   | 95.56p              | 87.30p             | 6.03p                  |
| 2011   | 97.12p              | 86.07p             | 6.02p                  |
| 2012 <sup>c</sup>                                    | 95.26p              | 92.56p             | 1.49p                  |
| <b>I-Class Gross Income Shares<sup>f</sup></b>       |                     |                    |                        |
| 2011   | 101.5p              | 91.70p             | 2.61p                  |
| 2012 <sup>c</sup>                                    | 101.5p              | 98.52p             | 1.96p                  |
| <b>X-Class Gross Accumulation Shares<sup>g</sup></b> |                     |                    |                        |
| 2012 <sup>c</sup>                                    | 101.2p              | 100.4p             | 0.08p                  |

<sup>c</sup> To 31 January 2012.

<sup>o</sup> B-Class Income Shares were launched on 14 October 2009.

<sup>e</sup> I-Class Gross Accumulation Shares were launched on 21 May 2007.

<sup>f</sup> I-Class Gross Income Shares were launched 1 July 2011.

<sup>g</sup> X-Class Gross Accumulation Shares were launched on 20 January 2012.

## Portfolio turnover rate

|          |        |
|----------|--------|
| 31.01.11 | 126.0% |
| 31.01.12 | 81.5%  |

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the period.

## Net asset values and Total expense ratios

| Date                                     | Net asset value per share class<br>£'000 | Number of shares | Net asset value per share | Total expense ratio |
|--|--|------------------|---------------------------|---------------------|
| <b>A-Class Accumulation Shares</b>       |  |                  |                           |                     |
| 31.01.10                                 | 59,326                                   | 82,410,332       | 71.99p                    | 1.27%               |
| 31.01.11                                 | 51,950                                   | 64,147,721       | 80.98p                    | 1.28%               |
| 31.01.12                                 | 62,726                                   | 74,454,052       | 84.25p                    | 1.28%               |
| <b>A-Class Income Shares</b>             |  |                  |                           |                     |
| 31.01.10                                 | 52,983                                   | 141,070,611      | 37.56p                    | 1.27%               |
| 31.01.11                                 | 74,754                                   | 188,780,185      | 39.60p                    | 1.28%               |
| 31.01.12                                 | 87,978                                   | 227,047,334      | 38.75p                    | 1.28%               |
| <b>B-Class Income Shares</b>             |  |                  |                           |                     |
| 31.01.10                                 | 1,015                                    | 984,644          | 103.0p                    | 0.89%               |
| 31.01.11                                 | 1,190                                    | 1,091,175        | 109.0p                    | 0.90%               |
| 31.01.12                                 | 1,296                                    | 1,210,511        | 107.1p                    | 0.90%               |
| <b>I-Class Accumulation Shares</b>       |  |                  |                           |                     |
| 31.01.10                                 | 6  | 5,000            | 122.6p                    | 0.45%               |
| 31.01.11                                 | 6  | 4,000            | 139.0p                    | 0.45%               |
| 31.01.12                                 | 6  | 4,000            | 145.7p                    | 0.45%               |
| <b>I-Class Gross Accumulation Shares</b> |  |                  |                           |                     |
| 31.01.10                                 | 10,068                                   | 8,981,680        | 112.1p                    | 0.45%               |
| 31.01.11                                 | 12,934                                   | 10,013,211       | 129.2p                    | 0.45%               |
| 31.01.12                                 | 15,326                                   | 11,145,161       | 137.5p                    | 0.45%               |
| <b>I-Class Income Shares</b>             |  |                  |                           |                     |
| 31.01.10                                 | 14,401                                   | 16,157,110       | 89.13p                    | 0.45%               |
| 31.01.11                                 | 2,328                                    | 2,462,650        | 94.57p                    | 0.45%               |
| 31.01.12                                 | 3,308                                    | 3,551,212        | 93.16p                    | 0.45%               |
| <b>I-Class Gross Income Shares</b>       |  |                  |                           |                     |
| 31.01.12                                 | 1,456                                    | 1,472,479        | 98.85p                    | 0.45%               |
| <b>X-Class Gross Accumulation Shares</b> |  |                  |                           |                     |
| 31.01.12                                 | 505                                      | 502,512          | 100.6p                    | 0.06%               |

The net asset value and the net asset value per income share are shown ex-dividend.

The total expense ratio (TER) takes into account the ACD fee and any fixed expenses charged to revenue expressed as a percentage of the average daily net asset values over the period.

# Portfolio statement

As at 31 January 2012

| Investment                                | Holding     | Market value<br>£'000 | Total net<br>assets % | Investment                                    | Holding     | Market value<br>£'000 | Total net<br>assets % |
|---|-------------|-----------------------|-----------------------|---|-------------|-----------------------|-----------------------|
| <b>Corporate debt - 94.8% (97.0%)</b>     |             |                       |                       |   |             |                       |                       |
| <b>US Dollar - 94.8%</b>                  |             |                       |                       |   |             |                       |                       |
| Academy 9.25% 2019                        | \$700,000   | 441                   | 0.3                   | CIT Group 6.625% 2018                         | \$240,000   | 163                   | 0.1                   |
| Accellent 8.375% 2017                     | \$840,000   | 537                   | 0.3                   | Citigroup 8.30% FRN 2057                      | \$660,000   | 425                   | 0.2                   |
| Accellent 10% 2017                        | \$690,000   | 362                   | 0.2                   | Citycenter 7.625% 2016                        | \$925,000   | 615                   | 0.4                   |
| ACCO Brands 7.625% 2015                   | \$150,000   | 97                    | 0.1                   | Claire's Stores 8.875% 2019                   | \$590,000   | 306                   | 0.2                   |
| ACCO Brands 10.625% 2015                  | \$540,000   | 380                   | 0.2                   | Clean Harbors 7.625% 2016                     | \$480,000   | 322                   | 0.2                   |
| AES 9.75% 2016                            | \$890,000   | 660                   | 0.4                   | Clear Channel Communications 9% 2021          | \$1,285,000 | 704                   | 0.4                   |
| AES 8% 2017                               | \$300,000   | 213                   | 0.1                   | Clear Channel Worldwide 9.25% 2017            | \$2,280,000 | 1,589                 | 0.9                   |
| Aircastle 9.75% 2018                      | \$490,000   | 341                   | 0.2                   | Clearwater Paper 10.625% 2016                 | \$515,000   | 365                   | 0.2                   |
| Aircastle 9.75% 144A 2018                 | \$295,000   | 205                   | 0.1                   | Clearwater Paper 7.125% 2018                  | \$50,000    | 33                    | -                     |
| Aleris International 7.625% 2018          | \$190,000   | 122                   | 0.1                   | Clearwire Communications 12% 2015             | \$1,300,000 | 780                   | 0.5                   |
| Alliant Techsystems 6.75% 2016            | \$990,000   | 644                   | 0.4                   | Cloud Peak Energy Resources 8.25% 2017        | \$775,000   | 525                   | 0.3                   |
| Allison Transport 7.125% 2019             | \$935,000   | 596                   | 0.3                   | CNH Capital 6.25% 2016                        | \$240,000   | 163                   | 0.1                   |
| Ally Financial 6.75% 2014                 | \$1,295,000 | 855                   | 0.5                   | Cogent Communications 8.375% 2018             | \$485,000   | 315                   | 0.2                   |
| Ally Financial 6.25% 2017                 | \$2,670,000 | 1,729                 | 1.0                   | Commscope 8.25% 2019                          | \$920,000   | 606                   | 0.3                   |
| AMC Entertainments 8.75% 2019             | \$425,000   | 283                   | 0.2                   | Community Health Systems 8.875% 2015          | \$747,000   | 491                   | 0.3                   |
| AMC Entertainments 9.75% 2020             | \$980,000   | 613                   | 0.4                   | Consol Energy 8% 2017                         | \$235,000   | 160                   | 0.1                   |
| American Axle & Manufacturing 7.875% 2017 | \$955,000   | 622                   | 0.4                   | Consol Energy 8.25% 2020                      | \$140,000   | 96                    | 0.1                   |
| American Axle & Manufacturing 9.25% 2017  | \$95,000    | 66                    | -                     | Constellation Brands 7.25% 2017               | \$900,000   | 636                   | 0.4                   |
| American Axle & Manufacturing 7.75% 2019  | \$250,000   | 163                   | 0.1                   | Corrections Corporation of America 7.75% 2017 | \$365,000   | 251                   | 0.1                   |
| American Tire Distributors 9.75% 2017     | \$395,000   | 264                   | 0.2                   | Cricket Communications 7.75% 2020             | \$460,000   | 279                   | 0.2                   |
| AmeriGas Financial 6.75% 2020             | \$415,000   | 264                   | 0.2                   | Crosstex Energy 8.875% 2018                   | \$870,000   | 598                   | 0.3                   |
| Amkor Technology 7.375% 2018              | \$810,000   | 546                   | 0.3                   | Crown Castle International 9% 2015            | \$445,000   | 307                   | 0.2                   |
| Amsted Industries 8.125% 2018             | \$510,000   | 351                   | 0.2                   | Dana Holding 6.5% 2019                        | \$480,000   | 323                   | 0.2                   |
| Arch Coal 8.75% 2016                      | \$935,000   | 647                   | 0.4                   | Dana Holding 6.75% 2021                       | \$130,000   | 86                    | -                     |
| Arch Coal 7% 2019                         | \$375,000   | 238                   | 0.1                   | DaVita 6.375% 2018                            | \$360,000   | 241                   | 0.1                   |
| Arch Coal 7.25% 2021                      | \$310,000   | 197                   | 0.1                   | DaVita 6.625% 2020                            | \$395,000   | 266                   | 0.2                   |
| Ardagh Packaging Finance 7.375% 2017      | \$345,000   | 228                   | 0.1                   | Del Monte 7.625% 2019                         | \$1,680,000 | 1,051                 | 0.6                   |
| Ardagh Packaging Finance 9.125% 2020      | \$1,210,000 | 772                   | 0.4                   | Denbury Resources 8.25% 2020                  | \$250,000   | 180                   | 0.1                   |
| Ashtead Capital 9% 2016                   | \$540,000   | 358                   | 0.2                   | Digicel Group 8.25% 2017                      | \$290,000   | 193                   | 0.1                   |
| Aspect Software 10.625% 2017              | \$440,000   | 293                   | 0.2                   | Digicel Group 10.5% 2018                      | \$375,000   | 249                   | 0.1                   |
| Associated Material Finance 9.125% 2017   | \$955,000   | 587                   | 0.3                   | Dish DBS 7.125% 2016                          | \$1,915,000 | 1,325                 | 0.8                   |
| Atkore International 9.875% 2018          | \$760,000   | 475                   | 0.3                   | Dish DBS 7.875% 2019                          | \$2,125,000 | 1,541                 | 0.9                   |
| Atwood Oceanics 6.5% 2020                 | \$100,000   | 65                    | -                     | Dish DBS 6.75% 2021                           | \$645,000   | 444                   | 0.3                   |
| Audatex North America 6.75% 2018          | \$475,000   | 306                   | 0.2                   | DJO Finance 10.875% 2014                      | \$535,000   | 317                   | 0.2                   |
| Avaya 9.75% 2015                          | \$610,000   | 372                   | 0.2                   | DJO Finance 7.75% 2018                        | \$875,000   | 415                   | 0.2                   |
| Avaya 10.125% 2015                        | \$539,196   | 330                   | 0.2                   | Dole Food 13.875% 2014                        | \$169,000   | 123                   | 0.1                   |
| Avaya 7% 2019                             | \$730,000   | 451                   | 0.3                   | Dole Food 8% 2016                             | \$365,000   | 246                   | 0.1                   |
| Avis Budget Car Rental 9.625% 2018        | \$350,000   | 242                   | 0.1                   | Eagle Parent 8.625% 2019                      | \$800,000   | 507                   | 0.3                   |
| Avis Budget Car Rental 8.25% 2019         | \$1,375,000 | 917                   | 0.5                   | Eagle Rock Energy 8.375% 2019                 | \$700,000   | 452                   | 0.3                   |
| Awas Aviation Capital 7% 2016             | \$497,200   | 325                   | 0.2                   | Easton-Bell Sports 9.75% 2016                 | \$1,090,000 | 763                   | 0.4                   |
| Bank of America 8% FRN Perpetual          | \$1,080,000 | 671                   | 0.4                   | EH Holding 6.5% 2019                          | \$440,000   | 290                   | 0.2                   |
| Belden 9.25% 2019                         | \$630,000   | 427                   | 0.2                   | EH Holding 7.625% 2021                        | \$220,000   | 147                   | 0.1                   |
| Biomet 10.375% 2017                       | \$3,115,000 | 2,146                 | 1.2                   | Eileme 11.625% 2020                           | \$520,000   | 334                   | 0.2                   |
| Block Communications 7.25% 2020           | \$225,000   | 145                   | 0.1                   | El Paso 7.25% 2018                            | \$715,000   | 504                   | 0.3                   |
| Bombardier 7.5% 2018                      | \$335,000   | 237                   | 0.1                   | Encore Acquisition 9.5% 2016                  | \$60,000    | 43                    | -                     |
| Bon-Ton Department Stores 10.25% 2014     | \$570,000   | 229                   | 0.1                   | Endo Pharmaceutical 7% 2019                   | \$260,000   | 178                   | 0.1                   |
| Breitburn Energy Partners 8.625% 2020     | \$590,000   | 394                   | 0.2                   | Energy Future 10% 2020                        | \$355,000   | 240                   | 0.1                   |
| Breitburn Energy Partners 7.875% 2022     | \$530,000   | 335                   | 0.2                   | Energy Future International 10% 2020          | \$658,000   | 448                   | 0.3                   |
| Brigham Explorations 8.75% 2018           | \$383,000   | 303                   | 0.2                   | EV Energy Partner 8% 2019                     | \$775,000   | 507                   | 0.3                   |
| Building Materials 6.875% 2018            | \$170,000   | 114                   | 0.1                   | Fidelity National Info Services 7.625% 2017   | \$325,000   | 225                   | 0.1                   |
| Building Materials 6.75% 2021             | \$460,000   | 312                   | 0.2                   | Fidelity National Info Services 7.875% 2020   | \$485,000   | 344                   | 0.2                   |
| Bumble Bee Acquisition 9% 2017            | \$1,255,000 | 821                   | 0.5                   | First Data 7.375% 2019                        | \$455,000   | 285                   | 0.2                   |
| BWAY Holding 10% 2018                     | \$855,000   | 592                   | 0.3                   | First Data 8.875% 2020                        | \$1,235,000 | 825                   | 0.5                   |
| Cablevision Systems 8.625% 2017           | \$750,000   | 529                   | 0.3                   | First Data 8.25% 2021                         | \$756,000   | 442                   | 0.3                   |
| Calpine 7.25% 2017                        | \$320,000   | 213                   | 0.1                   | First Data 12.625% 2021                       | \$1,702,000 | 1,038                 | 0.6                   |
| Calpine 7.875% 2020                       | \$565,000   | 386                   | 0.2                   | First Data 8.75% 2022                         | \$1,124,000 | 644                   | 0.4                   |
| Calpine 7.5% 2021                         | \$765,000   | 514                   | 0.3                   | FMG Resources 7% 2015                         | \$440,000   | 286                   | 0.2                   |
| Case New Holland 7.875% 2017              | \$725,000   | 529                   | 0.3                   | FMG Resources 6.375% 2016                     | \$90,000    | 58                    | -                     |
| CCH II Capital 13.5% 2016                 | \$114,615   | 83                    | -                     | FMG Resources 6.875% 2018                     | \$610,000   | 392                   | 0.2                   |
| CCO Holdings 7.25% 2017                   | \$295,000   | 201                   | 0.1                   | FMG Resources 8.25% 2019                      | \$460,000   | 311                   | 0.2                   |
| CCO Holdings 7.875% 2018                  | \$1,380,000 | 948                   | 0.5                   | Ford Motor Credit 6.625% 2017                 | \$1,805,000 | 1,278                 | 0.7                   |
| CCO Holdings 7% 2019                      | \$415,000   | 279                   | 0.2                   | Ford Motor Credit 5% 2018                     | \$1,715,000 | 1,122                 | 0.6                   |
| CCO Holdings 7.375% 2020                  | \$200,000   | 137                   | 0.1                   | Ford Motor Credit 8.125% 2021                 | \$210,000   | 144                   | 0.1                   |
| CCO Holdings 6.625% 2022                  | \$165,000   | 108                   | 0.1                   | Forest Oil 7.25% 2019                         | \$570,000   | 360                   | 0.2                   |
| CDW Financial 8.5% 2019                   | \$40,000    | 27                    | -                     | Freescale Semiconductor 9.25% 2018            | \$670,000   | 465                   | 0.3                   |
| Central Garden & Pet 8.25% 2018           | \$1,430,000 | 915                   | 0.5                   | Freescale Semiconductor 10.125% 2018          | \$679,000   | 478                   | 0.3                   |
| Cequel Communications 8.625% 2017         | \$470,000   | 317                   | 0.2                   | Freescale Semiconductor 8.05% 2020            | \$495,000   | 308                   | 0.2                   |
| CEVA Group 8.375% 2017                    | \$585,000   | 361                   | 0.2                   | Fresenius Medical Care 5.625% 2019            | \$215,000   | 140                   | 0.1                   |
| Chemtura 7.875% 2018                      | \$165,000   | 111                   | 0.1                   | Fresenius Medical Care 5.875% 2022            | \$150,000   | 97                    | 0.1                   |
| Chesapeake Energy 7.25% 2018              | \$135,000   | 91                    | 0.1                   | Frontier Communications 6.625% 2015           | \$540,000   | 345                   | 0.2                   |
| Chesapeake Energy 6.625% 2020             | \$510,000   | 327                   | 0.2                   | GCI 8.625% 2019                               | \$750,000   | 513                   | 0.3                   |
| Chesapeake Midstream Partners 6.125% 2022 | \$390,000   | 251                   | 0.1                   | General Cable 7.125% 2017                     | \$650,000   | 419                   | 0.2                   |
| Chesapeake Oilfield 6.625% 2019           | \$260,000   | 166                   | 0.1                   | Geo Group 7.75% 2017                          | \$960,000   | 651                   | 0.4                   |
| Chiron Merger 10.5% 2018                  | \$1,325,000 | 854                   | 0.5                   | Geo Group 6.625% 2021                         | \$115,000   | 75                    | -                     |
| Chrysler Group 8% 2019                    | \$1,040,000 | 632                   | 0.4                   | Glatfelter 7.125% 2016                        | \$495,000   | 321                   | 0.2                   |
| Chrysler Group 8.25% 2021                 | \$835,000   | 504                   | 0.3                   | GMX Resources 11% 2017                        | \$798,000   | 389                   | 0.2                   |
| Cincinnati Bell 8.375% 2020               | \$1,165,000 | 753                   | 0.4                   | Goodyear Tire & Rubber 8.25% 2020             | \$850,000   | 586                   | 0.3                   |
| Cinemark USA 7.375% 2021                  | \$345,000   | 230                   | 0.1                   | Goodyear Tire & Rubber 8.75% 2020             | \$185,000   | 128                   | 0.1                   |
| CIT Group 7% 2016                         | \$2,408,648 | 1,531                 | 0.9                   | Great Lakes Dredge & Dock 7.375% 2019         | \$750,000   | 481                   | 0.3                   |
| CIT Group 7% 2017                         | \$1,480,253 | 939                   | 0.5                   | Griffon 7.125% 2018                           | \$685,000   | 438                   | 0.3                   |
|   |             |                       |                       | GWR Operating Partners 10.875% 2017           | \$565,000   | 393                   | 0.2                   |
|   |             |                       |                       | GXS Worldwide 9.75% 2015                      | \$695,000   | 430                   | 0.2                   |

# Portfolio statement – continued

As at 31 January 2012

| Investment                               | Holding     | Market value |     | Total net assets %                            | Investment  | Holding | Market value |  | Total net assets % |
|--|-------------|--------------|-----|---|-------------|---------|--------------|--|--------------------|
|  |             | £'000        |     |   |             |         | £'000        |  |                    |
| Gymboree 9.125% 2018                     | \$910,000   | 507          | 0.3 | Michaels Stores 7.75% 2018                    | \$1,060,000 | 701     | 0.4          |  |                    |
| Hanesbrands 8% 2016                      | \$1,240,000 | 862          | 0.5 | Michael Foods 9.75% 2018                      | \$910,000   | 624     | 0.4          |  |                    |
| Hanesbrands 6.375% 2020                  | \$25,000    | 16           | -   | Mueller Water Products 8.75% 2020             | \$445,000   | 309     | 0.2          |  |                    |
| Harrahs Operating 11.25% 2017            | \$3,520,000 | 2,416        | 1.4 | Mylan 7.625% 2017                             | \$170,000   | 118     | 0.1          |  |                    |
| Harrahs Operating 10% 2018               | \$713,000   | 343          | 0.2 | Mylan 7.875% 2020                             | \$685,000   | 482     | 0.3          |  |                    |
| HCA 8% 2018                              | \$510,000   | 351          | 0.2 | NewPage 11.375% 2014                          | \$315,000   | 131     | 0.1          |  |                    |
| HCA 6.5% 2020                            | \$405,000   | 273          | 0.2 | Nexeo Solutions 8.375% 2018                   | \$610,000   | 386     | 0.2          |  |                    |
| HCA 7.75% 2021                           | \$1,675,000 | 1,111        | 0.6 | Nexstar Broadcasting 8.875% 2017              | \$645,000   | 430     | 0.2          |  |                    |
| HCA 7.5% 2022                            | \$3,195,000 | 2,165        | 1.3 | Noranda Alum Acquisition 5.373% FRN 2015      | \$1,342,171 | 810     | 0.5          |  |                    |
| Health Management Associates 6.125% 2016 | \$955,000   | 622          | 0.4 | Nova Chemicals 8.625% 2019                    | \$260,000   | 187     | 0.1          |  |                    |
| Health Management Associates 7.375% 2020 | \$480,000   | 313          | 0.2 | Novellis 8.375% 2017                          | \$485,000   | 337     | 0.2          |  |                    |
| HealthSouth 7.25% 2018                   | \$635,000   | 414          | 0.2 | Novellis 8.75% 2020                           | \$625,000   | 442     | 0.3          |  |                    |
| HealthSouth 7.75% 2022                   | \$570,000   | 376          | 0.2 | NRG Energy 7.625% 2018                        | \$805,000   | 500     | 0.3          |  |                    |
| Hertz 7.5% 2018                          | \$1,100,000 | 740          | 0.4 | NRG Energy 8.25% 2020                         | \$355,000   | 222     | 0.1          |  |                    |
| Hertz 6.75% 2019                         | \$190,000   | 125          | 0.1 | NXP 10% 2013                                  | \$194,000   | 135     | 0.1          |  |                    |
| Hexion Nova Scotia 8.875% 2018           | \$670,000   | 422          | 0.2 | NXP 9.5% 2015                                 | \$200,000   | 133     | 0.1          |  |                    |
| Hexion Nova Scotia 9% 2020               | \$385,000   | 233          | 0.1 | NXP 9.75% 2018                                | \$1,294,000 | 916     | 0.5          |  |                    |
| Hillman Group 10.875% 2018               | \$630,000   | 406          | 0.2 | Oasis Petroleum 7.25% 2019                    | \$120,000   | 80      | -            |  |                    |
| Host Hotels & Resorts 9% 2017            | \$285,000   | 200          | 0.1 | Oshkosh 8.25% 2017                            | \$665,000   | 446     | 0.3          |  |                    |
| Host Marriott 'Q' 6.75% 2016             | \$710,000   | 464          | 0.3 | Oshkosh 8.5% 2020                             | \$160,000   | 107     | 0.1          |  |                    |
| Huntsman International 5.5% 2016         | \$615,000   | 386          | 0.2 | Owens-Brockway 7.375% 2016                    | \$180,000   | 128     | 0.1          |  |                    |
| Huntsman International 8.625% 2020       | \$340,000   | 236          | 0.1 | Packaging Dynamics 8.75% 2016                 | \$585,000   | 387     | 0.2          |  |                    |
| Huntsman International 8.625% 2021       | \$470,000   | 327          | 0.2 | Paetec 8.875% 2017                            | \$500,000   | 346     | 0.2          |  |                    |
| Ineos 8.5% 2016                          | \$830,000   | 473          | 0.3 | Paetec 9.875% 2018                            | \$1,070,000 | 757     | 0.4          |  |                    |
| Ineos Finance 9% 2015                    | \$1,680,000 | 1,096        | 0.6 | Parker Drilling 9.125% 2018                   | \$315,000   | 210     | 0.1          |  |                    |
| Inergy 7% 2018                           | \$245,000   | 151          | 0.1 | Peabody Energy 6% 2018                        | \$500,000   | 326     | 0.2          |  |                    |
| Inergy 6.875% 2021                       | \$103,000   | 63           | -   | Peabody Energy 6.25% 2021                     | \$500,000   | 326     | 0.2          |  |                    |
| Integra Telecom Holdings 10.75% 2016     | \$460,000   | 246          | 0.1 | Petco Animal Supplies 9.25% 2018              | \$785,000   | 540     | 0.3          |  |                    |
| Intelsat Bermuda 11.25% 2016             | \$1,910,000 | 1,285        | 0.7 | Petrohawk Energy 7.25% 2018                   | \$490,000   | 353     | 0.2          |  |                    |
| Intelsat Bermuda 11.5% FRN 2017          | \$1,265,000 | 807          | 0.5 | Ply Gem Industries 8.25% 2018                 | \$670,000   | 411     | 0.2          |  |                    |
| Intelsat Bermuda 11.5% Step Up 2017      | \$620,000   | 396          | 0.2 | Polymer Group 7.75% 2019                      | \$880,000   | 587     | 0.3          |  |                    |
| Intelsat Jackson 7.25% 2019              | \$525,000   | 347          | 0.2 | Polylene 7.375% 2020                          | \$385,000   | 263     | 0.2          |  |                    |
| Intelsat Jackson 7.25% 2020              | \$1,055,000 | 697          | 0.4 | Polypore International 7.5% 2017              | \$710,000   | 476     | 0.3          |  |                    |
| Intelsat Jackson 9.5% FRN 2016           | \$315,000   | 210          | 0.1 | Post 7.375% 2022                              | \$325,000   | 213     | 0.1          |  |                    |
| Interactive Data 10.25% 2018             | \$925,000   | 647          | 0.4 | Quebecor Media 7.75% 2016                     | \$1,715,000 | 1,119   | 0.6          |  |                    |
| Interline Brands 7% 2018                 | \$635,000   | 418          | 0.2 | Radiation Therapy Services 9.875% 2017        | \$705,000   | 326     | 0.2          |  |                    |
| International Lease Finance 8.625% 2015  | \$1,360,000 | 929          | 0.5 | RailAmerica 9.25% 2017                        | \$497,000   | 349     | 0.2          |  |                    |
| International Lease Finance 5.75% 2016   | \$160,000   | 100          | 0.1 | Rain CII Carbon 8% 2018                       | \$245,000   | 161     | 0.1          |  |                    |
| International Lease Finance 8.75% 2017   | \$1,715,000 | 1,192        | 0.7 | RBS Global & Rexnord 8.5% 2018                | \$1,180,000 | 794     | 0.5          |  |                    |
| International Lease Finance 6.25% 2019   | \$525,000   | 328          | 0.2 | Realogy 7.875% 2019                           | \$855,000   | 498     | 0.3          |  |                    |
| International Lease Finance 8.25% 2020   | \$315,000   | 213          | 0.1 | Realogy 7.625% 2020                           | \$185,000   | 117     | 0.1          |  |                    |
| Inventiv Health 10% 2018                 | \$450,000   | 258          | 0.1 | Regions Bank 7.5% 2018                        | \$500,000   | 330     | 0.2          |  |                    |
| Inventiv Health 10% SNR 2018             | \$140,000   | 80           | -   | Regions Financial 5.75% 2015                  | \$210,000   | 136     | 0.1          |  |                    |
| IPCS FRN 2014                            | \$494,795   | 287          | 0.2 | Reichhold Industries 9% 2014                  | \$1,160,000 | 382     | 0.2          |  |                    |
| Iron Mountain 8.75% 2014                 | \$1,445,000 | 954          | 0.6 | Reynolds Group 9% 2019                        | \$1,905,000 | 1,195   | 0.7          |  |                    |
| ITC Deltacom 10.5% 2016                  | \$650,000   | 428          | 0.2 | Reynolds Group 6.875% 2021                    | \$180,000   | 118     | 0.1          |  |                    |
| J Crew Group 8.125% 2019                 | \$890,000   | 547          | 0.3 | Reynolds Group 8.25% 2021                     | \$390,000   | 232     | 0.1          |  |                    |
| James River Coal 7.785% 2019             | \$675,000   | 291          | 0.2 | RGHL 9.875% 2019                              | \$1,325,000 | 848     | 0.5          |  |                    |
| Jarden 7.5% 2017                         | \$1,035,000 | 700          | 0.4 | Rite Aid 9.75% 2016                           | \$470,000   | 325     | 0.2          |  |                    |
| Jarden 7.5% 2020                         | \$190,000   | 128          | 0.1 | Rite Aid 7.5% 2017                            | \$430,000   | 277     | 0.2          |  |                    |
| JC Penney 7.95% 2017                     | \$585,000   | 401          | 0.2 | Rite Aid 9.5% 2017                            | \$400,000   | 251     | 0.1          |  |                    |
| JC Penney 5.75% 2018                     | \$90,000    | 58           | -   | Royal Caribbean Cruises 7.25% 2016            | \$470,000   | 323     | 0.2          |  |                    |
| Kinove German Bondco 9.625% 2018         | \$425,000   | 269          | 0.2 | RSC Equipment Rental 8.25% 2021               | \$1,140,000 | 744     | 0.4          |  |                    |
| Kodiak Oil & Gas 8.125% 2019             | \$715,000   | 480          | 0.3 | Sally Holdings 6.875% 2019                    | \$265,000   | 180     | 0.1          |  |                    |
| Lamar Media 'B' 6.625% 2015              | \$200,000   | 130          | 0.1 | Sandridge Energy 8% 2018                      | \$260,000   | 170     | 0.1          |  |                    |
| Lear 7.875% 2018                         | \$225,000   | 155          | 0.1 | Sandridge Energy 7.5% 2021                    | \$330,000   | 211     | 0.1          |  |                    |
| Level 3 Communications 8.125% 2019       | \$765,000   | 488          | 0.3 | SBA Telecommunications 8% 2016                | \$335,000   | 230     | 0.1          |  |                    |
| Level 3 Communications 11.875% 2019      | \$435,000   | 300          | 0.2 | SBA Telecommunications 8.25% 2019             | \$480,000   | 331     | 0.2          |  |                    |
| Level 3 Financing 9.375% 2019            | \$855,000   | 569          | 0.3 | Scotts Miracle-Gro 7.25% 2018                 | \$230,000   | 155     | 0.1          |  |                    |
| Level 3 Financing 8.625% 2020            | \$400,000   | 260          | 0.1 | Sealed Air 8.125% 2019                        | \$185,000   | 130     | 0.1          |  |                    |
| Libbey Glass 10% 2015                    | \$750,000   | 508          | 0.3 | Sealed Air 8.375% 2021                        | \$185,000   | 132     | 0.1          |  |                    |
| Limited Brands 6.625% 2021               | \$240,000   | 168          | 0.1 | Sealy Mattress 8.25% 2014                     | \$2,010,000 | 1,194   | 0.7          |  |                    |
| Linn Energy 6.5% 2019                    | \$90,000    | 58           | -   | Sensata Technologies 6.5% 2019                | \$1,050,000 | 675     | 0.4          |  |                    |
| Linn Energy 8.625% 2020                  | \$235,000   | 164          | 0.1 | Sequa 11.75% 2015                             | \$680,000   | 454     | 0.3          |  |                    |
| Linn Energy 7.75% 2021                   | \$710,000   | 477          | 0.3 | Service Corporation International 6.75% 2016  | \$375,000   | 261     | 0.1          |  |                    |
| Longview Fibre Paper & Packaging 8% 2016 | \$155,000   | 103          | 0.1 | Service Corporation International 7% 2017     | \$295,000   | 207     | 0.1          |  |                    |
| Lucent Technologie 6.45% 2029            | \$1,400,000 | 667          | 0.4 | Service Corporation International 7.625% 2018 | \$140,000   | 102     | 0.1          |  |                    |
| Lyondell Chemical 11% 2018               | \$109,802   | 76           | -   | Service Corporation International 7% 2019     | \$395,000   | 270     | 0.2          |  |                    |
| Magnachip Semiconductor 10.5% 2018       | \$965,000   | 651          | 0.4 | Servicemaster 10.75% 2015                     | \$710,000   | 470     | 0.3          |  |                    |
| Manitowoc 9.5% 2018                      | \$400,000   | 279          | 0.2 | Simmons 11.25% 2015                           | \$1,745,000 | 1,143   | 0.7          |  |                    |
| Manitowoc 8.5% 2020                      | \$540,000   | 373          | 0.2 | Sinclair Television 9.25% 2017                | \$585,000   | 412     | 0.2          |  |                    |
| Mantech International 7.25% 2018         | \$505,000   | 332          | 0.2 | Sinclair Television 8.375% 2018               | \$225,000   | 152     | 0.1          |  |                    |
| Marina District Finance 9.5% 2015        | \$220,000   | 132          | 0.1 | Spectrum Brands 9.5% 2018                     | \$455,000   | 327     | 0.2          |  |                    |
| Marina District Finance 9.875% 2018      | \$1,275,000 | 747          | 0.4 | Spectrum Brands 9.5% SNR 2018                 | \$490,000   | 352     | 0.2          |  |                    |
| MEMC Electronics Materials 7.75% 2019    | \$595,000   | 303          | 0.2 | Spectrum Brands 12% FRN 2019                  | \$1,288,116 | 894     | 0.5          |  |                    |
| Metropcs Wireless 7.875% 2018            | \$985,000   | 663          | 0.4 | Spirit Aerosystems 7.5% 2017                  | \$735,000   | 507     | 0.3          |  |                    |
| MGM Resorts 7.5% 2016                    | \$495,000   | 314          | 0.2 | Sprint Capital 6.9% 2019                      | \$260,000   | 140     | 0.1          |  |                    |
| MGM Resorts 7.625% 2017                  | \$1,380,000 | 872          | 0.5 | Sprint Capital 8.75% 2032                     | \$5,090,000 | 2,716   | 1.6          |  |                    |
| MGM Resorts 11.125% 2017                 | \$170,000   | 123          | 0.1 | Sprint Nextel 9% 2018                         | \$1,425,000 | 973     | 0.6          |  |                    |
| MGM Resorts 8.625% 2019                  | \$545,000   | 357          | 0.2 | Sprint Nextel 11.5% 2021                      | \$205,000   | 134     | 0.1          |  |                    |
| MGM Resorts 9% 2020                      | \$1,235,000 | 882          | 0.5 | SSI Investment Management 11.125% 2018        | \$780,000   | 546     | 0.3          |  |                    |
| Michaels Stores 13% FRN 2016             | \$425,000   | 287          | 0.2 | Stewart Enterprises 6.5% 2019                 | \$440,000   | 285     | 0.2          |  |                    |

# Portfolio statement – continued

As at 31 January 2012

| Investment   | Holding     | Market value<br>£'000 | Total net<br>assets % | Portfolio credit ratings   | Market value<br>£'000 |
|--|-------------|-----------------------|-----------------------|----------------------------|-----------------------|
| Sungard Data Systems 10.25% 2015                   | \$2,500,000 | 1,639                 | 0.9                   | BBB-                       | 353                   |
| Sungard Data Systems 7.375% 2018                   | \$580,000   | 387                   | 0.2                   | BB+                        | 4,239                 |
| SUPERVALU 8% 2016                                  | \$980,000   | 646                   | 0.4                   | BB                         | 6,236                 |
| Surgical Care 8.875% 2015                          | \$788,597   | 500                   | 0.3                   | BB-                        | 16,662                |
| Syniverse 9.125% 2019                              | \$270,000   | 183                   | 0.1                   | B+                         | 30,857                |
| Taminco Global 9.75% 2020                          | \$80,000    | 52                    | -                     | B                          | 31,346                |
| Tenet Healthcare 9.25% 2015                        | \$805,000   | 554                   | 0.3                   | B-                         | 33,398                |
| Tenet Healthcare 6.25% 2018                        | \$440,000   | 293                   | 0.2                   | CCC+                       | 21,390                |
| Tenet Healthcare 8.875% 2019                       | \$155,000   | 111                   | 0.1                   | CCC                        | 14,116                |
| Tenet Healthcare 8% 2020                           | \$1,060,000 | 693                   | 0.4                   | C                          | 3,671                 |
| Terex 8% 2017                                      | \$910,000   | 582                   | 0.3                   | Unrated                    | 1,285                 |
| Texas Competitive Electric 11.5% 2020              | \$770,000   | 363                   | 0.2                   |                            |                       |
| Tomkins 9% 2018                                    | \$698,000   | 489                   | 0.3                   | <b>Total bonds</b>         | <b>163,553</b>        |
| Travelport 9.875% 2014                             | \$305,000   | 115                   | 0.1                   | Equities                   | 11                    |
| Travelport 9% 2016                                 | \$5,000     | 2                     | -                     | Liquidation claim          | 9                     |
| Trinidad Drilling 7.875% 2019                      | \$705,000   | 473                   | 0.3                   | Forward currency contracts | 675                   |
| UCI International 8.625% 2019                      | \$915,000   | 581                   | 0.3                   | <b>Investment assets</b>   | <b>164,248</b>        |
| United Rentals 9.25% 2019                          | \$615,000   | 430                   | 0.2                   |                            |                       |
| United Rentals 8.375% 2020                         | \$525,000   | 337                   | 0.2                   |                            |                       |
| United Surgical Partners 8.875% 2017               | \$515,000   | 339                   | 0.2                   |                            |                       |
| United Surgical Partners 9.25% 2017                | \$695,000   | 447                   | 0.3                   |                            |                       |
| UPCB Finance 7.25% 2021                            | \$175,000   | 116                   | 0.1                   |                            |                       |
| UPCB Finance III 6.625% 2020                       | \$1,345,000 | 875                   | 0.5                   |                            |                       |
| US Oncology Action Escrow 9.125% 2017 <sup>‡</sup> | \$1,240,000 | 8                     | -                     |                            |                       |
| Vail Resorts 6.5% 2019                             | \$580,000   | 378                   | 0.2                   |                            |                       |
| Valeant Pharmaceuticals 6.75% 2017                 | \$400,000   | 258                   | 0.1                   |                            |                       |
| Valeant Pharmaceuticals 6.875% 2018                | \$1,140,000 | 739                   | 0.4                   |                            |                       |
| Valeant Pharmaceuticals 7% 2020                    | \$400,000   | 258                   | 0.1                   |                            |                       |
| Valeant Pharmaceuticals 7.25% 2022                 | \$1,010,000 | 648                   | 0.4                   |                            |                       |
| Veneco 8.875% 2019                                 | \$180,000   | 98                    | 0.1                   |                            |                       |
| Veneco 8.875% SNR 2019                             | \$290,000   | 158                   | 0.1                   |                            |                       |
| Vertellus Specialties 9.375% 2015                  | \$620,000   | 293                   | 0.2                   |                            |                       |
| Videotron 6.375% 2015                              | \$100,000   | 65                    | -                     |                            |                       |
| Videotron 9.125% 2018                              | \$390,000   | 274                   | 0.2                   |                            |                       |
| Visant 10% 2017                                    | \$755,000   | 434                   | 0.3                   |                            |                       |
| Visteon 6.75% 2019                                 | \$710,000   | 443                   | 0.3                   |                            |                       |
| Vulcan Materials 6.5% 2016                         | \$215,000   | 142                   | 0.1                   |                            |                       |
| Vulcan Materials 7.5% 2021                         | \$215,000   | 149                   | 0.1                   |                            |                       |
| Wind Acquisition Finance 11.75% 2017               | \$660,000   | 413                   | 0.2                   |                            |                       |
| Wind Acquisition Finance 7.25% 2018                | \$480,000   | 293                   | 0.2                   |                            |                       |
| Windstream 7.875% 2017                             | \$300,000   | 210                   | 0.1                   |                            |                       |
| Windstream 8.125% 2018                             | \$365,000   | 252                   | 0.1                   |                            |                       |
| Windstream 7.75% 2021                              | \$530,000   | 362                   | 0.2                   |                            |                       |
| Windstream 7.5% 2023                               | \$750,000   | 493                   | 0.3                   |                            |                       |
| WM Finance 11.5% 2018                              | \$355,000   | 229                   | 0.1                   |                            |                       |
| WMG Acquisition 9.5% 2016                          | \$740,000   | 510                   | 0.3                   |                            |                       |
| WPX Energy 6% 2022                                 | \$515,000   | 325                   | 0.2                   |                            |                       |
| Wynn Las Vegas 7.875% 2017                         | \$35,000    | 25                    | -                     |                            |                       |
| Wynn Las Vegas 7.75% 2020                          | \$240,000   | 171                   | 0.1                   |                            |                       |
| Yankee Finance 10.25% FRN 2016                     | \$120,000   | 72                    | -                     |                            |                       |
| Yankee Finance 9.75% 2017                          | \$835,000   | 530                   | 0.3                   |                            |                       |
| Zayo Group 10.25% 2017                             | \$620,000   | 422                   | 0.2                   |                            |                       |
| <b>Equities – 0.0% (0.1%)</b>                      |             |                       |                       |                            |                       |
| <b>US Dollar – 0.0%</b>                            |             |                       |                       |                            |                       |
| GMX Resources                                      | 18,030      | 11                    | -                     |                            |                       |
| <b>Liquidation claim – 0.0% (0.0%)</b>             |             |                       |                       |                            |                       |
| Quebecor Liquidation Claim <sup>‡</sup>            | \$900,000   | 9                     | -                     |                            |                       |
| <b>Forward currency contracts – 0.4% ((0.4)%)</b>  |             |                       |                       |                            |                       |
| <b>US Dollar</b>                                   |             |                       |                       |                            |                       |
| Sell \$272,781,905 buy £173,500,000 dated 29/02/12 |             | 675                   | 0.4                   |                            |                       |
| <b>Investment assets</b>                           |             | <b>164,248</b>        | <b>95.2</b>           |                            |                       |
| <b>Net other assets</b>                            |             | <b>8,353</b>          | <b>4.8</b>            |                            |                       |
| <b>Net assets</b>                                  |             | <b>172,601</b>        | <b>100.0</b>          |                            |                       |

Unless otherwise stated the above securities are admitted to official stock exchange listings or trade on a regulated market.

The comparative percentage figures in brackets are at 31 January 2011.

<sup>‡</sup> Delisted security



## Portfolio movements

For the year ending 31 January 2012

|  | £'000          |  | £'000           |
|--|----------------|--|-----------------|
| <b>Total of all purchases for the year (Note 10)</b> | <b>107,899</b> | <b>Total of all sales for the year (Note 10)</b> | <b>82,556</b>   |
| <b>Major purchases</b>                               | <b>Cost</b>    | <b>Major sales</b>                               | <b>Proceeds</b> |
| Associated Material Finance 9.125% 2017              | 1,597          | HCA 9.625% 2016                                  | 3,526           |
| Ford Motor Credit 6.625% 2017                        | 1,479          | Ally Financial 6.75% 2014                        | 2,706           |
| International Lease Finance 8.625% 2015              | 1,305          | Dish DBS 7.75% 2015                              | 1,613           |
| International Lease Finance 8.75% 2017               | 1,281          | Associated Material Finance 9.125% 2017          | 1,349           |
| HCA 7.5% 2022  | 1,245          | Ford Motor 8.7% 2014                             | 1,342           |
| Ally Financial 6.25% 2017                            | 1,233          | International Lease Finance 8.75% 2017           | 1,257           |
| Ford Motor Credit 5% 2018                            | 1,176          | Ford Motor Credit 7% 2015                        | 1,245           |
| Dish DBS 6.75% 2021                                  | 1,157          | HCA 7.75% 2021                                   | 1,194           |
| Dish DBS 7.875% 2019                                 | 1,149          | Dish DBS 6.75% 2021                              | 1,193           |
| HCA 7.75% 2021                                       | 1,070          | International Lease Finance 8.625% 2015          | 998             |
| Ally Financial 6.75% 2014                            | 1,054          | Qwest Communications International 7.5% 2014     | 970             |
| Del Monte 7.625% 2019                                | 1,038          | US Oncology 9.125% 2017                          | 906             |
| Sprint Capital 8.75% 2032                            | 1,035          | First Data 12.625% SNR 2021                      | 903             |
| Harrahs Operating 11.25% 2017                        | 1,031          | Blue Merger 7.625% 2019                          | 862             |
| EV Energy Partner 8% 2019                            | 981            | HCA 9.25% 2016                                   | 846             |
| J Crew Group 8.125% 2019                             | 955            | Intelsat Jackson 7.25% FRN 2020                  | 823             |
| NRG Energy 7.625% 2018                               | 914            | Vail Resorts 6.75% 2014                          | 813             |
| Sprint Nextel 9% 2018                                | 911            | Windstream 8.625% 2016                           | 753             |
| First Data 12.625% 2021                              | 903            | Atlas Energy 10.75% 2018                         | 750             |
| MGM Resorts 7.625% 2017                              | 883            | Reynolds Group 8.5% 2018                         | 737             |

## Financial statements

### Statement of total return

For the year ending 31 January

|   | £'000   | 2012<br>£'000  | £'000   | 2011<br>£'000 |
|---|---------|----------------|---------|---------------|
| Income  |         |                |         |               |
| Net capital (losses)/gains (Note 1)   |         | (1,584)        |         | 8,822         |
| Revenue (Note 2)  | 12,447  |                | 11,736  |               |
| Expenses (Note 3)   | (1,856) |                | (1,657) |               |
| Net revenue before taxation   | 10,591  |                | 10,079  |               |
| Taxation (Note 4)   | (6)     |                | (1)     |               |
| Net revenue after taxation  |         | 10,585         |         | 10,078        |
| <b>Total return before distributions</b>  |         | <b>9,001</b>   |         | <b>18,900</b> |
| Finance costs:<br>Distributions (Note 5)  |         | (12,203)       |         | (11,518)      |
| <b>Change in net assets attributable to shareholders from investment activities</b> |         | <b>(3,202)</b> |         | <b>7,382</b>  |

### Statement of change in net assets attributable to shareholders

For the year ending 31 January

|  | £'000    | 2012<br>£'000  | £'000    | 2011<br>£'000  |
|--|----------|----------------|----------|----------------|
| <b>Opening net assets attributable to shareholders</b>                                   |          | <b>143,162</b> |          | <b>137,799</b> |
| Amounts receivable on issue of shares  | 49,846   |                | 40,556   |                |
| Amounts payable on cancellation of shares  | (21,904) |                | (47,470) |                |
|  |          | 27,942         |          | (6,914)        |
| Change in net assets attributable to shareholders from investment activities (see above) |          | (3,202)        |          | 7,382          |
| Retained distributions on accumulation shares  |          | 4,697          |          | 4,894          |
| Unclaimed distributions  |          | 2              |          | 1              |
| <b>Closing net assets attributable to shareholders</b>                                   |          | <b>172,601</b> |          | <b>143,162</b> |

### Balance sheet

As at 31 January

|  | £'000   | 2012<br>£'000  | £'000   | 2011<br>£'000  |
|--|---------|----------------|---------|----------------|
| <b>ASSETS</b>                                  |         |                |         |                |
| Investment assets                              |         | 164,248        |         | 138,976        |
| Debtors (Note 7)                               | 4,829   |                | 3,839   |                |
| Cash and bank balances (Note 8)                | 7,964   |                | 5,397   |                |
| <b>Total other assets</b>                      |         | <b>12,793</b>  |         | <b>9,236</b>   |
| <b>Total assets</b>                            |         | <b>177,041</b> |         | <b>148,212</b> |
| <b>LIABILITIES</b>                             |         |                |         |                |
| Investment liabilities                         |         | -              |         | (568)          |
| Creditors (Note 9)                             | (2,953) |                | (3,196) |                |
| Distribution payable on income shares          | (1,487) |                | (1,286) |                |
| <b>Total other liabilities</b>                 |         | <b>(4,440)</b> |         | <b>(4,482)</b> |
| <b>Total liabilities</b>                       |         | <b>(4,440)</b> |         | <b>(5,050)</b> |
| <b>Net assets attributable to shareholders</b> |         | <b>172,601</b> |         | <b>143,162</b> |

The notes to these financial statements are shown on pages 137 to 139.

# Notes to the financial statements for the year ending 31 January 2012

## 1. Net capital (losses)/gains

|                            | 2012           | 2011         |
|----------------------------|----------------|--------------|
|                            | £'000          | £'000        |
| Currency losses            | (2,623)        | (1,971)      |
| Custodian handling charges | (2)            | (4)          |
| Derivative contracts       | -              | 110          |
| Forward currency contracts | 1,676          | (480)        |
| Non-derivative securities  | (635)          | 11,167       |
| Net capital (losses)/gains | <u>(1,584)</u> | <u>8,822</u> |

## 2. Revenue

|                                       | 2012          | 2011          |
|---------------------------------------|---------------|---------------|
|                                       | £'000         | £'000         |
| Interest on bank and term deposits    | 18            | 9             |
| Interest on fixed-interest securities | 12,417        | 11,720        |
| Stocklending income*                  | 12            | 7             |
| Total revenue                         | <u>12,447</u> | <u>11,736</u> |

\* Stocklending income is disclosed net of fees. See note 11.

## 3. Expenses

|  | 2012         | 2011         |
|--|--------------|--------------|
|  | £'000        | £'000        |
| <b>Payable to the ACD or associate of the ACD:</b> |              |              |
| ACD fee  | 1,618        | 1,437        |
| Fixed expenses                                     | 251          | 220          |
|  | <u>1,869</u> | <u>1,657</u> |
| <b>Payable to third parties:</b>                   |              |              |
| VAT recovered*                                     | (13)         | -            |
| Total expenses                                     | <u>1,856</u> | <u>1,657</u> |

\* VAT recovered includes amounts arising as a result of changes to the policy of HM Revenue & Customs ("HMRC") concerning VAT exemption for the management of authorised collective investment schemes (UK Law, items 9 and 10 of group 5, Schedule 9, to the VAT Act 1994) where these services have historically been treated as subject to VAT in the UK. These changes are in accordance with the Business Brief 07/06 (item 3) from HMRC in light of the European Court of Justice judgment in case C-196/04, Abbey National and Inscape Investment Fund.

## 4. Taxation

|  | 2012           | 2011           |
|--|----------------|----------------|
|  | £'000          | £'000          |
| <b>a) Analysis of charge in the year</b>   |                |                |
| Overseas tax suffered  | 6              | 1              |
| Current year tax charge (Note 4b)  | <u>6</u>       | <u>1</u>       |
| <b>b) Factors affecting the tax charge for the year</b>  |                |                |
| The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an Open-Ended Investment Company (OEIC) (20%). The differences are explained below. |                |                |
| Net revenue before taxation  | 10,591         | 10,079         |
| Corporation tax at 20%   | <u>2,118</u>   | <u>2,016</u>   |
| Effects of:  |                |                |
| Excess expenses for which no relief taken  | 371            | 330            |
| Interest distributions for which no relief taken   | (2,441)        | (2,304)        |
| Overseas tax suffered  | 6              | 1              |
| Utilisation of excess interest distributions brought forward   | (48)           | (42)           |
|  | <u>(2,112)</u> | <u>(2,015)</u> |
| Current year tax charge (Note 4a)  | <u>6</u>       | <u>1</u>       |

No deferred tax asset has been recognised in the financial statements. At the year end date, the fund had a deferred tax asset of £1,296,742 (31.01.11: £925,501) in relation to £6,483,712 (31.01.11: £4,627,503) of excess management expenses which would only be utilised to reduce the tax charge if the fund had an excess of unfranked income over expenses in a future period. There is no excess of unfranked income expected in the future.

## 5. Finance costs

|   | 2012          | 2011          |
|---|---------------|---------------|
|   | £'000         | £'000         |
| <b>Distributions</b>  |               |               |
| The distributions take account of amounts receivable on the issue of shares and amounts payable on the cancellation of shares and comprise: |               |               |
| First interim interest distribution   | 2,683         | 2,943         |
| Second interim interest distribution  | 3,165         | 2,787         |
| Third interim interest distribution   | 3,360         | 2,762         |
| Final interest distribution   | 3,332         | 2,947         |
| Add: Amounts payable on cancellation of shares  | 149           | 436           |
| Deduct: Amounts receivable on issue of shares   | (486)         | (357)         |
| Total finance costs   | <u>12,203</u> | <u>11,518</u> |

Details of the distribution per share are set out on pages 140 to 143.

## 6. Movement between net revenue after taxation and distributions

|  | 2012          | 2011          |
|--|---------------|---------------|
|  | £'000         | £'000         |
| Net revenue after taxation                         | 10,585        | 10,078        |
| Add: ACD fee (net of tax relief) paid from capital | 1,618         | 1,437         |
| Add: Undistributed revenue brought forward         | 14            | 17            |
| Deduct: Undistributed revenue carried forward      | (14)          | (14)          |
|  | <u>12,203</u> | <u>11,518</u> |

## Notes to the financial statements – continued

### 7. Debtors

|                                     | 2012  | 2011  |
|-------------------------------------|-------|-------|
|                                     | £'000 | £'000 |
| Accrued income                      | 3,625 | 2,955 |
| Due from the ACD for shares created | 789   | 817   |
| Sales awaiting settlement           | 415   | 67    |
| Total debtors                       | 4,829 | 3,839 |

### 8. Cash and bank balances

|                        | 2012  | 2011  |
|------------------------|-------|-------|
|                        | £'000 | £'000 |
| Cash and bank balances | 7,964 | 5,397 |

### 9. Creditors

|                               | 2012  | 2011  |
|-------------------------------|-------|-------|
|                               | £'000 | £'000 |
| Accrued expenses              | 169   | 142   |
| Income tax payable            | 1,161 | 1,001 |
| Purchases awaiting settlement | 1,623 | 2,053 |
| Total creditors               | 2,953 | 3,196 |

### 10. Portfolio transaction costs

|                                      | 2012    | 2011    |
|--------------------------------------|---------|---------|
|                                      | £'000   | £'000   |
| Analysis of total purchase costs     |         |         |
| Gross purchases total                | 107,899 | 126,217 |
| Analysis of total sale costs         |         |         |
| Gross sales before transaction costs | 82,556  | 128,474 |
| Commissions                          | -       | (1)     |
| Total sale costs                     | -       | (1)     |
| Total sales net of transaction costs | 82,556  | 128,473 |

### 11. Related party transactions

JPMorgan Funds Limited, as Authorised Corporate Director (“ACD”), is a related party, and acts as principal in respect of all transactions of shares in the Company. The aggregate monies received through issue, and paid on cancellation, are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

The balance due from the ACD and their associates at the year end date in respect of related party transactions was £619,808 (31.01.11: £674,440). Details of related party transactions are given under note 13 on page 389.

The gross stocklending income received was £14,082 (31.01.11: £8,316), with fees deducted of £2,464 (31.01.11: £1,455).

### 12. Stocklending

As at 31 January 2012 the aggregate value of securities on loan was £180,186 (31.01.11: £nil). The Depositary held £183,851 (31.01.11: £nil) of collateral assets on behalf of the fund in respect thereof. The nature of the collateral was 100.0% cash.

### 13. Financial instruments

#### Currency exposures

A proportion of the net assets of the fund are denominated in currencies other than sterling, with the effect that the Balance sheet and total return can be affected by currency movements.

| Currency        | Net foreign currency assets |                          |                              |
|-----------------|-----------------------------|--------------------------|------------------------------|
|                 | Total exposures £'000       | Monetary exposures £'000 | Non-monetary exposures £'000 |
| <b>31.01.12</b> |                             |                          |                              |
| US Dollar       | 795                         | (162,778)                | 163,573                      |
| Euro            | 3                           | 3                        | -                            |
| <b>31.01.11</b> |                             |                          |                              |
| US Dollar       | 964                         | 6,056                    | (5,092)                      |
| Euro            | 3                           | 3                        | -                            |

#### Interest rate risk

The tables below detail the interest rate profile of the fund's assets and liabilities as at the year end.

| Currency        | Total assets £'000 | Floating rate financial assets £'000 | Fixed rate financial assets £'000 | Financial assets not carrying any interest |
|-----------------|--------------------|--------------------------------------|-----------------------------------|--|
|                 |                    |                                      |                                   | £'000                                      |
| <b>31.01.12</b> |                    |                                      |                                   |  |
| UK Sterling     | 174,620            | 331                                  | -                                 | 174,289                                    |
| US Dollar       | 2,418              | 7,916                                | 163,267                           | (168,765)                                  |
| Euro            | 3                  | 3                                    | -                                 | -  |
| <b>31.01.11</b> |                    |                                      |                                   |  |
| UK Sterling     | 144,733            | 307                                  | -                                 | 144,426                                    |
| US Dollar       | 3,017              | 5,087                                | 138,976                           | (141,046)                                  |
| Euro            | 3                  | 3                                    | -                                 | -  |

The floating rate financial assets are bank balances that bear interest at rates based on LIBOR or its overseas equivalent.

| Currency        | Total liabilities £'000 | Floating rate financial liabilities £'000 | Financial liabilities not carrying any interest |
|-----------------|-------------------------|---|---|
|                 |                         |   | £'000   |
| <b>31.01.12</b> |                         |   |   |
| UK Sterling     | 2,817                   | -   | 2,817   |
| US Dollar       | 1,623                   | -   | 1,623   |
| <b>31.01.11</b> |                         |   |   |
| US Dollar       | 2,538                   | -   | 2,538   |
| UK Sterling     | 2,429                   | -   | 2,429   |

| Currency        | Weighted average interest rate | Fixed rate financial assets                             |
|-----------------|--------------------------------|---|
|                 |                                | Weighted average period for which rate is fixed (years) |
| <b>31.01.12</b> |                                |   |
| US Dollar       | 7.7%                           | 6.8   |
| <b>31.01.11</b> |                                |   |
| US Dollar       | 14.8%                          | 6.9   |

For consideration of other risks including liquidity, pricing and credit risk, please refer to the notes to the aggregated financial statements, pages 389 to 390.

## Notes to the financial statements – continued

### 14. Share classes

The fund currently has four share classes; Class A shares, Class B shares, Class I shares and Class X shares. The Authorised Corporate Director's (ACD) fee and fixed expenses charge are shown below.

|                 | ACD fee | Fixed expenses |
|-----------------|---------|----------------|
| Class A shares: | 1.10%   | 0.18%          |
| Class B shares: | 0.75%   | 0.15%          |
| Class I shares: | 0.45%   | 0.00%          |
| Class X shares: | 0.00%   | 0.06%          |

The net asset value of each share class, the net asset value per share and the number of shares in each class are shown on page 131. All classes have the same rights on winding up.

### 15. Derivatives

The fund enters into derivative transactions in the form of forward currency contracts, futures and options. The fund may use derivatives for investment purposes or efficient portfolio management including hedging, where appropriate. The commitment approach has been used to calculate the global exposure.

Further information on the derivative risks can be found in the notes to the aggregated financial statements on page 390.

## Distribution table

### Final interest distribution in pence per share

Group 1 – Shares purchased prior to 1 November 2011

Group 2 – Shares purchased 1 November 2011 to 31 January 2012

|  | Gross<br>revenue | Tax<br>at 20% | Net<br>revenue | Equalisation | Distribution<br>payable<br>30.04.12 | Distribution<br>paid<br>30.04.11 |
|--|------------------|---------------|----------------|--------------|-------------------------------------|----------------------------------|
| <b>A-Class Accumulation Shares</b>       |                  |               |                |              |                                     |                                  |
| Group 1                                  | 1.612500         | 0.322500      | 1.290000       | -            | 1.290000                            | 1.310000                         |
| Group 2                                  | 0.575679         | 0.115136      | 0.460543       | 0.829457     | 1.290000                            | 1.310000                         |
| <b>A-Class Income Shares</b>             |                  |               |                |              |                                     |                                  |
| Group 1                                  | 0.762500         | 0.152500      | 0.610000       | -            | 0.610000                            | 0.650000                         |
| Group 2                                  | 0.291573         | 0.058315      | 0.233258       | 0.376742     | 0.610000                            | 0.650000                         |
| <b>B-Class Income Shares</b>             |                  |               |                |              |                                     |                                  |
| Group 1                                  | 2.100000         | 0.420000      | 1.680000       | -            | 1.680000                            | 1.810000                         |
| Group 2                                  | 0.483458         | 0.096692      | 0.386766       | 1.293234     | 1.680000                            | 1.810000                         |
| <b>I-Class Accumulation Shares</b>       |                  |               |                |              |                                     |                                  |
| Group 1                                  | 2.862500         | 0.572500      | 2.290000       | -            | 2.290000                            | 2.290000                         |
| Group 2                                  | 2.862500         | 0.572500      | 2.290000       | 0.000000     | 2.290000                            | 2.290000                         |
| <b>I-Class Gross Accumulation Shares</b> |                  |               |                |              |                                     |                                  |
| Group 1                                  | 2.670000         | -             | 2.670000       | -            | 2.670000                            | 2.640000                         |
| Group 2                                  | 0.473605         | -             | 0.473605       | 2.196395     | 2.670000                            | 2.640000                         |
| <b>I-Class Income Shares</b>             |                  |               |                |              |                                     |                                  |
| Group 1                                  | 1.862500         | 0.372500      | 1.490000       | -            | 1.490000                            | 1.580000                         |
| Group 2                                  | 0.131071         | 0.026214      | 0.104857       | 1.385143     | 1.490000                            | 1.580000                         |
| <b>I-Class Gross Income Shares</b>       |                  |               |                |              |                                     |                                  |
| Group 1                                  | 1.960000         | -             | 1.960000       | -            | 1.960000                            | -                                |
| Group 2                                  | 0.614192         | -             | 0.614192       | 1.345808     | 1.960000                            | -                                |
| <b>X-Class Gross Accumulation Shares</b> |                  |               |                |              |                                     |                                  |
| Group 1                                  | 0.080000         | -             | 0.080000       | -            | 0.080000                            | -                                |
| Group 2                                  | 0.080000         | -             | 0.080000       | 0.000000     | 0.080000                            | -                                |

## Distribution table - continued

### Third interim interest distribution in pence per share

Group 1 - Shares purchased prior to 1 August 2011

Group 2 - Shares purchased 1 August 2011 to 31 October 2011

|  | Gross<br>revenue | Tax<br>at 20% | Net<br>revenue | Equalisation | Distribution<br>paid<br>31.01.12 | Distribution<br>paid<br>31.01.11 |
|--|------------------|---------------|----------------|--------------|----------------------------------|----------------------------------|
| <b>A-Class Accumulation Shares</b>       |                  |               |                |              |                                  |                                  |
| Group 1                                  | 1.675000         | 0.335000      | 1.340000       | -            | 1.340000                         | 1.150000                         |
| Group 2                                  | 0.619908         | 0.123982      | 0.495926       | 0.844074     | 1.340000                         | 1.150000                         |
| <b>A-Class Income Shares</b>             |                  |               |                |              |                                  |                                  |
| Group 1                                  | 0.787500         | 0.157500      | 0.630000       | -            | 0.630000                         | 0.570000                         |
| Group 2                                  | 0.211268         | 0.042254      | 0.169014       | 0.460986     | 0.630000                         | 0.570000                         |
| <b>B-Class Income Shares</b>             |                  |               |                |              |                                  |                                  |
| Group 1                                  | 2.200000         | 0.440000      | 1.760000       | -            | 1.760000                         | 1.590000                         |
| Group 2                                  | 0.869124         | 0.173825      | 0.695299       | 1.064701     | 1.760000                         | 1.590000                         |
| <b>I-Class Accumulation Shares</b>       |                  |               |                |              |                                  |                                  |
| Group 1                                  | 2.950000         | 0.590000      | 2.360000       | -            | 2.360000                         | 2.000000                         |
| Group 2                                  | 2.950000         | 0.590000      | 2.360000       | 0.000000     | 2.360000                         | 2.000000                         |
| <b>I-Class Gross Accumulation Shares</b> |                  |               |                |              |                                  |                                  |
| Group 1                                  | 2.740000         | -             | 2.740000       | -            | 2.740000                         | 2.310000                         |
| Group 2                                  | 0.503685         | -             | 0.503685       | 2.236315     | 2.740000                         | 2.310000                         |
| <b>I-Class Income Shares</b>             |                  |               |                |              |                                  |                                  |
| Group 1                                  | 1.950000         | 0.390000      | 1.560000       | -            | 1.560000                         | 1.410000                         |
| Group 2                                  | 1.061021         | 0.212204      | 0.848817       | 0.711183     | 1.560000                         | 1.410000                         |
| <b>I-Class Gross Income Shares</b>       |                  |               |                |              |                                  |                                  |
| Group 1                                  | 2.050000         | -             | 2.050000       | -            | 2.050000                         | -                                |
| Group 2                                  | 0.360234         | -             | 0.360234       | 1.689766     | 2.050000                         | -                                |

## Distribution table – continued

### Second interim interest distribution in pence per share

Group 1 – Shares purchased prior to 1 May 2011

Group 2 – Shares purchased 1 May 2011 to 31 July 2011

|  | Gross<br>revenue | Tax<br>at 20% | Net<br>revenue | Equalisation | Distribution<br>paid<br>31.10.11 | Distribution<br>paid<br>31.10.10 |
|--|------------------|---------------|----------------|--------------|----------------------------------|----------------------------------|
| <b>A-Class Accumulation Shares</b>       |                  |               |                |              |                                  |                                  |
| Group 1                                  | 1.612500         | 0.322500      | 1.290000       | -            | 1.290000                         | 1.200000                         |
| Group 2                                  | 0.749181         | 0.149836      | 0.599345       | 0.690655     | 1.290000                         | 1.200000                         |
| <b>A-Class Income Shares</b>             |                  |               |                |              |                                  |                                  |
| Group 1                                  | 0.787500         | 0.157500      | 0.630000       | -            | 0.630000                         | 0.620000                         |
| Group 2                                  | 0.326529         | 0.065306      | 0.261223       | 0.368777     | 0.630000                         | 0.620000                         |
| <b>B-Class Income Shares</b>             |                  |               |                |              |                                  |                                  |
| Group 1                                  | 2.162500         | 0.432500      | 1.730000       | -            | 1.730000                         | 1.630000                         |
| Group 2                                  | 1.301130         | 0.260226      | 1.040904       | 0.689096     | 1.730000                         | 1.630000                         |
| <b>I-Class Accumulation Shares</b>       |                  |               |                |              |                                  |                                  |
| Group 1                                  | 2.850000         | 0.570000      | 2.280000       | -            | 2.280000                         | 2.070000                         |
| Group 2                                  | 2.850000         | 0.570000      | 2.280000       | 0.000000     | 2.280000                         | 2.070000                         |
| <b>I-Class Gross Accumulation Shares</b> |                  |               |                |              |                                  |                                  |
| Group 1                                  | 2.650000         | -             | 2.650000       | -            | 2.650000                         | 2.400000                         |
| Group 2                                  | 1.199042         | -             | 1.199042       | 1.450958     | 2.650000                         | 2.400000                         |
| <b>I-Class Income Shares</b>             |                  |               |                |              |                                  |                                  |
| Group 1                                  | 1.900000         | 0.380000      | 1.520000       | -            | 1.520000                         | 1.370000                         |
| Group 2                                  | 1.640080         | 0.328016      | 1.312064       | 0.207936     | 1.520000                         | 1.370000                         |
| <b>I-Class Gross Income Shares</b>       |                  |               |                |              |                                  |                                  |
| Group 1                                  | 0.560000         | -             | 0.560000       | -            | 0.560000                         | -                                |
| Group 2                                  | 0.512608         | -             | 0.512608       | 0.047392     | 0.560000                         | -                                |



## Distribution table – continued

### First interim interest distribution in pence per share

Group 1 – Shares purchased prior to 1 February 2011

Group 2 – Shares purchased 1 February 2011 to 30 April 2011

|  | Gross revenue | Tax at 20% | Net revenue | Equalisation | Distribution paid 31.07.11 | Distribution paid 31.07.10 |
|--|---------------|------------|-------------|--------------|----------------------------|----------------------------|
| <b>A-Class Accumulation Shares</b>       |               |            |             |              |                            |                            |
| Group 1                                  | 1.412500      | 0.282500   | 1.130000    | -            | 1.130000                   | 1.340000                   |
| Group 2                                  | 0.658836      | 0.131767   | 0.527069    | 0.602931     | 1.130000                   | 1.340000                   |
| <b>A-Class Income Shares</b>             |               |            |             |              |                            |                            |
| Group 1                                  | 0.687500      | 0.137500   | 0.550000    | -            | 0.550000                   | 0.700000                   |
| Group 2                                  | 0.348308      | 0.069662   | 0.278646    | 0.271354     | 0.550000                   | 0.700000                   |
| <b>B-Class Income Shares</b>             |               |            |             |              |                            |                            |
| Group 1                                  | 1.912500      | 0.382500   | 1.530000    | -            | 1.530000                   | 1.930000                   |
| Group 2                                  | 0.726934      | 0.145387   | 0.581547    | 0.948453     | 1.530000                   | 1.930000                   |
| <b>I-Class Accumulation Shares</b>       |               |            |             |              |                            |                            |
| Group 1                                  | 2.487500      | 0.497500   | 1.990000    | -            | 1.990000                   | 2.360000                   |
| Group 2                                  | 2.487500      | 0.497500   | 1.990000    | 0.000000     | 1.990000                   | 2.360000                   |
| <b>I-Class Gross Accumulation Shares</b> |               |            |             |              |                            |                            |
| Group 1                                  | 2.310000      | -          | 2.310000    | -            | 2.310000                   | 2.670000                   |
| Group 2                                  | 2.188962      | -          | 2.188962    | 0.121038     | 2.310000                   | 2.670000                   |
| <b>I-Class Income Shares</b>             |               |            |             |              |                            |                            |
| Group 1                                  | 1.700000      | 0.340000   | 1.360000    | -            | 1.360000                   | 1.750000                   |
| Group 2                                  | 0.713355      | 0.142671   | 0.570684    | 0.789316     | 1.360000                   | 1.750000                   |

Equalisation applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of revenue included in the purchase price of all group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

# JPM Global Mining Fund

## Important information

### Change of Depositary

As part of an internal re-structuring, The Royal Bank of Scotland plc has transferred its Trustee and Depositary Services business from The Royal Bank of Scotland plc to National Westminster Bank plc and consequently National Westminster Bank plc has been appointed as Depositary of the Fund with effect from 15 October 2011.

As Depositary, National Westminster Bank plc will have the same duties and responsibilities as The Royal Bank of Scotland plc and this change will have no impact on the way the Fund operates.

### Investment objective and policy

To provide long term capital growth by investing primarily in companies engaged in mining or mining related activities, including any associated secondary products, anywhere in the world.

Derivatives may be used for the purpose of efficient portfolio management, including hedging, where appropriate (see Section 11.14 of the Full Prospectus for Risk Warnings on derivatives). Subject to at least 60 days notice to shareholders, the Fund may use derivatives for investment purposes which may change the risk profile of the Fund.

There is no restriction on the value of the property of the Fund that may be invested in transferable securities which are warrants. If more than 5% of the property of the Fund is invested in warrants, the net asset value of the Fund may become highly volatile on occasions.

Other instruments as permitted in the stated investment and borrowing powers of the Company including, but not limited to, fixed interest securities, cash and cash equivalents may be held on an ancillary basis, as appropriate.

### Risk profile

This specialist sector equity Fund invests primarily in companies engaged in mining or mining related activities, including any associated secondary products (such as steel and aluminium), and may include exposure to emerging markets and smaller companies.

Equity investment is subject to specific risks relating to the performance of the individual companies held and the market's perception of their performance. Equities are also subject to systematic risks such as general economic conditions, inflation, interest rates, foreign exchange rates and industry sector risks. In general terms, equities tend to be more volatile than bonds.

The Fund will be invested in emerging markets, which may be subject to additional political and economic risks, low liquidity, poor transparency and greater financial risks.

Smaller companies' securities may be less liquid than the securities of larger companies as a result of inadequate trading volume or restrictions on trading. Smaller companies may possess greater potential for growth, but can also involve greater risks, such as limited product lines and markets, and financial or managerial resources. Trading in such securities may be subject to more abrupt price movements and greater fluctuations in available liquidity than trading in the securities of larger companies.

Funds that invest predominantly in a single market, asset class or sector may be subject to greater volatility than those funds with a more diversified portfolio.

The Fund has exposure to commodities through its investments in mining and mining related companies. The risks associated with the commodities sector may be greater than other investment sectors.

When the Fund invests in warrants, the values of these warrants are likely to fluctuate more than the prices of the underlying securities.

The Fund is not managed with reference to an index and its composition may significantly deviate from any index used for comparison purposes.

The majority of the underlying assets in the Fund are denominated in a currency other than Sterling and are not normally hedged back to Sterling. Investors will therefore be exposed to the currency risk of fluctuations between Sterling and the currency denomination of the underlying assets.

### Fund review

The 12 months to the end of January 2012 was a weak period of performance for the Fund. Both gold mining and base metal-related equities performed poorly. At the very start of the period, performance was strong, particularly among the base metals stocks in the portfolio, which benefited from growing optimism surrounding the global economic recovery. However, as the year wore on, investors became increasingly concerned about a material slowdown in the Chinese economy. These concerns affected a sharp sell-off in industrially-sensitive commodities like copper and iron ore and the related equities. The gold price was up over the year, but our gold equities considerably underperformed the spot price. Our small cap bias within the Fund was a major detractor when assessing performance relative to our comparator.

### Fund outlook

Many economists now suggest that the China has begun a soft landing as GDP growth has moderated to a sustainable level and inflationary risks are declining. The renewed confidence in the Chinese economy has manifested itself with an aggressive restocking of industrial metals by Chinese buyers over the last couple of months in anticipation of a pickup in end demand. The degree of pickup in demand after Chinese New Year (a seasonally weak period) will be closely watched by investors over the next six months. From a gold perspective, investors will keep a close eye on central banks and any reflationary policy that would support the outlook for gold versus paper assets. If market turmoil persists, there will be significant delays to mining capital expenditure, thus accentuating the long-term supply constraints that we seek to exploit within the Fund. As always we focus on identifying world-class exploration projects that offer the greatest investment return potential.

### Performance as at 31 January

Since launch 02/02/11

|                                      |               |
|--------------------------------------|---------------|
| <b>JPM Global Mining A-Class Acc</b> | <b>-16.4%</b> |
| Benchmark Index                      | -13.4%        |

### Fund statistics

|                 |  |
|-----------------|--|
| Fund size       | <b>£4.4m</b>                                       |
| Benchmark Index | <b>HSBC Global Mining Index (Total Return Net)</b> |
| Fund charges    | <b>Initial 4.25%, Annual 1.50%</b>                 |

You should remember that past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. For specific risks, please read the Simplified Prospectus.

All performance returns are calculated using the quoted price of the accumulation shares. Performance returns are in Sterling.  
Source: J.P. Morgan..

## Top ten holdings

|                                | %   |
|--------------------------------|-----|
| Rio Tinto                      | 9.5 |
| BHP Billiton                   | 6.0 |
| Xstrata                        | 4.8 |
| Fortescue Metals Group         | 4.2 |
| Freeport-McMoRan Copper & Gold | 3.9 |
| First Quantum Minerals         | 3.7 |
| Teck Resources 'B'             | 3.7 |
| Anglo American                 | 3.4 |
| Ferrexpo                       | 2.6 |
| Resolute Mining                | 2.4 |

## Sector breakdown

|                            | %    |
|----------------------------|------|
| Base metals & diversified  | 62.2 |
| Gold & silver              | 21.2 |
| Others                     | 5.5  |
| Coal                       | 3.8  |
| Platinum                   | 2.0  |
| Diamonds & precious stones | 1.4  |
| Uranium                    | 0.2  |
| Net other assets           | 3.7  |

## Highest/lowest share price and distribution record

| Calendar year                                  | Highest share price | Lowest share price | Distribution per share (net) |
|--|---------------------|--------------------|------------------------------|
| <b>A-Class Accumulation Shares<sup>A</sup></b> |                     |                    |                              |
| 2011   | 52.6p               | 33.5p              | -                            |
| 2012 <sup>B</sup>                              | 43.7p               | 37.5p              | 0.00p                        |

<sup>A</sup> A-Class Accumulation Shares were launched on 2 February 2011.

<sup>B</sup> To 31 January 2012.

## Portfolio turnover rate

|          |       |
|----------|-------|
| 31.01.12 | 32.5% |
|----------|-------|

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the period.

## Net asset values and Total expense ratios

| Date                               | Net asset value per share class<br>£'000 | Number of shares | Net asset value per share | Total expense ratio |
|------------------------------------|--|------------------|---------------------------|---------------------|
| <b>A-Class Accumulation Shares</b> |  |                  |                           |                     |
| 31.01.12                           | 4,426                                    | 10,638,297       | 41.61p                    | 1.68%               |

The total expense ratio (TER) takes into account the ACD fee and any fixed expenses charged to revenue expressed as a percentage of the average daily net asset values over the period.

# Portfolio statement

As at 31 January 2012

| Investment                                   | Holding | Market value<br>£'000 | Total net<br>assets % |
|--|---------|-----------------------|-----------------------|
| <b>Base metals &amp; diversified – 62.2%</b> |         |                       |                       |
| African Minerals*                            | 12,700  | 64                    | 1.5                   |
| Alcoa  | 7,800   | 51                    | 1.1                   |
| Alumina                                      | 56,100  | 48                    | 1.1                   |
| Anglo American                               | 5,650   | 151                   | 3.4                   |
| Antofagasta                                  | 6,800   | 89                    | 2.0                   |
| Anvil Mining                                 | 9,300   | 44                    | 1.0                   |
| Aquila Resources                             | 7,920   | 32                    | 0.7                   |
| Atlas Iron                                   | 9,850   | 21                    | 0.5                   |
| Augusta Resource                             | 11,600  | 23                    | 0.5                   |
| BHP Billiton                                 | 12,200  | 264                   | 6.0                   |
| Champion Minerals                            | 9,000   | 10                    | 0.2                   |
| Copper Mountain Mining                       | 3,500   | 11                    | 0.3                   |
| Duluth Metals                                | 8,650   | 14                    | 0.3                   |
| Duluth Metals Warrants 2011#                 | 576     | -                     | -                     |
| Equatorial Resources                         | 14,715  | 23                    | 0.5                   |
| Eurasian Natural Resources                   | 3,750   | 26                    | 0.6                   |
| Ferrexpo                                     | 33,125  | 113                   | 2.5                   |
| First Quantum Minerals                       | 11,900  | 164                   | 3.7                   |
| Fortescue Metals Group                       | 54,000  | 184                   | 4.2                   |
| Freeport-McMoRan Copper & Gold               | 6,000   | 175                   | 3.9                   |
| Gindalbie Metals                             | 64,000  | 27                    | 0.6                   |
| Independence Group                           | 11,025  | 29                    | 0.7                   |
| Indophil Resources                           | 90,000  | 21                    | 0.5                   |
| Inmet Mining                                 | 1,500   | 65                    | 1.5                   |
| Kagara                                       | 170,000 | 40                    | 0.9                   |
| Lundin Mining                                | 18,700  | 59                    | 1.3                   |
| Mawson West                                  | 8,000   | 7                     | 0.1                   |
| Mirabela Nickel                              | 17,100  | 11                    | 0.3                   |
| MMC Norilsk Nickel ADR                       | 2,181   | 27                    | 0.6                   |
| Mount Gibson Iron                            | 18,000  | 17                    | 0.4                   |
| NGEx Resources                               | 8,000   | 13                    | 0.3                   |
| Rex Minerals                                 | 6,000   | 6                     | 0.1                   |
| Rio Tinto                                    | 11,000  | 423                   | 9.5                   |
| Sundance Resources                           | 83,500  | 24                    | 0.6                   |
| Teck Resources 'B'                           | 6,000   | 162                   | 3.7                   |
| Tiger Resources                              | 50,700  | 14                    | 0.3                   |
| Vale ADR                                     | 3,000   | 47                    | 1.1                   |
| Western Areas                                | 10,700  | 38                    | 0.9                   |
| Xstrata                                      | 19,600  | 213                   | 4.8                   |
| <b>Gold &amp; silver – 21.2%</b>             |         |                       |                       |
| AngloGold Ashanti                            | 2,900   | 85                    | 1.9                   |
| Ausgold                                      | 8,156   | 5                     | 0.1                   |
| Banro  | 11,800  | 37                    | 0.8                   |
| Barrick Gold                                 | 3,100   | 97                    | 2.2                   |
| Brazilian Gold                               | 7,500   | 2                     | -                     |
| Castlemaine Goldfields                       | 25,558  | 2                     | -                     |
| CGA Mining#                                  | 13,500  | 22                    | 0.5                   |
| Cluff Gold*                                  | 47,400  | 41                    | 0.9                   |
| Eldorado Gold                                | 5,500   | 52                    | 1.2                   |
| GGG Resources                                | 80,000  | 15                    | 0.3                   |
| GMV Minerals                                 | 25,100  | 4                     | 0.1                   |
| Goldcorp                                     | 1,900   | 59                    | 1.3                   |
| Gryphon Minerals                             | 28,000  | 25                    | 0.6                   |
| Highland Gold Mining*                        | 35,500  | 63                    | 1.4                   |
| Integra Mining                               | 65,100  | 26                    | 0.6                   |
| Keegan Resources                             | 3,000   | 8                     | 0.2                   |
| Kinross Gold                                 | 10,500  | 76                    | 1.7                   |
| Levon Resources                              | 3,000   | 2                     | -                     |
| Mandalay Resources                           | 30,000  | 12                    | 0.3                   |
| Mirasol Resources                            | 1,850   | 5                     | 0.1                   |
| Newcrest Mining                              | 4,400   | 100                   | 2.3                   |
| Papillon Resources                           | 41,000  | 22                    | 0.5                   |
| Perseus Mining                               | 9,950   | 19                    | 0.4                   |
| Polar Star Mining                            | 5,400   | 1                     | -                     |
| Randgold Resources ADS                       | 100     | 7                     | 0.2                   |
| Resolute Mining                              | 77,300  | 106                   | 2.4                   |
| Rio Novo Gold                                | 13,500  | 7                     | 0.2                   |
| Tristar                                      | 12,000  | 4                     | 0.1                   |
| Yamana Gold                                  | 3,600   | 40                    | 0.9                   |

| Investment                                   | Holding | Market value<br>£'000 | Total net<br>assets % |
|--|---------|-----------------------|-----------------------|
| <b>Others – 5.5%</b>                         |         |                       |                       |
| Allana Potash                                | 3,950   | 2                     | -                     |
| Base Resources                               | 13,545  | 4                     | 0.1                   |
| Elemental Minerals                           | 3,839   | 3                     | 0.1                   |
| Galaxy Resources                             | 31,700  | 19                    | 0.4                   |
| Global Atomic Fuels#                         | 3,500   | 5                     | 0.1                   |
| Iluka Resources                              | 4,400   | 54                    | 1.2                   |
| Kenmare Resources                            | 79,000  | 38                    | 0.9                   |
| Mineral Deposits                             | 10,000  | 38                    | 0.9                   |
| Pathfinder Minerals†                         | 220,000 | 2                     | -                     |
| Sierra Rutile*                               | 101,900 | 65                    | 1.5                   |
| Stans Energy                                 | 3,500   | 3                     | 0.1                   |
| Stans Energy Warrants 2013#                  | 1,750   | -                     | -                     |
| World Titanium Resources                     | 35,000  | 8                     | 0.2                   |
| <b>Coal – 3.8%</b>                           |         |                       |                       |
| Bathurst Resources                           | 45,427  | 20                    | 0.5                   |
| Beacon Hill Resources                        | 261,667 | 26                    | 0.6                   |
| Eastcoal                                     | 26,900  | 7                     | 0.1                   |
| Peabody Energy                               | 2,000   | 45                    | 1.0                   |
| Walter Energy                                | 1,600   | 71                    | 1.6                   |
| <b>Platinum – 2.0%</b>                       |         |                       |                       |
| Impala Platinum                              | 31,700  | 87                    | 2.0                   |
| <b>Diamonds &amp; precious stones – 1.4%</b> |         |                       |                       |
| Lucara Diamond                               | 33,750  | 18                    | 0.4                   |
| Petra Diamonds*                              | 33,600  | 43                    | 1.0                   |
| <b>Uranium – 0.2%</b>                        |         |                       |                       |
| Berkeley Resources                           | 21,400  | 5                     | 0.1                   |
| Rockgate Capital                             | 7,400   | 5                     | 0.1                   |
| <b>Investment assets</b>                     |         | <b>4,262</b>          | <b>96.3</b>           |
| <b>Net other assets</b>                      |         | <b>164</b>            | <b>3.7</b>            |
| <b>Net assets</b>                            |         | <b>4,426</b>          | <b>100.0</b>          |

Unless otherwise stated the above securities are admitted to official stock exchange listings or trade on a regulated market.

\* Listed on Alternative Investment Market (AIM)

# Unquoted security

† Suspended security

## Portfolio movements

For the period ending 31 January 2012

|  | £'000        |  | £'000           |
|--|--------------|--|-----------------|
| <b>Total of all purchases for the period (Note 10)</b> | <b>5,379</b> | <b>Total of all sales for the period (Note 10)</b> | <b>397</b>      |
| <b>Major purchases</b>                                 | <b>Cost</b>  | <b>Major sales</b>                                 | <b>Proceeds</b> |
| Rio Tinto  | 455          | Atlas Iron   | 63              |
| BHP Billiton   | 301          | Vale ADR   | 62              |
| Xstrata  | 261          | Barrick Gold                                       | 42              |
| Teck Resources 'B'                                     | 214          | Gloucester Coal                                    | 39              |
| Fortescue Metals Group                                 | 209          | Cameco   | 32              |
| Freeport-McMoRan Copper & Gold                         | 204          | Kazakhmys  | 31              |
| Anglo American   | 180          | Independence Group                                 | 27              |
| First Quantum Minerals                                 | 180          | Glencore International                             | 16              |
| Barrick Gold   | 140          | PMI GoldCorp                                       | 15              |
| Vale ADR   | 130          | Mount Gibson Iron                                  | 13              |
| Walter Energy  | 128          | Keegan Resources                                   | 10              |
| Impala Platinum  | 111          | Freeport-McMoRan Copper & Gold                     | 9               |
| Newcrest Mining  | 111          | Hana Mining  | 7               |
| Ferrexpo   | 106          | Golden Predator Royalty & Development              | 6               |
| Kinross Gold   | 105          | Anvil Mining                                       | 5               |
| Antofagasta  | 94           | Murchison Metals                                   | 4               |
| Atlas Iron   | 89           | MMC Norilsk Nickel ADR                             | 4               |
| Lundin Mining  | 88           | Mirasol Resources                                  | 4               |
| Alumina  | 87           | Western Areas                                      | 4               |
| AngloGold Ashanti                                      | 80           | Crazy Horse Resources                              | 3               |

# Financial statements

## Statement of total return

For the period from 2 February 2011 to 31 January 2012

|   | £'000 | 2012<br>£'000 |
|---|-------|---------------|
| Income  |       |               |
| Net capital losses (Note 1)   |       | (721)         |
| Revenue (Note 2)  | 50    |               |
| Expenses (Note 3)   | (63)  |               |
| Net expense before taxation   | (13)  |               |
| Taxation (Note 4)   | (3)   |               |
| Net expense after taxation  |       | (16)          |
| <b>Total return before distributions</b>  |       | <b>(737)</b>  |
| Finance costs: Distributions (Note 5)   |       | (2)           |
| <b>Change in net assets attributable to shareholders from investment activities</b> |       | <b>(739)</b>  |

## Balance sheet

As at 31 January

|  | £'000 | 2012<br>£'000 |
|--|-------|---------------|
| <b>ASSETS</b>                                  |       |               |
| Investment assets                              |       | 4,262         |
| Debtors (Note 7)                               | 149   |               |
| Cash and bank balances (Note 8)                | 186   |               |
| <b>Total other assets</b>                      |       | <b>335</b>    |
| <b>Total assets</b>                            |       | <b>4,597</b>  |
| <b>LIABILITIES</b>                             |       |               |
| Creditors (Note 9)                             | (171) |               |
| <b>Total liabilities</b>                       |       | <b>(171)</b>  |
| <b>Net assets attributable to shareholders</b> |       | <b>4,426</b>  |

The notes to these financial statements are shown on pages 149 to 150.

## Statement of change in net assets attributable to shareholders

For the period from 2 February 2011 to 31 January 2012

|  | £'000 | 2012<br>£'000 |
|--|-------|---------------|
| <b>Opening net assets attributable to shareholders</b>                                   |       | <b>-</b>      |
| Amounts receivable on issue of shares  | 5,657 |               |
| Amounts payable on cancellation of shares  | (490) |               |
|  |       | 5,167         |
| Change in net assets attributable to shareholders from investment activities (see above) |       | (739)         |
| Stamp duty reserve tax   |       | (2)           |
| <b>Closing net assets attributable to shareholders</b>                                   |       | <b>4,426</b>  |

# Notes to the financial statements for the period ending 31 January 2012

## 1. Net capital losses

|                           | 2012<br>£'000 |
|---------------------------|---------------|
| Non-derivative securities | (721)         |
| Net capital losses        | <u>(721)</u>  |

## 2. Revenue

|   | 2012<br>£'000 |
|---|---------------|
| Franked income from UK equity investments | 18            |
| Income from overseas equity investments   | <u>32</u>     |
| Total revenue                             | <u>50</u>     |

## 3. Expenses

|  | 2012<br>£'000 |
|--|---------------|
| <b>Payable to the ACD or associate of the ACD:</b> |               |
| ACD fee  | 56            |
| Fixed expenses                                     | <u>7</u>      |
| Total expenses                                     | <u>63</u>     |

## 4. Taxation

|  | 2012<br>£'000 |
|--|---------------|
| <b>a) Analysis of charge in the period</b> |               |
| Overseas tax suffered                      | <u>3</u>      |
| Current year tax charge (Note 4b)          | <u>3</u>      |

### b) Factors affecting the tax charge for the period

The tax assessed for the year is higher than the standard rate of corporation tax in the UK for an Open-Ended Investment Company (OEIC) (20%). The differences are explained below.

|                             |             |
|-----------------------------|-------------|
| Net expense before taxation | <u>(13)</u> |
| Corporation tax at 20%      | <u>(3)</u>  |

#### Effects of:

|   |          |
|---|----------|
| Dividends not subject to corporation tax  | (9)      |
| Excess expenses for which no relief taken | 12       |
| Overseas tax suffered                     | <u>3</u> |
|   | <u>6</u> |
| Current year tax charge (Note 4a)         | <u>3</u> |

No deferred tax asset has been recognised in the financial statements. At the period end date, the fund had a deferred tax asset of £12,123 in relation to £60,614 of excess management expenses which would only be utilised to reduce the tax charge if the fund had an excess of unfranked income over expenses in a future period. There is no excess of unfranked income expected in the future.

## 5. Finance costs

### Distributions

The distributions take account of amounts receivable on the issue of shares and amounts payable on the cancellation of shares and comprise:

|  | 2012<br>£'000 |
|--|---------------|
| Final dividend distribution                    | -             |
| Add: Amounts payable on cancellation of shares | (1)           |
| Deduct: Amounts receivable on issue of shares  | <u>3</u>      |
| Total finance costs                            | <u>2</u>      |

Details of the distribution per share are set out on page 151.

## 6. Movement between net expense after taxation and distributions

|                                       | 2012<br>£'000 |
|---------------------------------------|---------------|
| Net expense after taxation            | (16)          |
| Add: Net expense payable from capital | <u>18</u>     |
|                                       | <u>2</u>      |

## 7. Debtors

|                                     | 2012<br>£'000 |
|-------------------------------------|---------------|
| Accrued income                      | 1             |
| Due from the ACD for shares created | 113           |
| Overseas tax recoverable            | 1             |
| Sales awaiting settlement           | <u>34</u>     |
| Total debtors                       | <u>149</u>    |

## 8. Cash and bank balances

|                        | 2012<br>£'000 |
|------------------------|---------------|
| Cash and bank balances | <u>186</u>    |

## 9. Creditors

|                               | 2012<br>£'000 |
|-------------------------------|---------------|
| Accrued expenses              | 6             |
| Purchases awaiting settlement | <u>165</u>    |
| Total creditors               | <u>171</u>    |

## Notes to the financial statements – continued

### 10. Portfolio transaction costs

|  | 2012<br>£'000 |
|--|---------------|
| Analysis of total purchase costs           |               |
| Purchases in year before transaction costs | 5,365         |
| Commissions                                | 5             |
| Taxes                                      | 9             |
| Total purchase costs                       | 14            |
| Gross purchases total                      | 5,379         |
| Analysis of total sale costs               |               |
| Gross sales before transaction costs       | 398           |
| Commissions                                | (1)           |
| Total sale costs                           | (1)           |
| Total sales net of transaction costs       | 397           |

### 11. Related party transactions

JPMorgan Funds Limited, as Authorised Corporate Director (“ACD”), is a related party, and acts as principal in respect of all transactions of shares in the Company. The aggregate monies received through issue, and paid on cancellation, are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

The balance due from the ACD and their associates at the period end date in respect of related party transactions was £107,788. Details of related party transactions are given under note 13 on page 389.

Some of the dealing transactions for the fund are carried out through associates of the ACD. Such transactions are carried out on an arm’s length basis. The commissions paid to these companies over the period were £388. Commission was paid to the associated company JPMorgan Securities Ltd.

The following parties held a material interest in the fund at the period end date:

- JPMorgan Investments Limited 35.16%
- Hargreaves Lansdown Nominees Ltd 27.35%

### 12. Financial instruments

#### Currency exposures

A substantial proportion of the net assets of the fund are denominated in currencies other than sterling, with the effect that the Balance sheet and total return can be significantly affected by currency movements.

| Currency           | Net foreign currency assets |                                |                                    |
|--------------------|-----------------------------|--------------------------------|------------------------------------|
|                    | Total<br>£'000              | Monetary<br>exposures<br>£'000 | Non-monetary<br>exposures<br>£'000 |
| <b>31.01.12</b>    |                             |                                |                                    |
| Australian Dollar  | 1,037                       | 34                             | 1,003                              |
| Canadian Dollar    | 947                         | -                              | 947                                |
| US Dollar          | 520                         | 1                              | 519                                |
| South African Rand | 174                         | 2                              | 172                                |

#### Interest rate risk

At the year end date, 4.2% of the fund’s net assets by value were interest bearing.

For consideration of other risks including liquidity, pricing and credit risk, please refer to the notes to the aggregated financial statements, pages 389 to 390.

### 13. Share classes

The fund currently has one share class; Class A shares. The Authorised Corporate Director’s (ACD) fee and fixed expenses charge are shown below.

|                 | ACD fee | Fixed expenses |
|-----------------|---------|----------------|
| Class A shares: | 1.50%   | 0.18%          |

The net asset value, the net asset value per share and the number of shares are shown on page 145.



# Distribution table

## Final distribution in pence per share

Group 1 – Shares purchased prior to 2 February 2011

Group 2 – Shares purchased 2 February 2011 to 31 January 2012

|                                    | Gross revenue | Tax at 10% | Net revenue | Equalisation | Distribution payable 30.04.12 |
|------------------------------------|---------------|------------|-------------|--------------|-------------------------------|
| <b>A-Class Accumulation Shares</b> |               |            |             |              |                               |
| Group 1                            | 0.000000      | 0.000000   | 0.000000    | -            | 0.000000                      |
| Group 2                            | 0.000000      | 0.000000   | 0.000000    | 0.000000     | 0.000000                      |

Equalisation applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of revenue included in the purchase price of all group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

# JPM Global Property Securities Fund

## Important information

### Change of Depositary

As part of an internal re-structuring, The Royal Bank of Scotland plc has transferred its Trustee and Depositary Services business from The Royal Bank of Scotland plc to National Westminster Bank plc and consequently National Westminster Bank plc has been appointed as Depositary of the Fund with effect from 15 October 2011.

As Depositary, National Westminster Bank plc will have the same duties and responsibilities as The Royal Bank of Scotland plc and this change will have no impact on the way the Fund operates.

### Investment objective and policy<sup>A</sup>

To provide long-term capital growth by investing primarily in Real Estate Investment Trusts (REITs) and in equity and equity-linked securities of other real estate companies that, at the time of investment, are significant owners, developers or financiers of real estate or that provide real estate related services.

Other instruments as permitted in the stated investment and borrowing powers of the Company including, but not limited to, fixed interest securities, cash and cash equivalents may be held on an ancillary basis, as appropriate.

The Fund will aim to hedge non-sterling exposures back to sterling.

### Risk profile

This specialist equity based Fund is designed to give broad market exposure to real estate markets across a number of countries, which may include exposure to emerging markets and smaller companies.

Equity investment is subject to specific risks relating to the performance of the individual companies held and the market's perception of their performance. Equities are also subject to systematic risks such as general economic conditions, inflation, interest rates, foreign exchange rates and industry sector risks. In general terms, equities tend to be more volatile than bonds.

Investments in equity securities issued by companies which are principally engaged in the business of real estate will subject the strategy to risks associated with the direct ownership of real estate. The majority of the REITs and other real estate companies that may be held by the Fund will be publicly listed. The performance of any investment in such vehicles will therefore be subject to normal market fluctuations, correlations and other risks inherent in investing in securities.

Smaller companies' securities may be less liquid than the securities of larger companies as a result of inadequate trading volume or restrictions on trading. Smaller companies may possess greater potential for growth, but can also involve greater risks, such as limited product lines and markets, and financial or managerial resources. Trading in such securities may be subject to more abrupt price movements and greater fluctuations in available liquidity than trading in the securities of larger companies.

Funds that invest predominantly in a single market, asset class or sector may be subject to greater volatility than those funds with a more diversified portfolio.

## Fund review

The 12 months to the end of January 2012 saw cultural revolutions, earthquakes and tsunamis, as well as the ratings downgrades of some major economies and extraordinary political events. Despite a strong rally in January, the Global REIT market ended the period in negative territory.

The Fund lagged its benchmark for the period. Investment performance in the Netherlands, Singapore and the UK detracted the most from performance. Allocation was the biggest detractor from returns in the Netherlands, while stock selection was negative in Singapore and the UK. Our overweight positions in CapitaLand Ltd., a Singaporean property company, and Corio, a Netherlands based retail-focused REIT also detracted. Investment performance in the US, France and Germany accounted for the largest positive contributions to performance, with stock selection contributing strongly in the first two markets, and our underweight position in Germany contributing on allocation. The largest contributor was our overweight position in US REIT, Simon Property Group.

## Fund outlook

Global REITs continue to trade at a discount to the value of their underlying portfolios. While the markets are dealing with macroeconomic issues, we continue to believe that a resolution to the uncertainty surrounding the global economy will be the catalyst for measured value appreciation. Performance prospects for the sector are further supported by the fact that investors, rattled by events in 2011, will likely remain focused on investments that offer a stable yield. In this scenario, while fixed income may continue to benefit, investors will most likely look for other higher-yielding alternatives such as higher-yielding equity, core real estate and REITs. In fact, the potentially low-growth, low-yielding environment we face should prove beneficial to these investments around the globe.

## 12 month performance as at 31 January

|                                       | 2012  | 2011  | 2010  | 2009   | 2008   |
|---------------------------------------|-------|-------|-------|--------|--------|
| <b>JPM Global Property Securities</b> |       |       |       |        |        |
| A-Class Acc                           | -2.2% | 21.9% | 31.1% | -49.9% | -16.5% |
| <b>JPM Global Property Securities</b> |       |       |       |        |        |
| I-Class Acc                           | -1.4% | 23.0% | 32.1% | -49.6% | -15.9% |
| <b>JPM Global Property Securities</b> |       |       |       |        |        |
| X-Class Acc                           | -1.4% | 23.9% | 32.8% | -49.3% | -15.6% |
| Benchmark Index <sup>®</sup>          | -1.9% | 23.1% | 37.8% | -51.1% | -20.2% |

## Fund statistics

|                              |   |
|------------------------------|---|
| Fund size                    | £16.8m  |
| Benchmark Index <sup>®</sup> | FTSE EPRA/NAREIT Developed Index Hedged to GBP (Total Return Net) |
| Fund charges                 |   |
| A-Class                      | Initial 4.25%, Annual 1.50%                                       |
| I-Class                      | Initial Nil, Annual 0.75%   |
| X-Class                      | On application <sup>c</sup>                                       |

You should remember that past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. For specific risks, please read the Simplified Prospectus.

All performance returns are calculated using the quoted price of the accumulation shares. Performance returns are in Sterling.

Source: J.P. Morgan.

<sup>A</sup> On 02/08/10 the investment objective and policy of the Fund was changed.

<sup>B</sup> On 01/04/10 the benchmark for the Fund was changed from GPR 250 (Total Return Net) Hedged to GBP to FTSE EPRA/NAREIT Developed Index Hedged to GBP (Total Return Net).

<sup>C</sup> As agreed from time to time between the ACD and the relevant JPMorgan Chase & Co. entity.

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## Top ten holdings

|                                     | %   |
|-------------------------------------|-----|
| Simon Property Group                | 6.1 |
| Sun Hung Kai Properties             | 3.8 |
| Westfield Group                     | 3.6 |
| Ventas                              | 3.3 |
| Equity Residential Properties Trust | 3.1 |
| Unibail                             | 2.7 |
| Mitsubishi Estate                   | 2.7 |
| Prologis                            | 2.4 |
| Public Storage                      | 2.4 |
| Macerich                            | 2.3 |

## Geographical breakdown

|                            | %    |
|----------------------------|------|
| United States of America   | 47.8 |
| Hong Kong                  | 12.5 |
| Australia                  | 9.7  |
| Japan                      | 8.1  |
| United Kingdom             | 4.8  |
| Canada                     | 4.6  |
| Singapore                  | 3.7  |
| France                     | 3.3  |
| Netherlands                | 2.9  |
| Finland                    | 0.7  |
| Norway                     | 0.3  |
| Forward currency contracts | 0.9  |
| Net other assets           | 0.7  |

## Highest/lowest share price and distribution record

| Calendar year                      | Highest share price | Lowest share price | Distribution per share (net) |
|------------------------------------|---------------------|--------------------|------------------------------|
| <b>A-Class Accumulation Shares</b> |                     |                    |                              |
| 2007                               | 63.37p              | 50.33p             | 0.49p                        |
| 2008                               | 51.88p              | 21.76p             | 1.23p                        |
| 2009                               | 33.83p              | 18.47p             | 1.02p                        |
| 2010                               | 40.09p              | 31.61p             | 0.79p                        |
| 2011                               | 41.97p              | 32.22p             | 0.41p                        |
| 2012 <sup>o</sup>                  | 39.19p              | 36.23p             | 0.27p                        |
| <b>A-Class Income Shares</b>       |                     |                    |                              |
| 2007                               | 63.15p              | 49.88p             | 0.49p                        |
| 2008                               | 51.41p              | 21.00p             | 1.21p                        |
| 2009                               | 31.41p              | 17.46p             | 0.98p                        |
| 2010                               | 36.36p              | 29.00p             | 0.73p                        |
| 2011                               | 38.03p              | 28.91p             | 0.40p                        |
| 2012 <sup>o</sup>                  | 35.22p              | 32.56p             | 0.27p                        |
| <b>I-Class Accumulation Shares</b> |                     |                    |                              |
| 2007                               | 127.3p              | 101.7p             | 1.89p                        |
| 2008                               | 104.8p              | 44.28p             | 4.17p                        |
| 2009                               | 69.38p              | 37.64p             | 2.51p                        |
| 2010                               | 82.88p              | 64.91p             | 2.22p                        |
| 2011                               | 87.32p              | 67.17p             | 1.51p                        |
| 2012 <sup>o</sup>                  | 81.88p              | 75.66p             | 0.68p                        |
| <b>I-Class Income Shares</b>       |                     |                    |                              |
| 2007                               | 126.4p              | 99.95p             | 1.91p                        |
| 2008                               | 103.1p              | 42.09p             | 4.28p                        |
| 2009                               | 62.94p              | 34.88p             | 2.36p                        |
| 2010                               | 72.81p              | 57.92p             | 2.02p                        |
| 2011                               | 76.21p              | 57.85p             | 1.41p                        |
| 2012 <sup>o</sup>                  | 70.53p              | 65.17p             | 0.61p                        |
| <b>X-Class Accumulation Shares</b> |                     |                    |                              |
| 2007                               | 121.0p              | 96.98p             | 1.90p                        |
| 2008                               | 100.0p              | 42.44p             | 3.62p                        |
| 2009                               | 66.92p              | 36.14p             | 2.72p                        |
| 2010                               | 80.41p              | 62.65p             | 2.57p                        |
| 2011                               | 84.63p              | 65.18p             | 1.66p                        |
| 2012 <sup>o</sup>                  | 79.57p              | 73.51p             | 0.69p                        |

<sup>o</sup> To 31 January 2012.

## Portfolio turnover rate

|          |        |
|----------|--------|
| 31.01.11 | 177.7% |
| 31.01.12 | 119.7% |

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the period.

## Net asset values and Total expense ratios

| Date                               | Net asset value per share class<br>£'000 | Number of shares | Net asset value per share | Total expense ratio |
|------------------------------------|--|------------------|---------------------------|---------------------|
| <b>A-Class Accumulation Shares</b> |  |                  |                           |                     |
| 31.01.10                           | 8,563                                    | 26,479,382       | 32.34p                    | 1.68%               |
| 31.01.11                           | 7,443                                    | 18,813,656       | 39.56p                    | 1.68%               |
| 31.01.12                           | 6,893                                    | 17,778,549       | 38.77p                    | 1.68%               |
| <b>A-Class Income Shares</b>       |  |                  |                           |                     |
| 31.01.10                           | 2,582                                    | 8,705,970        | 29.66p                    | 1.68%               |
| 31.01.11                           | 2,236                                    | 6,241,283        | 35.82p                    | 1.68%               |
| 31.01.12                           | 953                                      | 2,756,999        | 34.57p                    | 1.68%               |
| <b>I-Class Accumulation Shares</b> |  |                  |                           |                     |
| 31.01.10                           | 30                                       | 45,521           | 66.37p                    | 0.75%               |
| 31.01.11                           | 859                                      | 1,047,323        | 81.98p                    | 0.75%               |
| 31.01.12                           | 1,929                                    | 2,385,012        | 80.86p                    | 0.75%               |
| <b>I-Class Income Shares</b>       |  |                  |                           |                     |
| 31.01.10                           | 5  | 8,000            | 59.22p                    | 0.75%               |
| 31.01.11                           | 5  | 7,000            | 71.57p                    | 0.75%               |
| 31.01.12                           | 6  | 9,000            | 69.06p                    | 0.75%               |
| <b>X-Class Accumulation Shares</b> |  |                  |                           |                     |
| 31.01.10                           | 5,700                                    | 8,899,205        | 64.06p                    | 0.06%               |
| 31.01.11                           | 7,048                                    | 8,898,205        | 79.21p                    | 0.06%               |
| 31.01.12                           | 6,982                                    | 8,899,205        | 78.46p                    | 0.06%               |

The net asset value and the net asset value per income share are shown ex-dividend.

The total expense ratio (TER) takes into account the ACD fee and any fixed expenses charged to revenue expressed as a percentage of the average daily net asset values over the period.

# Portfolio statement

As at 31 January 2012

| Investment                                      | Holding | Market value<br>£'000 | Total net<br>assets % |
|---|---------|-----------------------|-----------------------|
| <b>United States of America – 47.8% (37.2%)</b> |         |                       |                       |
| Alexandria Real Estate                          | 4,800   | 219                   | 1.3                   |
| Associated Estates Realty                       | 6,600   | 69                    | 0.4                   |
| AvalonBay Communities                           | 2,500   | 213                   | 1.3                   |
| Boston Properties                               | 3,550   | 231                   | 1.4                   |
| Camden Property Trust                           | 3,800   | 154                   | 0.9                   |
| Colonial Properties Trust                       | 7,600   | 102                   | 0.6                   |
| CubeSmart                                       | 27,400  | 195                   | 1.2                   |
| DDR   | 22,500  | 197                   | 1.2                   |
| Duke Realty                                     | 19,600  | 165                   | 1.0                   |
| Dupont Fabros Technology                        | 10,200  | 163                   | 1.0                   |
| Equity Residential Properties Trust             | 13,900  | 522                   | 3.1                   |
| General Growth Properties                       | 8,300   | 83                    | 0.5                   |
| Glimcher Realty Trust                           | 27,100  | 165                   | 1.0                   |
| Health Care Property Investors                  | 14,273  | 376                   | 2.2                   |
| Host Hotels & Resorts                           | 35,100  | 363                   | 2.2                   |
| Kilroy Realty                                   | 5,100   | 135                   | 0.8                   |
| Kimco Realty                                    | 20,000  | 231                   | 1.4                   |
| LaSalle Hotel Properties                        | 8,400   | 144                   | 0.8                   |
| Macerich  | 11,400  | 393                   | 2.3                   |
| Mack Cali Realty                                | 10,400  | 187                   | 1.1                   |
| Prologis  | 20,056  | 401                   | 2.4                   |
| Public Storage                                  | 4,600   | 399                   | 2.4                   |
| Regency Centers                                 | 9,300   | 244                   | 1.4                   |
| Rouse Properties                                | 431     | 3                     | -                     |
| Simon Property Group                            | 11,857  | 1,017                 | 6.1                   |
| SL Green Realty                                 | 6,600   | 304                   | 1.8                   |
| Sunstone Hotel Investors                        | 19,600  | 116                   | 0.7                   |
| UDR   | 10,300  | 168                   | 1.0                   |
| Ventas  | 14,919  | 548                   | 3.3                   |
| Vornado Realty Trust                            | 6,536   | 330                   | 2.0                   |
| Weingarten Realty                               | 10,900  | 169                   | 1.0                   |
| <b>Hong Kong – 12.5% (14.9%)</b>                |         |                       |                       |
| Agile Property                                  | 64,000  | 45                    | 0.3                   |
| China Overseas Land & Investments               | 248,000 | 292                   | 1.7                   |
| China Resources Land                            | 188,000 | 210                   | 1.3                   |
| Hang Lung Properties                            | 69,000  | 150                   | 0.9                   |
| Hong Kong Land                                  | 58,000  | 189                   | 1.1                   |
| Link Real Estate Investment Trust               | 53,000  | 122                   | 0.7                   |
| New World Development                           | 169,000 | 117                   | 0.7                   |
| Sino Land                                       | 148,400 | 155                   | 0.9                   |
| Sun Hung Kai Properties                         | 72,000  | 633                   | 3.8                   |
| Wharf   | 50,600  | 182                   | 1.1                   |
| <b>Australia – 9.7% (9.1%)</b>                  |         |                       |                       |
| BGP#  | 577,927 | -                     | -                     |
| CFS Retail Property Trust                       | 34,685  | 40                    | 0.2                   |
| Commonwealth Property Office Fund               | 191,700 | 126                   | 0.7                   |
| Dexus Property Group                            | 308,930 | 185                   | 1.1                   |
| Goodman Group                                   | 413,017 | 178                   | 1.1                   |
| Mirvac Group                                    | 158,017 | 131                   | 0.8                   |
| Stockland Trust Group                           | 103,309 | 234                   | 1.4                   |
| Westfield Group                                 | 105,535 | 604                   | 3.6                   |
| Westfield Retail Trust                          | 80,998  | 138                   | 0.8                   |
| <b>Japan – 8.1% (12.0%)</b>                     |         |                       |                       |
| Frontier Real Estate Investment                 | 18      | 91                    | 0.5                   |
| Japan Real Estate Investment                    | 30      | 165                   | 1.0                   |
| Kenedix Realty Investment                       | 58      | 108                   | 0.7                   |
| Mitsubishi Estate                               | 44,000  | 443                   | 2.7                   |
| Mitsui Fudosan                                  | 31,000  | 321                   | 1.9                   |
| Nippon Building Fund REIT                       | 12      | 68                    | 0.4                   |
| Tokyu REIT                                      | 50      | 158                   | 0.9                   |
| <b>United Kingdom – 4.8% (6.1%)</b>             |         |                       |                       |
| British Land                                    | 60,437  | 296                   | 1.8                   |
| Hammerson                                       | 15,181  | 58                    | 0.3                   |
| Helical Bar                                     | 30,377  | 55                    | 0.3                   |
| Land Securities                                 | 34,955  | 237                   | 1.4                   |
| London & Stamford                               | 112,546 | 118                   | 0.7                   |
| Segro   | 19,013  | 42                    | 0.3                   |
| <b>Canada – 4.6% (3.7%)</b>                     |         |                       |                       |
| Brookfield Properties                           | 21,500  | 236                   | 1.4                   |
| Canadian Real Estate Investment                 | 9,900   | 229                   | 1.4                   |
| Liz Claiborne                                   | 21,541  | 243                   | 1.4                   |
| Riocan Real Estate Trust                        | 3,788   | 63                    | 0.4                   |

| Investment  | Holding | Market value<br>£'000 | Total net<br>assets % |
|---|---------|-----------------------|-----------------------|
| <b>Singapore – 3.7% (6.2%)</b>                              |         |                       |                       |
| CapitaCommercial Trust                                      | 357,000 | 194                   | 1.1                   |
| CapitaLand  | 225,000 | 299                   | 1.8                   |
| CapitaMalls Asia  | 103,000 | 69                    | 0.4                   |
| City Developments   | 12,000  | 60                    | 0.4                   |
| <b>France – 3.3% (5.3%)</b>                                 |         |                       |                       |
| Klepierre   | 5,374   | 103                   | 0.6                   |
| Unibail   | 3,659   | 449                   | 2.7                   |
| <b>Netherlands – 2.9% (1.8%)</b>                            |         |                       |                       |
| Corio   | 10,319  | 309                   | 1.8                   |
| Eurocommercial Properties                                   | 2,622   | 59                    | 0.3                   |
| VastNed Retail  | 2,708   | 77                    | 0.5                   |
| Wereldhave  | 989     | 46                    | 0.3                   |
| <b>Finland – 0.7% (0.9%)</b>                                |         |                       |                       |
| Sponda  | 28,426  | 77                    | 0.5                   |
| Technopolis   | 12,817  | 38                    | 0.2                   |
| <b>Norway – 0.3% (0.4%)</b>                                 |         |                       |                       |
| Norwegian Property  | 53,617  | 50                    | 0.3                   |
| <b>Forward currency contracts – 0.9% (1.2%)</b>             |         |                       |                       |
| <b>Australian Dollar</b>                                    |         |                       |                       |
| Buy AUD 30,865 sell £20,409 dated 14/02/12                  |         | -                     | -                     |
| Buy AUD 61,277 sell \$64,008 dated 14/02/12                 |         | 1                     | -                     |
| Sell AUD 1,609,603 buy £2,516,090 dated 14/02/12            |         | (38)                  | (0.2)                 |
| <b>Canadian Dollar</b>                                      |         |                       |                       |
| Sell CAD 808,193 buy £511,823 dated 14/02/12                |         | (1)                   | -                     |
| <b>Euro</b>   |         |                       |                       |
| Buy €44,649 sell AUD 54,980 dated 14/02/12                  |         | -                     | -                     |
| Buy €117,939 sell £97,546 dated 14/02/12                    |         | 1                     | -                     |
| Buy €24,814 sell \$31,727 dated 14/02/2012                  |         | 1                     | -                     |
| Sell €154,850 buy £129,532 dated 14/02/12                   |         | -                     | -                     |
| Sell €1,391,095 buy £1,149,329 dated 14/02/12               |         | (12)                  | (0.1)                 |
| <b>Hong Kong Dollar</b>                                     |         |                       |                       |
| Buy HKD 453,240 sell £37,689 dated 14/02/12                 |         | (1)                   | -                     |
| Sell HKD 25,663,996 buy £2,133,885 dated 14/02/12           |         | 38                    | 0.2                   |
| <b>Japanese Yen</b>   |         |                       |                       |
| Buy ¥8,534,437 sell £72,053 dated 14/02/12                  |         | (1)                   | -                     |
| Sell ¥172,160,797 buy £1,443,399 dated 14/02/12             |         | 16                    | 0.1                   |
| <b>Norwegian Krone</b>                                      |         |                       |                       |
| Sell NOK 361,328 buy £38,797 dated 14/02/12                 |         | (1)                   | -                     |
| <b>Singapore Dollar</b>                                     |         |                       |                       |
| Buy SGD 226,564 sell £114,435 dated 14/02/12                |         | -                     | -                     |
| Sell SGD 1,361,189 buy £679,910 dated 14/02/12              |         | (9)                   | (0.1)                 |
| <b>US Dollar</b>  |         |                       |                       |
| Buy \$542,819 sell £350,895 dated 14/02/12                  |         | (7)                   | -                     |
| Sell \$13,580,611 buy £8,765,120 dated 14/02/12             |         | 162                   | 1.0                   |
| <b>Investment assets (including investment liabilities)</b> |         | <b>16,647</b>         | <b>99.3</b>           |
| <b>Net other assets</b>                                     |         | <b>116</b>            | <b>0.7</b>            |
| <b>Net assets</b>   |         | <b>16,763</b>         | <b>100.0</b>          |

Unless otherwise stated the above securities are admitted to official stock exchange listings or trade on a regulated market.

The comparative percentage figures in brackets are at 31 January 2011.

# Unquoted security

## Portfolio movements

For the year ending 31 January 2012

|  | £'000         |  | £'000           |
|--|---------------|--|-----------------|
| <b>Total of all purchases for the year (Note 10)</b> | <b>12,011</b> | <b>Total of all sales for the year (Note 10)</b> | <b>12,520</b>   |
| <b>Major purchases</b>                               | <b>Cost</b>   | <b>Major sales</b>                               | <b>Proceeds</b> |
| Equity Residential Properties Trust                  | 520           | Equity Residential Properties Trust              | 535             |
| General Growth Properties                            | 519           | General Growth Properties                        | 460             |
| Corio  | 450           | Digital Realty Trust                             | 459             |
| Macerich   | 391           | Boston Properties                                | 411             |
| Ventas   | 352           | BRE Properties 'A'                               | 385             |
| SL Green Realty                                      | 337           | Simon Property Group                             | 340             |
| Prologis   | 312           | Unibail  | 317             |
| Alexandria Real Estate                               | 268           | Brandywine Realty Trust                          | 294             |
| DCT Industrial Trust                                 | 266           | Health Care Property Investors                   | 293             |
| CapitaLand   | 259           | Alexandria Real Estate                           | 288             |
| Vornado Realty Trust                                 | 251           | AvalonBay Communities                            | 287             |
| Weingarten Realty                                    | 249           | Vornado Realty Trust                             | 274             |
| Kilroy Realty  | 248           | Sumitomo Realty & Development                    | 257             |
| BRE Properties 'A'                                   | 237           | DCT Industrial Trust                             | 249             |
| Kimco Realty   | 232           | Health Care REIT                                 | 245             |
| Canadian Real Estate Investment                      | 223           | Macerich   | 229             |
| AvalonBay Communities                                | 222           | Camden Property Trust                            | 226             |
| Host Hotels & Resorts                                | 216           | Kimco Realty                                     | 221             |
| UDR  | 215           | Duke Realty                                      | 220             |
| DDR  | 197           | Prologis   | 210             |

# Financial statements

## Statement of total return

For the year ending 31 January

|   | £'000 | 2012<br>£'000 | £'000 | 2011<br>£'000 |
|---|-------|---------------|-------|---------------|
| Income  |       |               |       |               |
| Net capital (losses)/gains (Note 1)   |       | (630)         |       | 3,193         |
| Revenue (Note 2)  | 560   |               | 568   |               |
| Expenses (Note 3)   | (157) |               | (181) |               |
| Net revenue before taxation   | 403   |               | 387   |               |
| Taxation (Note 4)   | (58)  |               | (90)  |               |
| Net revenue after taxation  |       | 345           |       | 297           |
| <b>Total return before distributions</b>  |       | <b>(285)</b>  |       | <b>3,490</b>  |
| Finance costs:<br>Distributions (Note 5)  |       | (346)         |       | (298)         |
| <b>Change in net assets attributable to shareholders from investment activities</b> |       | <b>(631)</b>  |       | <b>3,192</b>  |

## Statement of change in net assets attributable to shareholders

For the year ending 31 January

|  | £'000   | 2012<br>£'000 | £'000   | 2011<br>£'000 |
|--|---------|---------------|---------|---------------|
| <b>Opening net assets attributable to shareholders</b>                                   |         | <b>17,591</b> |         | <b>16,880</b> |
| Amounts receivable on issue of shares  | 2,165   |               | 3,825   |               |
| Amounts payable on cancellation of shares  | (2,687) |               | (6,543) |               |
|  |         | (522)         |         | (2,718)       |
| Change in net assets attributable to shareholders from investment activities (see above) |         | (631)         |         | 3,192         |
| Retained distributions on accumulation shares  |         | 326           |         | 238           |
| Stamp duty reserve tax   |         | (1)           |         | (1)           |
| <b>Closing net assets attributable to shareholders</b>                                   |         | <b>16,763</b> |         | <b>17,591</b> |

## Balance sheet

As at 31 January

|  | £'000 | 2012<br>£'000 | £'000 | 2011<br>£'000 |
|--|-------|---------------|-------|---------------|
| <b>ASSETS</b>                                  |       |               |       |               |
| Investment assets                              |       | 16,717        |       | 17,568        |
| Debtors (Note 7)                               | 198   |               | 323   |               |
| Cash and bank balances (Note 8)                | 123   |               | 73    |               |
| <b>Total other assets</b>                      |       | <b>321</b>    |       | <b>396</b>    |
| <b>Total assets</b>                            |       | <b>17,038</b> |       | <b>17,964</b> |
| <b>LIABILITIES</b>                             |       |               |       |               |
| Investment liabilities                         |       | (70)          |       | (59)          |
| Creditors (Note 9)                             | (198) |               | (310) |               |
| Distribution payable on income shares          | (7)   |               | (4)   |               |
| <b>Total other liabilities</b>                 |       | <b>(205)</b>  |       | <b>(314)</b>  |
| <b>Total liabilities</b>                       |       | <b>(275)</b>  |       | <b>(373)</b>  |
| <b>Net assets attributable to shareholders</b> |       | <b>16,763</b> |       | <b>17,591</b> |

The notes to these financial statements are shown on pages 158 to 159.

# Notes to the financial statements for the year ending 31 January 2012

## 1. Net capital (losses)/gains

|                            | 2012         | 2011         |
|----------------------------|--------------|--------------|
|                            | £'000        | £'000        |
| Currency gains/(losses)    | 65           | (655)        |
| Forward currency contracts | (434)        | (40)         |
| Non-derivative securities  | (261)        | 3,888        |
| Net capital (losses)/gains | <u>(630)</u> | <u>3,193</u> |

## 2. Revenue

|   | 2012       | 2011       |
|---|------------|------------|
|   | £'000      | £'000      |
| Franked income from UK equity investments | 10         | 22         |
| Income from overseas equity investments   | 513        | 527        |
| Property income distributions             | 34         | 17         |
| Stock dividends                           | -          | 1          |
| Stocklending income*                      | 3          | 1          |
| Total revenue                             | <u>560</u> | <u>568</u> |

\* Stocklending income is disclosed net of fees. See note 11.

## 3. Expenses

|  | 2012       | 2011       |
|--|------------|------------|
|  | £'000      | £'000      |
| <b>Payable to the ACD or associate of the ACD:</b> |            |            |
| ACD fee  | 137        | 158        |
| Fixed expenses                                     | 20         | 23         |
| Total expenses                                     | <u>157</u> | <u>181</u> |

## 4. Taxation

|  | 2012      | 2011      |
|--|-----------|-----------|
|  | £'000     | £'000     |
| <b>a) Analysis of charge in the year</b> |           |           |
| Corporation tax at 20%                   | 57        | 43        |
| Double tax relief                        | (57)      | (41)      |
| Overseas tax suffered                    | 58        | 51        |
| Prior year adjustments                   | -         | 37        |
| Current year tax charge (Note 4b)        | <u>58</u> | <u>90</u> |

### b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an Open-Ended Investment Company (OEIC) (20%). The differences are explained below.

|  |             |            |
|--|-------------|------------|
| Net revenue before taxation              | <u>403</u>  | <u>387</u> |
| Corporation tax at 20%                   | <u>81</u>   | <u>77</u>  |
| Effects of:                              |             |            |
| Dividends not subject to corporation tax | (24)        | (34)       |
| Double tax relief                        | (57)        | (41)       |
| Overseas tax suffered                    | 58          | 51         |
| Prior year adjustments                   | -           | 37         |
|  | <u>(23)</u> | <u>13</u>  |
| Current year tax charge (Note 4a)        | <u>58</u>   | <u>90</u>  |

No deferred tax asset has been recognised in the financial statements.

## 5. Finance costs

### Distributions

The distributions take account of amounts receivable on the issue of shares and amounts payable on the cancellation of shares and comprise:

|  | 2012       | 2011       |
|--|------------|------------|
|  | £'000      | £'000      |
| Interim dividend distribution                  | 213        | 221        |
| Final dividend distribution                    | 133        | 51         |
| Add: Amounts payable on cancellation of shares | 11         | 47         |
| Deduct: Amounts receivable on issue of shares  | (11)       | (21)       |
| Total finance costs                            | <u>346</u> | <u>298</u> |

Details of the distribution per share are set out on page 160.

## 6. Movement between net revenue after taxation and distributions

|   | 2012       | 2011       |
|---|------------|------------|
|   | £'000      | £'000      |
| Net revenue after taxation                    | 345        | 297        |
| Add: Tax relief payable from capital          | 2          | -          |
| Add: Undistributed revenue brought forward    | 2          | 3          |
| Deduct: Undistributed revenue carried forward | (3)        | (2)        |
|   | <u>346</u> | <u>298</u> |

## 7. Debtors

|                                     | 2012       | 2011       |
|-------------------------------------|------------|------------|
|                                     | £'000      | £'000      |
| Accrued income                      | 43         | 42         |
| Due from the ACD for shares created | 11         | 28         |
| Overseas tax recoverable            | -          | 1          |
| Property income tax recoverable     | 14         | -          |
| Sales awaiting settlement           | 130        | 252        |
| Total debtors                       | <u>198</u> | <u>323</u> |

## 8. Cash and bank balances

|                        | 2012       | 2011      |
|------------------------|------------|-----------|
|                        | £'000      | £'000     |
| Cash and bank balances | <u>123</u> | <u>73</u> |

## 9. Creditors

|                                     | 2012       | 2011       |
|-------------------------------------|------------|------------|
|                                     | £'000      | £'000      |
| Accrued expenses                    | 12         | 15         |
| Corporation tax payable             | 16         | 6          |
| Deferred tax provision              | 4          | 8          |
| Due to the ACD for shares cancelled | 37         | 165        |
| Purchases awaiting settlement       | 129        | 116        |
| Total creditors                     | <u>198</u> | <u>310</u> |



## Notes to the financial statements – continued

### 10. Portfolio transaction costs

|  | 2012<br>£'000 | 2011<br>£'000 |
|--|---------------|---------------|
| Analysis of total purchase costs           |               |               |
| Purchases in year before transaction costs | 11,995        | 18,611        |
| Commissions                                | 13            | 20            |
| Taxes                                      | 3             | 8             |
| Total purchase costs                       | 16            | 28            |
| Gross purchases total                      | 12,011        | 18,639        |
| Analysis of total sale costs               |               |               |
| Gross sales before transaction costs       | 12,534        | 21,867        |
| Commissions                                | (13)          | (20)          |
| Taxes                                      | (1)           | (1)           |
| Total sale costs                           | (14)          | (21)          |
| Total sales net of transaction costs       | 12,520        | 21,846        |

### 11. Related party transactions

JPMorgan Funds Limited, as Authorised Corporate Director (“ACD”), is a related party, and acts as principal in respect of all transactions of shares in the Company. The aggregate monies received through issue, and paid on cancellation, are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

The balance due to the ACD and their associates at the year end date in respect of related party transactions was £38,433 (31.01.11: £151,985). Details of related party transactions are given under note 13 on page 389.

The gross stocklending income received was £3,946 (31.01.11: £721), with fees deducted of £691 (31.01.11: £126).

The following parties held a material interest in the fund at the year end date:

- JPMorgan Life Ltd 41.74% (31.01.11: 40.04%)

### 12. Stocklending

As at 31 January 2012 the aggregate value of securities on loan was £22,291 (31.01.11: £102,368). The Depository held £23,676 (31.01.11: £104,546) of collateral assets on behalf of the fund in respect thereof. The nature of the collateral was 100.0% bonds.

### 13. Financial instruments

#### Currency exposures

A substantial proportion of the net assets of the fund are denominated in currencies other than sterling, with the effect that the Balance sheet and total return can be significantly affected by currency movements.

| Currency           | Net foreign currency assets |                                |                                    |
|--------------------|-----------------------------|--------------------------------|------------------------------------|
|                    | Total<br>£'000              | Monetary<br>exposures<br>£'000 | Non-monetary<br>exposures<br>£'000 |
| <b>31.01.12</b>    |                             |                                |                                    |
| Canadian Dollar    | 259                         | (513)                          | 772                                |
| Singapore Dollar   | 48                          | (574)                          | 622                                |
| Australian Dollar  | 35                          | (1,600)                        | 1,635                              |
| Euro               | 23                          | (1,134)                        | 1,157                              |
| Norwegian Krone    | 13                          | (37)                           | 50                                 |
| Japanese Yen       | 5                           | (1,348)                        | 1,353                              |
| South African Rand | 2                           | 2                              | -                                  |
| US Dollar          | (101)                       | (8,298)                        | 8,197                              |
| Hong Kong Dollar   | (153)                       | (2,059)                        | 1,906                              |
| <b>31.01.11</b>    |                             |                                |                                    |
| US Dollar          | 7,115                       | 197                            | 6,918                              |
| Hong Kong Dollar   | 2,723                       | 94                             | 2,629                              |
| Japanese Yen       | 2,161                       | 47                             | 2,114                              |
| Australian Dollar  | 1,669                       | 61                             | 1,608                              |
| Euro               | 1,391                       | (145)                          | 1,536                              |
| Singapore Dollar   | 716                         | 18                             | 698                                |
| Canadian Dollar    | 675                         | 23                             | 652                                |
| Swedish Krona      | 98                          | 98                             | -                                  |
| Norwegian Krone    | 65                          | 2                              | 63                                 |

#### Interest rate risk

At the year end date, 0.7% (31.01.11: 0.4%) of the fund's net assets by value were interest bearing.

For consideration of other risks including liquidity, pricing and credit risk, please refer to the notes to the aggregated financial statements, pages 389 to 390.

### 14. Share classes

The fund currently has three share classes; Class A shares, Class I shares and Class X shares. The Authorised Corporate Director's (ACD) fee and fixed expenses charge are shown below.

|                 | ACD fee | Fixed expenses |
|-----------------|---------|----------------|
| Class A shares: | 1.50%   | 0.18%          |
| Class I shares: | 0.75%   | 0.00%          |
| Class X shares: | 0.00%   | 0.06%          |

The X share class is designed to accommodate an alternative charging structure whereby the annual fee normally charged to the fund and then passed on in the share price is instead administratively levied and collected by the ACD from the shareholder or through the relevant JPMorgan Chase & Co entity.

The net asset value of each share class, the net asset value per share and the number of shares in each class are shown on page 154. All classes have the same rights on winding up.

### 15. Derivatives

The fund enters into derivative transactions in the form of forward currency contracts for the purpose of efficient portfolio management. The commitment approach has been used to calculate the global exposure.

Further information on the derivative risks can be found in the notes to the aggregated financial statements on page 390.

# Distribution table

## Final distribution in pence per share

Group 1 – Shares purchased prior to 1 August 2011

Group 2 – Shares purchased 1 August 2011 to 31 January 2012

|                                    | Gross revenue | Tax at 10% | Net revenue | Equalisation | Distribution payable 30.04.12 | Distribution paid 30.04.11 |
|------------------------------------|---------------|------------|-------------|--------------|-------------------------------|----------------------------|
| <b>A-Class Accumulation Shares</b> |               |            |             |              |                               |                            |
| Group 1                            | 0.300000      | 0.030000   | 0.270000    | -            | 0.270000                      | 0.070000                   |
| Group 2                            | 0.143079      | 0.014308   | 0.128771    | 0.141229     | 0.270000                      | 0.070000                   |
| <b>A-Class Income Shares</b>       |               |            |             |              |                               |                            |
| Group 1                            | 0.300000      | 0.030000   | 0.270000    | -            | 0.270000                      | 0.060000                   |
| Group 2                            | 0.117190      | 0.011719   | 0.105471    | 0.164529     | 0.270000                      | 0.060000                   |
| <b>I-Class Accumulation Shares</b> |               |            |             |              |                               |                            |
| Group 1                            | 0.755556      | 0.075556   | 0.680000    | -            | 0.680000                      | 0.510000                   |
| Group 2                            | 0.266206      | 0.026621   | 0.239585    | 0.440415     | 0.680000                      | 0.510000                   |
| <b>I-Class Income Shares</b>       |               |            |             |              |                               |                            |
| Group 1                            | 0.677778      | 0.067778   | 0.610000    | -            | 0.610000                      | 0.450000                   |
| Group 2                            | 0.677778      | 0.067778   | 0.610000    | 0.000000     | 0.610000                      | 0.450000                   |
| <b>X-Class Accumulation Shares</b> |               |            |             |              |                               |                            |
| Group 1                            | 0.766667      | 0.076667   | 0.690000    | -            | 0.690000                      | 0.320000                   |
| Group 2                            | 0.766667      | 0.076667   | 0.690000    | 0.000000     | 0.690000                      | 0.320000                   |

## Interim distribution in pence per share

Group 1 – Shares purchased prior to 1 February 2011

Group 2 – Shares purchased 1 February 2011 to 31 July 2011

|                                    | Gross revenue | Tax at 10% | Net revenue | Equalisation | Distribution paid 31.10.11 | Distribution paid 31.10.10 |
|------------------------------------|---------------|------------|-------------|--------------|----------------------------|----------------------------|
| <b>A-Class Accumulation Shares</b> |               |            |             |              |                            |                            |
| Group 1                            | 0.377778      | 0.037778   | 0.340000    | -            | 0.340000                   | 0.390000                   |
| Group 2                            | 0.152550      | 0.015255   | 0.137295    | 0.202705     | 0.340000                   | 0.390000                   |
| <b>A-Class Income Shares</b>       |               |            |             |              |                            |                            |
| Group 1                            | 0.377778      | 0.037778   | 0.340000    | -            | 0.340000                   | 0.360000                   |
| Group 2                            | 0.115564      | 0.011556   | 0.104008    | 0.235992     | 0.340000                   | 0.360000                   |
| <b>I-Class Accumulation Shares</b> |               |            |             |              |                            |                            |
| Group 1                            | 1.111111      | 0.111111   | 1.000000    | -            | 1.000000                   | 1.130000                   |
| Group 2                            | 0.806657      | 0.080666   | 0.725991    | 0.274009     | 1.000000                   | 1.130000                   |
| <b>I-Class Income Shares</b>       |               |            |             |              |                            |                            |
| Group 1                            | 1.066667      | 0.106667   | 0.960000    | -            | 0.960000                   | 1.010000                   |
| Group 2                            | 1.066667      | 0.106667   | 0.960000    | 0.000000     | 0.960000                   | 1.010000                   |
| <b>X-Class Accumulation Shares</b> |               |            |             |              |                            |                            |
| Group 1                            | 1.488889      | 0.148889   | 1.340000    | -            | 1.340000                   | 1.330000                   |
| Group 2                            | 1.488889      | 0.148889   | 1.340000    | 0.000000     | 1.340000                   | 1.330000                   |

Equalisation applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of revenue included in the purchase price of all group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

# JPM Highbridge Statistical Market Neutral Fund

## Important information

### Change of Depositary

As part of an internal re-structuring, The Royal Bank of Scotland plc has transferred its Trustee and Depositary Services business from The Royal Bank of Scotland plc to National Westminster Bank plc and consequently National Westminster Bank plc has been appointed as Depositary of the Fund with effect from 15 October 2011.

As Depositary, National Westminster Bank plc will have the same duties and responsibilities as The Royal Bank of Scotland plc and this change will have no impact on the way the Fund operates.

### Termination of the Fund

The Authorised Corporate Director notified shareholders of the Highbridge Statistical Neutral Fund of its intention to terminate the Fund on 11 April 2012. An application to terminate the Fund has been submitted to the FSA and following regulatory approval, shareholders will be informed on the termination process and payment of the termination proceeds.

## Investment objective and policy

The Fund aims to provide an absolute return in excess of the return on short-term instruments denominated in Sterling, independent of equity market conditions.

The Fund will seek to obtain an absolute return by utilising a market neutral strategy, using derivatives where appropriate, to gain an exposure primarily to European (including the UK) and US equities. The Fund may have exposure to long and short positions in stocks with offsetting risk exposures. Long positions will be through direct or indirect investment and short positions will be through indirect investment only. Indirect investment will normally be achieved through the use of OTC derivatives, such as total return swaps.

The Fund may invest up to 100% in cash and cash equivalents. The Fund may invest up to 100% in government and public securities (see section 3.11(e) of the full Prospectus) and short dated bonds.

The Fund may use derivatives for investment purposes.

The Fund's assets will be primarily either denominated in Sterling or hedged back to Sterling.

## Risk profile

This Fund seeks to provide a positive return independent of equity market conditions, although this is not guaranteed. The Fund can use sophisticated investment techniques that differ from those used in traditional equity funds. The Fund should not be used as a substitute for traditional liquidity funds or cash accounts.

The Fund's market neutral strategy means that it may underperform traditional 'long only' equity funds during an equity market recovery or other periods of strong equity market performance. In addition, the Fund may experience increased volatility in extreme market conditions.

The investment policy of the Fund permits the use of derivatives and/or forward transactions for investment purposes, potentially increasing the volatility and therefore risk of the Fund.

## Fund review

Although the Fund had a positive start to 2011, it experienced weakness in the third quarter. In a difficult year for stock-picking strategies, we saw market moves dominated by macro news, from the escalation of the eurozone sovereign debt crisis to the downgrade of US Treasuries by Standard & Poor's ratings agency. Against this backdrop, market participants were more concerned with liquidity needs or the latest political news than the economics of each individual company. The Fund's underperformance was more pronounced in the US than in Europe, particularly in third quarter, when we were not isolated from the consequences of the broad market de-risking. Our event/news forecasts added value consistently throughout the year. We also observed some strength in European fundamentals as investors turned to balance sheet data to evaluate the financial health of European companies. Although the performance in 2011 was disappointing, we have the highest conviction in the approach that the Fund employs.

## Fund outlook

The Fund is well positioned to take advantage of investment opportunities in the marketplace as investors begin to deploy capital to equity markets and become more discriminative towards stock selection.

We are encouraged by the continuing recovery of relative value forecasts in the US, which may suggest that investors are once again looking to pursue investment opportunities based on bottom-up company fundamentals, rather than top-down macroeconomic views. The Fund has the ability to serve as a meaningful and valuable portfolio diversifier, while also pursuing attractive risk-adjusted returns.

## 12 month performance as at 31 January

|   | 2012 |
|---|------|
| <b>JPM Highbridge Statistical Market Neutral Fund</b> |      |
| A-Class Acc   | 1.7% |
| Benchmark Index                                       | 0.6% |

## Fund statistics

|                 |   |
|-----------------|---|
| Fund size       | £12.7m  |
| Benchmark Index | BBA LIBOR GBP Overnight Index<br>(Total Return Gross) |
| Fund charges    | Initial 4.25%, Annual 1.50%                           |

You should remember that past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. For specific risks, please read the Simplified Prospectus.

All performance returns are calculated using the quoted price of the accumulation shares. Performance returns are in Sterling.

Source: J.P. Morgan.

Performance fee is 20% when the Fund return exceeds the benchmark return and the share price exceeds the high water-mark.

## Top ten holdings

|                                      | %    |
|--------------------------------------|------|
| Treasury 0% 30 Apr 2012              | 23.5 |
| Treasury 0% 10 Apr 2012              | 15.0 |
| Treasury 0% 13 Feb 2012              | 11.8 |
| Treasury 0% 6 Feb 2012               | 7.8  |
| Treasury 0% 2 Apr 2012               | 7.8  |
| Treasury 0% 26 Mar 2012              | 7.8  |
| Treasury 0% 23 Jul 2012              | 7.8  |
| JPM Sterling Liquidity 'X' (Income)^ | 6.9  |
| Treasury 0% 11 Jun 2012              | 3.9  |
| Treasury 0% 5 Mar 2012               | 3.8  |

^ Deemed to be investment in related parties of the ACD

## Sector breakdown

|   | %    |
|---|------|
| United Kingdom                          | 89.2 |
| Liquidity funds                         | 6.9  |
| Morgan Stanley contracts for difference | 0.0  |
| Merrill Lynch contracts for difference  | 0.0  |
| Forward currency contracts              | 0.0  |
| Net other assets                        | 3.9  |

In line with current accounting practice the sector breakdown includes the unrealised profit or loss on derivative holdings and consequently the economic market exposure of the fund cannot be fully determined from the above disclosure.

## Highest/lowest share price and distribution record

| Calendar year                                  | Highest share price | Lowest share price | Distribution per share (net) |
|--|---------------------|--------------------|------------------------------|
| <b>A-Class Accumulation Shares<sup>A</sup></b> |                     |                    |                              |
| 2010   | 51.23p              | 49.92p             | -                            |
| 2011   | 52.42p              | 50.89p             | 0.00p                        |
| 2012 <sup>B</sup>                              | 52.30p              | 51.55p             | 0.00p                        |

<sup>A</sup> A-Class Accumulation Shares were launched on 12 August 2010.

<sup>B</sup> To 31 January 2012.

## Portfolio turnover rate

|          |        |
|----------|--------|
| 31.01.11 | 317.6% |
| 31.01.12 | 793.4% |

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the period.

## Net asset values and Total expense ratios

| Date                               | Net asset value per share class £'000 | Number of shares | Net asset value per share | Total expense ratio |
|------------------------------------|---------------------------------------|------------------|---------------------------|---------------------|
| <b>A-Class Accumulation Shares</b> |                                       |                  |                           |                     |
| 31.01.11                           | 12,484                                | 24,277,040       | 51.42p                    | 3.09%               |
| 31.01.12                           | 12,736                                | 24,349,774       | 52.30p                    | 2.02%               |

The total expense ratio ("TER") includes the ACD fee and any fixed expenses charged to revenue over the financial period. When expressed as a percentage of the average daily net asset values over the same period this equates to 1.78%. The TER also includes a performance fee which is calculated as 20% of any outperformance of the Fund against its benchmarks, British Bankers Association (BBA) Libor GBP and Overnight Index (Total Return Gross). If the net asset value per share under-performs the benchmark for one or more accounting periods the ACD will not receive a performance fee until that under-performance has been recovered. The performance fee is also subject a high-water mark, where the ACD will not receive a performance fee until the net asset value per share has exceeded the net asset value per share at the end of the last accounting period when a performance fee was charged. When expressed as a percentage of the average daily net asset values over the same period this equates to 0.24%. Full details on how the performance fee is calculated can be found in the Prospectus. The total TER for the period therefore is 2.02%.

# Portfolio statement

As at 31 January 2012

| Investment   | Holding    | Notional exposure<br>£'000 | Market value<br>£'000 | Total net assets % | Investment                       | Holding  | Notional exposure<br>£'000 | Market value<br>£'000 | Total net assets % |
|--|------------|----------------------------|-----------------------|--------------------|----------------------------------|----------|----------------------------|-----------------------|--------------------|
| <b>United Kingdom – 89.2% (86.5%)</b>                        |            |                            |                       |                    |                                  |          |                            |                       |                    |
| Treasury 0% 6 Feb 2012                                       | £1,000,000 |                            | 1,000                 | 7.8                | Outotec                          | 595      | 12                         | 1                     | -                  |
| Treasury 0% 13 Feb 2012                                      | £1,500,000 |                            | 1,499                 | 11.8               | Pernod-Ricard                    | 20       | 1                          | -                     | -                  |
| Treasury 0% 5 Mar 2012                                       | £479,060   |                            | 479                   | 3.8                | Philips Electronics              | 161      | 1                          | -                     | -                  |
| Treasury 0% 26 Mar 2012                                      | £1,000,000 |                            | 999                   | 7.8                | Pohjola Bank 'A'                 | 386      | 2                          | -                     | -                  |
| Treasury 0% 2 Apr 2012                                       | £1,000,000 |                            | 999                   | 7.8                | Prismian                         | 694      | 4                          | -                     | -                  |
| Treasury 0% 10 Apr 2012                                      | £1,910,000 |                            | 1,908                 | 15.0               | Publicis Groupe                  | 1,064    | 20                         | -                     | -                  |
| Treasury 0% 30 Apr 2012                                      | £3,000,000 |                            | 2,997                 | 23.5               | Qiagen                           | 278      | 2                          | -                     | -                  |
| Treasury 0% 11 Jun 2012                                      | £500,000   |                            | 499                   | 3.9                | Randstad Holdings                | 172      | 2                          | -                     | -                  |
| Treasury 0% 23 Jul 2012                                      | £1,000,000 |                            | 998                   | 7.8                | Red Electrica Corporacion        | 69       | 1                          | -                     | -                  |
| <b>Morgan Stanley contracts for difference – 0.0% (0.0%)</b> |            |                            |                       |                    | Remy Cointreau                   | 28       | 1                          | -                     | -                  |
| <b>Danish Krone – 0.0% (0.00%)</b>                           |            |                            |                       |                    | Rhoen Klinikum                   | 777      | 6                          | -                     | -                  |
| <b>Long Positions</b>  |            |                            |                       |                    | Sacyr Vallehermoso               | 3,024    | 6                          | -                     | -                  |
| GN Store Nord  | 200        | 1                          | -                     | -                  | Safran                           | 1,692    | 20                         | (1)                   | -                  |
| H. Lundbeck  | 1,718      | 21                         | -                     | -                  | Stora Enso 'R'                   | 3,684    | 10                         | -                     | -                  |
| Novo-Nordisk 'B'   | 204        | 15                         | -                     | -                  | Suez Environment                 | 1,327    | 6                          | -                     | -                  |
| Trygvesta  | 174        | 6                          | -                     | -                  | Technip                          | 4        | -                          | -                     | -                  |
| Vestas Wind Systems  | 1,299      | 9                          | (1)                   | -                  | Unibail-Rodamco                  | 12       | 1                          | -                     | -                  |
| <b>Short Positions</b>                                       |            |                            |                       |                    | UPM-Kymmene                      | 865      | 4                          | -                     | -                  |
| FLSmidth & Co  | (291)      | (14)                       | (1)                   | -                  | Valeo                            | 418      | 8                          | -                     | -                  |
| Novzymes 'B'   | (1,545)    | (27)                       | -                     | -                  | Vienna Insurance Group           | 495      | 8                          | 1                     | -                  |
| Topdanmark   | (151)      | (15)                       | -                     | -                  | Vinci                            | 578      | 10                         | -                     | -                  |
| <b>Euro – 0.0% (0.0%)</b>                                    |            |                            |                       |                    | Vivendi                          | 91       | 1                          | -                     | -                  |
| <b>Long Positions</b>  |            |                            |                       |                    | Vossloh                          | 60       | 2                          | -                     | -                  |
| Abengoa  | 1,800      | 15                         | -                     | -                  | Wacker Chemie                    | 82       | 3                          | -                     | -                  |
| Andritz  | 153        | 5                          | -                     | -                  | Wincor Nixdorf                   | 3,306    | 58                         | (1)                   | -                  |
| Anheuser Busch   | 110        | 3                          | -                     | -                  | <b>Short Positions</b>           |          |                            |                       |                    |
| Aperam   | 705        | 5                          | -                     | -                  | Accor                            | (752)    | (9)                        | (1)                   | -                  |
| ArcelorMittal  | 1,068      | 8                          | -                     | -                  | ADP Promesses                    | (60)     | (2)                        | -                     | -                  |
| ASML   | 124        | 2                          | -                     | -                  | Alcatel Lucent 'A'               | (14,146) | (10)                       | 1                     | -                  |
| Aurubis  | 1,522      | 32                         | 1                     | -                  | Alstom                           | (1,140)  | (16)                       | -                     | -                  |
| Autogrill  | 2,099      | 9                          | -                     | -                  | Ansaldo                          | (1,948)  | (7)                        | -                     | -                  |
| Axel Springer  | 436        | 8                          | -                     | -                  | ASM International                | (149)    | (2)                        | -                     | -                  |
| Banco Popolare   | 1,631      | 1                          | -                     | -                  | Assicurazioni Generali           | (55)     | -                          | -                     | -                  |
| Banco Popular  | 929        | 2                          | -                     | -                  | Atos                             | (73)     | (1)                        | -                     | -                  |
| Celesio  | 921        | 7                          | -                     | -                  | Banco Bilbao Vizcaya Argentaria  | (1,400)  | (5)                        | -                     | -                  |
| Christian Dior   | 415        | 22                         | 1                     | -                  | Banco Santander                  | (469)    | (1)                        | -                     | -                  |
| Colruyt  | 389        | 6                          | -                     | -                  | BASF                             | (1,175)  | (36)                       | -                     | -                  |
| Commerzbank  | 3,484      | 3                          | -                     | -                  | BMW                              | (732)    | (24)                       | (1)                   | -                  |
| Corio  | 26         | -                          | -                     | -                  | CAP Gemini                       | (230)    | (3)                        | -                     | -                  |
| Daimler  | 506        | 11                         | -                     | -                  | Carrefour                        | (2,058)  | (18)                       | (1)                   | -                  |
| Danone   | 302        | 7                          | -                     | -                  | CNP Assurances                   | (123)    | (1)                        | -                     | -                  |
| DCC  | 67         | 1                          | -                     | -                  | Cofinimmo                        | (126)    | (6)                        | -                     | -                  |
| Delhaize Freres  | 23         | -                          | -                     | -                  | Continental                      | (321)    | (10)                       | -                     | -                  |
| Deutsche Bank  | 545        | 9                          | -                     | -                  | CRH                              | (1,150)  | (9)                        | -                     | -                  |
| Deutsche Euroshop  | 535        | 7                          | 1                     | -                  | Dassault Systemes                | (30)     | (1)                        | -                     | -                  |
| Distribuidora Internacional                                  | 5,352      | 10                         | -                     | -                  | Deutsche Telekom                 | (5,163)  | (23)                       | -                     | -                  |
| Douglas Holding  | 608        | 10                         | -                     | -                  | Elisa Corporation                | (185)    | (1)                        | -                     | -                  |
| DSM  | 595        | 12                         | 1                     | -                  | ElringKlinger                    | (363)    | (4)                        | (1)                   | -                  |
| E.ON   | 280        | 2                          | -                     | -                  | Erste Group Bank                 | (376)    | (3)                        | (1)                   | -                  |
| Edenred  | 8          | -                          | -                     | -                  | Essilor International            | (226)    | (6)                        | -                     | -                  |
| Elan Corporation   | 1,310      | 7                          | -                     | -                  | Finmeccanica                     | (11,257) | (19)                       | -                     | -                  |
| Enagas   | 207        | 2                          | -                     | -                  | Fortum                           | (444)    | (4)                        | -                     | -                  |
| Enel   | 10,883     | 17                         | 1                     | -                  | Fugro                            | (442)    | (11)                       | -                     | -                  |
| European Aeronautic Defence and Space                        | 1,009      | 13                         | -                     | -                  | Galp Energia 'B'                 | (718)    | (5)                        | -                     | -                  |
| EXOR   | 1,073      | 10                         | -                     | -                  | GDF Suez                         | (20)     | -                          | -                     | -                  |
| Faurecia   | 1,188      | 11                         | -                     | -                  | Gecina                           | (179)    | (7)                        | -                     | -                  |
| Fielmann   | 382        | 15                         | 1                     | -                  | Gerry Weber International        | (671)    | (9)                        | -                     | -                  |
| Fraport  | 291        | 7                          | -                     | -                  | Grifols                          | (473)    | (3)                        | -                     | -                  |
| Gas Natural  | 35         | -                          | -                     | -                  | HeidelbergCement                 | (836)    | (16)                       | (1)                   | -                  |
| GEA Group  | 2,465      | 30                         | (1)                   | -                  | Henkel Non-Voting Preference     | (685)    | (16)                       | -                     | -                  |
| Geophysique  | 345        | 4                          | -                     | -                  | Hermes International             | (54)     | (7)                        | -                     | -                  |
| Gerresheimer   | 2,202      | 40                         | (1)                   | -                  | Hochtief                         | (430)    | (10)                       | -                     | -                  |
| Hamburger Hafen  | 1,457      | 18                         | 1                     | -                  | Immofinanz                       | (700)    | (1)                        | -                     | -                  |
| ICADE  | 2          | -                          | -                     | -                  | Intesa Sanpaolo                  | (7,138)  | (5)                        | (1)                   | -                  |
| Infineon Technologies  | 4,836      | 17                         | -                     | -                  | Kloekner & Co                    | (353)    | (2)                        | -                     | -                  |
| KBC Groep  | 200        | 1                          | -                     | -                  | Kone 'B'                         | (730)    | (15)                       | -                     | -                  |
| Kemira   | 2,333      | 11                         | -                     | -                  | Konecranes                       | (56)     | (1)                        | -                     | -                  |
| Klepierre  | 9          | -                          | -                     | -                  | Lafarge                          | (50)     | (1)                        | -                     | -                  |
| Lagardere  | 87         | 1                          | -                     | -                  | Lanxess                          | (421)    | (10)                       | -                     | -                  |
| Lottomatica  | 780        | 5                          | -                     | -                  | Leoni                            | (91)     | (2)                        | -                     | -                  |
| LVMH   | 164        | 10                         | -                     | -                  | L'Oreal                          | (38)     | (2)                        | -                     | -                  |
| M6-Metropole TV  | 1,451      | 9                          | 1                     | -                  | MAN                              | (879)    | (35)                       | -                     | -                  |
| Mediaset   | 4,907      | 5                          | -                     | -                  | Mapfre                           | (11,753) | (15)                       | -                     | -                  |
| Metso  | 1,345      | 22                         | 1                     | -                  | Mediobanca di Credito Finanziari | (3,654)  | (9)                        | -                     | -                  |
| Mobistar   | 241        | 5                          | -                     | -                  | Mediolanum                       | (100)    | -                          | -                     | -                  |
| MunichRe   | 250        | 13                         | -                     | -                  | Metro                            | (54)     | (1)                        | -                     | -                  |
| Nokia  | 12,315     | 23                         | (1)                   | -                  | Michelin                         | (151)    | (4)                        | -                     | -                  |
| Nyrstar  | 690        | 2                          | -                     | -                  | MTU Aero Engines                 | (132)    | (3)                        | -                     | -                  |
|  |            |                            |                       |                    | Natixis                          | (195)    | -                          | -                     | -                  |
|  |            |                            |                       |                    | Nexans                           | (137)    | (3)                        | -                     | -                  |
|  |            |                            |                       |                    | Nokia Renkaa                     | (324)    | (4)                        | -                     | -                  |
|  |            |                            |                       |                    | Nutreco Holding                  | (117)    | (3)                        | -                     | -                  |

# Portfolio statement – continued

As at 31 January 2012

| Investment                           | Holding  | Notional exposure<br>£'000 | Market value<br>£'000 | Total net assets % | Investment                         | Holding | Notional exposure<br>£'000 | Market value<br>£'000 | Total net assets % |
|--------------------------------------|----------|----------------------------|-----------------------|--------------------|------------------------------------|---------|----------------------------|-----------------------|--------------------|
| OMV                                  | (230)    | (3)                        | -                     | -                  | <b>Swiss Franc – 0.0% (0.0%)</b>   |         |                            |                       |                    |
| Orion 'B'                            | (1,638)  | (12)                       | -                     | -                  | <b>Long Positions</b>              |         |                            |                       |                    |
| Porsche Automobil PPR                | (104)    | (2)                        | -                     | -                  | Adecco                             | 124     | 4                          | -                     | -                  |
| Puma                                 | (3)      | -                          | -                     | -                  | Compagnie Financiere Richemont 'A' | 40      | 1                          | -                     | -                  |
| Repsol YPF                           | (144)    | (17)                       | (1)                   | -                  | Dufry                              | 33      | 2                          | -                     | -                  |
| Salzgitter                           | (240)    | (3)                        | -                     | -                  | Julius Baer                        | 1,227   | 32                         | (1)                   | -                  |
| Sampo 'A'                            | (189)    | (4)                        | -                     | -                  | Logitech International             | 8,575   | 41                         | (1)                   | -                  |
| SBM Offshore                         | (1,345)  | (13)                       | (1)                   | -                  | Pargesa                            | 30      | 1                          | -                     | -                  |
| Schneider Electric                   | (666)    | (4)                        | -                     | -                  | Roche (Genusscheine)               | 62      | 7                          | -                     | -                  |
| Siemens                              | (404)    | (10)                       | -                     | -                  | Syngenta                           | 90      | 18                         | -                     | -                  |
| Siemens                              | (2,015)  | (74)                       | -                     | -                  | UBS                                | 422     | 4                          | -                     | -                  |
| Sky Deutschland                      | (3,207)  | (3)                        | -                     | -                  | <b>Short Positions</b>             |         |                            |                       |                    |
| Snam Rete Gas                        | (247)    | -                          | -                     | -                  | ABB                                | (394)   | (5)                        | -                     | -                  |
| Societe Generale                     | (107)    | (1)                        | -                     | -                  | Baloise Holding                    | (57)    | (3)                        | -                     | -                  |
| Sodexo                               | (376)    | (11)                       | -                     | -                  | Credit Suisse                      | (643)   | (11)                       | 1                     | -                  |
| Telefonica                           | (555)    | (4)                        | -                     | -                  | Galencica                          | (56)    | (21)                       | 1                     | -                  |
| Telenet                              | (877)    | (13)                       | -                     | -                  | Geberit                            | (41)    | (5)                        | -                     | -                  |
| Teleperformance                      | (32)     | -                          | -                     | -                  | Holcim                             | (80)    | (3)                        | -                     | -                  |
| Terna                                | (577)    | (1)                        | -                     | -                  | Kuhne & Nagel                      | (20)    | (2)                        | -                     | -                  |
| Thales                               | (98)     | (1)                        | -                     | -                  | Lonza                              | (1,614) | (55)                       | 1                     | -                  |
| Thyssen Krupp                        | (3,674)  | (39)                       | -                     | -                  | Novartis                           | (15)    | (1)                        | -                     | -                  |
| TNT                                  | (11,906) | (18)                       | -                     | -                  | Oerlikon Corporation               | (585)   | (2)                        | -                     | -                  |
| TNT Express                          | (262)    | (1)                        | -                     | -                  | Sonova                             | (133)   | (9)                        | -                     | -                  |
| UCB                                  | (432)    | (7)                        | -                     | -                  | <b>UK Sterling – 0.0% (0.0%)</b>   |         |                            |                       |                    |
| Umicore                              | (9)      | -                          | -                     | -                  | <b>Long Positions</b>              |         |                            |                       |                    |
| Unione di Banche Italiane            | (938)    | (2)                        | -                     | -                  | Admiral Group                      | 120     | 1                          | -                     | -                  |
| Veolia Environnement                 | (387)    | (2)                        | -                     | -                  | Afren                              | 11,982  | 14                         | -                     | -                  |
| Verbund                              | (320)    | (3)                        | -                     | -                  | Ashtead Group                      | 167     | -                          | -                     | -                  |
| voestalpine                          | (330)    | (4)                        | -                     | -                  | Babcock International Group        | 482     | 3                          | -                     | -                  |
| Wartsila 'B'                         | (53)     | (1)                        | -                     | -                  | Barclays                           | 1,059   | 2                          | -                     | -                  |
| Wirecard                             | (2,466)  | (17)                       | (1)                   | -                  | Barratt Developments               | 5,304   | 6                          | -                     | -                  |
| Wolters-Kluwer                       | (151)    | (1)                        | -                     | -                  | BG Group                           | 90      | 1                          | -                     | -                  |
| YIT                                  | (1,113)  | (8)                        | -                     | -                  | BHP Billiton                       | 2,994   | 64                         | -                     | -                  |
| <b>Norwegian Krone – 0.0% (0.0%)</b> |          |                            |                       |                    | BP                                 | 2,366   | 11                         | -                     | -                  |
| <b>Long Positions</b>                |          |                            |                       |                    | British Land                       | 4,515   | 22                         | (1)                   | -                  |
| Aker Solutions                       | 356      | 3                          | -                     | -                  | British Sky Broadcasting Group     | 2,716   | 18                         | -                     | -                  |
| Orkla                                | 3,939    | 20                         | 1                     | -                  | BT Group                           | 6,021   | 12                         | -                     | -                  |
| Statoil                              | 1,356    | 22                         | -                     | -                  | Capita Group                       | 1,200   | 7                          | -                     | -                  |
| Yara International                   | 376      | 10                         | -                     | -                  | Daily Mail                         | 900     | 4                          | -                     | -                  |
| <b>Short Positions</b>               |          |                            |                       |                    | Diageo                             | 4,325   | 61                         | -                     | -                  |
| DNB                                  | (200)    | (1)                        | -                     | -                  | Enquest                            | 26,630  | 28                         | (1)                   | -                  |
| Norsk Hydro                          | (4,841)  | (16)                       | -                     | -                  | Eurasian Natural Resources         | 2,466   | 17                         | (1)                   | -                  |
| TGS Nopce Geophysical                | (80)     | (1)                        | -                     | -                  | Experian                           | 1,613   | 14                         | -                     | -                  |
| <b>Swedish Krona – 0.0% (0.0%)</b>   |          |                            |                       |                    | Fenner                             | 2,400   | 11                         | -                     | -                  |
| <b>Long Positions</b>                |          |                            |                       |                    | Ferrexpro                          | 4,198   | 14                         | 1                     | -                  |
| Electrolux 'B'                       | 1,934    | 23                         | (1)                   | -                  | G4S                                | 479     | 1                          | -                     | -                  |
| Fabege                               | 1,549    | 9                          | -                     | -                  | GlaxoSmithKline                    | 977     | 14                         | -                     | -                  |
| Holmen 'B'                           | 679      | 13                         | (1)                   | -                  | Hargreaves Lansdown                | 479     | 2                          | -                     | -                  |
| Industrivarden 'C'                   | 338      | 3                          | -                     | -                  | HSBC                               | 195     | 1                          | -                     | -                  |
| Lundin Petroleum                     | 532      | 8                          | -                     | -                  | IG Group                           | 3,695   | 18                         | -                     | -                  |
| Nordea Bank                          | 1,060    | 6                          | -                     | -                  | Imperial Tobacco Group             | 1,615   | 37                         | -                     | -                  |
| Ratos 'B'                            | 166      | 1                          | -                     | -                  | Inmarsat                           | 11,064  | 44                         | -                     | -                  |
| Securitas 'B'                        | 1,200    | 7                          | -                     | -                  | Intermediate Capital Group         | 520     | 1                          | -                     | -                  |
| Skandinaviska Enskilda Banken 'A'    | 665      | 3                          | -                     | -                  | International Power                | 3,134   | 10                         | -                     | -                  |
| Svenska Cellulosa 'B'                | 19       | -                          | -                     | -                  | Kazakhmys                          | 832     | 9                          | -                     | -                  |
| Swedish Match                        | 107      | 2                          | -                     | -                  | Land Securities                    | 780     | 5                          | -                     | -                  |
| Trelleborg 'B'                       | 6,086    | 36                         | -                     | -                  | Lonmin                             | 116     | 1                          | -                     | -                  |
| Volvo 'B'                            | 3,440    | 28                         | 1                     | -                  | Man Group                          | 10,674  | 12                         | -                     | -                  |
| <b>Short Positions</b>               |          |                            |                       |                    | Meggitt                            | 602     | 2                          | -                     | -                  |
| Alfa Laval                           | (205)    | (3)                        | -                     | -                  | Next                               | 199     | 5                          | -                     | -                  |
| Assa Abloy                           | (98)     | (2)                        | -                     | -                  | Petrofac                           | 59      | 1                          | -                     | -                  |
| Atlas Copco 'A'                      | (1,219)  | (19)                       | -                     | -                  | Reckitt Benckiser Group            | 293     | 10                         | -                     | -                  |
| Elekta 'B'                           | (674)    | (20)                       | (1)                   | -                  | Rio Tinto                          | 1,315   | 50                         | -                     | -                  |
| Ericsson 'B'                         | (600)    | (3)                        | -                     | -                  | Rolls Royce Group                  | 579     | 4                          | -                     | -                  |
| Getinge                              | (223)    | (4)                        | -                     | -                  | Royal Dutch Shell 'B'              | 327     | 8                          | -                     | -                  |
| Hennes & Mauritz                     | (72)     | (1)                        | -                     | -                  | Sainsbury (J)                      | 48      | -                          | -                     | -                  |
| Hexagon 'B'                          | (162)    | (2)                        | -                     | -                  | Smith & Nephew                     | 3,336   | 20                         | -                     | -                  |
| Husqvarna 'B'                        | (5,503)  | (18)                       | 1                     | -                  | Smiths Group                       | 2,926   | 28                         | -                     | -                  |
| Kinnevik Investment 'B'              | (63)     | (1)                        | -                     | -                  | Stagecoach Group                   | 5,511   | 15                         | -                     | -                  |
| Meda 'A'                             | (200)    | (1)                        | -                     | -                  | Travis Perkins                     | 699     | 6                          | -                     | -                  |
| Modern Times Group 'B'               | (341)    | (11)                       | -                     | -                  | TUI Travel                         | 8,845   | 17                         | 2                     | -                  |
| NCC 'B'                              | (499)    | (6)                        | -                     | -                  | Unilever                           | 960     | 20                         | -                     | -                  |
| Sandvik                              | (200)    | (2)                        | -                     | -                  | United Business Media              | 465     | 3                          | -                     | -                  |
| SKF 'B'                              | (83)     | (1)                        | -                     | -                  | Whitbread                          | 15      | -                          | -                     | -                  |
| SSAB 'A'                             | (1,221)  | (8)                        | -                     | -                  | Wood Group (John)                  | 407     | 3                          | -                     | -                  |
| Svenska Handelsbanken 'A'            | (797)    | (15)                       | -                     | -                  | Xstrata                            | 232     | 3                          | -                     | -                  |
| Swedbank 'A'                         | (21)     | -                          | -                     | -                  | <b>Short Positions</b>             |         |                            |                       |                    |
| TeliaSonera                          | (1,635)  | (7)                        | -                     | -                  | Aberdeen Asset Management          | (1,754) | (4)                        | -                     | -                  |
|                                      |          |                            |                       |                    | Aegis                              | (4,899) | (8)                        | -                     | -                  |
|                                      |          |                            |                       |                    | Aggreko                            | (622)   | (13)                       | -                     | -                  |

# Portfolio statement – continued

As at 31 January 2012

| Investment                      | Holding  | Notional exposure<br>£'000 | Market value<br>£'000 | Total net<br>assets % | Investment                     | Holding | Notional exposure<br>£'000 | Market value<br>£'000 | Total net<br>assets % |
|---------------------------------|----------|----------------------------|-----------------------|-----------------------|--------------------------------|---------|----------------------------|-----------------------|-----------------------|
| Amlin                           | (363)    | (1)                        | -                     | -                     | Apache                         | 306     | 19                         | 1                     | -                     |
| Anglo American                  | (258)    | (7)                        | -                     | -                     | Apollo Group                   | 100     | 3                          | -                     | -                     |
| Antofagasta                     | (3,182)  | (42)                       | -                     | -                     | Apple                          | 100     | 29                         | -                     | -                     |
| ARM Holdings                    | (124)    | (1)                        | -                     | -                     | Applied Materials              | 1,900   | 15                         | 1                     | -                     |
| Associated British Foods        | (1,340)  | (16)                       | -                     | -                     | Arbitron                       | 700     | 16                         | -                     | -                     |
| Aveva Group                     | (1,160)  | (18)                       | (1)                   | -                     | Arch Coal                      | 400     | 4                          | -                     | -                     |
| Aviva                           | (764)    | (3)                        | -                     | -                     | Atmel                          | 700     | 4                          | -                     | -                     |
| BAE Systems                     | (408)    | (1)                        | -                     | -                     | Atmos Energy                   | 705     | 14                         | -                     | -                     |
| Berkeley Group                  | (143)    | (2)                        | -                     | -                     | Autozone                       | 100     | 22                         | -                     | -                     |
| Bunzl                           | (2,840)  | (24)                       | 1                     | -                     | Avery Dennison                 | 1,832   | 33                         | -                     | -                     |
| Burberry Group                  | (2,885)  | (38)                       | 1                     | -                     | Avista                         | 20      | -                          | -                     | -                     |
| Capital Shopping Centres Group  | (393)    | (1)                        | -                     | -                     | Avnet                          | 200     | 4                          | -                     | -                     |
| Carillion                       | (1,277)  | (4)                        | -                     | -                     | AVX                            | 100     | 1                          | -                     | -                     |
| Carnival                        | (264)    | (5)                        | -                     | -                     | B&G Foods                      | 200     | 3                          | -                     | -                     |
| Close Brothers Group            | (2,580)  | (17)                       | -                     | -                     | Babcock & Wilcox               | 100     | 2                          | -                     | -                     |
| Cobham                          | (1,400)  | (3)                        | -                     | -                     | Baker Hughes                   | 971     | 30                         | 1                     | -                     |
| Compass Group                   | (7,291)  | (43)                       | 2                     | -                     | BancorpSouth                   | 400     | 3                          | -                     | -                     |
| Croda International             | (1,882)  | (36)                       | -                     | -                     | BB&T                           | 1,100   | 19                         | -                     | -                     |
| Derwent London                  | (155)    | (3)                        | -                     | -                     | Berry Petroleum                | 200     | 6                          | -                     | -                     |
| Drax Group                      | (5,110)  | (27)                       | (1)                   | -                     | Best Buy                       | 900     | 14                         | -                     | -                     |
| Firstgroup                      | (500)    | (2)                        | -                     | -                     | BGC Partners                   | 814     | 3                          | -                     | -                     |
| Halma                           | (1,600)  | (6)                        | -                     | -                     | Bill Barrett                   | 1,590   | 28                         | -                     | -                     |
| Hika Pharmaceuticals            | (1,962)  | (14)                       | -                     | -                     | Black Hills                    | 100     | 2                          | -                     | -                     |
| Homeserve                       | (6,889)  | (20)                       | 1                     | -                     | BMC Software                   | 692     | 16                         | 1                     | -                     |
| Hunting                         | (1,421)  | (11)                       | -                     | -                     | Boeing                         | 300     | 14                         | -                     | -                     |
| Imagination Technologies Group  | (4,197)  | (24)                       | -                     | -                     | BOK Financial                  | 100     | 4                          | -                     | -                     |
| Inchcape                        | (215)    | (1)                        | -                     | -                     | Boston Properties              | 100     | 6                          | -                     | -                     |
| Intercontinental Hotels Group   | (38)     | -                          | -                     | -                     | BRC Diamondcore                | 100     | 2                          | -                     | -                     |
| Invensys                        | (2,999)  | (6)                        | -                     | -                     | Brink's                        | 118     | 2                          | -                     | -                     |
| Johnson Matthey                 | (1,323)  | (27)                       | -                     | -                     | Broadcom 'A'                   | 100     | 2                          | -                     | -                     |
| Kingfisher                      | (10)     | -                          | -                     | -                     | Brocade Communications Systems | 4,300   | 15                         | 1                     | -                     |
| Legal & General Group           | (14,740) | (17)                       | -                     | -                     | Buffalo Wild Wings             | 305     | 13                         | -                     | -                     |
| London Stock Exchange Group     | (640)    | (6)                        | -                     | -                     | CA                             | 999     | 16                         | -                     | -                     |
| Michael Page International      | (15,937) | (61)                       | (1)                   | -                     | Cadence Design Systems         | 100     | 1                          | -                     | -                     |
| Misys                           | (9,105)  | (29)                       | -                     | -                     | Capitol Federal Financial      | 700     | 5                          | -                     | -                     |
| Mitie Group                     | (500)    | (1)                        | -                     | -                     | Cardinal Health                | 100     | 3                          | -                     | -                     |
| Pearson                         | (1,014)  | (12)                       | 1                     | -                     | Carefusion                     | 200     | 3                          | -                     | -                     |
| Pennon Group                    | (386)    | (3)                        | -                     | -                     | Carrizo Oil & Gas              | 1,800   | 29                         | 1                     | -                     |
| Petropavlovsk                   | (404)    | (3)                        | -                     | -                     | CBRE Group                     | 200     | 2                          | -                     | -                     |
| Premier Oil                     | (1,357)  | (6)                        | 1                     | -                     | Celgene                        | 200     | 9                          | -                     | -                     |
| Rockhopper Exploration*         | (9,941)  | (33)                       | (2)                   | -                     | Centerpoint Energy             | 1,600   | 19                         | (1)                   | -                     |
| Rotork                          | (103)    | (2)                        | -                     | -                     | Cepheid                        | 100     | 3                          | 1                     | -                     |
| SABMiller                       | (24)     | (1)                        | -                     | -                     | Chico's                        | 500     | 4                          | -                     | -                     |
| Sage Group                      | (500)    | (1)                        | -                     | -                     | Children's Place Retail Stores | 200     | 6                          | -                     | -                     |
| Schroders                       | (1,157)  | (17)                       | 1                     | -                     | Chipotle Mexican Grill         | 100     | 23                         | 1                     | -                     |
| Shaftesbury                     | (287)    | (1)                        | -                     | -                     | Cigna                          | 122     | 3                          | -                     | -                     |
| Spirax Sarco Engineering        | (45)     | (1)                        | -                     | -                     | Cimarex Energy                 | 75      | 3                          | -                     | -                     |
| Tate & Lyle                     | (2,346)  | (15)                       | -                     | -                     | Cinemark                       | 200     | 2                          | -                     | -                     |
| Ultra Electronics Holdings      | (91)     | (1)                        | -                     | -                     | Cintas Corp                    | 100     | 2                          | -                     | -                     |
| Vodafone Group                  | (4,000)  | (7)                        | -                     | -                     | Cisco Systems                  | 1,300   | 16                         | -                     | -                     |
|                                 |          |                            |                       |                       | CNA Financial                  | 700     | 12                         | -                     | -                     |
| <b>US Dollar – 0.0% (0.0%)</b>  |          |                            |                       |                       | Coach                          | 500     | 22                         | 1                     | -                     |
| <b>Long Positions</b>           |          |                            |                       |                       | Coca-Cola Enterprises          | 239     | 4                          | -                     | -                     |
| 3M                              | 300      | 17                         | 1                     | -                     | Coeur D'Alene Minecom          | 1,576   | 29                         | 3                     | -                     |
| Abercrombie & Fitch 'A'         | 1,100    | 17                         | 1                     | -                     | Coherent                       | 100     | 4                          | -                     | -                     |
| ABM Industries                  | 600      | 8                          | 1                     | -                     | Colgate-Palmolive              | 600     | 34                         | -                     | -                     |
| Activision Blizzard             | 200      | 2                          | -                     | -                     | Commercial Metals              | 1,524   | 14                         | 1                     | -                     |
| Acxiom                          | 300      | 3                          | -                     | -                     | Community Health Systems       | 100     | 1                          | -                     | -                     |
| Adobe Systems                   | 700      | 14                         | 1                     | -                     | Computer Sciences              | 100     | 2                          | -                     | -                     |
| Advanced Micro Devices          | 4,200    | 18                         | 1                     | -                     | Compuware                      | 1,900   | 9                          | -                     | -                     |
| Aeropostale                     | 778      | 8                          | -                     | -                     | Conagra Foods                  | 100     | 2                          | -                     | -                     |
| AES                             | 712      | 6                          | -                     | -                     | Convergys                      | 400     | 3                          | -                     | -                     |
| Aetna                           | 56       | 2                          | -                     | -                     | Converse Technology            | 8,300   | 33                         | -                     | -                     |
| Agco                            | 200      | 7                          | -                     | -                     | Con-Way                        | 500     | 10                         | 1                     | -                     |
| Agilent Technologies            | 134      | 4                          | -                     | -                     | Copart                         | 201     | 6                          | -                     | -                     |
| AK Steel Holding                | 900      | 5                          | -                     | -                     | CoreLogic                      | 200     | 2                          | -                     | -                     |
| AkamaiTechnologie               | 1,000    | 20                         | -                     | -                     | Corning                        | 700     | 6                          | -                     | -                     |
| Akorn                           | 800      | 6                          | -                     | -                     | Costco Wholesale               | 548     | 28                         | -                     | -                     |
| Alaska Air                      | 500      | 24                         | -                     | -                     | Covance                        | 100     | 3                          | -                     | -                     |
| Alexandria Real Estate          | 200      | 9                          | -                     | -                     | Coventry Health Care           | 2,400   | 45                         | (1)                   | -                     |
| Align Technology                | 517      | 8                          | -                     | -                     | Crane                          | 500     | 15                         | -                     | -                     |
| Alliant Energy                  | 600      | 16                         | (1)                   | -                     | Crocs                          | 1,172   | 14                         | 1                     | -                     |
| Alliant Techsystems             | 300      | 11                         | -                     | -                     | CSX                            | 300     | 4                          | -                     | -                     |
| Allscripts Healthcare Solutions | 2,603    | 31                         | 1                     | -                     | CTC Media                      | 3,375   | 22                         | 2                     | -                     |
| Allstate                        | 1,500    | 28                         | -                     | -                     | Cubic                          | 337     | 10                         | 1                     | -                     |
| Alpha Natural Resources         | 200      | 3                          | -                     | -                     | Cubist Pharmaceuticals         | 700     | 18                         | (1)                   | -                     |
| American Campus Communities     | 1,113    | 30                         | 1                     | -                     | CVS Caremark                   | 200     | 5                          | -                     | -                     |
| American Eagle Outfitters       | 148      | 1                          | -                     | -                     | Dean Foods                     | 2,700   | 18                         | -                     | -                     |
| Ameriprise Financial            | 800      | 27                         | -                     | -                     | Deckers Outdoor                | 100     | 5                          | -                     | -                     |
| AO Smith                        | 1,257    | 34                         | -                     | -                     | Delta Air Lines                | 300     | 2                          | -                     | -                     |
| AOL                             | 1,400    | 14                         | 1                     | -                     | Dendreon                       | 100     | 1                          | -                     | -                     |
| AON                             | 100      | 3                          | -                     | -                     | Devry                          | 100     | 2                          | -                     | -                     |
|                                 |          |                            |                       |                       | Dicks Sporting Goods           | 200     | 5                          | -                     | -                     |

# Portfolio statement – continued

As at 31 January 2012

| Investment                      | Holding | Notional | Market | Total net | Investment                      | Holding | Notional | Market | Total net |
|---------------------------------|---------|----------|--------|-----------|---------------------------------|---------|----------|--------|-----------|
|                                 |         | exposure | value  |           |                                 |         | exposure | value  |           |
|                                 |         | £'000    | £'000  | assets %  |                                 |         | £'000    | £'000  | assets %  |
| DirecTV                         | 900     | 26       | 1      | -         | Knight Transportation           | 100     | 1        | -      | -         |
| Dominion Resources              | 400     | 13       | (1)    | -         | Kohl's                          | 600     | 18       | (1)    | -         |
| Dover                           | 300     | 12       | 1      | -         | Kronos                          | 600     | 9        | 1      | -         |
| Dr Horton                       | 400     | 4        | -      | -         | L-3 Communications Holdings     | 200     | 9        | -      | -         |
| DST Systems                     | 800     | 25       | 1      | -         | Lamar Advertising               | 146     | 3        | -      | -         |
| Du Pont de Nemours              | 2,100   | 68       | 1      | -         | Legget & Platt                  | 700     | 10       | -      | -         |
| Eagle Materials                 | 300     | 6        | -      | -         | Lender Processing               | 1,117   | 12       | 1      | -         |
| East West Bancorp               | 579     | 8        | -      | -         | Life Technologies               | 200     | 6        | -      | -         |
| Eastman Chemical                | 500     | 16       | -      | -         | Lincare                         | 100     | 2        | -      | -         |
| Eaton                           | 200     | 6        | -      | -         | Lincoln National                | 200     | 3        | -      | -         |
| eBay                            | 1,130   | 23       | -      | -         | Linear Technology               | 600     | 13       | -      | -         |
| El Paso Electric                | 100     | 2        | -      | -         | Live Nation Entertainment       | 1,772   | 11       | (1)    | -         |
| Electronic Arts                 | 1,000   | 11       | -      | -         | LSI                             | 16,200  | 79       | -      | -         |
| Electronics for Imaging         | 500     | 5        | -      | -         | Macerich                        | 300     | 10       | 1      | -         |
| Eli Lilly & Co                  | 100     | 2        | -      | -         | Manpower                        | 200     | 5        | -      | -         |
| EMC                             | 413     | 7        | -      | -         | Marathon Oil                    | 100     | 2        | -      | -         |
| Emcor Group                     | 600     | 11       | -      | -         | Marsh & McLennan                | 300     | 6        | -      | -         |
| Enersys                         | 200     | 4        | -      | -         | Martin Marietta                 | 228     | 12       | 1      | -         |
| EQT                             | 900     | 28       | 1      | -         | Maxim Integrated Products       | 700     | 12       | -      | -         |
| Erie Indemnity                  | 553     | 27       | -      | -         | MB Financial                    | 100     | 1        | -      | -         |
| Essex Property Trust            | 300     | 27       | 1      | -         | McCormick & Co                  | 200     | 6        | -      | -         |
| Evercore Partners               | 900     | 16       | 1      | -         | McGraw-Hill                     | 400     | 12       | -      | -         |
| Exco Resources                  | 400     | 2        | -      | -         | Medicis Pharmaceutical          | 675     | 14       | -      | -         |
| Exelon                          | 786     | 20       | -      | -         | Medivation                      | 300     | 10       | 1      | -         |
| Express Scripts                 | 100     | 3        | -      | -         | MEMC Electronic Materials       | 2,100   | 6        | -      | -         |
| F5 Network                      | 300     | 23       | -      | -         | Mens Wearhouse                  | 157     | 3        | -      | -         |
| Fair Isaac                      | 598     | 14       | -      | -         | Mentor Graphic                  | 500     | 4        | -      | -         |
| Fastenal                        | 100     | 3        | -      | -         | Metropcs Communications         | 100     | 1        | -      | -         |
| Federal Realty Investment Trust | 100     | 6        | -      | -         | Microchip Technology            | 500     | 12       | (1)    | -         |
| Fifth Third Bancorp             | 1,000   | 8        | -      | -         | Minerals Technologies           | 600     | 24       | -      | -         |
| First Merit                     | 100     | 1        | -      | -         | Molex                           | 200     | 3        | -      | -         |
| Fluor                           | 600     | 21       | 1      | -         | Moody's                         | 400     | 9        | -      | -         |
| Forest City Enterprise          | 413     | 3        | 1      | -         | Morningstar                     | 200     | 8        | -      | -         |
| Forest Oil                      | 700     | 6        | -      | -         | MSCI 'A'                        | 200     | 4        | -      | -         |
| Frontier Communications 'B'     | 9,900   | 27       | (3)    | -         | Murphy Oil                      | 200     | 8        | -      | -         |
| Gap                             | 200     | 2        | -      | -         | NASDAQ OMX                      | 100     | 2        | -      | -         |
| GATX                            | 800     | 22       | -      | -         | National Fuel Gas               | 231     | 7        | -      | -         |
| General Dynamics                | 2,000   | 88       | (1)    | -         | Neustar                         | 500     | 12       | 1      | -         |
| Genuine Parts                   | 205     | 8        | -      | -         | New York Times                  | 1,100   | 5        | -      | -         |
| Genworth Financial              | 4,440   | 22       | (1)    | -         | Newell Rubbermaid               | 500     | 6        | -      | -         |
| Global Payments                 | 700     | 22       | 1      | -         | Newmont Mining                  | 569     | 22       | -      | -         |
| Gran Tierra Energy              | 4,152   | 14       | 2      | -         | NII Holdings                    | 2,400   | 31       | 1      | -         |
| Graphic Packaging Holding       | 847     | 3        | -      | -         | Nordstrom                       | 100     | 3        | -      | -         |
| Great Plains Energy             | 1,100   | 14       | (1)    | -         | NRG Energy                      | 400     | 4        | -      | -         |
| Group1 Automotive               | 100     | 3        | -      | -         | Nucor                           | 200     | 6        | -      | -         |
| GT Advanced Technologies        | 700     | 4        | -      | -         | O'Reilly Automotive             | 200     | 10       | -      | -         |
| Halliburton                     | 65      | 2        | -      | -         | Old National Bancorp (Indiana)  | 200     | 2        | -      | -         |
| Hancock Holding                 | 1,100   | 23       | -      | -         | Old Republic International      | 289     | 2        | -      | -         |
| Hanover Insurance Group         | 1,394   | 32       | 1      | -         | Omnicare                        | 200     | 4        | -      | -         |
| Harman International Industries | 100     | 3        | -      | -         | On Semiconductor                | 1,400   | 8        | -      | -         |
| Harsco                          | 4,807   | 68       | 4      | -         | Oshkosh                         | 1,000   | 16       | -      | -         |
| Hawaiian Electric               | 300     | 5        | -      | -         | Owens-Illinois                  | 1,200   | 19       | -      | -         |
| Health Management Associates    | 2,890   | 12       | 1      | -         | Par Pharmaceutical              | 100     | 2        | -      | -         |
| Helix Energy Solutions          | 500     | 5        | -      | -         | Parametric Technology           | 400     | 6        | -      | -         |
| Hershey                         | 100     | 4        | -      | -         | PAREXEL International           | 861     | 11       | -      | -         |
| Hess                            | 350     | 12       | (1)    | -         | Patterson-UTI Energy            | 2,997   | 36       | 1      | -         |
| Hillenbrand                     | 500     | 7        | -      | -         | Penn National Gaming            | 100     | 3        | -      | -         |
| Hill-Rom Holdings               | 3,300   | 69       | 3      | -         | People's United Financial       | 100     | 1        | -      | -         |
| HNI Corporation                 | 300     | 5        | -      | -         | PepsiCo                         | 500     | 21       | -      | -         |
| Hormel Foods                    | 100     | 2        | -      | -         | Pier 1 Imports                  | 300     | 3        | -      | -         |
| Hubbell 'B'                     | 300     | 14       | -      | -         | Plexus                          | 1,347   | 31       | (1)    | -         |
| Humana                          | 1,000   | 56       | -      | -         | PMC-Sierra                      | 100     | -        | -      | -         |
| Huntington Bancshares           | 144     | 1        | -      | -         | Polaris Industries              | 152     | 6        | -      | -         |
| IAC                             | 600     | 16       | 1      | -         | Polycom                         | 4,280   | 55       | 1      | -         |
| Idenix Pharmaceutical           | 741     | 7        | -      | -         | Polyone                         | 900     | 8        | -      | -         |
| Informatica                     | 100     | 3        | -      | -         | Portfolio Recovery 'A'          | 419     | 17       | -      | -         |
| Innophos Holding                | 200     | 6        | 1      | -         | Portland General Electric       | 131     | 2        | -      | -         |
| Intercontinental Exchange       | 300     | 22       | -      | -         | Principal Financial Group       | 800     | 14       | -      | -         |
| International Game Technology   | 1,300   | 13       | (1)    | -         | Private Bancorp                 | 600     | 5        | -      | -         |
| International Paper             | 1,107   | 22       | (1)    | -         | Prosperity Bancshares           | 200     | 5        | -      | -         |
| Intuitive Surgical              | 200     | 58       | 1      | -         | Prudential Financial            | 200     | 7        | -      | -         |
| Itron                           | 900     | 23       | 1      | -         | Public Service Enterprise Group | 2,000   | 38       | -      | -         |
| ITT                             | 963     | 13       | -      | -         | Pultegroup                      | 1,436   | 7        | -      | -         |
| Jabil Circuit                   | 153     | 2        | -      | -         | QEP Resources                   | 595     | 11       | 1      | -         |
| Jazz Pharmaceuticals            | 88      | 3        | -      | -         | Quanta Services                 | 100     | 1        | -      | -         |
| JDA Software                    | 800     | 15       | 1      | -         | Quest Diagnostics               | 100     | 4        | -      | -         |
| Jetblue Airways                 | 600     | 2        | -      | -         | Quest Software                  | 2,317   | 30       | 2      | -         |
| Kellogg                         | 300     | 9        | -      | -         | Questcor Pharmaceutical         | 200     | 4        | -      | -         |
| Key                             | 200     | 1        | -      | -         | R.R. Donnelley & Sons           | 100     | 1        | -      | -         |
| Key Energy Services             | 746     | 7        | -      | -         | Radioshack                      | 2,800   | 18       | -      | -         |
| KLA-Tencor                      | 600     | 19       | (1)    | -         | Raven Industries                | 200     | 8        | -      | -         |
| Knight Capital                  | 100     | 1        | -      | -         | Raytheon                        | 400     | 12       | -      | -         |



# Portfolio statement – continued

As at 31 January 2012

| Investment                       | Holding | Notional exposure<br>£'000 | Market value<br>£'000 | Total net assets % | Investment                         | Holding  | Notional exposure<br>£'000 | Market value<br>£'000 | Total net assets % |
|----------------------------------|---------|----------------------------|-----------------------|--------------------|------------------------------------|----------|----------------------------|-----------------------|--------------------|
| Regions Financial                | 4,500   | 15                         | 1                     | -                  | <b>Short Positions</b>             |          |                            |                       |                    |
| Republic Services                | 100     | 2                          | -                     | -                  | Aaron's                            | (100)    | (2)                        | -                     | -                  |
| Resmed                           | 1,137   | 21                         | (1)                   | -                  | Acme Packet                        | (200)    | (4)                        | -                     | -                  |
| Reynolds American                | 100     | 3                          | -                     | -                  | AGL Resources                      | (300)    | (8)                        | -                     | -                  |
| RF Micro Devices                 | 1,800   | 6                          | -                     | -                  | Albemarle                          | (400)    | (16)                       | -                     | -                  |
| Rockwood Holdings                | 188     | 6                          | 1                     | -                  | Alcoa                              | (100)    | (1)                        | -                     | -                  |
| RPC                              | 600     | 6                          | (1)                   | -                  | Alexander & Baldwin                | (100)    | (3)                        | -                     | -                  |
| Ryder System                     | 400     | 14                         | 1                     | -                  | Allegiant Travel                   | (300)    | (10)                       | (1)                   | -                  |
| Saic                             | 1,200   | 10                         | -                     | -                  | Allete                             | (100)    | (3)                        | -                     | -                  |
| Salix Pharmaceuticals            | 300     | 9                          | -                     | -                  | Alliance Data System               | (100)    | (7)                        | -                     | -                  |
| Sally Beauty                     | 600     | 8                          | -                     | -                  | AMC Network 'A'                    | (400)    | (11)                       | (1)                   | -                  |
| Sandridge Energy                 | 600     | 3                          | -                     | -                  | American Capital                   | (2,400)  | (12)                       | (1)                   | -                  |
| Schweitzer-Mauduit International | 200     | 8                          | -                     | -                  | American Electric Power            | (100)    | (2)                        | -                     | -                  |
| Scripps Networks Interactive     | 200     | 6                          | -                     | -                  | American Express                   | (100)    | (3)                        | -                     | -                  |
| Sealed Air                       | 2,800   | 35                         | 1                     | -                  | American Financial Group           | (100)    | (2)                        | -                     | -                  |
| SEI Investments                  | 1,400   | 16                         | (1)                   | -                  | Amerigroup                         | (681)    | (30)                       | 1                     | -                  |
| Simon Property Group             | 100     | 9                          | 1                     | -                  | Amphenol                           | (1,098)  | (38)                       | 1                     | -                  |
| Simpson Manufacturing            | 105     | 2                          | -                     | -                  | Amtrust Financial Services         | (100)    | (2)                        | -                     | -                  |
| Smithfield Foods                 | 2,080   | 30                         | -                     | -                  | Amylin Pharmaceuticals             | (184)    | (2)                        | -                     | -                  |
| Sohu                             | 100     | 4                          | -                     | -                  | Analog Devices                     | (500)    | (12)                       | (1)                   | -                  |
| Solutia                          | 200     | 3                          | 1                     | -                  | Apollo Investment                  | (300)    | (1)                        | -                     | -                  |
| Spectra Energy                   | 300     | 6                          | -                     | -                  | Approach Resources                 | (586)    | (13)                       | (1)                   | -                  |
| Stanley Black & Decker           | 562     | 25                         | -                     | -                  | Ariad Pharmaceutical               | (100)    | (1)                        | -                     | -                  |
| Starwood Hotels 'B'              | 100     | 3                          | -                     | -                  | Armstrong World Industries         | (500)    | (15)                       | -                     | -                  |
| Steel Dynamics                   | 2,000   | 20                         | 1                     | -                  | Arris Group                        | (100)    | (1)                        | -                     | -                  |
| Stericycle                       | 400     | 21                         | -                     | -                  | Arrow Electronics                  | (100)    | (3)                        | -                     | -                  |
| Stone Energy                     | 1,235   | 22                         | 1                     | -                  | Arthur J.Gallagher & Co            | (200)    | (4)                        | -                     | -                  |
| Stryker                          | 400     | 14                         | -                     | -                  | Aruba Networks                     | (1,800)  | (26)                       | (1)                   | -                  |
| Sunoco                           | 900     | 22                         | 1                     | -                  | Ashland                            | (900)    | (36)                       | (1)                   | -                  |
| SunTrust Banks                   | 148     | 2                          | -                     | -                  | Aspen Technology                   | (1,300)  | (15)                       | (1)                   | -                  |
| Superior Energy Services         | 2,600   | 45                         | 2                     | -                  | Associated Bank                    | (500)    | (4)                        | -                     | -                  |
| SUPERVALU                        | 100     | -                          | -                     | -                  | AT&T                               | (2,000)  | (37)                       | -                     | -                  |
| SVB Financial Group              | 100     | 4                          | -                     | -                  | Athenahealth                       | (900)    | (34)                       | (3)                   | -                  |
| Symantec                         | 2,000   | 22                         | -                     | -                  | Atwood Oceanics                    | (1,000)  | (29)                       | (2)                   | -                  |
| Syntel                           | 600     | 18                         | -                     | -                  | Automatic Data Processing          | (2,200)  | (77)                       | -                     | -                  |
| Taubman Centers                  | 800     | 34                         | 2                     | -                  | Avis Budget Group                  | (400)    | (4)                        | (1)                   | -                  |
| TD Ameritrade                    | 1,200   | 12                         | -                     | -                  | Bank of America                    | (12,500) | (56)                       | (1)                   | -                  |
| Teco Energy                      | 100     | 1                          | -                     | -                  | Bank of Hawaii                     | (100)    | (3)                        | -                     | -                  |
| Teleflex                         | 100     | 4                          | -                     | -                  | Bank of New York Mellon            | (1,100)  | (14)                       | 1                     | -                  |
| Tempur Pedic International       | 100     | 4                          | -                     | -                  | Barnes Group                       | (100)    | (2)                        | -                     | -                  |
| Tenneco                          | 633     | 13                         | 1                     | -                  | Baxter International               | (200)    | (7)                        | -                     | -                  |
| Tesoro                           | 26      | -                          | -                     | -                  | Becton Dickinson                   | (200)    | (10)                       | (1)                   | -                  |
| Tessera Technologies             | 2,500   | 31                         | -                     | -                  | BJ's Restaurants                   | (300)    | (9)                        | -                     | -                  |
| Tetra Tech                       | 400     | 6                          | -                     | -                  | Block (H & R)                      | (100)    | (1)                        | -                     | -                  |
| Texas Roadhouse                  | 200     | 2                          | -                     | -                  | Borgwarner                         | (200)    | (10)                       | -                     | -                  |
| Textron                          | 800     | 13                         | 1                     | -                  | Broadridge Financial Solution      | (900)    | (14)                       | -                     | -                  |
| TFS Financial Group              | 100     | 1                          | -                     | -                  | Brookdale Senior Living            | (700)    | (8)                        | (1)                   | -                  |
| Thomas & Betts                   | 400     | 18                         | 3                     | -                  | Bruker                             | (600)    | (5)                        | -                     | -                  |
| Timken                           | 400     | 12                         | -                     | -                  | Brunswick                          | (300)    | (4)                        | -                     | -                  |
| Titan International              | 200     | 3                          | -                     | -                  | Buckeye Technologies               | (300)    | (6)                        | -                     | -                  |
| Total System Services            | 5,102   | 69                         | (1)                   | -                  | Cabela's                           | (600)    | (10)                       | -                     | -                  |
| TRW Automotive                   | 726     | 17                         | -                     | -                  | Cabot Microelectronics             | (100)    | (3)                        | -                     | -                  |
| Tyson Foods 'A'                  | 1,004   | 12                         | -                     | -                  | Cabot Oil & Gas                    | (100)    | (2)                        | -                     | -                  |
| UDR                              | 100     | 2                          | -                     | -                  | Caci International                 | (100)    | (4)                        | -                     | -                  |
| UGI                              | 1,636   | 27                         | (1)                   | -                  | Capitalsource                      | (100)    | -                          | -                     | -                  |
| Umpqua Holdings                  | 406     | 3                          | -                     | -                  | Carmax Group                       | (1,475)  | (29)                       | 1                     | -                  |
| Under Armour 'A'                 | 100     | 5                          | -                     | -                  | Carpenter Technology               | (400)    | (14)                       | 1                     | -                  |
| Unit                             | 932     | 27                         | 1                     | -                  | Catalyst Health Solutions          | (500)    | (18)                       | -                     | -                  |
| United States Steel              | 400     | 7                          | -                     | -                  | Cavium                             | (931)    | (19)                       | -                     | -                  |
| United Technologies              | 200     | 10                         | -                     | -                  | CBS 'B'                            | (100)    | (2)                        | -                     | -                  |
| United Therapeutics              | 300     | 9                          | 1                     | -                  | Centene                            | (240)    | (7)                        | -                     | -                  |
| Valspar                          | 108     | 3                          | -                     | -                  | CenturyLink                        | (100)    | (2)                        | -                     | -                  |
| Verisign                         | 800     | 19                         | 1                     | -                  | Cheniere Energy                    | (100)    | (1)                        | -                     | -                  |
| Vertex Pharmaceutical            | 226     | 5                          | -                     | -                  | Choice Hotels                      | (100)    | (2)                        | -                     | -                  |
| Viropharma                       | 500     | 9                          | -                     | -                  | Cincinnati Financial               | (2,438)  | (50)                       | (2)                   | -                  |
| Vishay International             | 100     | 1                          | -                     | -                  | Cirrus Logic                       | (600)    | (8)                        | -                     | -                  |
| VMware 'A'                       | 300     | 17                         | -                     | -                  | Citigroup                          | (100)    | (2)                        | -                     | -                  |
| Watson Pharmaceuticals           | 300     | 11                         | 1                     | -                  | Clean Harbors                      | (300)    | (12)                       | -                     | -                  |
| Watts Water Technologies         | 616     | 15                         | 1                     | -                  | Cliffs Natural Resources           | (400)    | (18)                       | -                     | -                  |
| Wellcare Health Plans            | 400     | 15                         | -                     | -                  | CNO Financial Group                | (5,200)  | (22)                       | (1)                   | -                  |
| Wells Fargo                      | 1,700   | 31                         | -                     | -                  | Cognex                             | (200)    | (5)                        | -                     | -                  |
| Wesco International              | 300     | 12                         | 1                     | -                  | Comcast 'A'                        | (300)    | (5)                        | -                     | -                  |
| Westamerica Bancorp              | 100     | 3                          | -                     | -                  | Commvault Systems                  | (200)    | (6)                        | -                     | -                  |
| Williams-Sonoma                  | 500     | 11                         | -                     | -                  | Concur Technologies                | (400)    | (13)                       | (1)                   | -                  |
| WMS Industries                   | 600     | 8                          | -                     | -                  | Constellation Brands 'A'           | (500)    | (7)                        | -                     | -                  |
| World Acceptance                 | 100     | 4                          | -                     | -                  | Continental Resources              | (300)    | (15)                       | (1)                   | -                  |
| WR Berkley                       | 200     | 4                          | -                     | -                  | Corn Products                      | (477)    | (17)                       | (1)                   | -                  |
| Wyndham Worldwide                | 200     | 5                          | -                     | -                  | Corrections Corporation of America | (100)    | (1)                        | -                     | -                  |
| Zimmer                           | 1,200   | 46                         | 1                     | -                  | Covanta Holding                    | (1,200)  | (11)                       | (1)                   | -                  |
| Zions Bancorporation             | 1,115   | 12                         | (1)                   | -                  | Cree                               | (1,300)  | (21)                       | 1                     | -                  |
|                                  |         |                            |                       |                    | Crown Castle International         | (280)    | (9)                        | -                     | -                  |

# Portfolio statement – continued

As at 31 January 2012

| Investment                             | Holding | Notional exposure<br>£'000 | Market value<br>£'000 | Total net<br>assets % | Investment                        | Holding | Notional exposure<br>£'000 | Market value<br>£'000 | Total net<br>assets % |
|--|---------|----------------------------|-----------------------|-----------------------|-----------------------------------|---------|----------------------------|-----------------------|-----------------------|
| Cullen First Bank                      | (200)   | (7)                        | -                     | -                     | Kaydon                            | (100)   | (2)                        | -                     | -                     |
| CVB Financial                          | (900)   | (6)                        | -                     | -                     | KBR                               | (700)   | (14)                       | -                     | -                     |
| CVR Energy                             | (600)   | (9)                        | (1)                   | -                     | Kennametal                        | (400)   | (11)                       | -                     | -                     |
| Dana Holding                           | (500)   | (5)                        | -                     | -                     | Laboratory Corporation of America | (200)   | (12)                       | -                     | -                     |
| Darden Restaurants                     | (800)   | (23)                       | (1)                   | -                     | Lam Research                      | (100)   | (3)                        | -                     | -                     |
| DDR                                    | (1,700) | (15)                       | (1)                   | -                     | Lennar                            | (300)   | (4)                        | -                     | -                     |
| DealerTrack                            | (431)   | (7)                        | -                     | -                     | Leucadia National                 | (921)   | (16)                       | (2)                   | -                     |
| Deere & Co                             | (100)   | (6)                        | -                     | -                     | Level 3 Communications            | (259)   | (3)                        | -                     | -                     |
| Dell                                   | (100)   | (1)                        | -                     | -                     | Liberty Global 'A'                | (600)   | (17)                       | (1)                   | -                     |
| Denbury                                | (1,500) | (18)                       | (1)                   | -                     | Lifepoint Hospital                | (100)   | (3)                        | -                     | -                     |
| Dentsply International                 | (700)   | (17)                       | -                     | -                     | Lifetime Fitness                  | (100)   | (3)                        | -                     | -                     |
| Diamond Offshore                       | (700)   | (27)                       | (1)                   | -                     | Limited Brands                    | (400)   | (10)                       | -                     | -                     |
| Diebold                                | (300)   | (6)                        | -                     | -                     | Louisiana-Pacific                 | (1,400) | (8)                        | -                     | -                     |
| Discover Financial Services            | (596)   | (10)                       | -                     | -                     | Lululemon Athletica               | (400)   | (16)                       | (1)                   | -                     |
| Dolby Laboratories                     | (100)   | (2)                        | -                     | -                     | Mako Surgical                     | (700)   | (16)                       | (1)                   | -                     |
| Domino's Pizza                         | (100)   | (2)                        | -                     | -                     | Manitowoc                         | (200)   | (2)                        | -                     | -                     |
| Donaldson                              | (500)   | (23)                       | -                     | -                     | Masimo                            | (400)   | (6)                        | -                     | -                     |
| Dreamworks Animation SKG 'A'           | (2,188) | (25)                       | (1)                   | -                     | Mattel                            | (440)   | (8)                        | -                     | -                     |
| Dril Quip                              | (210)   | (9)                        | (1)                   | -                     | Maximus                           | (300)   | (9)                        | -                     | -                     |
| Duke Energy                            | (1,684) | (23)                       | -                     | -                     | McMoran Exploration               | (2,482) | (19)                       | 1                     | -                     |
| E Trade Financial                      | (1,600) | (8)                        | -                     | -                     | Meadwestvaco                      | (500)   | (9)                        | -                     | -                     |
| Eaton Vance                            | (100)   | (2)                        | -                     | -                     | Merck                             | (100)   | (2)                        | -                     | -                     |
| Equity One                             | (300)   | (4)                        | -                     | -                     | Meredith                          | (100)   | (2)                        | -                     | -                     |
| Esterline Technologies                 | (100)   | (4)                        | -                     | -                     | Metlife                           | (100)   | (2)                        | -                     | -                     |
| Expedia                                | (2,762) | (56)                       | (4)                   | -                     | Mettler Toledo                    | (100)   | (11)                       | (1)                   | -                     |
| Expeditors International of Washington | (100)   | (3)                        | -                     | -                     | MGE Energy                        | (200)   | (6)                        | -                     | -                     |
| Factset Research Systems               | (100)   | (6)                        | -                     | -                     | MGM Mirage                        | (657)   | (5)                        | -                     | -                     |
| Fairchild Semiconductor International  | (200)   | (2)                        | -                     | -                     | Microsemi                         | (500)   | (6)                        | -                     | -                     |
| Federated Investors 'B'                | (200)   | (2)                        | -                     | -                     | Microsoft                         | (1,400) | (26)                       | -                     | -                     |
| Fedex                                  | (214)   | (12)                       | -                     | -                     | MKS Instruments                   | (200)   | (4)                        | -                     | -                     |
| Fidelity National Financial            | (1,900) | (22)                       | -                     | -                     | Molina Healthcare                 | (719)   | (14)                       | -                     | -                     |
| Finisar                                | (200)   | (3)                        | -                     | -                     | Molson Coors Brewing              | (500)   | (13)                       | 1                     | -                     |
| Finish Line                            | (300)   | (4)                        | -                     | -                     | Moneygram International           | (1,000) | (12)                       | (1)                   | -                     |
| First Horizon National                 | (3,600) | (20)                       | 1                     | -                     | Mosaic                            | (1,655) | (59)                       | (1)                   | -                     |
| First Niagara Financial Group          | (2,100) | (13)                       | -                     | -                     | Motorola Solutions                | (1,400) | (41)                       | -                     | -                     |
| First Solar                            | (100)   | (3)                        | -                     | -                     | Mueller                           | (300)   | (8)                        | (1)                   | -                     |
| FMC Technologies                       | (300)   | (10)                       | -                     | -                     | Netapp                            | (154)   | (4)                        | -                     | -                     |
| FNB                                    | (300)   | (2)                        | -                     | -                     | Netflix                           | (100)   | (8)                        | -                     | -                     |
| Ford Motor Company                     | (500)   | (4)                        | -                     | -                     | New Jersey Resources              | (544)   | (16)                       | 1                     | -                     |
| Forest Laboratories                    | (600)   | (12)                       | -                     | -                     | Newfield Exploration              | (100)   | (2)                        | -                     | -                     |
| Freeport-McMoRan Copper & Gold         | (1,113) | (33)                       | (1)                   | -                     | News Corp 'B'                     | (100)   | (1)                        | -                     | -                     |
| Gamestop 'A'                           | (600)   | (9)                        | -                     | -                     | NiSource                          | (100)   | (1)                        | -                     | -                     |
| Gen Probe                              | (400)   | (17)                       | (1)                   | -                     | Noble Energy                      | (100)   | (6)                        | -                     | -                     |
| GEO Group                              | (400)   | (4)                        | -                     | -                     | Nordson                           | (100)   | (3)                        | -                     | -                     |
| Goldman Sachs                          | (101)   | (7)                        | (1)                   | -                     | Northeast Utilities               | (500)   | (11)                       | -                     | -                     |
| Graftech International                 | (1,000) | (10)                       | (1)                   | -                     | Northern Oil & Gas                | (400)   | (6)                        | -                     | -                     |
| Granite Construction                   | (700)   | (12)                       | -                     | -                     | Northern Trust                    | (500)   | (13)                       | 1                     | -                     |
| Greif 'A'                              | (200)   | (6)                        | -                     | -                     | Northwestern                      | (100)   | (2)                        | -                     | -                     |
| Gulfport Energy                        | (800)   | (17)                       | -                     | -                     | NU Skin Enterprises               | (200)   | (6)                        | -                     | -                     |
| Haemonetics                            | (200)   | (8)                        | -                     | -                     | Nvidia                            | (1,600) | (15)                       | -                     | -                     |
| Hasbro                                 | (200)   | (4)                        | -                     | -                     | Oceaneering International         | (100)   | (3)                        | -                     | -                     |
| HCC Insurance                          | (1,100) | (19)                       | -                     | -                     | Overseas Shipholding              | (400)   | (3)                        | -                     | -                     |
| Health Net                             | (60)    | (1)                        | -                     | -                     | Owens & Minor                     | (100)   | (2)                        | -                     | -                     |
| Healthcare Services Group              | (100)   | (1)                        | -                     | -                     | Owens Corning                     | (200)   | (4)                        | -                     | -                     |
| Healthsouth                            | (413)   | (5)                        | -                     | -                     | Paccar                            | (615)   | (17)                       | (1)                   | -                     |
| Hecla Mining                           | (800)   | (3)                        | -                     | -                     | Pall                              | (300)   | (11)                       | -                     | -                     |
| Henry Schein                           | (300)   | (13)                       | -                     | -                     | Paychex                           | (1,400) | (28)                       | -                     | -                     |
| Hertz Global Holdings                  | (2,100) | (18)                       | (1)                   | -                     | Peabody Energy                    | (900)   | (20)                       | 1                     | -                     |
| Hexcel                                 | (652)   | (10)                       | -                     | -                     | Pentair                           | (900)   | (21)                       | -                     | -                     |
| Hittite Microwave                      | (200)   | (7)                        | -                     | -                     | PG&E                              | (400)   | (10)                       | -                     | -                     |
| HMS Holdings                           | (680)   | (14)                       | -                     | -                     | Piedmont Natural Gas              | (500)   | (10)                       | -                     | -                     |
| Holly Frontier                         | (2,349) | (45)                       | (3)                   | -                     | Pioneer Natural Resources         | (100)   | (6)                        | -                     | -                     |
| Hornbeck Offshore Services             | (100)   | (2)                        | -                     | -                     | Precision Castparts               | (500)   | (52)                       | 1                     | -                     |
| Hospira                                | (962)   | (21)                       | (1)                   | -                     | Pricesmart                        | (500)   | (21)                       | (1)                   | -                     |
| Hospitality Properties Trust           | (2,324) | (35)                       | 1                     | -                     | Progress Software                 | (3,290) | (49)                       | (7)                   | -                     |
| Hudson City Bank                       | (3,600) | (16)                       | -                     | -                     | Progressive                       | (200)   | (3)                        | -                     | -                     |
| Human Genome                           | (200)   | (1)                        | -                     | -                     | Protective Life                   | (1)     | -                          | -                     | -                     |
| Huntington Ingalls Industries          | (100)   | (2)                        | -                     | -                     | PSS World                         | (800)   | (12)                       | -                     | -                     |
| II-VI                                  | (500)   | (7)                        | -                     | -                     | Questar                           | (1,100) | (13)                       | -                     | -                     |
| Immunogen                              | (100)   | (1)                        | -                     | -                     | Quicksilver Resources             | (6,800) | (23)                       | 1                     | -                     |
| Interdigital                           | (100)   | (2)                        | -                     | -                     | Ralph Lauren                      | (100)   | (10)                       | (1)                   | -                     |
| International Flavors & Fragrances     | (400)   | (14)                       | -                     | -                     | Realty Income                     | (1,700) | (39)                       | (1)                   | -                     |
| International Rectifier                | (1,900) | (27)                       | -                     | -                     | Red Hat                           | (900)   | (27)                       | (2)                   | -                     |
| Interpublic Group                      | (100)   | (1)                        | -                     | -                     | Riverbed Technology               | (100)   | (2)                        | -                     | -                     |
| Intrepid Potash                        | (200)   | (3)                        | -                     | -                     | RLI                               | (800)   | (36)                       | 1                     | -                     |
| Inverness Medical                      | (200)   | (3)                        | -                     | -                     | Rock-Tenn                         | (400)   | (16)                       | (1)                   | -                     |
| Janus Capital Group                    | (100)   | (1)                        | -                     | -                     | Rockwell Automation               | (300)   | (15)                       | -                     | -                     |
| JC Penney                              | (545)   | (14)                       | (2)                   | -                     | Rockwell Collins                  | (1,900) | (70)                       | 2                     | -                     |
| John Wiley & Sons                      | (17)    | -                          | -                     | -                     | Rowan                             | (2,100) | (45)                       | -                     | -                     |
| Johnson Controls                       | (3,689) | (74)                       | (1)                   | -                     | RPM International                 | (4,114) | (65)                       | (2)                   | -                     |
| Joy Global                             | (100)   | (6)                        | (1)                   | -                     | Safeway                           | (900)   | (13)                       | -                     | -                     |
| Kansas City Southern                   | (200)   | (9)                        | -                     | -                     | Saks                              | (500)   | (3)                        | -                     | -                     |

# Portfolio statement – continued

As at 31 January 2012

| Investment                        | Holding | Notional exposure<br>£'000 | Market value<br>£'000 | Total net<br>assets % | Investment  | Holding | Notional exposure<br>£'000 | Market value<br>£'000 | Total net<br>assets % |
|-----------------------------------|---------|----------------------------|-----------------------|-----------------------|---|---------|----------------------------|-----------------------|-----------------------|
| Saleforce                         | (576)   | (42)                       | (3)                   | -                     | Walter Energy   | (100)   | (4)                        | -                     | -                     |
| Sandisk                           | (300)   | (9)                        | -                     | -                     | Waste Management  | (1,000) | (22)                       | (1)                   | -                     |
| Sapient                           | (800)   | (7)                        | -                     | -                     | Waters  | (100)   | (5)                        | -                     | -                     |
| Scana                             | (1,802) | (51)                       | -                     | -                     | Watsco 'A'  | (850)   | (37)                       | (1)                   | -                     |
| Scansource                        | (500)   | (12)                       | -                     | -                     | WebMD Health  | (1,200) | (21)                       | (1)                   | -                     |
| Schnitzer Steel                   | (1,113) | (31)                       | -                     | -                     | Weingarten Realty   | (2,100) | (33)                       | (1)                   | -                     |
| Schwab (Charles)                  | (885)   | (7)                        | 1                     | -                     | Wellpoint   | (400)   | (16)                       | -                     | -                     |
| Scientific Games                  | (100)   | (1)                        | -                     | -                     | Westar Energy   | (100)   | (2)                        | -                     | -                     |
| Seattle Genetics                  | (100)   | (1)                        | -                     | -                     | Western Refining  | (98)    | (1)                        | -                     | -                     |
| Sempra Energy                     | (45)    | (2)                        | -                     | -                     | WGL Holdings  | (100)   | (3)                        | -                     | -                     |
| Service Corporation International | (1,000) | (7)                        | -                     | -                     | Williams  | (1,200) | (22)                       | -                     | -                     |
| Sigma Aldrich                     | (300)   | (13)                       | -                     | -                     | Wisconsin Energy  | (696)   | (15)                       | -                     | -                     |
| Sirona Dental Systems             | (291)   | (9)                        | (1)                   | -                     | Woodward  | (900)   | (24)                       | -                     | -                     |
| Skyworks Solutions                | (1,900) | (26)                       | -                     | -                     | Worthington   | (100)   | (1)                        | -                     | -                     |
| SLM                               | (100)   | (1)                        | -                     | -                     | Wright Express  | (200)   | (7)                        | -                     | -                     |
| Snap-On                           | (300)   | (11)                       | -                     | -                     | Xilinx  | (1,041) | (24)                       | -                     | -                     |
| Snyder's-Lance                    | (704)   | (10)                       | -                     | -                     | Yahoo   | (1,000) | (10)                       | -                     | -                     |
| Sonoco Products                   | (300)   | (6)                        | -                     | -                     |   |         |                            |                       |                       |
| Sothebys 'A'                      | (1,100) | (24)                       | -                     | -                     | <b>Merrill Lynch contracts for difference - 0.00 % (0.0%)</b> |         |                            |                       |                       |
| Southern Copper                   | (675)   | (15)                       | -                     | -                     | <b>Danish Krone - 0.0% (0.0%)</b>                             |         |                            |                       |                       |
| Southwestern Energy 'C'           | (600)   | (12)                       | -                     | -                     | <b>Long Positions</b>   |         |                            |                       |                       |
| Standard Pacific                  | (2,200) | (5)                        | 1                     | -                     | Danske Bank   | 200     | 2                          | -                     | -                     |
| Starbucks                         | (200)   | (6)                        | -                     | -                     | H. Lundbeck   | 4,202   | 52                         | -                     | -                     |
| State Street                      | (100)   | (2)                        | -                     | -                     | Novo-Nordisk 'B'  | 345     | 26                         | -                     | -                     |
| Steelcase                         | (300)   | (2)                        | -                     | -                     | Trygvesta   | 170     | 6                          | -                     | -                     |
| Steris                            | (300)   | (6)                        | -                     | -                     | Vestas Wind Systems   | 1,409   | 10                         | (1)                   | -                     |
| Stifel Financial                  | (300)   | (7)                        | -                     | -                     | <b>Short Positions</b>  |         |                            |                       |                       |
| Stillwater                        | (1,100) | (9)                        | (1)                   | -                     | Carlsberg 'B'   | (138)   | (7)                        | -                     | -                     |
| Swift Energy                      | (200)   | (4)                        | -                     | -                     | Coloplast 'B'   | (52)    | (5)                        | -                     | -                     |
| Synchronoss Technologies          | (200)   | (4)                        | -                     | -                     | FLSmidth & Co   | (478)   | (22)                       | (1)                   | -                     |
| Take-Two Interactive Software     | (1,500) | (15)                       | (1)                   | -                     | GN Store Nord   | (357)   | (2)                        | -                     | -                     |
| Tal International                 | (800)   | (17)                       | -                     | -                     | Novozyymes 'B'  | (1,963) | (35)                       | -                     | -                     |
| TCF Financial                     | (2,600) | (17)                       | 1                     | -                     | Topdanmark  | (19)    | (2)                        | -                     | -                     |
| Telephone & Data Systems          | (217)   | (4)                        | -                     | -                     |   |         |                            |                       |                       |
| Teradata                          | (1,100) | (37)                       | (1)                   | -                     | <b>Euro - 0.0% (0.0%)</b>                                     |         |                            |                       |                       |
| Teradyne                          | (1,650) | (17)                       | 1                     | -                     | <b>Long Positions</b>   |         |                            |                       |                       |
| Terex                             | (900)   | (12)                       | -                     | -                     | Abengoa   | 2,014   | 16                         | (1)                   | -                     |
| Texas Instruments                 | (1,000) | (20)                       | -                     | -                     | Andritz   | 86      | 3                          | -                     | -                     |
| Theravance                        | (1,607) | (20)                       | (1)                   | -                     | Aperam  | 952     | 7                          | 1                     | -                     |
| Thermo Fisher Scientific          | (100)   | (3)                        | -                     | -                     | ArcelorMittal   | 674     | 5                          | -                     | -                     |
| Tidewater                         | (1,000) | (34)                       | (2)                   | -                     | ASM International   | 60      | 1                          | -                     | -                     |
| Tiffany & Co                      | (300)   | (12)                       | -                     | -                     | ASML  | 213     | 4                          | -                     | -                     |
| Titanium Metals                   | (900)   | (9)                        | -                     | -                     | Assicurazioni Generali  | 64      | -                          | -                     | -                     |
| Toll Brothers                     | (500)   | (7)                        | -                     | -                     | Atos  | 287     | 5                          | 1                     | -                     |
| Torchmark                         | (290)   | (8)                        | -                     | -                     | Aurubis   | 287     | 6                          | -                     | -                     |
| Treehouse Foods                   | (1,202) | (43)                       | -                     | -                     | Autogrill   | 2,556   | 10                         | -                     | -                     |
| Trimble                           | (100)   | (3)                        | -                     | -                     | Celesio   | 420     | 3                          | -                     | -                     |
| Trinity Industries                | (300)   | (6)                        | -                     | -                     | Christian Dior  | 447     | 24                         | 1                     | -                     |
| Trustmark                         | (100)   | (1)                        | -                     | -                     | CNP Assurances  | 253     | 1                          | -                     | -                     |
| Tupperware Brands                 | (300)   | (12)                       | (1)                   | -                     | Colruyt   | 779     | 11                         | -                     | -                     |
| TW Telecom                        | (100)   | (1)                        | -                     | -                     | Commerzbank   | 900     | 1                          | -                     | -                     |
| Tyler Technologies                | (600)   | (13)                       | -                     | -                     | Daimler   | 2       | -                          | -                     | -                     |
| UIL Holdings                      | (617)   | (13)                       | -                     | -                     | Danone  | 149     | 4                          | -                     | -                     |
| Ultimate Software Group           | (280)   | (12)                       | -                     | -                     | Dassault Systemes   | 40      | 1                          | -                     | -                     |
| Unisource Energy                  | (1,000) | (23)                       | -                     | -                     | Delhaize Freres   | 169     | 4                          | -                     | -                     |
| United Continental                | (300)   | (4)                        | -                     | -                     | Deutsche Euroshop   | 193     | 3                          | -                     | -                     |
| United Health Group               | (2,200) | (71)                       | 1                     | -                     | Distribuidora Internacional                                   | 7,196   | 13                         | (1)                   | -                     |
| United Natural Foods              | (1,432) | (40)                       | (2)                   | -                     | Douglas Holding   | 147     | 2                          | -                     | -                     |
| United Rental                     | (700)   | (17)                       | (1)                   | -                     | DSM   | 308     | 6                          | -                     | -                     |
| Universal Display                 | (202)   | (5)                        | -                     | -                     | Enel  | 8,828   | 14                         | 1                     | -                     |
| Unum Group                        | (400)   | (6)                        | -                     | -                     | European Aeronautic Defence and Space                         | 846     | 11                         | -                     | -                     |
| Urban Outfitters                  | (2,800) | (47)                       | (2)                   | -                     | EXOR  | 1,097   | 10                         | 1                     | -                     |
| US Airways Group                  | (200)   | (1)                        | -                     | -                     | Faurecia  | 753     | 7                          | -                     | -                     |
| US Cellular                       | (100)   | (3)                        | -                     | -                     | GDF Suez  | 68      | 1                          | -                     | -                     |
| USG                               | (524)   | (4)                        | -                     | -                     | GEA Group   | 525     | 6                          | -                     | -                     |
| Valassis Communications           | (1,000) | (15)                       | (1)                   | -                     | Geophysique   | 244     | 3                          | -                     | -                     |
| Valley National Bank              | (2,494) | (19)                       | 1                     | -                     | Hamburger Hafen   | 310     | 4                          | -                     | -                     |
| Valmont Industries                | (100)   | (7)                        | -                     | -                     | Immofinanz  | 700     | 1                          | -                     | -                     |
| Valueclick                        | (300)   | (3)                        | -                     | -                     | Infineon Technologies   | 1,170   | 4                          | -                     | -                     |
| Varian Medical                    | (100)   | (4)                        | -                     | -                     | Kemira  | 1,946   | 9                          | -                     | -                     |
| Vectren                           | (100)   | (2)                        | -                     | -                     | Lagardere   | 714     | 8                          | (1)                   | -                     |
| Ventas                            | (200)   | (7)                        | -                     | -                     | L'Oreal   | 21      | 1                          | -                     | -                     |
| Verifone Systems                  | (1,705) | (43)                       | (1)                   | -                     | Lottomatica   | 676     | 4                          | -                     | -                     |
| Viasat                            | (200)   | (6)                        | -                     | -                     | LVMH  | 240     | 15                         | -                     | -                     |
| Virgin Media                      | (100)   | (2)                        | -                     | -                     | M6-Metropole TV   | 2,122   | 13                         | 1                     | -                     |
| Volcano                           | (2,300) | (41)                       | (4)                   | -                     | Mediaset  | 2,933   | 3                          | -                     | -                     |
| Vornado Realty Trust              | (100)   | (5)                        | -                     | -                     | Mediolanum  | 311     | 1                          | -                     | -                     |
| W&T Offshore                      | (300)   | (4)                        | -                     | -                     | Metso   | 1,868   | 30                         | 1                     | -                     |
| WABCO Holdings                    | (100)   | (3)                        | -                     | -                     | Mobistar  | 629     | 12                         | -                     | -                     |
| Wabtec                            | (200)   | (9)                        | -                     | -                     | Natixis   | 109     | -                          | -                     | -                     |
| Waddell & Reed Financial          | (400)   | (7)                        | -                     | -                     |   |         |                            |                       |                       |
| Walt Disney                       | (100)   | (2)                        | -                     | -                     |   |         |                            |                       |                       |



# Portfolio statement – continued

As at 31 January 2012

| Investment                       | Holding | Notional exposure<br>£'000 | Market value<br>£'000 | Total net assets % | Investment                      | Holding  | Notional exposure<br>£'000 | Market value<br>£'000 | Total net assets % |
|----------------------------------|---------|----------------------------|-----------------------|--------------------|---------------------------------|----------|----------------------------|-----------------------|--------------------|
| <b>UK Sterling – 0.0% (0.0%)</b> |         |                            |                       |                    | <b>US Dollar – 0.0% (0.0%)</b>  |          |                            |                       |                    |
| <b>Long Positions</b>            |         |                            |                       |                    | <b>Long Positions</b>           |          |                            |                       |                    |
| Afren                            | 13,530  | 16                         | -                     | -                  | Imagination Technologies Group  | (1,799)  | (10)                       | (1)                   | -                  |
| Amilin                           | 21      | -                          | -                     | -                  | Invensys                        | (2,159)  | (4)                        | (1)                   | -                  |
| ARM Holdings                     | 216     | 1                          | -                     | -                  | Johnson Matthey                 | (1,939)  | (39)                       | -                     | -                  |
| Babcock International Group      | 260     | 2                          | -                     | -                  | Ladbroke's                      | (1,000)  | (1)                        | -                     | -                  |
| Barratt Developments             | 4,141   | 4                          | -                     | -                  | Legal & General Group           | (18,262) | (21)                       | -                     | -                  |
| BHP Billiton                     | 2,153   | 46                         | -                     | -                  | Lonmin                          | (14)     | -                          | -                     | -                  |
| BP                               | 1,062   | 5                          | -                     | -                  | Meggitt                         | (329)    | (1)                        | -                     | -                  |
| British Land                     | 4,962   | 24                         | -                     | -                  | Melrose                         | (372)    | (1)                        | -                     | -                  |
| British Sky Broadcasting Group   | 2,760   | 18                         | -                     | -                  | Michael Page International      | (18,990) | (73)                       | (1)                   | -                  |
| BT Group                         | 492     | 1                          | -                     | -                  | Pearson                         | (1,278)  | (15)                       | 1                     | -                  |
| Capita Group                     | 380     | 2                          | -                     | -                  | Pennon Group                    | (400)    | (3)                        | -                     | -                  |
| Daily Mail                       | 1,202   | 5                          | -                     | -                  | Premier Oil                     | (1,156)  | (5)                        | -                     | -                  |
| Diageo                           | 4,186   | 59                         | -                     | -                  | Rockhopper Exploration*         | (12,806) | (42)                       | (2)                   | -                  |
| Enquest                          | 31,159  | 33                         | -                     | -                  | Rotork                          | (140)    | (3)                        | -                     | -                  |
| Eurasian Natural Resources       | 3,701   | 26                         | (1)                   | -                  | Sainsbury (J)                   | (57)     | -                          | -                     | -                  |
| Experian                         | 803     | 7                          | -                     | -                  | Schroders                       | (1,004)  | (15)                       | -                     | -                  |
| Fenner                           | 3,926   | 17                         | -                     | -                  | Spirax Sarco Engineering        | (466)    | (9)                        | -                     | -                  |
| Ferrexpo                         | 7,008   | 24                         | 1                     | -                  | Tate & Lyle                     | (3,938)  | (26)                       | 1                     | -                  |
| Firstgroup                       | 3,224   | 10                         | -                     | -                  | Tullow Oil                      | (32)     | -                          | -                     | -                  |
| G4S                              | 979     | 3                          | -                     | -                  | Vodafone Group                  | (5,448)  | (9)                        | -                     | -                  |
| GlaxoSmithKline                  | 1,270   | 18                         | -                     | -                  | Whitbread                       | (30)     | -                          | -                     | -                  |
| Hargreaves Lansdown              | 1,375   | 6                          | -                     | -                  | <b>US Dollar – 0.0% (0.0%)</b>  |          |                            |                       |                    |
| IG Group                         | 7,429   | 35                         | (1)                   | -                  | <b>Long Positions</b>           |          |                            |                       |                    |
| Imperial Tobacco Group           | 1,870   | 42                         | -                     | -                  | 3M                              | 839      | 46                         | 1                     | -                  |
| Inchcape                         | 538     | 2                          | -                     | -                  | Aaron's                         | 100      | 2                          | -                     | -                  |
| Inmarsat                         | 14,788  | 59                         | -                     | -                  | ABM Industries                  | 600      | 8                          | 1                     | -                  |
| Intermediate Capital Group       | 1,453   | 4                          | -                     | -                  | Adobe Systems                   | 1,000    | 20                         | 1                     | -                  |
| International Power              | 4,623   | 15                         | -                     | -                  | Advance Auto Parts              | 400      | 19                         | 1                     | -                  |
| Kazakhmys                        | 727     | 8                          | -                     | -                  | Advanced Micro Devices          | 5,100    | 22                         | 1                     | -                  |
| Kingfisher                       | 95      | -                          | -                     | -                  | Aeropostale                     | 1,187    | 12                         | -                     | -                  |
| Land Securities                  | 375     | 3                          | -                     | -                  | AES                             | 62       | 1                          | -                     | -                  |
| Man Group                        | 9,271   | 11                         | 1                     | -                  | Aetna                           | 100      | 3                          | -                     | -                  |
| Misys                            | 256     | 1                          | -                     | -                  | Airgas                          | 100      | 5                          | -                     | -                  |
| Mitchells & Butlers              | 2,200   | 6                          | -                     | -                  | AK Steel Holding                | 576      | 4                          | -                     | -                  |
| Petrofac                         | 1,010   | 14                         | (1)                   | -                  | AkamaiTechnologie               | 700      | 14                         | -                     | -                  |
| Reckitt Benckiser Group          | 143     | 5                          | -                     | -                  | Akorn                           | 400      | 3                          | -                     | -                  |
| Rightmove Group                  | 200     | 3                          | -                     | -                  | Alaska Air                      | 200      | 9                          | -                     | -                  |
| Rio Tinto                        | 934     | 35                         | 1                     | -                  | Align Technology                | 431      | 7                          | -                     | -                  |
| Rolls Royce Group                | 255     | 2                          | -                     | -                  | Allete                          | 100      | 3                          | -                     | -                  |
| SABMiller                        | 12      | -                          | -                     | -                  | Alliant Energy                  | 600      | 16                         | (1)                   | -                  |
| Shaftesbury                      | 287     | 1                          | -                     | -                  | Alliant Techsystems             | 420      | 16                         | -                     | -                  |
| Smith & Nephew                   | 5,640   | 35                         | 1                     | -                  | Allscripts Healthcare Solutions | 2,282    | 27                         | -                     | -                  |
| Smiths Group                     | 3,233   | 31                         | -                     | -                  | Allstate                        | 1,528    | 28                         | (1)                   | -                  |
| Stagecoach Group                 | 9,561   | 26                         | -                     | -                  | Alpha Natural Resources         | 100      | 1                          | -                     | -                  |
| Travis Perkins                   | 1,478   | 13                         | -                     | -                  | American Electric Power         | 100      | 2                          | -                     | -                  |
| TUI Travel                       | 11,661  | 22                         | 3                     | -                  | Ameriprise Financial            | 900      | 30                         | -                     | -                  |
| Ultra Electronics Holdings       | 90      | 1                          | -                     | -                  | Anntaylor Stores                | 1,096    | 17                         | 1                     | -                  |
| Unilever                         | 1,003   | 21                         | -                     | -                  | AO Smith                        | 1,116    | 30                         | -                     | -                  |
| United Business Media            | 1,029   | 6                          | -                     | -                  | AOL                             | 1,600    | 16                         | 1                     | -                  |
| Wood Group (John)                | 496     | 3                          | -                     | -                  | Apache                          | 400      | 25                         | 1                     | -                  |
| Xstrata                          | 386     | 4                          | -                     | -                  | Apollo Group                    | 100      | 3                          | -                     | -                  |
| <b>Short Positions</b>           |         |                            |                       |                    | Apple                           | 100      | 29                         | -                     | -                  |
| Aegis                            | (900)   | (1)                        | -                     | -                  | Arbitron                        | 700      | 16                         | -                     | -                  |
| Aggreko                          | (1,031) | (21)                       | -                     | -                  | Arch Coal                       | 400      | 4                          | -                     | -                  |
| Anglo American                   | (1,034) | (27)                       | -                     | -                  | Arris Group                     | 100      | 1                          | -                     | -                  |
| Antofagasta                      | (4,471) | (58)                       | -                     | -                  | Arthur J.Gallagher & Co         | 200      | 4                          | -                     | -                  |
| Ashtead Group                    | (3,099) | (7)                        | -                     | -                  | Atmos Energy                    | 652      | 13                         | -                     | -                  |
| Associated British Foods         | (1,840) | (21)                       | -                     | -                  | Avery Dennison                  | 2,100    | 38                         | -                     | -                  |
| Aveva Group                      | (1,589) | (25)                       | (1)                   | -                  | Avnet                           | 846      | 19                         | -                     | -                  |
| Aviva                            | (1,444) | (5)                        | -                     | -                  | B&G Foods                       | 300      | 4                          | -                     | -                  |
| BAE Systems                      | (3,768) | (12)                       | -                     | -                  | Babcock & Wilcox                | 300      | 5                          | -                     | -                  |
| Balfour Beatty                   | (859)   | (2)                        | -                     | -                  | Baker Hughes                    | 1,177    | 37                         | 1                     | -                  |
| Barclays                         | (1,461) | (3)                        | -                     | -                  | BancorpSouth                    | 600      | 4                          | -                     | -                  |
| Berkeley Group                   | (1,112) | (14)                       | 1                     | -                  | Bank of Hawaii                  | 100      | 3                          | -                     | -                  |
| British American Tobacco         | (208)   | (6)                        | -                     | -                  | Barnes Group                    | 100      | 2                          | -                     | -                  |
| Bunzl                            | (3,187) | (27)                       | 1                     | -                  | BB&T                            | 1,700    | 29                         | -                     | -                  |
| Burberry Group                   | (3,600) | (48)                       | 1                     | -                  | BE Aerospace                    | 200      | 5                          | -                     | -                  |
| Carnival                         | (303)   | (6)                        | -                     | -                  | Belden                          | 100      | 2                          | -                     | -                  |
| Close Brothers Group             | (400)   | (3)                        | -                     | -                  | Berry Petroleum                 | 100      | 3                          | -                     | -                  |
| Cobham                           | (3,514) | (6)                        | -                     | -                  | Best Buy                        | 700      | 11                         | -                     | -                  |
| Compass Group                    | (9,932) | (59)                       | 2                     | -                  | Bill Barrett                    | 1,713    | 31                         | -                     | -                  |
| Croda International              | (1,213) | (23)                       | -                     | -                  | Blackbaud                       | 200      | 4                          | -                     | -                  |
| Derwent London                   | (832)   | (14)                       | -                     | -                  | BMC Software                    | 600      | 13                         | 1                     | -                  |
| Drax Group                       | (4,763) | (25)                       | (1)                   | -                  | Boeing                          | 200      | 9                          | -                     | -                  |
| Halma                            | (5,269) | (18)                       | -                     | -                  | Brink's                         | 189      | 3                          | -                     | -                  |
| Hikma Pharmaceuticals            | (1,238) | (9)                        | -                     | -                  | Broadcom 'A'                    | 100      | 2                          | -                     | -                  |
| Homeserve                        | (6,398) | (18)                       | 1                     | -                  | Brocade Communications Systems  | 4,500    | 16                         | 1                     | -                  |
| HSBC                             | (295)   | (2)                        | -                     | -                  | Buffalo Wild Wings              | 562      | 23                         | -                     | -                  |
| Hunting                          | (530)   | (4)                        | -                     | -                  | CA                              | 1,100    | 18                         | -                     | -                  |
|                                  |         |                            |                       |                    | Cabot Microelectronic           | 100      | 3                          | -                     | -                  |

# Portfolio statement – continued

As at 31 January 2012

| Investment                       | Holding | Notional exposure<br>£'000 | Market value<br>£'000 | Total net assets % | Investment                    | Holding | Notional exposure<br>£'000 | Market value<br>£'000 | Total net assets % |
|----------------------------------|---------|----------------------------|-----------------------|--------------------|-------------------------------|---------|----------------------------|-----------------------|--------------------|
| Caci International               | 100     | 4                          | -                     | -                  | General Dynamics              | 1,181   | 52                         | (1)                   | -                  |
| Cadence Design Systems           | 164     | 1                          | -                     | -                  | Genuine Parts                 | 280     | 11                         | -                     | -                  |
| Capitol Federal Financial        | 300     | 2                          | -                     | -                  | Genworth Financial            | 4,700   | 23                         | (1)                   | -                  |
| Cardinal Health                  | 300     | 8                          | -                     | -                  | Global Payments               | 868     | 27                         | 1                     | -                  |
| Carefusion                       | 100     | 2                          | -                     | -                  | Gran Tierra Energy            | 1,994   | 7                          | 1                     | -                  |
| Carrizo Oil & Gas                | 2,200   | 35                         | 1                     | -                  | Graphic Packaging Holding     | 1,341   | 4                          | -                     | -                  |
| Cash America International       | 1,010   | 28                         | -                     | -                  | Great Plains Energy           | 1,822   | 24                         | (1)                   | -                  |
| Centerpoint Energy               | 1,409   | 16                         | (1)                   | -                  | Group1 Automotive             | 100     | 3                          | -                     | -                  |
| CenturyLink                      | 100     | 2                          | -                     | -                  | GT Advanced Technologies      | 700     | 4                          | -                     | -                  |
| Children's Place Retail Stores   | 600     | 19                         | -                     | -                  | Gulfmark Offshore             | 100     | 3                          | -                     | -                  |
| Choice Hotels                    | 100     | 2                          | -                     | -                  | Haemonetics                   | 100     | 4                          | -                     | -                  |
| Cincinnati Financial             | 704     | 15                         | -                     | -                  | Hancock Holding               | 295     | 6                          | -                     | -                  |
| Cinemark                         | 3       | -                          | -                     | -                  | Hanover Insurance Group       | 1,144   | 27                         | 1                     | -                  |
| Cisco Systems                    | 1,300   | 16                         | -                     | -                  | Harsco                        | 4,229   | 60                         | 5                     | -                  |
| Clarcor                          | 200     | 7                          | -                     | -                  | Health Management Associates  | 2,700   | 11                         | 1                     | -                  |
| CNA Financial                    | 400     | 7                          | -                     | -                  | Health Net                    | 102     | 2                          | -                     | -                  |
| Coach                            | 852     | 37                         | -                     | -                  | Helix Energy Solutions        | 100     | 1                          | -                     | -                  |
| Coeur D'Alene Minecom            | 1,600   | 29                         | 3                     | -                  | Hershey                       | 200     | 8                          | -                     | -                  |
| Coherent                         | 100     | 4                          | -                     | -                  | Hess                          | 385     | 13                         | (1)                   | -                  |
| Colgate-Palmolive                | 800     | 45                         | -                     | -                  | Hillenbrand                   | 422     | 6                          | -                     | -                  |
| Commercial Metals                | 800     | 7                          | 1                     | -                  | Hill-Rom Holdings             | 3,345   | 70                         | 4                     | -                  |
| Computer Sciences                | 39      | 1                          | -                     | -                  | HNI Corporation               | 100     | 2                          | -                     | -                  |
| Compuware                        | 2,000   | 10                         | -                     | -                  | Hornbeck Offshore Services    | 100     | 2                          | -                     | -                  |
| ConocoPhillips                   | 100     | 4                          | -                     | -                  | Hubbell 'B'                   | 500     | 23                         | -                     | -                  |
| Convergys                        | 100     | 1                          | -                     | -                  | Humana                        | 805     | 45                         | -                     | -                  |
| Converse Technology              | 8,000   | 32                         | -                     | -                  | IAC                           | 400     | 11                         | 1                     | -                  |
| Con-Way                          | 460     | 9                          | 1                     | -                  | Idenix Pharmaceutical         | 851     | 8                          | -                     | -                  |
| Copart                           | 263     | 8                          | -                     | -                  | Impax Laboratories            | 300     | 4                          | -                     | -                  |
| Corning                          | 500     | 4                          | -                     | -                  | Informatica                   | 100     | 3                          | -                     | -                  |
| Costco Wholesale                 | 526     | 27                         | -                     | -                  | Innophos Holding              | 400     | 13                         | 1                     | -                  |
| Covance                          | 300     | 8                          | -                     | -                  | Intercontinental Exchange     | 100     | 7                          | -                     | -                  |
| Covanta Holding                  | 2,149   | 19                         | 1                     | -                  | International Game Technology | 1,728   | 17                         | (2)                   | -                  |
| Coventry Health Care             | 2,610   | 49                         | (1)                   | -                  | International Paper           | 1,012   | 20                         | (1)                   | -                  |
| Cracker Barrel Old Country Store | 160     | 5                          | -                     | -                  | Interpublic Group             | 100     | 1                          | -                     | -                  |
| Crane                            | 700     | 21                         | -                     | -                  | Intuitive Surgical            | 200     | 58                         | 2                     | -                  |
| Crocs                            | 1,325   | 16                         | 1                     | -                  | Itron                         | 855     | 21                         | 1                     | -                  |
| CSX                              | 306     | 4                          | -                     | -                  | ITT                           | 600     | 8                          | -                     | -                  |
| CTC Media                        | 3,298   | 21                         | 2                     | -                  | Jabil Circuit                 | 100     | 1                          | -                     | -                  |
| Cubic                            | 521     | 15                         | 1                     | -                  | JDA Software                  | 800     | 15                         | 1                     | -                  |
| Cubist Pharmaceuticals           | 794     | 20                         | (1)                   | -                  | Jetblue Airways               | 500     | 2                          | -                     | -                  |
| Cullen Frost Bankers             | 1       | -                          | -                     | -                  | John Wiley & Sons             | 6       | -                          | -                     | -                  |
| CVS Caremark                     | 300     | 8                          | -                     | -                  | Joy Global                    | 100     | 6                          | 1                     | -                  |
| Cytec Industries                 | 100     | 3                          | -                     | -                  | Kellogg                       | 100     | 3                          | -                     | -                  |
| Dean Foods                       | 2,221   | 15                         | -                     | -                  | Key Energy Services           | 800     | 7                          | -                     | -                  |
| Deckers Outdoor                  | 100     | 5                          | -                     | -                  | KLA-Tencor                    | 700     | 23                         | (1)                   | -                  |
| Dendreon                         | 38      | -                          | -                     | -                  | Knight Transportation         | 500     | 6                          | -                     | -                  |
| Devry                            | 110     | 3                          | -                     | -                  | Kohl's                        | 616     | 18                         | (1)                   | -                  |
| Dicks Sporting Goods             | 200     | 5                          | -                     | -                  | L-3 Communications Holdings   | 100     | 4                          | -                     | -                  |
| Dillard's 'A'                    | 149     | 4                          | -                     | -                  | Lam Research                  | 100     | 3                          | -                     | -                  |
| DirecTV                          | 1,189   | 34                         | 1                     | -                  | Lamar Advertising             | 227     | 4                          | -                     | -                  |
| Domino's Pizza                   | 100     | 2                          | -                     | -                  | Leggett & Platt               | 600     | 8                          | -                     | -                  |
| Dover                            | 200     | 8                          | -                     | -                  | Lender Processing             | 1,167   | 12                         | 2                     | -                  |
| Dr Horton                        | 500     | 4                          | -                     | -                  | Level 3 Communications        | 100     | 1                          | -                     | -                  |
| DST Systems                      | 832     | 26                         | 1                     | -                  | Liberty Global 'C'            | 93      | 3                          | -                     | -                  |
| Du Pont de Nemours               | 2,100   | 68                         | 2                     | -                  | Lincoln National              | 200     | 3                          | -                     | -                  |
| Eagle Materials                  | 300     | 6                          | -                     | -                  | Linear Technology             | 705     | 15                         | -                     | -                  |
| East West Bancorp                | 400     | 6                          | -                     | -                  | Live Nation Entertainment     | 800     | 5                          | -                     | -                  |
| Eastman Chemical                 | 300     | 10                         | -                     | -                  | Lockheed Martin               | 200     | 10                         | -                     | -                  |
| Eaton                            | 100     | 3                          | -                     | -                  | LSI                           | 12,600  | 61                         | 1                     | -                  |
| eBay                             | 821     | 16                         | -                     | -                  | Marathon Oil                  | 300     | 6                          | -                     | -                  |
| Electronic Arts                  | 1,200   | 14                         | -                     | -                  | Marsh & McLennan              | 700     | 14                         | -                     | -                  |
| EMC                              | 200     | 3                          | -                     | -                  | Martin Marietta               | 200     | 10                         | -                     | -                  |
| Emcor Group                      | 700     | 13                         | -                     | -                  | Maxim Integrated Products     | 700     | 12                         | -                     | -                  |
| Enersys                          | 368     | 7                          | -                     | -                  | Maximus                       | 100     | 3                          | -                     | -                  |
| EQT                              | 984     | 31                         | 1                     | -                  | McGraw-Hill                   | 382     | 11                         | -                     | -                  |
| Erie Indemnity                   | 414     | 20                         | -                     | -                  | McKesson                      | 100     | 5                          | -                     | -                  |
| Evercore Partners                | 700     | 13                         | 1                     | -                  | Medicis Pharmaceutical        | 167     | 3                          | -                     | -                  |
| Exco Resources                   | 600     | 3                          | -                     | -                  | Medivation                    | 320     | 11                         | 1                     | -                  |
| Exelon                           | 861     | 22                         | -                     | -                  | MEMC Electronic Materials     | 4,350   | 13                         | 1                     | -                  |
| F5 Network                       | 191     | 15                         | -                     | -                  | Mentor Graphic                | 500     | 4                          | -                     | -                  |
| Fair Isaac                       | 500     | 12                         | -                     | -                  | Merck                         | 100     | 2                          | -                     | -                  |
| Federal Mogul                    | 100     | 1                          | -                     | -                  | MetroPCS Communications       | 800     | 4                          | -                     | -                  |
| Federated Investors 'B'          | 195     | 2                          | -                     | -                  | Microchip Technology          | 366     | 9                          | -                     | -                  |
| FEI                              | 100     | 3                          | -                     | -                  | Minerals Technologies         | 400     | 16                         | -                     | -                  |
| Fifth Street Finance             | 200     | 1                          | -                     | -                  | MKS Instruments               | 222     | 4                          | -                     | -                  |
| Fifth Third Bancorp              | 1,300   | 11                         | (1)                   | -                  | Molex                         | 200     | 3                          | -                     | -                  |
| Fluor                            | 484     | 17                         | 1                     | -                  | Moody's                       | 400     | 9                          | -                     | -                  |
| Forest City Enterprise           | 100     | 1                          | -                     | -                  | Morningstar                   | 300     | 11                         | -                     | -                  |
| Forest Oil                       | 600     | 5                          | -                     | -                  | MSCI 'A'                      | 200     | 4                          | -                     | -                  |
| Frontier Communications 'B'      | 7,700   | 21                         | (2)                   | -                  | Mylan Laboratories            | 100     | 1                          | -                     | -                  |
| Gap                              | 200     | 2                          | -                     | -                  | National Fuel Gas             | 299     | 10                         | -                     | -                  |
| GATX                             | 925     | 25                         | -                     | -                  | Neustar                       | 600     | 14                         | 1                     | -                  |

# Portfolio statement – continued

As at 31 January 2012

| Investment                       | Holding | Notional exposure<br>£'000 | Market value<br>£'000 | Total net<br>assets % | Investment                    | Holding | Notional exposure<br>£'000 | Market value<br>£'000 | Total net<br>assets % |
|----------------------------------|---------|----------------------------|-----------------------|-----------------------|-------------------------------|---------|----------------------------|-----------------------|-----------------------|
| New York Times                   | 1,400   | 7                          | -                     | -                     | Textron                       | 1,011   | 16                         | 1                     | -                     |
| Newell Rubbermaid                | 300     | 4                          | -                     | -                     | Thermo Fisher Scientific      | 30      | 1                          | -                     | -                     |
| Newfield Exploration             | 100     | 2                          | -                     | -                     | Thomas & Betts                | 300     | 14                         | 2                     | -                     |
| Newmont Mining                   | 600     | 23                         | 1                     | -                     | Timken                        | 466     | 14                         | -                     | -                     |
| NII Holdings                     | 3,000   | 39                         | 1                     | -                     | Titan International           | 100     | 2                          | -                     | -                     |
| Northwestern                     | 100     | 2                          | -                     | -                     | Total System Services         | 4,092   | 55                         | (1)                   | -                     |
| NRG Energy                       | 300     | 3                          | -                     | -                     | Tractor Supply                | 100     | 5                          | -                     | -                     |
| Nuance Communications            | 22      | -                          | -                     | -                     | TRW Automotive                | 553     | 13                         | -                     | -                     |
| Nucor                            | 300     | 8                          | -                     | -                     | TW Telecom                    | 100     | 1                          | -                     | -                     |
| O'Reilly Automotive              | 300     | 16                         | -                     | -                     | Tyson Foods 'A'               | 1,460   | 17                         | -                     | -                     |
| Old Republic International       | 196     | 1                          | -                     | -                     | UGI                           | 1,673   | 28                         | (2)                   | -                     |
| Omnicare                         | 146     | 3                          | -                     | -                     | Umpqua Holdings               | 500     | 4                          | -                     | -                     |
| On Semiconductor                 | 1,800   | 10                         | -                     | -                     | Under Armour 'A'              | 200     | 10                         | -                     | -                     |
| Oshkosh                          | 1,100   | 17                         | -                     | -                     | Unit                          | 1,100   | 31                         | 1                     | -                     |
| Owens-Illinois                   | 1,400   | 22                         | -                     | -                     | United Rental                 | 700     | 17                         | 3                     | -                     |
| Parametric Technology            | 800     | 13                         | -                     | -                     | United States Steel           | 400     | 7                          | -                     | -                     |
| PAREXEL International            | 760     | 10                         | -                     | -                     | United Therapeutics           | 500     | 16                         | 1                     | -                     |
| Patterson-UTI Energy             | 2,229   | 27                         | 1                     | -                     | US Airways Group              | 214     | 1                          | -                     | -                     |
| Penn National Gaming             | 200     | 5                          | -                     | -                     | Valueclick                    | 277     | 3                          | -                     | -                     |
| People's United Financial        | 700     | 6                          | -                     | -                     | Vectren                       | 162     | 3                          | -                     | -                     |
| PepsiCo                          | 700     | 29                         | 1                     | -                     | Verisign                      | 900     | 21                         | 1                     | -                     |
| Pier 1 Imports                   | 100     | 1                          | -                     | -                     | Vertex Pharmaceutical         | 405     | 9                          | -                     | -                     |
| Plexus                           | 1,800   | 41                         | (1)                   | -                     | Viacom 'B'                    | 100     | 3                          | -                     | -                     |
| PNM Resources                    | 200     | 2                          | -                     | -                     | Viropharma                    | 725     | 13                         | -                     | -                     |
| Polaris Industries               | 300     | 12                         | -                     | -                     | VMware 'A'                    | 400     | 23                         | -                     | -                     |
| Polycom                          | 3,800   | 49                         | 2                     | -                     | Walt Disney                   | 5       | -                          | -                     | -                     |
| Polyone                          | 1,179   | 11                         | -                     | -                     | Watson Pharmaceuticals        | 100     | 4                          | -                     | -                     |
| Portfolio Recovery 'A'           | 420     | 17                         | -                     | -                     | Watts Water Technologies      | 600     | 15                         | 1                     | -                     |
| Portland General Electric        | 142     | 2                          | -                     | -                     | Wellcare Health Plans         | 626     | 23                         | -                     | -                     |
| Principal Financial Group        | 968     | 17                         | -                     | -                     | Wells Fargo                   | 1,900   | 35                         | (1)                   | -                     |
| Private Bancorp                  | 500     | 4                          | -                     | -                     | Wesco International           | 300     | 12                         | 1                     | -                     |
| Prosperity Bancshares            | 200     | 5                          | -                     | -                     | Westar Energy                 | 100     | 2                          | -                     | -                     |
| Prudential Financial             | 400     | 15                         | -                     | -                     | Williams-Sonoma               | 400     | 9                          | -                     | -                     |
| Public Service Enterprise Group  | 1,800   | 34                         | (1)                   | -                     | WMS Industries                | 700     | 10                         | -                     | -                     |
| Pulte Group                      | 1,792   | 9                          | -                     | -                     | Wyndham Worldwide             | 100     | 3                          | -                     | -                     |
| QEP Resources                    | 882     | 16                         | 1                     | -                     | Zimmer                        | 1,240   | 48                         | -                     | -                     |
| Quest Diagnostics                | 100     | 4                          | -                     | -                     | <b>Short Positions</b>        |         |                            |                       |                       |
| Quest Software                   | 2,300   | 29                         | 2                     | -                     | Acme Packet                   | (100)   | (2)                        | -                     | -                     |
| Questcor Pharmaceutical          | 175     | 4                          | (1)                   | -                     | Activision Blizzard           | (200)   | (2)                        | -                     | -                     |
| Radioshack                       | 2,407   | 16                         | -                     | -                     | Advent Software               | (200)   | (3)                        | -                     | -                     |
| Raven Industries                 | 100     | 4                          | -                     | -                     | Agilent Technologies          | (44)    | (1)                        | -                     | -                     |
| Raytheon                         | 400     | 12                         | (1)                   | -                     | AGL Resources                 | (7)     | -                          | -                     | -                     |
| Regions Financial                | 3,900   | 13                         | 1                     | -                     | Albemarle                     | (300)   | (12)                       | -                     | -                     |
| Resmed                           | 824     | 15                         | (1)                   | -                     | Alcoa                         | (200)   | (1)                        | -                     | -                     |
| RF Micro Devices                 | 986     | 3                          | -                     | -                     | Alexander & Baldwin           | (200)   | (6)                        | -                     | -                     |
| Rockwood Holdings                | 120     | 4                          | 1                     | -                     | Allegiant Travel              | (200)   | (7)                        | -                     | -                     |
| RPC                              | 100     | 1                          | -                     | -                     | AMC Network 'A'               | (500)   | (13)                       | -                     | -                     |
| Ryder System                     | 268     | 10                         | -                     | -                     | American Capital              | (2,600) | (13)                       | (1)                   | -                     |
| Saic                             | 1,200   | 10                         | -                     | -                     | American Financial Group      | (100)   | (2)                        | -                     | -                     |
| Salix Pharmaceuticals            | 715     | 21                         | -                     | -                     | Amerigroup                    | (1,061) | (46)                       | 1                     | -                     |
| Sally Beauty                     | 1,200   | 16                         | 1                     | -                     | Amphenol                      | (800)   | (27)                       | 1                     | -                     |
| Schweitzer-Mauduit International | 100     | 4                          | -                     | -                     | Amtrust Financial Services    | (600)   | (10)                       | -                     | -                     |
| Scientific Games                 | 60      | -                          | -                     | -                     | Analog Devices                | (700)   | (17)                       | (1)                   | -                     |
| Scripps Networks Interactive     | 400     | 11                         | -                     | -                     | AON                           | (100)   | (3)                        | -                     | -                     |
| Sealed Air                       | 3,248   | 40                         | 2                     | -                     | Apollo Investment             | (2,100) | (10)                       | (1)                   | -                     |
| SEI Investments                  | 1,100   | 13                         | -                     | -                     | Applied Materials             | (1,900) | (15)                       | -                     | -                     |
| Sempra Energy                    | 18      | 1                          | -                     | -                     | Approach Resources            | (502)   | (11)                       | (1)                   | -                     |
| Simpson Manufacturing            | 200     | 4                          | -                     | -                     | Ariad Pharmaceutical          | (300)   | (3)                        | -                     | -                     |
| SLM                              | 100     | 1                          | -                     | -                     | Ariba                         | (100)   | (2)                        | -                     | -                     |
| Smithfield Foods                 | 2,000   | 29                         | -                     | -                     | Armstrong World Industries    | (301)   | (9)                        | -                     | -                     |
| Sohu                             | 227     | 9                          | 1                     | -                     | Aruba Networks                | (2,057) | (29)                       | (1)                   | -                     |
| Spectra Energy                   | 603     | 12                         | -                     | -                     | Ashland                       | (1,226) | (49)                       | -                     | -                     |
| Stanley Black & Decker           | 702     | 31                         | -                     | -                     | Aspen Technology              | (800)   | (9)                        | (1)                   | -                     |
| Starbucks                        | 200     | 6                          | -                     | -                     | Associated Banc               | (300)   | (2)                        | -                     | -                     |
| State Street                     | 133     | 3                          | -                     | -                     | AT&T                          | (1,800) | (33)                       | 1                     | -                     |
| Steel Dynamics                   | 2,526   | 26                         | 1                     | -                     | Athenahealth                  | (800)   | (30)                       | (2)                   | -                     |
| Stericycle                       | 300     | 16                         | -                     | -                     | Atlas Energy                  | (552)   | (9)                        | -                     | -                     |
| Stone Energy                     | 1,601   | 29                         | 1                     | -                     | Atmel                         | (723)   | (5)                        | -                     | -                     |
| Stryker                          | 500     | 17                         | -                     | -                     | Atwood Oceanics               | (955)   | (27)                       | (2)                   | -                     |
| Sunoco                           | 900     | 22                         | 1                     | -                     | Automatic Data Processing     | (1,773) | (62)                       | 1                     | -                     |
| Superior Energy Services         | 2,643   | 46                         | 1                     | -                     | Autozone                      | (20)    | (4)                        | -                     | -                     |
| SVB Financial Group              | 200     | 7                          | 1                     | -                     | Avis Budget Group             | (600)   | (5)                        | (1)                   | -                     |
| Symantec                         | 1,994   | 22                         | 1                     | -                     | Avista                        | (100)   | (2)                        | -                     | -                     |
| Syntel                           | 310     | 9                          | -                     | -                     | Bank of New York Mellon       | (1,000) | (13)                       | 1                     | -                     |
| Sysco                            | 200     | 4                          | -                     | -                     | Becton Dickinson              | (200)   | (10)                       | (1)                   | -                     |
| TD Ameritrade                    | 845     | 9                          | -                     | -                     | BGC Partners                  | (170)   | (1)                        | -                     | -                     |
| Teleflex                         | 200     | 8                          | -                     | -                     | BJ's Restaurants              | (300)   | (9)                        | -                     | -                     |
| Tenneco                          | 900     | 18                         | 1                     | -                     | Black Hills                   | (129)   | (3)                        | -                     | -                     |
| Tesoro                           | 269     | 4                          | -                     | -                     | Block (H & R)                 | (1,100) | (12)                       | -                     | -                     |
| Tessera Technologies             | 500     | 6                          | -                     | -                     | Borgwarner                    | (50)    | (2)                        | -                     | -                     |
| Tetra Tech                       | 700     | 10                         | 1                     | -                     | BRC Diamondcore               | (100)   | (2)                        | -                     | -                     |
| Texas Roadhouse                  | 200     | 2                          | -                     | -                     | Broadridge Financial Solution | (1,300) | (20)                       | -                     | -                     |

# Portfolio statement – continued

As at 31 January 2012

| Investment                             | Holding | Notional | Market | Total net | Investment                        | Holding | Notional | Market | Total net |
|--|---------|----------|--------|-----------|-----------------------------------|---------|----------|--------|-----------|
|  |         | exposure | value  |           |                                   |         | exposure | value  |           |
|  |         | £'000    | £'000  | assets %  |                                   |         | £'000    | £'000  | assets %  |
| Brookdale Senior Living                | (523)   | (6)      | (1)    | -         | General Cable                     | (297)   | (6)      | (1)    | -         |
| Bruker                                 | (1,200) | (11)     | -      | -         | GEO Group                         | (642)   | (7)      | -      | -         |
| Brunswick                              | (600)   | (8)      | -      | -         | Goldman Sachs                     | (533)   | (37)     | (1)    | -         |
| Buckeye Technologies                   | (200)   | (4)      | 1      | -         | Goodyear Tire & Rubber            | (200)   | (2)      | -      | -         |
| Cabela's                               | (709)   | (12)     | (1)    | -         | Graftech International            | (1,087) | (11)     | (1)    | -         |
| Cameron International                  | (100)   | (3)      | -      | -         | Granite Construction              | (300)   | (5)      | -      | -         |
| Capitalsource                          | (200)   | (1)      | -      | -         | Green Mountain Coffee             | (100)   | (3)      | -      | -         |
| Carmax Group                           | (1,245) | (25)     | 1      | -         | Greif 'A'                         | (100)   | (3)      | -      | -         |
| Carpenter Technology                   | (100)   | (3)      | -      | -         | Gulfport Energy                   | (529)   | (11)     | -      | -         |
| Catalyst Health Solutions              | (300)   | (11)     | -      | -         | Halliburton                       | (54)    | (1)      | -      | -         |
| Cavium                                 | (900)   | (18)     | -      | -         | Harman International Industries   | (100)   | (3)      | -      | -         |
| CBRE Group                             | (165)   | (2)      | -      | -         | Hasbro                            | (300)   | (7)      | -      | -         |
| Centene                                | (200)   | (6)      | -      | -         | HCC Insurance                     | (942)   | (17)     | -      | -         |
| Cepheid                                | (100)   | (3)      | (1)    | -         | Healthcare Services Group         | (42)    | -        | -      | -         |
| Cheniere Energy                        | (100)   | (1)      | -      | -         | Healthsouth                       | (340)   | (4)      | -      | -         |
| Cigna                                  | (17)    | -        | -      | -         | Hecla Mining                      | (1,000) | (3)      | -      | -         |
| Cintas Corp                            | (300)   | (7)      | -      | -         | Henry Schein                      | (200)   | (9)      | -      | -         |
| Cirrus Logic                           | (500)   | (7)      | -      | -         | Hexcel                            | (370)   | (6)      | -      | -         |
| Citigroup                              | (200)   | (4)      | -      | -         | Hittite Microwave                 | (293)   | (10)     | -      | -         |
| Clean Harbors                          | (31)    | (1)      | -      | -         | HMS Holdings                      | (269)   | (6)      | -      | -         |
| Cliffs Natural Resources               | (400)   | (18)     | -      | -         | Holly Frontier                    | (2,322) | (44)     | (3)    | -         |
| CNO Financial Group                    | (6,000) | (25)     | -      | -         | Hologic                           | (300)   | (4)      | -      | -         |
| Coca-Cola Enterprises                  | (134)   | (2)      | -      | -         | Hormel Foods                      | (139)   | (3)      | -      | -         |
| Cognex                                 | (313)   | (8)      | -      | -         | Hospira                           | (896)   | (20)     | (1)    | -         |
| Collective Brands                      | (1,400) | (15)     | -      | -         | Hudson City Bank                  | (3,750) | (16)     | -      | -         |
| Comcast 'A'                            | (400)   | (7)      | -      | -         | Human Genome                      | (442)   | (3)      | (1)    | -         |
| Community Health Systems               | (1)     | -        | -      | -         | Huntington Bancshares             | (100)   | -        | -      | -         |
| Commvault Systems                      | (100)   | (3)      | -      | -         | Huntington Ingalls Industries     | (583)   | (14)     | -      | -         |
| Conagra Foods                          | (100)   | (2)      | -      | -         | IDEXX Laboratories                | (200)   | (11)     | -      | -         |
| Concho Resources                       | (300)   | (20)     | -      | -         | II-VI                             | (500)   | (7)      | (1)    | -         |
| Concur Technologies                    | (400)   | (13)     | (1)    | -         | Immunogen                         | (300)   | (3)      | -      | -         |
| Constellation Brands 'A'               | (400)   | (5)      | -      | -         | Interdigital                      | (200)   | (5)      | -      | -         |
| Contango Ore                           | (3)     | -        | -      | -         | International Rectifier           | (1,300) | (19)     | -      | -         |
| Continental Resources                  | (349)   | (18)     | (1)    | -         | Intrepid Potash                   | (100)   | (2)      | -      | -         |
| CoreLogic                              | (100)   | (1)      | -      | -         | Inverness Medical                 | (200)   | (3)      | -      | -         |
| Corn Products                          | (264)   | (9)      | -      | -         | Invitrogen                        | (281)   | (9)      | -      | -         |
| Corrections Corporation of America     | (400)   | (6)      | -      | -         | Janus Capital Group               | (400)   | (2)      | -      | -         |
| Cree                                   | (1,115) | (18)     | 1      | -         | Jazz Pharmaceuticals              | (10)    | -        | -      | -         |
| Crown Castle International             | (100)   | (3)      | -      | -         | JC Penney                         | (500)   | (13)     | (3)    | -         |
| CVB Financial                          | (1,300) | (9)      | 1      | -         | Johnson Controls                  | (3,300) | (67)     | -      | -         |
| CVR Energy                             | (800)   | (13)     | (1)    | -         | Kansas City Southern              | (200)   | (9)      | (1)    | -         |
| Dana Holding                           | (687)   | (6)      | -      | -         | Kaydon                            | (200)   | (4)      | -      | -         |
| Darden Restaurants                     | (1,100) | (32)     | (1)    | -         | KBR                               | (600)   | (12)     | -      | -         |
| DealerTrack                            | (100)   | (2)      | -      | -         | Kennametal                        | (300)   | (8)      | -      | -         |
| Deere & Co                             | (294)   | (16)     | (1)    | -         | Key                               | (200)   | (1)      | -      | -         |
| Dell                                   | (100)   | (1)      | -      | -         | Knight Capital                    | (100)   | (1)      | -      | -         |
| Delta Air Lines                        | (300)   | (2)      | -      | -         | Laboratory Corporation of America | (300)   | (17)     | (1)    | -         |
| Denbury                                | (1,290) | (15)     | (1)    | -         | Lennar                            | (928)   | (13)     | -      | -         |
| DENTSPLY International                 | (700)   | (17)     | -      | -         | Leucadia National                 | (900)   | (16)     | (2)    | -         |
| Diamond Offshore                       | (300)   | (12)     | -      | -         | Liberty Global 'A'                | (718)   | (21)     | -      | -         |
| Diebold                                | (240)   | (5)      | -      | -         | Lifetime Fitness                  | (100)   | (3)      | -      | -         |
| Discover Financial Services            | (1,100) | (19)     | -      | -         | Limited Brands                    | (400)   | (10)     | -      | -         |
| Dominion Resources                     | (417)   | (13)     | 1      | -         | Lincare                           | (143)   | (2)      | -      | -         |
| Donaldson                              | (456)   | (21)     | -      | -         | Louisiana-Pacific                 | (1,635) | (9)      | -      | -         |
| Dreamworks Animation SKG 'A'           | (1,618) | (18)     | (1)    | -         | Lululemon Athletica               | (400)   | (16)     | (1)    | -         |
| Dril Quip                              | (326)   | (14)     | (1)    | -         | Manitowoc                         | (200)   | (2)      | -      | -         |
| Duke Energy                            | (2,100) | (28)     | -      | -         | Manpower                          | (123)   | (3)      | -      | -         |
| E Trade Financial                      | (3,200) | (17)     | 1      | -         | Masimo                            | (200)   | (3)      | -      | -         |
| Eaton Vance                            | (53)    | (1)      | -      | -         | Mattel                            | (207)   | (4)      | -      | -         |
| El Paso Electric                       | (143)   | (3)      | -      | -         | McCormick & Co                    | (200)   | (6)      | -      | -         |
| Electronics for Imaging                | (525)   | (6)      | (1)    | -         | McMoran Exploration               | (2,441) | (19)     | 2      | -         |
| Eli Lilly & Co                         | (100)   | (2)      | -      | -         | Meadwestvaco                      | (600)   | (11)     | -      | -         |
| Esterline Technologies                 | (187)   | (7)      | -      | -         | Mens Wearhouse                    | (100)   | (2)      | -      | -         |
| Expedia                                | (2,650) | (54)     | (3)    | -         | Meredith                          | (100)   | (2)      | -      | -         |
| Expeditors International of Washington | (100)   | (3)      | -      | -         | Metlife                           | (100)   | (2)      | -      | -         |
| Express Script                         | (100)   | (3)      | -      | -         | Mettler Toledo                    | (100)   | (11)     | (1)    | -         |
| Fairchild Semiconductor International  | (300)   | (3)      | -      | -         | MGE Energy                        | (496)   | (14)     | (1)    | -         |
| Fastenal                               | (100)   | (3)      | -      | -         | MGM Mirage                        | (807)   | (7)      | -      | -         |
| Fedex                                  | (200)   | (12)     | -      | -         | Microsemi                         | (388)   | (5)      | -      | -         |
| Finisar                                | (357)   | (5)      | -      | -         | Microsoft                         | (900)   | (17)     | -      | -         |
| Finish Line                            | (100)   | (1)      | -      | -         | Molina Healthcare                 | (200)   | (4)      | -      | -         |
| First American Financial               | (500)   | (5)      | -      | -         | Molson Coors Brewing              | (505)   | (14)     | 1      | -         |
| First Horizon National                 | (5,800) | (32)     | 1      | -         | Moneygram International           | (900)   | (10)     | -      | -         |
| First Niagara Financial Group          | (3,500) | (21)     | -      | -         | Monro Muffler                     | (195)   | (5)      | (1)    | -         |
| FMC Technologies                       | (297)   | (10)     | -      | -         | Mosaic                            | (1,829) | (65)     | (1)    | -         |
| FNB                                    | (500)   | (4)      | -      | -         | Motorola Solutions                | (1,000) | (29)     | -      | -         |
| Ford Motor Company                     | (1,400) | (11)     | -      | -         | Mueller                           | (300)   | (8)      | (1)    | -         |
| Forest Laboratories                    | (400)   | (8)      | -      | -         | Murphy Oil                        | (200)   | (8)      | -      | -         |
| Fossil                                 | (200)   | (12)     | -      | -         | Netflix                           | (100)   | (8)      | (1)    | -         |
| Freeport-McMoRan Copper & Gold         | (800)   | (23)     | (1)    | -         | New Jersey Resources              | (300)   | (9)      | -      | -         |
| Gamestop 'A'                           | (300)   | (5)      | -      | -         | News Corp 'B'                     | (200)   | (2)      | -      | -         |
| Gen Probe                              | (600)   | (26)     | (1)    | -         | Nextera Energy                    | (200)   | (8)      | -      | -         |





## Portfolio movements

For the year ending 31 January 2012

|  | £'000         |  | £'000           |
|--|---------------|--|-----------------|
| <b>Total of all purchases for the year</b> | <b>50,234</b> | <b>Total of all sales for the year</b> | <b>49,898</b>   |
| <b>Major purchases</b>                     | <b>Cost</b>   | <b>Major sales</b>                     | <b>Proceeds</b> |
| Treasury 0% 31 Oct 2011                    | 2,997         | Treasury 0% 6 Jun 2011                 | 4,498           |
| Treasury 0% 30 Apr 2012                    | 2,996         | Treasury 0% 31 Oct 2011                | 3,000           |
| Treasury 0% 6 Jun 2011                     | 2,995         | Treasury 0% 26 Apr 2011                | 2,500           |
| Treasury 0% 4 Jul 2011                     | 1,999         | Treasury 0% 7 Mar 2011                 | 2,300           |
| Treasury 0% 26 Apr 2011                    | 1,998         | Treasury 0% 14 Feb 2011                | 2,000           |
| Treasury 0% 27 Jun 2011                    | 1,998         | Treasury 0% 28 Mar 2011                | 2,000           |
| Treasury 0% 30 Jan 2012                    | 1,998         | Treasury 0% 4 Jul 2011                 | 2,000           |
| Treasury 0% 26 Sep 2011                    | 1,998         | Treasury 0% 1 Aug 2011                 | 2,000           |
| Treasury 0% 3 Oct 2011                     | 1,997         | Treasury 0% 27 Jun 2011                | 2,000           |
| Treasury 0% 1 Aug 2011                     | 1,997         | Treasury 0% 26 Sep 2011                | 2,000           |
| Treasury 0% 10 Apr 2012                    | 1,908         | Treasury 0% 3 Oct 2011                 | 2,000           |
| Treasury 0% 5 Dec 2011                     | 1,698         | Treasury 0% 30 Jan 2012                | 2,000           |
| Treasury 0% 5 Sep 2011                     | 1,698         | Treasury 0% 3 May 2011                 | 1,700           |
| Treasury 0% 14 Nov 2011                    | 1,500         | Treasury 0% 5 Sep 2011                 | 1,700           |
| Treasury 0% 13 Feb 2012                    | 1,498         | Treasury 0% 5 Dec 2011                 | 1,700           |
| Treasury 0% 24 Oct 2011                    | 1,498         | Treasury 0% 25 Jul 2011                | 1,500           |
| Treasury 0% 25 Jul 2011                    | 1,498         | Treasury 0% 24 Oct 2011                | 1,500           |
| Treasury 0% 23 Jan 2012                    | 1,000         | Treasury 0% 14 Nov 2011                | 1,500           |
| Treasury 0% 19 Dec 2011                    | 1,000         | Treasury 0% 9 May 2011                 | 1,000           |
| Treasury 0% 23 May 2011                    | 1,000         | Treasury 0% 23 May 2011                | 1,000           |

# Financial statements

## Statement of total return

For the year ending 31 January

|   | £'000 | 2012<br>£'000 | £'000 | 2011<br>£'000 |
|---|-------|---------------|-------|---------------|
| Income  |       |               |       |               |
| Net capital gains (Note 1)  |       | 440           |       | 508           |
| Revenue (Note 2)  | 29    |               | 15    |               |
| Expenses (Note 3)   | (224) |               | (103) |               |
| Performance fee (Note 3)  | (31)  |               | (76)  |               |
| Net expense before taxation   | (226) |               | (164) |               |
| Taxation (Note 4)   | -     |               | -     |               |
| Net expense after taxation  |       | (226)         |       | (164)         |
| <b>Total return before distributions</b>  |       | <b>214</b>    |       | <b>344</b>    |
| Finance costs: Distributions (Note 5)   |       | -             |       | (1)           |
| <b>Change in net assets attributable to shareholders from investment activities</b> |       | <b>214</b>    |       | <b>343</b>    |

## Balance sheet

As at 31 January

|  | £'000 | 2012<br>£'000 | £'000 | 2011<br>£'000 |
|--|-------|---------------|-------|---------------|
| <b>ASSETS</b>                                  |       |               |       |               |
| Investment assets                              |       | 12,546        |       | 12,076        |
| Debtors (Note 7)                               | 166   |               | 84    |               |
| Cash and bank balances (Note 8)                | 392   |               | 630   |               |
| <b>Total other assets</b>                      |       | <b>558</b>    |       | <b>714</b>    |
| <b>Total assets</b>                            |       | <b>13,104</b> |       | <b>12,790</b> |
| <b>LIABILITIES</b>                             |       |               |       |               |
| Investment liabilities                         |       | (311)         |       | (207)         |
| Creditors (Note 9)                             | (57)  |               | (99)  |               |
| <b>Total other liabilities</b>                 |       | <b>(57)</b>   |       | <b>(99)</b>   |
| <b>Total liabilities</b>                       |       | <b>(368)</b>  |       | <b>(306)</b>  |
| <b>Net assets attributable to shareholders</b> |       | <b>12,736</b> |       | <b>12,484</b> |

The notes to these financial statements are shown on pages 178 to 179.

## Statement of change in net assets attributable to shareholders

For the year ending 31 January

|  | £'000 | 2012<br>£'000 | £'000  | 2011<br>£'000 |
|--|-------|---------------|--------|---------------|
| <b>Opening net assets attributable to shareholders</b>                                   |       | <b>12,484</b> |        | <b>-</b>      |
| Amounts receivable on issue of shares  | 97    |               | 12,142 |               |
| Amounts payable on cancellation of shares  | (59)  |               | (1)    |               |
|  |       | 38            |        | 12,141        |
| Change in net assets attributable to shareholders from investment activities (see above) |       | 214           |        | 343           |
| <b>Closing net assets attributable to shareholders</b>                                   |       | <b>12,736</b> |        | <b>12,484</b> |

# Notes to the financial statements for the year ending 31 January 2012

## 1. Net capital gains

|                           | 2012       | 2011       |
|---------------------------|------------|------------|
|                           | £'000      | £'000      |
| Currency losses           | -          | (17)       |
| Derivative contracts      | 441        | 509        |
| Non-derivative securities | (1)        | 16         |
| Net capital gains         | <u>440</u> | <u>508</u> |

## 2. Revenue

|   | 2012      | 2011      |
|---|-----------|-----------|
|   | £'000     | £'000     |
| Income from contracts for difference    | (35)      | (13)      |
| Income from overseas equity investments | -         | 3         |
| Interest on fixed-interest securities   | 64        | 25        |
| Total revenue                           | <u>29</u> | <u>15</u> |

## 3. Expenses

|  | 2012       | 2011       |
|--|------------|------------|
|  | £'000      | £'000      |
| <b>Payable to the ACD or associate of the ACD:</b> |            |            |
| ACD fee  | 189        | 87         |
| Fixed expenses                                     | 35         | 16         |
| Performance fee                                    | 31         | 76         |
| Total expenses                                     | <u>255</u> | <u>179</u> |

## 4. Taxation

|   | 2012        | 2011        |
|---|-------------|-------------|
|   | £'000       | £'000       |
| <b>a) Analysis of charge in the year</b>  |             |             |
| Current year tax charge (Note 4b)   | <u>-</u>    | <u>-</u>    |
| <b>b) Factors affecting the tax charge for the year</b>   |             |             |
| The tax assessed for the year is nil. This is different than the standard rate of corporation tax in the UK for an Open-Ended Investment Company (OEIC) (20%). The differences are explained below. |             |             |
| Net expenses before taxation  | (226)       | (164)       |
| Corporation tax at 20%  | <u>(45)</u> | <u>(33)</u> |
| Effects of:   |             |             |
| Excess expenses for which no relief taken   | 45          | 33          |
|   | <u>45</u>   | <u>33</u>   |
| Current year tax charge (Note 4a)   | <u>-</u>    | <u>-</u>    |

No deferred tax asset has been recognised in the financial statements. At the year end date, the fund had a deferred tax asset of £78,185 (31.01.11: £33,028) in relation to £390,924 (31.01.11: £165,138) of excess management expenses which would only be utilised to reduce the tax charge if the fund had an excess of unfranked income over expenses in a future period. There is no excess of unfranked income expected in the future.

## 5. Finance costs

### Distributions

The distributions take account of amounts receivable on the issue of shares and amounts payable on the cancellation of shares and comprise:

|  | 2012     | 2011     |
|--|----------|----------|
|  | £'000    | £'000    |
| Final interest distribution                    | -        | -        |
| Add: Amounts payable on cancellation of shares | (1)      | -        |
| Deduct: Amounts receivable on issue of shares  | 1        | 1        |
| Total finance costs                            | <u>-</u> | <u>1</u> |

Details of the distribution per share are set out on page 180.

## 6. Movement between net expense after taxation and distributions

|                                       | 2012     | 2011     |
|---------------------------------------|----------|----------|
|                                       | £'000    | £'000    |
| Net expense after taxation            | (226)    | (164)    |
| Add: Net expense payable from capital | 226      | 165      |
|                                       | <u>-</u> | <u>1</u> |

## 7. Debtors

|  | 2012       | 2011      |
|--|------------|-----------|
|  | £'000      | £'000     |
| Due from brokers on contracts for difference | 166        | 84        |
| Total debtors                                | <u>166</u> | <u>84</u> |

## 8. Cash and bank balances

|                        | 2012       | 2011       |
|------------------------|------------|------------|
|                        | £'000      | £'000      |
| Cash and bank balances | <u>392</u> | <u>630</u> |

## 9. Creditors

|  | 2012      | 2011      |
|--|-----------|-----------|
|  | £'000     | £'000     |
| Accrued expenses                           | 50        | 95        |
| Due to brokers on contracts for difference | 7         | 4         |
| Total creditors                            | <u>57</u> | <u>99</u> |

## 10. Portfolio transaction costs

No portfolio transactions costs were incurred during the current or prior year.

## Notes to the financial statements – continued

### 11. Related party transactions

JPMorgan Funds Limited, as Authorised Corporate Director (“ACD”), is a related party, and acts as principal in respect of all transactions of shares in the Company. The aggregate monies received through issue, and paid on cancellation, are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

The balance due to the ACD and their associates at the year end date in respect of related party transactions was £49,785 (31.01.11: £95,204). Details of related party transactions are given under note 13 on page 389.

Investments considered to be related parties have been identified in the portfolio statement on pages 163 to 175 and the revenue from these investments was £7,485 (31.01.11: £3,000).

The following party held a material interest in the fund at the year end date:

- JPMorgan Investments Limited 98.56% (31.01.11: 98.85%)

| Currency        | Total liabilities<br>£'000 | Floating rate financial liabilities<br>£'000 | Financial liabilities not carrying any interest<br>£'000 |
|-----------------|----------------------------|--|--|
| <b>31.01.12</b> |                            |  |  |
| UK Sterling     | 50                         | -  | 50   |
| Swiss Franc     | 4                          | -  | 4  |
| Danish Krone    | 3                          | -  | 3  |
| <b>31.01.11</b> |                            |  |  |
| UK Sterling     | 96                         | -  | 96   |
| Norwegian Krone | 1                          | -  | 1  |
| Swedish Krona   | 1                          | -  | 1  |
| Swiss Franc     | 1                          | -  | 1  |

For consideration of other risks including liquidity, pricing and credit risk, please refer to the notes to the aggregated financial statements, pages 389 to 390.

### 12. Financial instruments

#### Currency exposures

A proportion of the net assets of the fund are denominated in currencies other than sterling, with the effect that the Balance sheet and total return can be affected by currency movements.

| Currency        | Net foreign currency assets |                             |                                 |
|-----------------|-----------------------------|-----------------------------|---------------------------------|
|                 | Total<br>£'000              | Monetary exposures<br>£'000 | Non-monetary exposures<br>£'000 |
| <b>31.01.12</b> |                             |                             |                                 |
| US Dollar       | 38                          | 55                          | (17)                            |
| Euro            | 36                          | 45                          | (9)                             |
| Norwegian Krone | 17                          | 15                          | 2                               |
| Swedish Krona   | 15                          | 18                          | (3)                             |
| Swiss Franc     | 11                          | 9                           | 2                               |
| Danish Krone    | (2)                         | 2                           | (4)                             |
| <b>31.01.11</b> |                             |                             |                                 |
| US Dollar       | 40                          | 38                          | 2                               |
| Euro            | 31                          | 28                          | 3                               |
| Swedish Krona   | 8                           | 8                           | -                               |
| Swiss Franc     | 7                           | 7                           | -                               |
| Danish Krone    | 1                           | 1                           | -                               |
| Norwegian Krone | (1)                         | (1)                         | -                               |

#### Interest rate risk

The tables below detail the interest rate profile of the fund's assets and liabilities as at the year end.

| Currency        | Total assets<br>£'000 | Floating rate financial assets<br>£'000 | Fixed rate financial assets<br>£'000 | Financial assets not carrying any interest<br>£'000 |
|-----------------|-----------------------|---|--------------------------------------|---|
| <b>31.01.12</b> |                       |   |                                      |   |
| UK Sterling     | 12,671                | 1,192                                   | -                                    | 11,479  |
| US Dollar       | 38                    | 1                                       | -                                    | 37  |
| Euro            | 36                    | 33                                      | -                                    | 3   |
| Norwegian Krone | 17                    | 14                                      | -                                    | 3   |
| Swiss Franc     | 15                    | 13                                      | -                                    | 2   |
| Swedish Krona   | 15                    | 9                                       | -                                    | 6   |
| Danish Krone    | 1                     | 5                                       | -                                    | (4)   |
| <b>31.01.11</b> |                       |   |                                      |   |
| UK Sterling     | 12,494                | 592                                     | -                                    | 11,902  |
| US Dollar       | 40                    | -                                       | -                                    | 40  |
| Euro            | 31                    | 22                                      | -                                    | 9   |
| Swedish Krona   | 9                     | 8                                       | -                                    | 1   |
| Swiss Franc     | 8                     | 7                                       | -                                    | 1   |
| Danish Krone    | 1                     | 1                                       | -                                    | -   |

The floating rate financial assets are bank balances that bear interest at rates based on LIBOR or its overseas equivalent.

### 13. Share classes

The fund currently has one share class; Class A shares. The Authorised Corporate Director's (ACD) fee and fixed expenses charge are shown below.

| Class A shares: | ACD fee | Fixed expenses | Performance fee |
|-----------------|---------|----------------|-----------------|
|                 | 1.50%   | 0.28%          | maximum of 20%  |

The performance fee is calculated as 20% of any outperformance of the Fund against its benchmarks, British Bankers Association (BBA) Libor GBP and Overnight Index (Total Return Gross). If the net asset value per share under-performs the benchmark for one or more accounting periods the ACD will not receive a performance fee until that under-performance has been recovered. The performance fee is also subject a high-water mark, where the ACD will not receive a performance fee until the net asset value per share has exceeded the net asset value per share at the end of the last accounting period when a performance fee was charged. Full details on how the performance fee is calculated can be found in the Prospectus.

The net asset value, the net asset value per share and the number of shares are shown on page 162.

### 14. Derivatives

The fund enters into derivative transactions in the form of forward currency contracts and contracts for difference. The fund may use derivatives for investment purposes or efficient portfolio management including hedging, where appropriate.

The Investment Adviser assesses the market risk of the fund's investments, including derivative exposure, using historical simulation methodology. This process provides an estimate of the maximum potential loss that could be expected to occur as a result of changes in market prices over a given period of time in all but a given percentage of circumstances. The VaR is calculated on a 99% confidence level with a 20 day horizon & 250 days of history. As at the balance date the VaR was 1.48%.

Further information on the derivative risks can be found in the notes to the aggregated financial statements on page 390.

# Distribution table

## Final interest distribution in pence per share

Group 1 – Shares purchased prior to 1 February 2011

Group 2 – Shares purchased 1 February 2011 to 31 January 2012

|                                    | Gross<br>revenue | Tax<br>at 20% | Net<br>revenue | Equalisation | Distribution<br>payable |          |
|------------------------------------|------------------|---------------|----------------|--------------|-------------------------|----------|
|                                    |                  |               |                |              | 30.04.12                | 30.04.11 |
| <b>A-Class Accumulation Shares</b> |                  |               |                |              |                         |          |
| Group 1                            | 0.000000         | 0.000000      | 0.000000       | -            | 0.000000                | 0.000000 |
| Group 2                            | 0.000000         | 0.000000      | 0.000000       | 0.000000     | 0.000000                | 0.000000 |

Equalisation applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of revenue included in the purchase price of all group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

# JPM Institutional Asia Fund

## Important information

### Change of Depositary

As part of an internal re-structuring, The Royal Bank of Scotland plc has transferred its Trustee and Depositary Services business from The Royal Bank of Scotland plc to National Westminster Bank plc and consequently National Westminster Bank plc has been appointed as Depositary of the Fund with effect from 15 October 2011.

As Depositary, National Westminster Bank plc will have the same duties and responsibilities as The Royal Bank of Scotland plc and this change will have no impact on the way the Fund operates.

### Investment objective and policy

To invest in a portfolio of securities in the markets of Asia (excluding Japan) and Australasia. The current policy is to invest for capital growth without any distribution target.

### Risk profile

This equity based Fund is designed for institutional investors looking for broad market exposure (which may include emerging markets and smaller companies) to stock markets across the Asia (ex-Japan) and Australasia regions.

Equity investment is subject to specific risks relating to the performance of the individual companies held and the market's perception of their performance. Equities are also subject to systematic risks such as general economic conditions, inflation, interest rates, foreign exchange rates and industry sector risks. In general terms, equities tend to be more volatile than bonds.

The Fund may be invested in emerging markets, which may be subject to additional political and economic risks, low liquidity, poor transparency and greater financial risks.

The underlying assets of the Fund are denominated in currencies other than Sterling and are not hedged back to Sterling. Investors will therefore be exposed to the currency risk of fluctuations between Sterling and the currency denomination of the underlying assets.

### Fund review

For the 12-month review period, the Fund delivered a negative return and underperformed its benchmark. Country allocation was slightly detrimental, while stock selection was disappointing, particularly in Korea, where we were overweight cheap financials/cyclicals and underweight autos. On the positive side, our stock picks in China added value.

After the rebound in 2010, Asian markets started 2011 on a muted note, with inflation concerns emerging and thus fears about policy tightening. The European debt crisis also attracted a lot of investor attention. Overall, ASEAN markets (excluding Singapore) were relative outperformers as they were subject to less policy risk and their corporates were seeing stable earnings growth. Australia was almost flat. Korea fell, but performed in line with the broader region as exporters continued to gain market share on the cheap Korean won and product innovation. Greater China markets underperformed because of concerns over a possible hardlanding for the Chinese economy, plus uncertainties surrounding the presidential election in Taiwan. The worst performing market was India, which was hit by high inflation, earnings downgrades and policy paralysis.

## Fund outlook

Given that Asian markets have already risen 15% in the first two months of 2012, it should not be surprising to see the market consolidate due to a combination of the strong rise in the oil price and lacklustre earnings reports. The liquidity support from developed market central banks remaining accommodative and emerging market central banks continuing to ease should remain conducive to rising asset prices. Valuations will also stay attractive even after marginal earnings-per-share downgrades, particularly in large cap China. We have therefore added to Chinese financials and attractively valued cyclicals. The portfolio is now overweight the domestic-driven markets including China, India, Thailand and Indonesia.

### 12 month performance as at 31 January

|   | 2012         | 2011         | 2010         | 2009          | 2008         |
|---|--------------|--------------|--------------|---------------|--------------|
| <b>JPM Institutional Asia I-Class Acc</b> | <b>-8.4%</b> | <b>27.4%</b> | <b>50.4%</b> | <b>-26.9%</b> | <b>15.1%</b> |
| <b>JPM Institutional Asia X-Class Inc</b> | <b>-7.7%</b> | <b>28.1%</b> | <b>51.3%</b> | <b>-26.5%</b> | <b>15.6%</b> |
| <b>Benchmark Index<sup>a</sup></b>        | <b>-4.2%</b> | <b>25.6%</b> | <b>56.2%</b> | <b>-29.2%</b> | <b>15.2%</b> |

### Fund statistics

|                              |   |
|------------------------------|---|
| Fund size                    | £320.8m   |
| Benchmark Index <sup>a</sup> | FTSE All World Asia Pacific ex Japan Index (Total Return Net) |
| Fund charges                 | Initial Nil, Annual 0.70% On application <sup>b</sup>         |
| I-Class                      |   |
| X-Class                      |   |

### Top ten holdings

|   | %   |
|---|-----|
| BHP Billiton                              | 4.0 |
| Samsung Electronics                       | 3.5 |
| China Construction Bank 'H'               | 3.1 |
| Australia & New Zealand Bank Group        | 2.5 |
| China Mobile                              | 2.4 |
| Industrial & Commercial Bank of China 'H' | 2.4 |
| Jardine Matheson                          | 2.4 |
| Wharf                                     | 2.4 |
| KB Financial Group                        | 2.3 |
| Singapore Telecommunications              | 2.1 |

You should remember that past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. For specific risks, please read the Simplified Prospectus.

All performance returns are calculated using the quoted price of the accumulation or income shares. Performance returns are in Sterling.

Source: J.P. Morgan.

<sup>a</sup> On 01/08/09 the benchmark for the Fund changed from FTSE World Asia Pacific ex Japan (Total Return Net) to FTSE All World Asia Pacific ex Japan Index (Total Return Net).

<sup>b</sup> As agreed from time to time between the ACD and the relevant JPMorgan Chase & Co. entity.

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## Geographical breakdown

|                  | %    |
|------------------|------|
| Hong Kong        | 19.4 |
| Australia        | 18.5 |
| China            | 13.9 |
| South Korea      | 12.4 |
| India            | 8.8  |
| Taiwan           | 7.2  |
| Indonesia        | 3.6  |
| Singapore        | 3.5  |
| Thailand         | 3.5  |
| Malaysia         | 0.4  |
| New Zealand      | 0.4  |
| Futures          | 0.2  |
| Net other assets | 8.2  |

## Highest/lowest share price and distribution record

| Calendar year                                  | Highest share price | Lowest share price | Distribution per share (net) |
|--|---------------------|--------------------|------------------------------|
| <b>H-Class Accumulation Shares<sup>c</sup></b> |                     |                    |                              |
| 2009   | 163.0p              | 93.27p             | -                            |
| 2010 <sup>d</sup>                              | 168.3p              | 149.9p             | 0.59p                        |
| <b>I-Class Accumulation Shares</b>             |                     |                    |                              |
| 2007   | 235.9p              | 158.3p             | 2.10p                        |
| 2008   | 217.2p              | 112.0p             | 2.66p                        |
| 2009   | 224.6p              | 128.5p             | 3.83p                        |
| 2010   | 275.9p              | 205.2p             | 3.22p                        |
| 2011   | 279.4p              | 199.2p             | 4.30p                        |
| 2012 <sup>e</sup>                              | 244.1p              | 225.0p             | 4.68p                        |
| <b>X-Class Income Shares</b>                   |                     |                    |                              |
| 2007   | 221.9p              | 148.5p             | 2.66p                        |
| 2008   | 204.5p              | 103.9p             | 3.38p                        |
| 2009   | 202.7p              | 114.6p             | 4.43p                        |
| 2010   | 246.0p              | 182.0p             | 3.49p                        |
| 2011   | 249.2p              | 174.5p             | 5.22p                        |
| 2012 <sup>e</sup>                              | 214.3p              | 197.4p             | 5.49p                        |

<sup>c</sup> H-Class Accumulation Shares were launched on 2 February 2009.

<sup>d</sup> H-Class Accumulation Shares closed on 1 February 2010.

<sup>e</sup> To 31 January 2012.

## Portfolio turnover rate

|          |        |
|----------|--------|
| 31.01.11 | 119.9% |
| 31.01.12 | 126.5% |

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the period.

## Net asset values and Total expense ratios

| Date   | Net asset value per share class £'000 | Number of shares | Net asset value per share | Total expense ratio |
|--|---------------------------------------|------------------|---------------------------|---------------------|
| <b>H-Class Accumulation Shares<sup>d</sup></b> |                                       |                  |                           |                     |
| 31.01.10                                       | 383,894                               | 255,367,318      | 150.3p                    | 2.00%               |
| <b>I-Class Accumulation Shares</b>             |                                       |                  |                           |                     |
| 31.01.10                                       | 10,902                                | 5,258,749        | 207.3p                    | 0.70%               |
| 31.01.11                                       | 400,433                               | 151,653,909      | 264.0p                    | 0.70%               |
| 31.01.12                                       | 317,872                               | 131,398,663      | 241.9p                    | 0.70%               |
| <b>X-Class Income Shares</b>                   |                                       |                  |                           |                     |
| 31.01.10                                       | 18,652                                | 10,152,216       | 183.7p                    | 0.06%               |
| 31.01.11                                       | 3,235                                 | 1,404,352        | 230.4p                    | 0.06%               |
| 31.01.12                                       | 2,905                                 | 1,403,951        | 206.9p                    | 0.06%               |

The net asset value and the net asset value per income share are shown ex-dividend.

The total expense ratio (TER) takes into account the ACD fee and any fixed expenses charged to revenue expressed as a percentage of the average daily net asset values over the period.



# Portfolio statement

As at 31 January 2012

| Investment                                   | Holding    | Market value<br>£'000 | Total net<br>assets % |
|--|------------|-----------------------|-----------------------|
| <b>Hong Kong - 19.4% (18.2%)</b>             |            |                       |                       |
| Cheung Kong                                  | 414,000    | 3,520                 | 1.1                   |
| China Mobile                                 | 1,209,000  | 7,830                 | 2.4                   |
| China Resources Land                         | 694,000    | 774                   | 0.2                   |
| China Taiping Insurance                      | 1,623,200  | 1,890                 | 0.6                   |
| Cosco Pacific                                | 2,214,000  | 1,938                 | 0.6                   |
| Hidili Industry International Development    | 4,282,000  | 1,011                 | 0.3                   |
| Hong Kong Electric Holdings                  | 1,136,000  | 5,182                 | 1.6                   |
| I.T Limited                                  | 7,394,000  | 2,675                 | 0.8                   |
| Intime Department Store                      | 3,140,000  | 2,406                 | 0.8                   |
| Jardine Matheson                             | 237,885    | 7,769                 | 2.4                   |
| Jardine Strategic                            | 171,514    | 3,338                 | 1.0                   |
| Kerry Properties                             | 958,500    | 2,313                 | 0.7                   |
| MGM China Holdings                           | 3,649,000  | 3,385                 | 1.1                   |
| Poly (Hong Kong) Investments                 | 3,173,000  | 995                   | 0.3                   |
| Ports Design                                 | 1,569,000  | 1,622                 | 0.5                   |
| Tencent                                      | 221,200    | 3,423                 | 1.1                   |
| Tingyi                                       | 1,570,000  | 2,898                 | 0.9                   |
| Wharf  | 2,126,800  | 7,651                 | 2.4                   |
| Wynn Macau                                   | 1,178,400  | 1,908                 | 0.6                   |
| <b>Australia - 18.5% (19.9%)</b>             |            |                       |                       |
| Ancor  | 454,800    | 2,149                 | 0.7                   |
| Asciano Group                                | 958,984    | 3,030                 | 1.0                   |
| Australia & New Zealand Bank Group           | 544,887    | 7,869                 | 2.5                   |
| BHP Billiton                                 | 505,470    | 12,787                | 4.0                   |
| Brambles                                     | 373,947    | 1,803                 | 0.6                   |
| National Australia Bank                      | 315,300    | 5,071                 | 1.6                   |
| Newcrest Mining                              | 116,359    | 2,648                 | 0.8                   |
| Oil Search                                   | 963,000    | 4,265                 | 1.3                   |
| QR National                                  | 1,045,000  | 2,611                 | 0.8                   |
| Rio Tinto                                    | 97,135     | 4,530                 | 1.4                   |
| Suncorp-Metway                               | 613,000    | 3,439                 | 1.1                   |
| Telstra Corporation                          | 1,549,400  | 3,483                 | 1.1                   |
| Treasury Wine Estates                        | 726,000    | 1,676                 | 0.5                   |
| Wesfarmers                                   | 174,300    | 3,563                 | 1.1                   |
| <b>China - 13.9% (13.7%)</b>                 |            |                       |                       |
| China Communications Construction 'H'        | 3,675,000  | 2,149                 | 0.7                   |
| China Construction Bank 'H'                  | 19,851,990 | 10,052                | 3.1                   |
| China National Building Material 'H'         | 4,348,000  | 3,320                 | 1.0                   |
| China Petroleum & Chemical 'H'               | 8,508,000  | 6,518                 | 2.0                   |
| China Vanke 'H'                              | 1,582,955  | 1,089                 | 0.3                   |
| CNOOC  | 3,764,000  | 4,882                 | 1.5                   |
| Industrial & Commercial Bank of China 'H'    | 17,568,260 | 7,791                 | 2.4                   |
| Ping An Insurance 'H'                        | 633,000    | 3,169                 | 1.0                   |
| Sands China                                  | 1,009,200  | 2,155                 | 0.7                   |
| TPK ELN 2012 (Morgan Stanley)                | 111,300    | 1,019                 | 0.3                   |
| Yanzhou Coal Mining 'H'                      | 1,958,000  | 2,971                 | 0.9                   |
| <b>South Korea - 12.4% (13.8%)</b>           |            |                       |                       |
| Hana Financial Group                         | 51,520     | 1,116                 | 0.3                   |
| Hyundai Heavy Industries                     | 26,190     | 4,602                 | 1.4                   |
| Hyundai Mobis                                | 17,890     | 2,795                 | 0.9                   |
| Hyundai Motor                                | 9,990      | 1,245                 | 0.4                   |
| KB Financial Group                           | 304,793    | 7,327                 | 2.3                   |
| KT&G   | 69,340     | 3,064                 | 1.0                   |
| Lotte Shopping                               | 8,560      | 1,845                 | 0.6                   |
| POSCO  | 8,930      | 2,089                 | 0.7                   |
| Samsung C&T                                  | 69,100     | 2,702                 | 0.8                   |
| Samsung Electronics                          | 18,205     | 11,376                | 3.5                   |
| Samsung Engineering                          | 12,318     | 1,486                 | 0.5                   |
| <b>India - 8.8% (11.5%)</b>                  |            |                       |                       |
| Bharti Airtel ELN 2014 (JPMorgan)            | 486,609    | 2,269                 | 0.7                   |
| HDFC Bank                                    | 439,450    | 2,786                 | 0.9                   |
| HDFC Bank ADR                                | 78,000     | 1,512                 | 0.5                   |
| HDFC Bank ELN 2014 (JPMorgan)                | 358,500    | 2,249                 | 0.7                   |
| Hindalco Industries                          | 822,347    | 1,565                 | 0.5                   |
| Hindalco Industries ELN 2012 (Deutsche Bank) | 1,060,840  | 1,977                 | 0.6                   |
| Infosys Technologies ADR                     | 174,965    | 6,015                 | 1.9                   |
| Mahindra & Mahindra                          | 254,000    | 2,204                 | 0.7                   |
| Reliance Industries GDR                      | 220,418    | 4,605                 | 1.4                   |
| Tata Motors ADR                              | 192,000    | 2,865                 | 0.9                   |

| Investment  | Holding    | Market value<br>£'000 | Total net<br>assets % |
|---|------------|-----------------------|-----------------------|
| <b>Taiwan - 7.2% (8.2%)</b>                                 |            |                       |                       |
| Advanced Semiconductor Engineering                          | 2,042,027  | 1,355                 | 0.4                   |
| Asustek Computer  | 406,260    | 2,026                 | 0.6                   |
| Catcher Technology  | 422,000    | 1,657                 | 0.5                   |
| Foxconn Technology  | 1,147,650  | 2,849                 | 0.9                   |
| Fubon Financial   | 3,676,499  | 2,593                 | 0.8                   |
| Hon Hai Precision Industry                                  | 1,202,532  | 2,450                 | 0.8                   |
| Mega Financial  | 4,241,160  | 1,838                 | 0.6                   |
| Taiwan Cement   | 2,436,468  | 1,919                 | 0.6                   |
| Taiwan Semiconductor Manufacturing                          | 2,690,237  | 4,503                 | 1.4                   |
| Uni-President Enterprises                                   | 1,905,000  | 1,774                 | 0.6                   |
| <b>Indonesia - 3.6% (1.3%)</b>                              |            |                       |                       |
| Bank Mandiri (Persero)                                      | 7,813,893  | 3,661                 | 1.1                   |
| Bank Rakyat Indonesia                                       | 3,634,000  | 1,741                 | 0.6                   |
| Indo Tambangraya Megah                                      | 554,500    | 1,432                 | 0.4                   |
| United Tractors   | 2,438,000  | 4,861                 | 1.5                   |
| <b>Singapore - 3.5% (5.2%)</b>                              |            |                       |                       |
| Keppel  | 261,093    | 1,429                 | 0.4                   |
| Mapletree Industrial  | 5,307,800  | 3,007                 | 1.0                   |
| Singapore Telecommunications                                | 4,349,000  | 6,798                 | 2.1                   |
| <b>Thailand - 3.5% (3.2%)</b>                               |            |                       |                       |
| Charoen Pokphand Foods (Alien Market)                       | 1,449,900  | 1,033                 | 0.3                   |
| Global Chemical (Alien Market)                              | 1,455,501  | 1,976                 | 0.6                   |
| Kasikornbank (Alien Market)                                 | 1,186,000  | 3,111                 | 1.0                   |
| Kasikornbank Non-Voting Depositary Receipt                  | 546,000    | 1,438                 | 0.4                   |
| Krung Thai Bank (Alien Market)                              | 6,941,100  | 2,162                 | 0.7                   |
| Quality Houses (Alien Market)                               | 46,337,100 | 1,481                 | 0.5                   |
| Siam Cement (Alien Market)                                  | 47         | -                     | -                     |
| <b>Malaysia - 0.4% (1.4%)</b>                               |            |                       |                       |
| CIMB Group  | 1,001,600  | 1,439                 | 0.4                   |
| <b>New Zealand - 0.4% (0.7%)</b>                            |            |                       |                       |
| Fletcher Building   | 404,821    | 1,380                 | 0.4                   |
| <b>Futures - 0.2% (0.0%)</b>                                |            |                       |                       |
| SPI 200 Futures Futures Mar 2012                            | 59         | 170                   | 0.1                   |
| H-Shares Index Futures Feb 2012                             | 144        | (89)                  | -                     |
| SGX S&P CNX Nifty Futures Feb 2012                          | 900        | 186                   | 0.1                   |
| <b>Investment assets (including investment liabilities)</b> |            | <b>294,441</b>        | <b>91.8</b>           |
| <b>Net other assets</b>                                     |            | <b>26,336</b>         | <b>8.2</b>            |
| <b>Net assets</b>   |            | <b>320,777</b>        | <b>100.0</b>          |

Unless otherwise stated the above securities are admitted to official stock exchange listings or trade on a regulated market.

The comparative percentage figures in brackets are at 31 January 2011.

## Portfolio movements

For the year ending 31 January 2012

|  | £'000          |  | £'000           |
|--|----------------|--|-----------------|
| <b>Total of all purchases for the year (Note 10)</b> | <b>243,335</b> | <b>Total of all sales for the year (Note 10)</b> | <b>309,372</b>  |
| <b>Major purchases</b>                               | <b>Cost</b>    | <b>Major sales</b>                               | <b>Proceeds</b> |
| Wharf  | 9,425          | Westpac Banking                                  | 12,698          |
| National Australia Bank                              | 8,661          | Daphne International                             | 6,505           |
| HSBC   | 6,907          | China National Building Material 'H'             | 6,390           |
| Hong Kong Electric Holdings                          | 6,680          | National Australia Bank                          | 5,963           |
| Singapore Telecommunications                         | 6,149          | QBE Insurance Group                              | 5,680           |
| China Mobile   | 5,718          | Samsung Electronics                              | 5,623           |
| KB Financial Group                                   | 5,585          | HSBC   | 5,478           |
| Bharti Airtel ELN 2014 (JPMorgan)                    | 5,524          | United Overseas Bank                             | 5,263           |
| MGM China Holdings                                   | 5,389          | Parkson Retail Group                             | 5,246           |
| Hyundai Motor  | 5,313          | BHP Billiton                                     | 5,177           |
| Hyundai Heavy Industries                             | 4,878          | Daelim Industrial                                | 5,053           |
| Oversea-Chinese Banking                              | 4,844          | Krung Thai Bank (Alien Market)                   | 4,664           |
| Oil Search   | 4,715          | Orica  | 4,658           |
| Kasikornbank Non-Voting Depositary Receipt           | 4,666          | Wharf  | 4,549           |
| United Tractors                                      | 4,642          | KB Financial Group                               | 4,458           |
| Treasury Wine Estates                                | 4,314          | Oversea-Chinese Banking                          | 4,405           |
| I.T Limited  | 4,299          | AMP  | 4,323           |
| TPK ELN 2012 (Morgan Stanley)                        | 4,280          | Infrastructure Development Finance               | 4,236           |
| Polaris Securities                                   | 4,167          | Polaris Securities                               | 4,042           |
| Wesfarmers   | 4,134          | Formosa Chemical & Fibre                         | 3,876           |

# Financial statements

## Statement of total return

For the year ending 31 January

|   | 2012            | 2011           |
|---|-----------------|----------------|
| £'000   | £'000           | £'000          |
| <b>Income</b>   |                 |                |
| Net capital (losses)/gains (Note 1)   | (31,019)        | 100,527        |
| Revenue (Note 2)  | 9,598           | 11,624         |
| Expenses (Note 3)   | (2,382)         | (3,043)        |
| Net revenue before taxation   | 7,216           | 8,581          |
| Taxation (Note 4)   | (625)           | (685)          |
| Net revenue after taxation  | 6,591           | 7,896          |
| <b>Total return before distributions</b>  | <b>(24,428)</b> | <b>108,423</b> |
| Finance costs:  |                 |                |
| Distributions (Note 5)  | (6,590)         | (7,919)        |
| <b>Change in net assets attributable to shareholders from investment activities</b> | <b>(31,018)</b> | <b>100,504</b> |

## Statement of change in net assets attributable to shareholders

For the year ending 31 January

|  | 2012           | 2011           |
|--|----------------|----------------|
| £'000  | £'000          | £'000          |
| <b>Opening net assets attributable to shareholders</b>                                   | <b>403,668</b> | <b>413,448</b> |
| Amounts receivable on issue of shares  | 34,018         | 406,397        |
| Amounts payable on cancellation of shares  | (92,055)       | (523,202)      |
|  | (58,037)       | (116,805)      |
| Change in net assets attributable to shareholders from investment activities (see above) | (31,018)       | 100,504        |
| Retained distributions on accumulation shares  | 6,150          | 6,521          |
| Stamp duty reserve tax   | 14             | -              |
| <b>Closing net assets attributable to shareholders</b>                                   | <b>320,777</b> | <b>403,668</b> |

## Balance sheet

As at 31 January

|  | 2012           | 2011           |
|--|----------------|----------------|
| £'000  | £'000          | £'000          |
| <b>ASSETS</b>                                  |                |                |
| Investment assets                              | 294,530        | 392,077        |
| Debtors (Note 7)                               | 2,564          | 1,589          |
| Cash and bank balances (Note 8)                | 27,385         | 10,804         |
| <b>Total other assets</b>                      | <b>29,949</b>  | <b>12,393</b>  |
| <b>Total assets</b>                            | <b>324,479</b> | <b>404,470</b> |
| <b>LIABILITIES</b>                             |                |                |
| Investment liabilities                         | (89)           | (66)           |
| Creditors (Note 9)                             | (3,536)        | (663)          |
| Distribution payable on income shares          | (77)           | (73)           |
| <b>Total other liabilities</b>                 | <b>(3,613)</b> | <b>(736)</b>   |
| <b>Total liabilities</b>                       | <b>(3,702)</b> | <b>(802)</b>   |
| <b>Net assets attributable to shareholders</b> | <b>320,777</b> | <b>403,668</b> |

The notes to these financial statements are shown on pages 186 to 188.

# Notes to the financial statements for the year ending 31 January 2012

## 1. Net capital (losses)/gains

|                            | 2012            | 2011           |
|----------------------------|-----------------|----------------|
|                            | £'000           | £'000          |
| Currency losses            | (272)           | (301)          |
| Derivative contracts       | 1,071           | 500            |
| Non-derivative securities  | (31,818)        | 100,328        |
| Net capital (losses)/gains | <u>(31,019)</u> | <u>100,527</u> |

## 2. Revenue

|   | 2012         | 2011          |
|---|--------------|---------------|
|   | £'000        | £'000         |
| Franked income from UK equity investments | 126          | 32            |
| Income from overseas equity investments   | 8,887        | 11,185        |
| Interest on bank and term deposits        | 49           | 57            |
| Stock dividends                           | 536          | 350           |
| Total revenue                             | <u>9,598</u> | <u>11,624</u> |

## 3. Expenses

|  | 2012         | 2011         |
|--|--------------|--------------|
|  | £'000        | £'000        |
| <b>Payable to the ACD or associate of the ACD:</b> |              |              |
| ACD fee  | 2,380        | 3,032        |
| Fixed expenses                                     | 2            | 11           |
| Total expenses                                     | <u>2,382</u> | <u>3,043</u> |

## 4. Taxation

|  | 2012       | 2011       |
|--|------------|------------|
|  | £'000      | £'000      |
| <b>a) Analysis of charge in the year</b> |            |            |
| Overseas tax provision                   | 84         | (932)      |
| Overseas tax suffered                    | 541        | 1,617      |
| Current year tax charge (Note 4b)        | <u>625</u> | <u>685</u> |

### b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an Open-Ended Investment Company (OEIC) (20%). The differences are explained below.

|                             |              |              |
|-----------------------------|--------------|--------------|
| Net revenue before taxation | 7,216        | 8,581        |
| Corporation tax at 20%      | <u>1,443</u> | <u>1,716</u> |

### Effects of:

|   |              |                |
|---|--------------|----------------|
| Dividends not subject to corporation tax  | (1,879)      | (2,279)        |
| Excess expenses for which no relief taken | 436          | 563            |
| Overseas tax provision                    | 84           | (932)          |
| Overseas tax suffered                     | 541          | 1,617          |
|   | <u>(818)</u> | <u>(1,031)</u> |
| Current year tax charge (Note 4a)         | <u>625</u>   | <u>685</u>     |

No deferred tax asset has been recognised in the financial statements. At the year end date, the fund had a deferred tax asset of £1,595,320 (31.01.11: £1,159,021) in relation to £7,976,599 (31.01.11: £5,795,103) of excess management expenses which would only be utilised to reduce the tax charge if the fund had an excess of unfranked income over expenses in a future period. There is no excess of unfranked income expected in the future.

## 5. Finance costs

### Distributions

The distributions take account of amounts receivable on the issue of shares and amounts payable on the cancellation of shares and comprise:

|  | 2012         | 2011         |
|--|--------------|--------------|
|  | £'000        | £'000        |
| Final dividend distribution                    | 6,227        | 6,594        |
| Add: Amounts payable on cancellation of shares | 870          | 1,502        |
| Deduct: Amounts receivable on issue of shares  | (507)        | (177)        |
| Total finance costs                            | <u>6,590</u> | <u>7,919</u> |

Details of the distribution per share are set out on page 189.

## 6. Movement between net revenue after taxation and distributions

|   | 2012         | 2011         |
|---|--------------|--------------|
|   | £'000        | £'000        |
| Net revenue after taxation                    | 6,591        | 7,896        |
| Add: Undistributed revenue brought forward    | 1            | 24           |
| Deduct: Undistributed revenue carried forward | (2)          | (1)          |
|   | <u>6,590</u> | <u>7,919</u> |

## 7. Debtors

|                                     | 2012         | 2011         |
|-------------------------------------|--------------|--------------|
|                                     | £'000        | £'000        |
| Accrued income                      | 548          | 566          |
| Due from the ACD for shares created | 47           | 5            |
| Overseas tax recoverable            | -            | 4            |
| Sales awaiting settlement           | 1,969        | 1,014        |
| Total debtors                       | <u>2,564</u> | <u>1,589</u> |

## 8. Cash and bank balances

|   | 2012          | 2011          |
|---|---------------|---------------|
|   | £'000         | £'000         |
| Amounts held at futures clearing houses and brokers | 1,315         | 476           |
| Cash and bank balances                              | 26,070        | 10,328        |
| Total cash and bank balances                        | <u>27,385</u> | <u>10,804</u> |

## 9. Creditors

|                                     | 2012         | 2011       |
|-------------------------------------|--------------|------------|
|                                     | £'000        | £'000      |
| Accrued expenses                    | 181          | 241        |
| Due to the ACD for shares cancelled | 7            | 1          |
| Purchases awaiting settlement       | 3,348        | 421        |
| Total creditors                     | <u>3,536</u> | <u>663</u> |

## Notes to the financial statements – continued

### 10. Portfolio transaction costs

|  | 2012<br>£'000 | 2011<br>£'000 |
|--|---------------|---------------|
| Analysis of total purchase costs           |               |               |
| Purchases in year before transaction costs | 242,926       | 281,295       |
| Commissions                                | 321           | 472           |
| Taxes                                      | 88            | 117           |
| Total purchase costs                       | 409           | 589           |
| Gross purchases total                      | 243,335       | 281,884       |
| Analysis of total sale costs               |               |               |
| Gross sales before transaction costs       | 310,061       | 402,740       |
| Commissions                                | (350)         | (469)         |
| Taxes                                      | (339)         | (485)         |
| Total sale costs                           | (689)         | (954)         |
| Total sales net of transaction costs       | 309,372       | 401,786       |

### 11. Related party transactions

JPMorgan Funds Limited, as Authorised Corporate Director (“ACD”), is a related party, and acts as principal in respect of all transactions of shares in the Company. The aggregate monies received through issue, and paid on cancellation, are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

The balance due to the ACD and their associates at the year end date in respect of related party transactions was £140,839 (31.01.11: £237,264). Details of related party transactions are given under note 13 on page 389.

Some of the dealing transactions for the fund are carried out through associates of the ACD. Such transactions are carried out on an arm's length basis. The commissions paid to these companies over the year were £64,574 (31.01.11: £151,157). Commission was paid to the associated company JPMorgan Securities Ltd.

The following party held a material interest in the fund at the year end date:  
– JP Morgan Life Ltd 96.80% (31.01.11: 96.16%)

### 12. Financial instruments

#### Currency exposures

A substantial proportion of the net assets of the fund are denominated in currencies other than sterling, with the effect that the Balance sheet and total return can be significantly affected by currency movements.

| Currency           | Net foreign currency assets |                                |                                    |
|--------------------|-----------------------------|--------------------------------|------------------------------------|
|                    | Total<br>£'000              | Monetary<br>exposures<br>£'000 | Non-monetary<br>exposures<br>£'000 |
| <b>31.01.12</b>    |                             |                                |                                    |
| Hong Kong Dollar   | 95,159                      | (270)                          | 95,429                             |
| Australian Dollar  | 59,239                      | 145                            | 59,094                             |
| Korean Won         | 40,192                      | 547                            | 39,645                             |
| US Dollar          | 35,177                      | 1,374                          | 33,803                             |
| Taiwan Dollar      | 25,866                      | 2,902                          | 22,964                             |
| Singapore Dollar   | 25,771                      | 14,536                         | 11,235                             |
| Indonesian Rupiah  | 12,292                      | 596                            | 11,696                             |
| Thailand Baht      | 11,201                      | -                              | 11,201                             |
| Indian Rupee       | 6,555                       | -                              | 6,555                              |
| Malaysian Ringgit  | 1,439                       | -                              | 1,439                              |
| New Zealand Dollar | 1,380                       | -                              | 1,380                              |
| <b>31.01.11</b>    |                             |                                |                                    |
| Hong Kong Dollar   | 120,957                     | 6,772                          | 114,185                            |
| Australian Dollar  | 80,390                      | 3                              | 80,387                             |
| Korean Won         | 56,470                      | 756                            | 55,714                             |
| US Dollar          | 38,398                      | 2,907                          | 35,491                             |
| Taiwan Dollar      | 33,184                      | 328                            | 32,856                             |
| Indian Rupee       | 25,297                      | -                              | 25,297                             |
| Singapore Dollar   | 22,214                      | 767                            | 21,447                             |
| Thailand Baht      | 13,060                      | 6                              | 13,054                             |
| Malaysian Ringgit  | 5,610                       | -                              | 5,610                              |
| Indonesian Rupiah  | 5,184                       | 4                              | 5,180                              |
| New Zealand Dollar | 2,791                       | -                              | 2,791                              |

## Notes to the financial statements – continued

### Interest rate risk

The tables below detail the interest rate profile of the fund's assets and liabilities as at the year end.

| Currency           | Total assets<br>£'000 | Floating rate financial assets<br>£'000 | Fixed rate financial assets<br>£'000 | Financial assets not carrying any interest<br>£'000 |
|--------------------|-----------------------|---|--------------------------------------|---|
| <b>31.01.12</b>    |                       |   |                                      |   |
| Hong Kong Dollar   | 97,391                | 1,876                                   | -                                    | 95,515  |
| Australian Dollar  | 59,239                | (808)                                   | -                                    | 60,047  |
| Korean Won         | 40,192                | -                                       | -                                    | 40,192  |
| US Dollar          | 35,177                | 1,373                                   | -                                    | 33,804  |
| Singapore Dollar   | 26,081                | 14,846                                  | -                                    | 11,235  |
| Taiwan Dollar      | 25,866                | 2,902                                   | -                                    | 22,964  |
| Indonesian Rupiah  | 13,098                | 473                                     | -                                    | 12,625  |
| Thailand Baht      | 11,201                | -                                       | -                                    | 11,201  |
| UK Sterling        | 6,771                 | 6,723                                   | -                                    | 48  |
| Indian Rupee       | 6,555                 | -                                       | -                                    | 6,555   |
| Malaysian Ringgit  | 1,439                 | -                                       | -                                    | 1,439   |
| New Zealand Dollar | 1,380                 | -                                       | -                                    | 1,380   |
| <b>31.01.11</b>    |                       |   |                                      |   |
| Hong Kong Dollar   | 121,378               | 6,430                                   | -                                    | 114,948   |
| Australian Dollar  | 80,390                | -                                       | -                                    | 80,390  |
| Korean Won         | 56,470                | -                                       | -                                    | 56,470  |
| US Dollar          | 38,398                | 2,907                                   | -                                    | 35,491  |
| Taiwan Dollar      | 33,184                | 327                                     | -                                    | 32,857  |
| Indian Rupee       | 25,297                | -                                       | -                                    | 25,297  |
| Singapore Dollar   | 22,214                | 711                                     | -                                    | 21,503  |
| Thailand Baht      | 13,060                | 6                                       | -                                    | 13,054  |
| Malaysian Ringgit  | 5,610                 | -                                       | -                                    | 5,610   |
| Indonesian Rupiah  | 5,184                 | -                                       | -                                    | 5,184   |
| New Zealand Dollar | 2,791                 | -                                       | -                                    | 2,791   |
| UK Sterling        | 428                   | 423                                     | -                                    | 5   |

The floating rate financial assets are bank balances that bear interest at rates based on LIBOR or its overseas equivalent.

| Currency          | Total liabilities<br>£'000 | Floating rate financial liabilities<br>£'000 | Financial liabilities not carrying any interest<br>£'000 |
|-------------------|----------------------------|--|--|
| <b>31.01.12</b>   |                            |  |  |
| Hong Kong Dollar  | 2,232                      | -  | 2,232  |
| Indonesian Rupiah | 806                        | -  | 806  |
| Singapore Dollar  | 310                        | -  | 310  |
| UK Sterling       | 265                        | -  | 265  |
| <b>31.01.11</b>   |                            |  |  |
| Hong Kong Dollar  | 421                        | -  | 421  |
| UK Sterling       | 315                        | -  | 315  |

For consideration of other risks including liquidity, pricing and credit risk, please refer to the notes to the aggregated financial statements, pages 389 to 390.

### 13. Share classes

The fund currently has two share classes; Class I shares and Class X shares. The Authorised Corporate Director's (ACD) fee and fixed expenses charge are shown below.

|                 | ACD fee | Fixed expenses |
|-----------------|---------|----------------|
| Class I shares: | 0.70%   | 0.00%          |
| Class X shares: | 0.00%   | 0.06%          |

The X share class is designed to accommodate an alternative charging structure whereby the annual fee normally charged to the fund and then passed on in the share price is instead administratively levied and collected by the ACD from the shareholder or through the relevant JPMorgan Chase & Co entity.

The net asset value of each share class, the net asset value per share and the number of shares in each class are shown on page 182. All classes have the same rights on winding up.

### 14. Derivatives

The fund enters into derivative transactions in the form of futures for the purpose of efficient portfolio management. The commitment approach has been used to calculate the global exposure.

Further information on the derivative risks can be found in the notes to the aggregated financial statements on page 390.

# Distribution table

## Final distribution in pence per share

Group 1 – Shares purchased prior to 1 February 2011

Group 2 – Shares purchased 1 February 2011 to 31 January 2012

|                                    | Gross<br>revenue | Tax<br>at 10% | Net<br>revenue | Equalisation | Distribution<br>paid |          |
|------------------------------------|------------------|---------------|----------------|--------------|----------------------|----------|
|                                    |                  |               |                |              | 16.03.12             | 16.03.11 |
| <b>I-Class Accumulation Shares</b> |                  |               |                |              |                      |          |
| Group 1                            | 5.200000         | 0.520000      | 4.680000       | -            | 4.680000             | 4.300000 |
| Group 2                            | 0.458314         | 0.045831      | 0.412483       | 4.267517     | 4.680000             | 4.300000 |
| <b>X-Class Income Shares</b>       |                  |               |                |              |                      |          |
| Group 1                            | 6.100000         | 0.610000      | 5.490000       | -            | 5.490000             | 5.220000 |
| Group 2                            | 6.100000         | 0.610000      | 5.490000       | 0.000000     | 5.490000             | 5.220000 |

Equalisation applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of revenue included in the purchase price of all group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

# JPM Institutional Continental Europe Fund

(This Fund was merged with JPM Europe Fund on 1 February 2012)

## Important information

### Change of Depositary

As part of an internal re-structuring, The Royal Bank of Scotland plc has transferred its Trustee and Depositary Services business from The Royal Bank of Scotland plc to National Westminster Bank plc and consequently National Westminster Bank plc has been appointed as Depositary of the Fund with effect from 15 October 2011.

As Depositary, National Westminster Bank plc will have the same duties and responsibilities as The Royal Bank of Scotland plc and this change will have no impact on the way the Fund operates.

### Merger of the Fund

On 7 December 2011 the Authorised Corporate Director informed shareholders of a proposal to merge the above Fund into the JPM Europe Fund, another Fund of JPMorgan Fund ICVC. Shareholders resolved to approve the proposed merger at the Extraordinary General Meeting of 13 January 2012 and the Fund was subsequently merged into the JPM Europe Fund on 1 February 2012.

## Investment objective and policy

To invest in a portfolio of Continental European securities. The current policy is to invest for capital growth without any distribution target.

## Risk profile

This equity based Fund was designed for institutional investors looking for conservatively managed broad market exposure to Continental European stock markets (which may include investment in emerging European markets and smaller companies).

Equity investment is subject to specific risks relating to the performance of the individual companies held and the market's perception of their performance. Equities are also subject to systematic risks such as general economic conditions, inflation, interest rates, foreign exchange rates and industry sector risks. In general terms, equities tend to be more volatile than bonds.

The underlying assets of the Fund are denominated in currencies other than Sterling and are not hedged back to Sterling. Investors will therefore be exposed to the currency risk of fluctuations between Sterling and the currency denomination of the underlying assets.

## Fund review

Persistent sovereign debt concerns and a weak global economic backdrop weighed on European equity markets over the 12 months under review.

The Fund, which invests in stocks with strong value and/or growth characteristics, underperformed its benchmark. Positive contributions to relative returns included an underweight position in the banks sector and an overweight in oil & gas producers. Stock selection and underweights in personal goods and health care equipment & services were among the detractors.

At the stock level, the Fund benefited most in relative terms from an underweight position in Italian bank UniCredit, which suffered on concerns over Italy's sovereign debt and fell after announcing its intention to raise EUR 7.5 billion in a rights issue. An overweight position in Royal Dutch Shell was also positive as the oil producer's earnings were boosted by higher oil prices and by the company's investment in new infrastructure. Stock-level detractors from relative returns included an underweight position in luxury goods manufacturer LVMH, which benefited from strong organic growth despite concerns that weakening economic momentum in China may weigh on demand. An overweight position in DiaSorin was also detrimental after the maker of diagnostic tests cut its full-year revenue guidance, citing the challenging macro environment. However, not holding Carrefour was beneficial for relative returns after the French supermarket operator issued a series of profit warnings as it lost market share in its home market and elsewhere in Europe.

## Fund outlook (for successor JPM Europe Fund)

Sovereign debt problems remain a source of uncertainty despite recent progress towards a resolution. However, the European Central Bank's liquidity boost for the region's banks provides support, while valuations are attractive and corporate earnings are benefiting from improving global economic momentum.

## 12 month performance as at 31 January

|   | 2012   | 2011  | 2010  | 2009   | 2008  |
|---|--------|-------|-------|--------|-------|
| <b>JPM Institutional Continental Europe</b> |        |       |       |        |       |
| I-Class Acc                                 | -15.0% | 18.2% | 28.3% | -26.4% | -3.1% |
| <b>JPM Institutional Continental Europe</b> |        |       |       |        |       |
| X-Class Inc                                 | -14.7% | 18.8% | 29.0% | -26.1% | -2.7% |
| Benchmark Index <sup>A</sup>                | -14.2% | 14.7% | 30.2% | -26.5% | 1.6%  |

## Fund statistics

|                              |  |
|------------------------------|--|
| Fund size                    | £54.6m   |
| Benchmark Index <sup>A</sup> | FTSE All World Developed Europe ex UK Index (Total Return Net) |
| Fund charges                 |  |
| I-Class                      | Initial Nil, Annual 0.60%                                      |
| X-Class                      | On application <sup>B</sup>                                    |

You should remember that past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. For specific risks, please read the Simplified Prospectus.

All performance returns are calculated using the quoted price of the accumulation or income shares. Performance returns are in Sterling.

Source: J.P. Morgan.

<sup>A</sup> On 01/10/09 the name of the benchmark changed from the FTSE World Europe ex UK (Total Return Net) to the FTSE All World Developed Europe ex UK (Total Return Net).

<sup>B</sup> As agreed from time to time between the ACD and the relevant JPMorgan Chase & Co. entity.

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## Top ten holdings

|                           | %   |
|---------------------------|-----|
| Novartis                  | 3.7 |
| Nestle                    | 3.6 |
| TOTAL S.A.                | 3.2 |
| Roche (Genusscheine)      | 3.1 |
| ENI                       | 2.3 |
| BASF                      | 2.1 |
| ING Bank                  | 1.9 |
| Unilever                  | 1.8 |
| Zurich Financial Services | 1.8 |
| Sanofi-Aventis            | 1.7 |

## Geographical breakdown

|                  | %    |
|------------------|------|
| France           | 18.5 |
| Germany          | 17.4 |
| Switzerland      | 16.1 |
| Sweden           | 10.4 |
| Netherlands      | 8.5  |
| Spain            | 7.7  |
| Italy            | 5.5  |
| Finland          | 4.7  |
| Denmark          | 3.2  |
| Belgium          | 2.8  |
| Norway           | 2.1  |
| Austria          | 1.0  |
| Net other assets | 2.1  |

## Portfolio turnover rate

|          |        |
|----------|--------|
| 31.01.11 | 136.0% |
| 31.01.12 | 143.0% |

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the period.

## Net asset values and Total expense ratios

| Date                               | Net asset value per share class<br>£'000 | Number of shares | Net asset value per share | Total expense ratio |
|------------------------------------|--|------------------|---------------------------|---------------------|
| <b>I-Class Accumulation Shares</b> |  |                  |                           |                     |
| 31.01.10                           | 84,624                                   | 29,227,516       | 289.5p                    | 0.60%               |
| 31.01.11                           | 100,466                                  | 29,378,101       | 342.0p                    | 0.60%               |
| 31.01.12                           | 50,332                                   | 17,312,589       | 290.7p                    | 0.60%               |
| <b>X-Class Income Shares</b>       |  |                  |                           |                     |
| 31.01.10                           | 10,589                                   | 4,245,028        | 249.4p                    | 0.06%               |
| 31.01.11                           | 4,833                                    | 1,676,215        | 288.3p                    | 0.06%               |
| 31.01.12                           | 4,299                                    | 1,814,844        | 236.9p                    | 0.06%               |

The net asset value and the net asset value per income share are shown ex-dividend.

The total expense ratio (TER) takes into account the ACD fee and any fixed expenses charged to revenue expressed as a percentage of the average daily net asset values over the period.

## Highest/lowest share price and distribution record

| Calendar year                      | Highest share price | Lowest share price | Distribution per share (net) |
|------------------------------------|---------------------|--------------------|------------------------------|
| <b>I-Class Accumulation Shares</b> |                     |                    |                              |
| 2007                               | 363.9p              | 309.0p             | 4.88p                        |
| 2008                               | 355.6p              | 201.2p             | 7.38p                        |
| 2009                               | 323.0p              | 188.9p             | 9.66p                        |
| 2010                               | 339.6p              | 271.6p             | 6.95p                        |
| 2011                               | 369.1p              | 250.3p             | 7.54p                        |
| 2012 <sup>c</sup>                  | 294.2p              | 276.5p             | 9.73p                        |
| <b>X-Class Income Shares</b>       |                     |                    |                              |
| 2007                               | 343.8p              | 293.1p             | 5.79p                        |
| 2008                               | 334.6p              | 185.7p             | 8.31p                        |
| 2009                               | 285.9p              | 166.7p             | 10.08p                       |
| 2010                               | 293.7p              | 234.4p             | 7.21p                        |
| 2011                               | 311.6p              | 211.8p             | 7.55p                        |
| 2012 <sup>c</sup>                  | 249.3p              | 234.3p             | 9.36p                        |

<sup>c</sup> To 31 January 2012.

# Portfolio statement

As at 31 January 2012

| Investment                         | Holding | Market value<br>£'000 | Total net<br>assets % | Investment                            | Holding | Market value<br>£'000 | Total net<br>assets % |
|------------------------------------|---------|-----------------------|-----------------------|---------------------------------------|---------|-----------------------|-----------------------|
| <b>France - 18.5% (21.1%)</b>      |         |                       |                       | <b>Switzerland - 16.1% (14.6%)</b>    |         |                       |                       |
| Alstom                             | 3,930   | 96                    | 0.2                   | ABB                                   | 1,272   | 17                    | -                     |
| Arkema                             | 8,704   | 453                   | 0.8                   | Barry Callebaut                       | 24      | 15                    | -                     |
| Atos Origin                        | 8,920   | 287                   | 0.5                   | Bossard                               | 632     | 55                    | 0.1                   |
| AXA                                | 35,757  | 347                   | 0.6                   | Compagnie Financiere Richemont 'A'    | 7,070   | 255                   | 0.5                   |
| BIC                                | 2,295   | 129                   | 0.2                   | Credit Suisse                         | 21,551  | 359                   | 0.7                   |
| BNP Paribas                        | 22,154  | 612                   | 1.1                   | Forbo                                 | 186     | 71                    | 0.1                   |
| Bouygues                           | 17,885  | 354                   | 0.6                   | Helvetia                              | 732     | 156                   | 0.3                   |
| Bureau Veritas                     | 866     | 40                    | 0.1                   | Lindt & Spruengli                     | 1       | 22                    | -                     |
| CFAO                               | 730     | 16                    | -                     | Nestle                                | 54,169  | 1,988                 | 3.6                   |
| Christian Dior                     | 5,813   | 525                   | 1.0                   | Novartis                              | 58,998  | 2,046                 | 3.7                   |
| Ciments Francais 'A'               | 831     | 39                    | 0.1                   | PubliGroupe                           | 380     | 35                    | 0.1                   |
| Compagnie de Saint-Gobain          | 8,891   | 253                   | 0.5                   | Roche (Genusscheine)                  | 15,689  | 1,691                 | 3.1                   |
| Eiffage                            | 3,886   | 77                    | 0.1                   | Schmolz + Bickenbach                  | 26,988  | 121                   | 0.2                   |
| Faurecia                           | 8,144   | 129                   | 0.2                   | Sulzer                                | 1,218   | 98                    | 0.2                   |
| Fonciere des Regions               | 1,020   | 43                    | 0.1                   | Swatch Group                          | 520     | 140                   | 0.3                   |
| France Telecom                     | 8,759   | 83                    | 0.2                   | Swiss Life                            | 789     | 50                    | 0.1                   |
| GDF Suez                           | 900     | 16                    | -                     | Swiss Re                              | 13,067  | 452                   | 0.8                   |
| Gecina                             | 4,884   | 300                   | 0.5                   | Tecan Group                           | 823     | 38                    | 0.1                   |
| Hermes International               | 1,857   | 410                   | 0.8                   | UBS                                   | 5,145   | 45                    | 0.1                   |
| L'Oreal                            | 226     | 15                    | -                     | Valora Holding                        | 575     | 84                    | 0.2                   |
| LVMH                               | 3,739   | 386                   | 0.7                   | Zehnder Group                         | 765     | 31                    | 0.1                   |
| Mersen                             | 1,201   | 26                    | -                     | Zurich Financial Services             | 6,251   | 970                   | 1.8                   |
| Michelin                           | 5,372   | 236                   | 0.4                   |                                       |         |                       |                       |
| Plastic-Omnium                     | 6,993   | 118                   | 0.2                   | <b>Sweden - 10.4% (6.4%)</b>          |         |                       |                       |
| PPR                                | 170     | 17                    | -                     | AarhusKarlshamn                       | 2,319   | 43                    | 0.1                   |
| Rallye                             | 2,841   | 58                    | 0.1                   | Axfood                                | 4,753   | 110                   | 0.2                   |
| Remy Cointreau                     | 303     | 17                    | -                     | Betsson 'B'                           | 6,199   | 102                   | 0.2                   |
| Safran                             | 14,703  | 285                   | 0.5                   | Bilia                                 | 3,234   | 37                    | 0.1                   |
| Sanofi-Aventis                     | 20,111  | 953                   | 1.7                   | Boliden                               | 38,802  | 428                   | 0.8                   |
| Sequana                            | 8,088   | 36                    | 0.1                   | Ericsson 'B'                          | 14,107  | 82                    | 0.2                   |
| SES FDR 'A'                        | 22,821  | 337                   | 0.6                   | Haldex                                | 16,711  | 54                    | 0.1                   |
| Societe Generale                   | 13,299  | 228                   | 0.4                   | Hexpol 'B'                            | 4,705   | 93                    | 0.2                   |
| Sodexo                             | 3,215   | 151                   | 0.3                   | Hoganas 'B'                           | 2,798   | 63                    | 0.1                   |
| Technip                            | 278     | 17                    | -                     | Industrivarden 'A'                    | 5,006   | 48                    | 0.1                   |
| TOTAL S.A.                         | 51,373  | 1,737                 | 3.2                   | Investor 'B'                          | 51,018  | 664                   | 1.2                   |
| Valeo                              | 9,501   | 282                   | 0.5                   | JM                                    | 11,380  | 135                   | 0.2                   |
| Vivendi                            | 59,730  | 797                   | 1.5                   | Kinnevik Investment 'B'               | 1,193   | 16                    | -                     |
| Wendel                             | 2,816   | 135                   | 0.3                   | Loomis 'B'                            | 4,174   | 39                    | 0.1                   |
| Zodiac Aerospace                   | 3,952   | 225                   | 0.4                   | Lundin Petroleum                      | 6,430   | 93                    | 0.2                   |
|                                    |         |                       |                       | Mekonomen                             | 1,531   | 35                    | 0.1                   |
| <b>Germany - 17.4% (20.8%)</b>     |         |                       |                       | NCC 'B'                               | 21,644  | 287                   | 0.5                   |
| Adidas                             | 349     | 16                    | -                     | Nordea Bank                           | 42,241  | 227                   | 0.4                   |
| Allianz                            | 3,945   | 279                   | 0.5                   | Saab 'B'                              | 8,923   | 121                   | 0.2                   |
| Aurubis                            | 5,095   | 184                   | 0.3                   | Securitas 'B'                         | 5,697   | 34                    | 0.1                   |
| BASF                               | 22,375  | 1,123                 | 2.1                   | Skandinaviska Enskilda Banken 'A'     | 83,977  | 336                   | 0.6                   |
| Bayer                              | 2,499   | 111                   | 0.2                   | SKF 'B'                               | 4,182   | 64                    | 0.1                   |
| Bechtle                            | 5,430   | 121                   | 0.2                   | Svenska Handelsbanken 'A'             | 35,820  | 683                   | 1.3                   |
| Bertrandt                          | 1,496   | 72                    | 0.1                   | Swedbank 'A'                          | 61,500  | 565                   | 1.0                   |
| Bilfinger Berger                   | 5,742   | 338                   | 0.6                   | Swedish Match                         | 13,522  | 300                   | 0.5                   |
| BMW                                | 12,358  | 679                   | 1.2                   | Tele2 'B'                             | 49,456  | 606                   | 1.1                   |
| Daimler                            | 25,571  | 914                   | 1.7                   | Trelleborg 'B'                        | 7,373   | 44                    | 0.1                   |
| Delticom                           | 661     | 43                    | 0.1                   | Unibet Group                          | 4,577   | 70                    | 0.1                   |
| Deutsche Bank                      | 15,578  | 424                   | 0.8                   | Volvo 'B'                             | 30,856  | 261                   | 0.5                   |
| Deutsche Post                      | 28,599  | 303                   | 0.5                   |                                       |         |                       |                       |
| Drillisch                          | 16,149  | 100                   | 0.2                   | <b>Netherlands - 8.5% (5.0%)</b>      |         |                       |                       |
| Duerr                              | 3,449   | 111                   | 0.2                   | Ahold                                 | 48,754  | 411                   | 0.8                   |
| E.ON                               | 26,647  | 364                   | 0.7                   | AMG                                   | 2,494   | 19                    | -                     |
| Freenet                            | 26,378  | 228                   | 0.4                   | ArcelorMittal                         | 4,681   | 62                    | 0.1                   |
| Fresenius                          | 5,607   | 363                   | 0.7                   | ASML                                  | 9,556   | 262                   | 0.5                   |
| GEA Group                          | 2,356   | 49                    | 0.1                   | Be Semiconductor                      | 10,224  | 48                    | 0.1                   |
| Gerry Weber International          | 2,788   | 60                    | 0.1                   | European Aeronautic Defence and Space | 31,697  | 676                   | 1.2                   |
| Hannover Rueckversicherungs        | 15,840  | 538                   | 1.0                   | Gemalto                               | 2,515   | 85                    | 0.2                   |
| Henkel Non-Voting Preference       | 3,132   | 123                   | 0.2                   | Imtech                                | 3,862   | 77                    | 0.1                   |
| Hugo Boss Preference               | 4,712   | 271                   | 0.5                   | ING Bank                              | 173,972 | 1,013                 | 1.9                   |
| INDUS                              | 2,104   | 39                    | 0.1                   | KPN                                   | 11,201  | 77                    | 0.1                   |
| Jungheinrich Non-Voting Preference | 2,986   | 58                    | 0.1                   | Mediq                                 | 6,393   | 65                    | 0.1                   |
| Lanxess                            | 1,543   | 65                    | 0.1                   | Nutreco Holding                       | 4,014   | 181                   | 0.3                   |
| Leoni                              | 2,090   | 60                    | 0.1                   | Philips Electronics                   | 6,898   | 88                    | 0.2                   |
| MTU Aero Engines                   | 1,177   | 52                    | 0.1                   | Royal Boskalis Westminster Groep      | 5,068   | 125                   | 0.2                   |
| RWE 'A'                            | 23,539  | 579                   | 1.1                   | Royal Dutch Shell 'A'                 | 21,703  | 490                   | 0.9                   |
| SAP                                | 18,223  | 701                   | 1.3                   | Unilever                              | 47,348  | 1,005                 | 1.8                   |
| Siemens                            | 8,753   | 532                   | 1.0                   |                                       |         |                       |                       |
| Sixt                               | 3,617   | 43                    | 0.1                   |                                       |         |                       |                       |
| Suedzucker                         | 14,492  | 272                   | 0.5                   |                                       |         |                       |                       |
| Tipp24                             | 914     | 25                    | -                     |                                       |         |                       |                       |
| Volkswagen Non-Voting Preference   | 1,679   | 193                   | 0.4                   |                                       |         |                       |                       |
| Xing                               | 1,612   | 61                    | 0.1                   |                                       |         |                       |                       |

# Portfolio statement – continued

As at 31 January 2012

| Investment                                  | Holding | Market value<br>£'000 | Total net<br>assets % |
|---|---------|-----------------------|-----------------------|
| <b>Spain – 7.7% (8.5%)</b>                  |         |                       |                       |
| Banco Bilbao Vizcaya Argentaria             | 62,735  | 355                   | 0.6                   |
| Banco Santander                             | 91,203  | 459                   | 0.8                   |
| Corporacion Financiera Alba                 | 4,275   | 111                   | 0.2                   |
| Distribuidora Internacional de Alimentacion | 63,243  | 187                   | 0.3                   |
| Duro Felguera                               | 4,695   | 20                    | -                     |
| Enagas                                      | 2,227   | 29                    | 0.1                   |
| Endesa                                      | 28,699  | 359                   | 0.7                   |
| Ferrovial                                   | 14,848  | 112                   | 0.2                   |
| Fomento de Construciones y Contratas        | 2,245   | 33                    | 0.1                   |
| Gas Natural                                 | 29,033  | 305                   | 0.6                   |
| Industria de Diseno Textil                  | 7,537   | 419                   | 0.8                   |
| Mapfre                                      | 20,465  | 43                    | 0.1                   |
| Pescanova                                   | 2,093   | 46                    | 0.1                   |
| Red Electrica Corporacion                   | 11,855  | 348                   | 0.6                   |
| Repsol YPF                                  | 33,869  | 600                   | 1.1                   |
| Telefonica                                  | 66,690  | 740                   | 1.4                   |
| <b>Italy – 5.5% (8.1%)</b>                  |         |                       |                       |
| Acea  | 5,500   | 22                    | -                     |
| Astaldi                                     | 15,941  | 68                    | 0.1                   |
| Autostrada Torino-Milano                    | 9,530   | 57                    | 0.1                   |
| Benetton Group                              | 15,063  | 51                    | 0.1                   |
| Beni Stabili                                | 95,402  | 29                    | 0.1                   |
| CIR-Compagnie Industriali                   | 49,224  | 51                    | 0.1                   |
| Davide de Campari                           | 38,165  | 163                   | 0.3                   |
| De Longhi                                   | 14,921  | 94                    | 0.2                   |
| Delclima                                    | 14,921  | 7                     | -                     |
| Enel  | 199,264 | 522                   | 1.0                   |
| ENI   | 89,003  | 1,266                 | 2.3                   |
| Fiat  | 7,472   | 50                    | 0.1                   |
| Intesa Sanpaolo                             | 84,064  | 103                   | 0.2                   |
| Marr  | 7,996   | 53                    | 0.1                   |
| Pirelli                                     | 17,559  | 105                   | 0.2                   |
| Recordati                                   | 22,003  | 110                   | 0.2                   |
| Sogefi                                      | 12,187  | 22                    | -                     |
| Telecom Italia                              | 314,410 | 207                   | 0.4                   |
| <b>Finland – 4.7% (3.8%)</b>                |         |                       |                       |
| Amer Sports 'A'                             | 12,665  | 102                   | 0.2                   |
| Fortum                                      | 22,415  | 317                   | 0.6                   |
| Huhtamaki 'I'                               | 16,826  | 131                   | 0.2                   |
| Kone 'B'                                    | 10,785  | 373                   | 0.7                   |
| Metso                                       | 7,570   | 209                   | 0.4                   |
| Neste Oil                                   | 2,643   | 19                    | -                     |
| Nokia                                       | 56,128  | 180                   | 0.3                   |
| Orion 'B'                                   | 21,267  | 261                   | 0.5                   |
| Pohjola Bank 'A'                            | 27,080  | 184                   | 0.3                   |
| Sampo 'A'                                   | 24,417  | 407                   | 0.7                   |
| Stora Enso 'R'                              | 60,100  | 272                   | 0.5                   |
| Tieto                                       | 7,796   | 75                    | 0.1                   |
| UPM-Kymmene                                 | 9,156   | 75                    | 0.1                   |
| YIT   | 5,642   | 67                    | 0.1                   |
| <b>Denmark – 3.2% (2.4%)</b>                |         |                       |                       |
| Coloplast 'B'                               | 3,132   | 294                   | 0.5                   |
| D/S Norden                                  | 2,607   | 41                    | 0.1                   |
| FLSmidth & Co                               | 1,259   | 60                    | 0.1                   |
| H. Lundbeck                                 | 9,369   | 116                   | 0.2                   |
| Jyske Bank                                  | 960     | 18                    | -                     |
| Novo-Nordisk 'B'                            | 12,364  | 921                   | 1.7                   |
| Royal Unibrew                               | 1,059   | 38                    | 0.1                   |
| SimCorp                                     | 453     | 44                    | 0.1                   |
| Topdanmark                                  | 2,001   | 200                   | 0.4                   |
| <b>Belgium – 2.8% (3.2%)</b>                |         |                       |                       |
| Ageas VVPR Strips                           | 61,400  | -                     | -                     |
| Anheuser-Busch InBev                        | 6,644   | 257                   | 0.5                   |
| Barco                                       | 1,373   | 46                    | 0.1                   |
| Belgacom                                    | 13,715  | 271                   | 0.5                   |
| Elia System Operator                        | 1,535   | 37                    | 0.1                   |
| Kinepolis Group                             | 594     | 28                    | 0.1                   |
| Mobistar                                    | 10,229  | 324                   | 0.6                   |
| Nyrstar                                     | 29,678  | 178                   | 0.3                   |
| Nyrstar VVPR Strips                         | 24,710  | -                     | -                     |
| Solvay                                      | 2,213   | 141                   | 0.3                   |
| Tessenderlo Chemie VVPR Strips              | 102     | -                     | -                     |
| Umicore                                     | 6,154   | 186                   | 0.3                   |

| Investment                   | Holding | Market value<br>£'000 | Total net<br>assets % |
|------------------------------|---------|-----------------------|-----------------------|
| <b>Norway – 2.1% (3.0%)</b>  |         |                       |                       |
| Cermaq                       | 17969   | 156                   | 0.3                   |
| DNB                          | 31,350  | 210                   | 0.4                   |
| Golden Ocean                 | 116,472 | 61                    | 0.1                   |
| Norske Skogsindustrier       | 28,342  | 22                    | -                     |
| Statoil                      | 12,372  | 199                   | 0.4                   |
| Telenor                      | 35,270  | 369                   | 0.7                   |
| Yara International           | 4,051   | 104                   | 0.2                   |
| <b>Austria – 1.0% (0.9%)</b> |         |                       |                       |
| Austriamicrosystems          | 813     | 26                    | -                     |
| Lenzing                      | 1,083   | 63                    | 0.1                   |
| Oesterreichische Post        | 4,995   | 103                   | 0.2                   |
| OMV                          | 6,900   | 145                   | 0.3                   |
| Voestalpine                  | 8,860   | 193                   | 0.4                   |
| <b>Investment assets</b>     |         | <b>53,491</b>         | <b>97.9</b>           |
| <b>Net other assets</b>      |         | <b>1,140</b>          | <b>2.1</b>            |
| <b>Net assets</b>            |         | <b>54,631</b>         | <b>100.0</b>          |

Unless otherwise stated the above securities are admitted to official stock exchange listings or trade on a regulated market.

The comparative percentage figures in brackets are at 31 January 2011.

## Portfolio movements

For the year ending 31 January 2012

|  | £'000         |  | £'000           |
|--|---------------|--|-----------------|
| <b>Total of all purchases for the year (Note 10)</b> | <b>68,199</b> | <b>Total of all sales for the year (Note 10)</b> | <b>99,056</b>   |
| <b>Major purchases</b>                               | <b>Cost</b>   | <b>Major sales</b>                               | <b>Proceeds</b> |
| JPM Euro Liquidity 'X' (Income)^                     | 13,825        | JPM Euro Liquidity 'X' (Income)^                 | 13,693          |
| Vivendi  | 1,423         | TOTAL S.A.                                       | 1,835           |
| Compagnie de Saint-Gobain                            | 1,345         | Sanofi-Aventis                                   | 1,760           |
| ASML   | 1,232         | Allianz  | 1,541           |
| Wendel   | 1,003         | Telefonica                                       | 1,369           |
| Sampo 'A'  | 934           | Novartis   | 1,345           |
| Alstom   | 925           | BASF   | 1,303           |
| ING Groep  | 826           | Banco Santander                                  | 1,237           |
| ENI  | 792           | Nestle   | 1,218           |
| European Aeronautic Defence and Space                | 777           | Compagnie Financiere Richemont 'A'               | 1,155           |
| Roche (Genusscheine)                                 | 772           | ASML   | 1,123           |
| Tele2 'B'  | 720           | Renault  | 1,070           |
| SAP  | 708           | Enel   | 1,069           |
| Television Francaise                                 | 697           | BNP Paribas                                      | 1,062           |
| Swedbank 'A'   | 695           | Deutsche Bank                                    | 1,051           |
| Skandinaviska Enskilda Banken 'A'                    | 649           | RWE 'A'  | 1,040           |
| Unilever   | 625           | Repsol YPF                                       | 979             |
| Svenska Handelsbanken 'A'                            | 614           | Roche (Genusscheine)                             | 974             |
| Stora Enso 'R'                                       | 613           | Tele2 'B'  | 960             |
| Ebro Foods   | 611           | Siemens  | 913             |

^ Deemed to be investment in related parties of the ACD

# Financial statements

## Statement of total return

For the year ending 31 January

|   | £'000 | 2012<br>£'000   | £'000 | 2011<br>£'000 |
|---|-------|-----------------|-------|---------------|
| Income  |       |                 |       |               |
| Net capital (losses)/gains (Note 1)   |       | (19,352)        |       | 13,839        |
| Revenue (Note 2)  | 3,701 |                 | 3,519 |               |
| Expenses (Note 3)   | (473) |                 | (561) |               |
| Net revenue before taxation   | 3,228 |                 | 2,958 |               |
| Taxation (Note 4)   | (406) |                 | (378) |               |
| Net revenue after taxation  |       | 2,822           |       | 2,580         |
| <b>Total return before distributions</b>  |       | <b>(16,530)</b> |       | <b>16,419</b> |
| Finance costs:<br>Distributions (Note 5)  |       | (2,821)         |       | (2,581)       |
| <b>Change in net assets attributable to shareholders from investment activities</b> |       | <b>(19,351)</b> |       | <b>13,838</b> |

## Balance sheet

As at 31 January

|  | £'000 | 2012<br>£'000 | £'000 | 2011<br>£'000  |
|--|-------|---------------|-------|----------------|
| <b>ASSETS</b>                                  |       |               |       |                |
| Investment assets                              |       | 53,491        |       | 103,798        |
| Debtors (Note 7)                               | 285   |               | 269   |                |
| Cash and bank balances (Note 8)                | 1,050 |               | 1,420 |                |
| <b>Total other assets</b>                      |       | <b>1,335</b>  |       | <b>1,689</b>   |
| <b>Total assets</b>                            |       | <b>54,826</b> |       | <b>105,487</b> |
| <b>LIABILITIES</b>                             |       |               |       |                |
| Creditors (Note 9)                             | (25)  |               | (61)  |                |
| Distribution payable on income shares          | (170) |               | (127) |                |
| <b>Total liabilities</b>                       |       | <b>(195)</b>  |       | <b>(188)</b>   |
| <b>Net assets attributable to shareholders</b> |       | <b>54,631</b> |       | <b>105,299</b> |

The notes to these financial statements are shown on pages 196 to 197.

## Statement of change in net assets attributable to shareholders

For the year ending 31 January

|   | £'000    | 2012<br>£'000   | £'000    | 2011<br>£'000  |
|---|----------|-----------------|----------|----------------|
| <b>Opening net assets attributable to shareholders</b>  |          | <b>105,299</b>  |          | <b>95,213</b>  |
| Amounts receivable on issue of shares   | 7,718    |                 | 22,564   |                |
| Amounts payable on cancellation of shares   | (40,719) |                 | (28,531) |                |
|   |          | (33,001)        |          | (5,967)        |
| <b>Change in net assets attributable to shareholders from investment activities (see above)</b> |          | <b>(19,351)</b> |          | <b>13,838</b>  |
| Retained distributions on accumulation shares   |          | 1,685           |          | 2,215          |
| Stamp duty reserve tax  |          | (1)             |          | -              |
| <b>Closing net assets attributable to shareholders</b>  |          | <b>54,631</b>   |          | <b>105,299</b> |

# Notes to the financial statements for the year ending 31 January 2012

## 1. Net capital (losses)/gains

|                            | 2012            | 2011          |
|----------------------------|-----------------|---------------|
|                            | £'000           | £'000         |
| Currency gains             | 113             | 84            |
| Non-derivative securities  | (19,465)        | 13,755        |
| Net capital (losses)/gains | <u>(19,352)</u> | <u>13,839</u> |

## 2. Revenue

|   | 2012         | 2011         |
|---|--------------|--------------|
|   | £'000        | £'000        |
| Income from overseas equity investments | 3,579        | 3,397        |
| Interest on bank and term deposits      | 7            | 10           |
| Stocklending income*                    | 115          | 112          |
| Total revenue                           | <u>3,701</u> | <u>3,519</u> |

\* Stocklending income is disclosed net of fees. See note 11.

## 3. Expenses

|  | 2012       | 2011       |
|--|------------|------------|
|  | £'000      | £'000      |
| <b>Payable to the ACD or associate of the ACD:</b> |            |            |
| ACD fee  | 470        | 556        |
| Fixed expenses                                     | 3          | 5          |
| Total expenses                                     | <u>473</u> | <u>561</u> |

## 4. Taxation

|  | 2012       | 2011       |
|--|------------|------------|
|  | £'000      | £'000      |
| <b>a) Analysis of charge in the year</b> |            |            |
| Corporation tax at 20%                   | -          | 52         |
| Double tax relief                        | -          | (52)       |
| Overseas tax provision                   | (31)       | (63)       |
| Overseas tax suffered                    | 437        | 428        |
| Prior year adjustments                   | -          | 13         |
| Current year tax charge (Note 4b)        | <u>406</u> | <u>378</u> |

### b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an Open-Ended Investment Company (OEIC) (20%). The differences are explained below.

|                             |              |              |
|-----------------------------|--------------|--------------|
| Net revenue before taxation | <u>3,228</u> | <u>2,958</u> |
| Corporation tax at 20%      | <u>646</u>   | <u>592</u>   |

Effects of:

|   |              |              |
|---|--------------|--------------|
| Dividends not subject to corporation tax  | (692)        | (540)        |
| Double tax relief                         | -            | (52)         |
| Excess expenses for which no relief taken | 46           | -            |
| Overseas tax provision                    | (31)         | (63)         |
| Overseas tax suffered                     | 437          | 428          |
| Prior year adjustments                    | -            | 13           |
|   | <u>(240)</u> | <u>(214)</u> |

Current year tax charge (Note 4a)

|  |            |            |
|--|------------|------------|
|  | <u>406</u> | <u>378</u> |
|--|------------|------------|

No deferred tax asset has been recognised in the financial statements. At the year end date, the fund had a deferred tax asset of £45,525 (31.01.11: £nil) in relation to £227,624 (31.01.11: £nil) of excess management expenses which would only be utilised to reduce the tax charge if the fund had an excess of unfranked income over expenses in a future period. There is no excess of unfranked income expected in the future.

## 5. Finance costs

### Distributions

The distributions take account of amounts receivable on the issue of shares and amounts payable on the cancellation of shares and comprise:

|  | 2012         | 2011         |
|--|--------------|--------------|
|  | £'000        | £'000        |
| Final dividend distribution                    | 1,855        | 2,342        |
| Add: Amounts payable on cancellation of shares | 1,082        | 617          |
| Deduct: Amounts receivable on issue of shares  | (116)        | (378)        |
| Total finance costs                            | <u>2,821</u> | <u>2,581</u> |

Details of the distribution per share are set out on page 198.

## 6. Movement between net revenue after taxation and distributions

|   | 2012         | 2011         |
|---|--------------|--------------|
|   | £'000        | £'000        |
| Net revenue after taxation                    | 2,822        | 2,580        |
| Add: Undistributed revenue brought forward    | 1            | 2            |
| Deduct: Undistributed revenue carried forward | (2)          | (1)          |
|   | <u>2,821</u> | <u>2,581</u> |

## 7. Debtors

|                                     | 2012       | 2011       |
|-------------------------------------|------------|------------|
|                                     | £'000      | £'000      |
| Due from the ACD for shares created | 165        | 85         |
| Overseas tax recoverable            | 120        | 154        |
| Sales awaiting settlement           | -          | 30         |
| Total debtors                       | <u>285</u> | <u>269</u> |

## 8. Cash and bank balances

|                        | 2012         | 2011         |
|------------------------|--------------|--------------|
|                        | £'000        | £'000        |
| Cash and bank balances | <u>1,050</u> | <u>1,420</u> |

## 9. Creditors

|                                     | 2012      | 2011      |
|-------------------------------------|-----------|-----------|
|                                     | £'000     | £'000     |
| Accrued expenses                    | 25        | 49        |
| Due to the ACD for shares cancelled | -         | 12        |
| Total creditors                     | <u>25</u> | <u>61</u> |

## Notes to the financial statements – continued

### 10. Portfolio transaction costs

|  | 2012<br>£'000 | 2011<br>£'000 |
|--|---------------|---------------|
| Analysis of total purchase costs           |               |               |
| Purchases in year before transaction costs | 68,149        | 90,790        |
| Commissions                                | 50            | 100           |
| Taxes                                      | -             | 8             |
| Total purchase costs                       | 50            | 108           |
| Gross purchases total                      | 68,199        | 90,898        |
| Analysis of total sale costs               |               |               |
| Gross sales before transaction costs       | 99,120        | 95,714        |
| Commissions                                | (64)          | (104)         |
| Taxes                                      | -             | (2)           |
| Total sale costs                           | (64)          | (106)         |
| Total sales net of transaction costs       | 99,056        | 95,608        |

### 11. Related party transactions

JPMorgan Funds Limited, as Authorised Corporate Director (“ACD”), is a related party, and acts as principal in respect of all transactions of shares in the Company. The aggregate monies received through issue, and paid on cancellation, are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

The balance due from the ACD and their associates at the year end date in respect of related party transactions was £139,937 (31.01.11: £23,580). Details of related party transactions are given under note 13 on page 389.

Some of the dealing transactions for the fund are carried out through associates of the ACD. Such transactions are carried out on an arm's length basis. The commissions paid to these companies over the year were £734 (31.01.11: £490). Commission was paid to the associated company JPMorgan Securities Ltd.

The gross stocklending income received was £139,713 (31.01.11: £135,096), with fees deducted of £24,450 (31.01.11: £23,642).

The following parties held a material interest in the fund at the year end date:  
- JPMorgan Life Ltd 86.48% (31.01.11: 69.05%)

### 12. Stocklending

As at 31 January 2011 the aggregate value of securities on loan was £348,144 (31.01.11: £4,734,845). The Depositary held £372,841 (31.01.11: £5,133,856) of collateral assets on behalf of the fund in respect thereof. The nature of the collateral was 100.0% bonds.

### 13. Financial instruments

#### Currency exposures

A substantial proportion of the net assets of the fund are denominated in currencies other than sterling, with the effect that the Balance sheet and total return can be significantly affected by currency movements.

| Currency        | Net foreign currency assets |                                |                                    |
|-----------------|-----------------------------|--------------------------------|------------------------------------|
|                 | Total<br>£'000              | Monetary<br>exposures<br>£'000 | Non-monetary<br>exposures<br>£'000 |
| <b>31.01.12</b> |                             |                                |                                    |
| Euro            | 37,299                      | 1,066                          | 36,233                             |
| Swiss Franc     | 8,816                       | 51                             | 8,765                              |
| Swedish Krona   | 5,640                       | -                              | 5,640                              |
| Danish Krone    | 1,733                       | 1                              | 1,732                              |
| Norwegian Krone | 1,144                       | 23                             | 1,121                              |
| <b>31.01.11</b> |                             |                                |                                    |
| Euro            | 77,455                      | 1,538                          | 75,917                             |
| Swiss Franc     | 15,507                      | 82                             | 15,425                             |
| Swedish Krona   | 6,729                       | -                              | 6,729                              |
| Norwegian Krone | 3,066                       | 13                             | 3,053                              |
| Danish Krone    | 2,674                       | -                              | 2,674                              |

#### Interest rate risk

At the year end date, 1.9% (31.01.11: 1.3%) of the fund's net assets by value were interest bearing. For consideration of other risks including liquidity, pricing and credit risk, please refer to the notes to the aggregated financial statements, pages 389 to 390.

### 14. Share classes

The fund currently has two share classes; Class I shares and Class X shares. The Authorised Corporate Director's (ACD) fee and fixed expenses charge are shown below.

|                 | ACD fee | Fixed expenses |
|-----------------|---------|----------------|
| Class I shares: | 0.60%   | 0.00%          |
| Class X shares: | 0.00%   | 0.06%          |

The net asset value of each share class, the net asset value per share and the number of shares in each class are shown on page 191. All classes have the same rights on winding up.

# Distribution table

## Final distribution in pence per share

Group 1 – Shares purchased prior to 1 February 2011

Group 2 – Shares purchased 1 February 2011 to 31 January 2012

|                                    | Gross<br>revenue | Tax<br>at 10% | Net<br>revenue | Equalisation | Distribution<br>paid |          |
|------------------------------------|------------------|---------------|----------------|--------------|----------------------|----------|
|                                    |                  |               |                |              | 16.03.12             | 16.03.11 |
| <b>I-Class Accumulation Shares</b> |                  |               |                |              |                      |          |
| Group 1                            | 10.811111        | 1.081111      | 9.730000       | -            | 9.730000             | 7.540000 |
| Group 2                            | 0.500139         | 0.050014      | 0.450125       | 9.279875     | 9.730000             | 7.540000 |
| <b>X-Class Income Shares</b>       |                  |               |                |              |                      |          |
| Group 1                            | 10.400000        | 1.040000      | 9.360000       | -            | 9.360000             | 7.550000 |
| Group 2                            | 10.383360        | 1.038336      | 9.345024       | 0.014976     | 9.360000             | 7.550000 |

Equalisation applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of revenue included in the purchase price of all group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.



# JPM Japan Fund

## Important information

### Change of Depositary

As part of an internal re-structuring, The Royal Bank of Scotland plc has transferred its Trustee and Depositary Services business from The Royal Bank of Scotland plc to National Westminster Bank plc and consequently National Westminster Bank plc has been appointed as Depositary of the Fund with effect from 15 October 2011.

As Depositary, National Westminster Bank plc will have the same duties and responsibilities as The Royal Bank of Scotland plc and this change will have no impact on the way the Fund operates.

### Investment objective and policy

To provide capital growth over the long term by investing primarily in the shares of Japanese companies.

### Risk profile

This equity based Fund is designed for investors looking for broad market exposure (including smaller company investments) primarily to a single developed stock market.

Equity investment is subject to specific risks relating to the performance of the individual companies held and the market's perception of their performance. Equities are also subject to systematic risks such as general economic conditions, inflation, interest rates, foreign exchange rates and industry sector risks. In general terms, equities tend to be more volatile than bonds.

This Fund is aggressively managed, which may result in higher volatility of the Fund's performance and bigger differences between the performance of the Fund and its benchmark when compared to core funds.

Funds that invest predominantly in a single market, asset class or sector may be subject to greater volatility than those funds with a more diversified portfolio.

Smaller companies' securities may be less liquid than the securities of larger companies as a result of inadequate trading volume or restrictions on trading. Smaller companies may possess greater potential for growth, but can also involve greater risks, such as limited product lines and markets, and financial or managerial resources. Trading in such securities may be subject to more abrupt price movements and greater fluctuations in available liquidity than trading in the securities of larger companies.

The underlying assets of the Fund are denominated in a currency other than Sterling and are not hedged back to Sterling. Investors will therefore be exposed to the currency risk of fluctuations between Sterling and the currency denomination of the underlying assets.

### Fund review

The Fund underperformed the benchmark over the 12-month period. The market faced numerous challenges, ranging from natural disasters to the eurozone debt crisis. The portfolio focused on stocks with independent price drivers, such as internet, specialty retail, healthcare services and Asian consumer-oriented names, which were less impacted by the economic crisis than machinery and technology stocks. The market's weak performance has meant that most stocks look cheap - even those that did well last year still often trade on a single digit price-to-earnings ratio.

Companies have responded to the weak environment by embracing restructuring - moving production overseas and reorganising their business portfolios. Some firms have used the strong yen as an opportunity to acquire overseas assets, with a clear pickup in M&A activity by Japanese firms. Our holding Hitachi exemplifies this trend selling off their HDD portfolio and buying in several subsidiaries as part of a group wide reorganisation.

### Fund outlook

Japanese firms have made big strides in shifting their portfolios and even more progress in reducing costs to compete with such a strong currency. Any future currency weakness should have a big positive impact on profitability for exporters. At the same time, domestic and service-oriented companies are finding new opportunities in areas like internet, mobile contents and business services, which are all strongly growing segments of the Japanese economy. However, we are wary of the most cyclical parts of the economy as we have a relatively cautious macroeconomic view of continued sub-par global growth.

While Japanese stocks are as cheap now as they were after the Lehman shock, in many cases they are in much better shape. A combination of cheap valuation, moderate growth and positive policy action sets the backdrop for an attractive investment opportunity.

### 12 month performance as at 31 January

|                              | 2012         | 2011        | 2010        | 2009         | 2008          |
|------------------------------|--------------|-------------|-------------|--------------|---------------|
| <b>JPM Japan A-Class Acc</b> | <b>-3.6%</b> | <b>8.1%</b> | <b>2.2%</b> | <b>-6.1%</b> | <b>-15.2%</b> |
| <b>JPM Japan C-Class Acc</b> | <b>-2.7%</b> | <b>8.9%</b> | <b>3.1%</b> | <b>-5.6%</b> | <b>-</b>      |
| Benchmark Index              | -7.5%        | 13.8%       | 2.9%        | -1.9%        | -11.4%        |

### Fund statistics

|                 |                             |
|-----------------|-----------------------------|
| Fund size       | £75.7m                      |
| Benchmark Index | TOPIX (Total Return Net)    |
| Fund charges    |                             |
| A-Class         | Initial 4.25%, Annual 1.50% |
| C-Class         | Initial Nil, Annual 0.75%   |

### Top ten holdings

|                | %   |
|----------------|-----|
| Trancom        | 5.8 |
| Konami         | 5.7 |
| Rakuten        | 5.5 |
| Hitachi        | 5.4 |
| Gree           | 5.0 |
| CyberAgent     | 4.7 |
| Capcom         | 4.6 |
| Don Quijote    | 4.6 |
| Daihatsu Motor | 4.1 |
| Namco Bandai   | 4.0 |

You should remember that past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. For specific risks, please read the Simplified Prospectus.

All performance returns are calculated using the quoted price of the accumulation shares. Performance returns are in Sterling.  
Source: J.P. Morgan.

## Sector breakdown

|                   | %    |
|-------------------|------|
| Consumer goods    | 35.0 |
| Industrials       | 25.3 |
| Consumer services | 18.4 |
| Technology        | 14.9 |
| Health care       | 5.9  |
| Net other assets  | 0.5  |

## Highest/lowest share price and distribution record

| Calendar year                                  | Highest share price | Lowest share price | Distribution per share (net) |
|--|---------------------|--------------------|------------------------------|
| <b>A-Class Accumulation Shares</b>             |                     |                    |                              |
| 2007   | 227.2p              | 190.4p             | 0.00p                        |
| 2008   | 202.8p              | 130.9p             | 0.00p                        |
| 2009   | 184.6p              | 131.3p             | 0.83p                        |
| 2010   | 212.6p              | 164.2p             | 0.00p                        |
| 2011   | 207.3p              | 156.7p             | 0.00p                        |
| 2012 <sup>A</sup>                              | 193.9p              | 182.3p             | 0.03p                        |
| <b>A-Class Income Shares<sup>B</sup></b>       |                     |                    |                              |
| 2007   | 51.78p              | 46.04p             | -                            |
| 2008   | 49.06p              | 31.66p             | 0.00p                        |
| 2009   | 44.57p              | 44.11p             | 0.14p                        |
| 2010   | 51.34p              | 39.65p             | 0.00p                        |
| 2011   | 50.05p              | 37.83p             | 0.00p                        |
| 2012 <sup>A</sup>                              | 46.81p              | 44.02p             | 0.00p                        |
| <b>C-Class Accumulation Shares<sup>C</sup></b> |                     |                    |                              |
| 2007   | 109.5p              | 97.49p             | -                            |
| 2008   | 103.9p              | 67.41p             | 0.32p                        |
| 2009   | 95.67p              | 68.38p             | 0.89p                        |
| 2010   | 110.8p              | 85.88p             | 0.39p                        |
| 2011   | 109.0p              | 82.18p             | 0.69p                        |
| 2012 <sup>A</sup>                              | 102.4p              | 96.29p             | 0.82p                        |

<sup>A</sup> To 31 January 2012.

<sup>B</sup> A-Class Income Shares were launched on 1 September 2007.

<sup>C</sup> C-Class Accumulation Shares were launched on 13 September 2007.

## Portfolio turnover rate

|          |        |
|----------|--------|
| 31.01.11 | 418.1% |
| 31.01.12 | 238.8% |

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the period.

## Net asset values and Total expense ratios

| Date                               | Net asset value per share class £'000 | Number of shares | Net asset value per share | Total expense ratio |
|------------------------------------|---------------------------------------|------------------|---------------------------|---------------------|
| <b>A-Class Accumulation Shares</b> |                                       |                  |                           |                     |
| 31.01.10                           | 108,803                               | 61,831,438       | 176.0p                    | 1.63%               |
| 31.01.11                           | 84,870                                | 44,662,175       | 190.0p                    | 1.67%               |
| 31.01.12                           | 73,408                                | 40,002,768       | 183.5p                    | 1.67%               |
| <b>A-Class Income Shares</b>       |                                       |                  |                           |                     |
| 31.01.10                           | 325                                   | 764,279          | 42.49p                    | 1.64%               |
| 31.01.11                           | 203                                   | 441,524          | 45.89p                    | 1.67%               |
| 31.01.12                           | 299                                   | 674,148          | 44.32p                    | 1.65%               |
| <b>C-Class Accumulation Shares</b> |                                       |                  |                           |                     |
| 31.01.10                           | 2,231                                 | 2,439,519        | 91.47p                    | 0.87%               |
| 31.01.11                           | 2,222                                 | 2,230,990        | 99.58p                    | 0.87%               |
| 31.01.12                           | 2,038                                 | 2,102,190        | 96.95p                    | 0.87%               |

The net asset value and the net asset value per income share are shown ex-dividend.

The total expense ratio (TER) takes into account the ACD fee and any fixed expenses charged to revenue expressed as a percentage of the average daily net asset values over the period.

# Portfolio statement

As at 31 January 2012

| Investment   | Holding   | Market value<br>£'000 | Total net<br>assets % |
|--|-----------|-----------------------|-----------------------|
| <b>Consumer goods - 35.0% (25.2%)</b>                |           |                       |                       |
| <b>Automobiles &amp; parts - 17.5%</b>               |           |                       |                       |
| Daihatsu Motor                                       | 257,000   | 3,126                 | 4.1                   |
| F.C.C.   | 186,700   | 2,497                 | 3.3                   |
| Musashi Seimitsu Industries                          | 114,700   | 1,665                 | 2.2                   |
| Nippon Seiki   | 173,000   | 1,265                 | 1.7                   |
| Nissin Kogyo   | 212,400   | 2,064                 | 2.7                   |
| Unipres  | 93,900    | 1,848                 | 2.4                   |
| U-Shin   | 173,600   | 843                   | 1.1                   |
| <b>Leisure goods - 12.3%</b>                         |           |                       |                       |
| Konami   | 259,100   | 4,307                 | 5.7                   |
| Namco Bandai   | 335,600   | 3,013                 | 4.0                   |
| Sega Sammy   | 144,000   | 1,967                 | 2.6                   |
| <b>Personal goods - 3.2%</b>                         |           |                       |                       |
| UNI Charm  | 73,000    | 2,418                 | 3.2                   |
| <b>Tobacco - 2.0%</b>                                |           |                       |                       |
| Japan Tobacco  | 481       | 1,489                 | 2.0                   |
| <b>Industrials - 25.3% (34.3%)</b>                   |           |                       |                       |
| <b>Aerospace &amp; defence - 0.4%</b>                |           |                       |                       |
| Showa Aircraft Industry                              | 86,000    | 339                   | 0.4                   |
| <b>Electronics &amp; electrical equipment - 9.7%</b> |           |                       |                       |
| Hitachi  | 1,162,000 | 4,094                 | 5.4                   |
| NGK Insulators                                       | 115,000   | 931                   | 1.2                   |
| Nidec  | 39,500    | 2,377                 | 3.1                   |
| <b>Industrial engineering - 6.4%</b>                 |           |                       |                       |
| Daido Metal  | 117,000   | 848                   | 1.1                   |
| FANUC  | 19,900    | 2,105                 | 2.8                   |
| Mitsubishi Electric                                  | 240,000   | 1,357                 | 1.8                   |
| Tomoe Engineering                                    | 46,000    | 563                   | 0.7                   |
| <b>Industrial transportation - 5.8%</b>              |           |                       |                       |
| Trancom  | 355,900   | 4,378                 | 5.8                   |
| <b>Support services - 3.0%</b>                       |           |                       |                       |
| Arealink   | 13,881    | 359                   | 0.5                   |
| GMO Payment Gateway                                  | 324       | 846                   | 1.1                   |
| Outsourcing  | 266,500   | 665                   | 0.9                   |
| World Intec  | 253,800   | 389                   | 0.5                   |
| <b>Consumer services - 18.4% (10.2%)</b>             |           |                       |                       |
| <b>General retailers - 15.3%</b>                     |           |                       |                       |
| Don Quijote  | 148,100   | 3,468                 | 4.6                   |
| eBook Initiative Japan                               | 8,200     | 149                   | 0.2                   |
| Gree   | 207,900   | 3,788                 | 5.0                   |
| Rakuten  | 6,549     | 4,175                 | 5.5                   |
| <b>Travel &amp; leisure - 3.1%</b>                   |           |                       |                       |
| Skymark Airlines                                     | 303,200   | 1,910                 | 2.5                   |
| Universal Entertainment                              | 24,500    | 413                   | 0.6                   |
| <b>Technology - 14.9% (2.7%)</b>                     |           |                       |                       |
| <b>Software &amp; computer services - 11.6%</b>      |           |                       |                       |
| Bit-Isle   | 234,400   | 1,720                 | 2.3                   |
| Capcom   | 248,400   | 3,474                 | 4.6                   |
| CyberAgent   | 1,921     | 3,548                 | 4.7                   |
| <b>Technology hardware &amp; equipment - 3.3%</b>    |           |                       |                       |
| United Technology Holdings                           | 5,781     | 2,444                 | 3.3                   |
| <b>Health care - 5.9% (1.4%)</b>                     |           |                       |                       |
| <b>Health care equipment &amp; services - 5.9%</b>   |           |                       |                       |
| Asahi Intecc   | 62,200    | 886                   | 1.2                   |
| Nikkiso  | 234,000   | 1,317                 | 1.7                   |
| Ship Health Care Holdings                            | 166,600   | 2,286                 | 3.0                   |
| <b>Investment assets</b>                             |           | <b>75,331</b>         | <b>99.5</b>           |
| <b>Net other liabilities</b>                         |           | <b>414</b>            | <b>0.5</b>            |
| <b>Net assets</b>                                    |           | <b>75,745</b>         | <b>100.0</b>          |

Unless otherwise stated the above securities are admitted to official stock exchange listings or trade on a regulated market.

The comparative percentage figures in brackets are at 31 January 2011.

## Portfolio movements

For the year ending 31 January 2012

|  | £'000          |  | £'000           |
|--|----------------|--|-----------------|
| <b>Total of all purchases for the year (Note 10)</b> | <b>106,103</b> | <b>Total of all sales for the year (Note 10)</b> | <b>115,132</b>  |
| <b>Major purchases</b>                               | <b>Cost</b>    | <b>Major sales</b>                               | <b>Proceeds</b> |
| Rakuten  | 4,891          | Nippon Telegraph & Telephone                     | 5,948           |
| CyberAgent   | 4,541          | Orix   | 5,173           |
| Hitachi  | 4,208          | Mitsubishi                                       | 5,102           |
| Daihatsu Motor                                       | 4,128          | Osaka Securities Exchange                        | 4,997           |
| Capcom   | 3,884          | Itochu   | 4,759           |
| Japan Tobacco  | 3,807          | Sony   | 3,802           |
| Konami   | 3,755          | Mitsui & Co                                      | 3,621           |
| Mitsubishi Tanabe Pharma                             | 3,527          | Mitsubishi Tanabe Pharma                         | 3,591           |
| Dena   | 3,299          | Press Kogyo                                      | 3,512           |
| Gree   | 3,222          | Hitachi  | 3,284           |
| Namco Bandai   | 2,924          | Dena   | 3,168           |
| JGC  | 2,839          | Mitsui Chemicals                                 | 3,145           |
| Nippon Sheet Glass                                   | 2,655          | JGC  | 2,860           |
| UNI Charm  | 2,443          | Japan Tobacco                                    | 2,792           |
| FANUC  | 2,411          | Nippon Sheet Glass                               | 2,609           |
| Sega Sammy   | 2,406          | THK  | 2,609           |
| Nidec  | 2,370          | JX Holdings                                      | 2,551           |
| Chiyoda  | 2,349          | Kayaba Industry                                  | 2,489           |
| Orix   | 2,010          | Chiyoda  | 2,411           |
| Mitsui O.S.K. Lines                                  | 1,851          | Dr. CI Labo                                      | 2,390           |

## Financial statements

### Statement of total return

For the year ending 31 January

|   | £'000   | 2012<br>£'000  | £'000   | 2011<br>£'000 |
|---|---------|----------------|---------|---------------|
| Income  |         |                |         |               |
| Net capital (losses)/gains (Note 1)   |         | (2,937)        |         | 7,269         |
| Revenue (Note 2)  | 1,492   |                | 1,767   |               |
| Expenses (Note 3)   | (1,348) |                | (1,717) |               |
| Net revenue before taxation   | 144     |                | 50      |               |
| Taxation (Note 4)   | (103)   |                | (111)   |               |
| Net revenue/(expense) after taxation  |         | 41             |         | (61)          |
| <b>Total return before distributions</b>  |         | <b>(2,896)</b> |         | <b>7,208</b>  |
| Finance costs:  |         |                |         |               |
| Distributions (Note 5)  |         | (39)           |         | (11)          |
| <b>Change in net assets attributable to shareholders from investment activities</b> |         | <b>(2,935)</b> |         | <b>7,197</b>  |

### Balance sheet

As at 31 January

|  | £'000 | 2012<br>£'000 | £'000 | 2011<br>£'000 |
|--|-------|---------------|-------|---------------|
| <b>ASSETS</b>                                  |       |               |       |               |
| Investment assets                              |       | 75,331        |       | 87,329        |
| Debtors (Note 7)                               | 56    |               | 225   |               |
| Cash and bank balances (Note 8)                | 801   |               | 105   |               |
| <b>Total other assets</b>                      |       | <b>857</b>    |       | <b>330</b>    |
| <b>Total assets</b>                            |       | <b>76,188</b> |       | <b>87,659</b> |
| <b>LIABILITIES</b>                             |       |               |       |               |
| Creditors (Note 9)                             | (443) |               | (364) |               |
| <b>Total liabilities</b>                       |       | <b>(443)</b>  |       | <b>(364)</b>  |
| <b>Net assets attributable to shareholders</b> |       | <b>75,745</b> |       | <b>87,295</b> |

The notes to these financial statements are shown on pages 204 to 205.

### Statement of change in net assets attributable to shareholders

For the year ending 31 January

|  | £'000    | 2012<br>£'000 | £'000    | 2011<br>£'000  |
|--|----------|---------------|----------|----------------|
| <b>Opening net assets attributable to shareholders</b>                                   |          | <b>87,295</b> |          | <b>111,359</b> |
| Amounts receivable on issue of shares  | 7,577    |               | 37,593   |                |
| Amounts payable on cancellation of shares  | (16,221) |               | (68,869) |                |
|  |          | (8,644)       |          | (31,276)       |
| Change in net assets attributable to shareholders from investment activities (see above) |          | (2,935)       |          | 7,197          |
| Retained distributions on accumulation shares  |          | 29            |          | 15             |
| <b>Closing net assets attributable to shareholders</b>                                   |          | <b>75,745</b> |          | <b>87,295</b>  |

# Notes to the financial statements for the year ending 31 January 2012

## 1. Net capital (losses)/gains

|                            | 2012    | 2011  |
|----------------------------|---------|-------|
|                            | £'000   | £'000 |
| Currency gains/(losses)    | 33      | (255) |
| Custodian handling charges | (6)     | (9)   |
| Non-derivative securities  | (2,964) | 7,533 |
| Net capital (losses)/gains | (2,937) | 7,269 |

## 2. Revenue

|   | 2012  | 2011  |
|---|-------|-------|
|   | £'000 | £'000 |
| Income from overseas equity investments | 1,467 | 1,690 |
| Interest on bank and term deposits      | 16    | 1     |
| Stocklending income*                    | 9     | 76    |
| Total revenue                           | 1,492 | 1,767 |

\* Stocklending income is disclosed net of fees. See note 11.

## 3. Expenses

|  | 2012  | 2011  |
|--|-------|-------|
|  | £'000 | £'000 |
| <b>Payable to the ACD or associate of the ACD:</b> |       |       |
| ACD fee  | 1,227 | 1,541 |
| Fixed expenses                                     | 142   | 176   |
|  | 1,369 | 1,717 |
| <b>Payable to third parties:</b>                   |       |       |
| VAT recovered*                                     | (21)  | -     |
| Total expenses                                     | 1,348 | 1,717 |

\* VAT recovered includes amounts arising as a result of changes to the policy of HM Revenue & Customs ("HMRC") concerning VAT exemption for the management of authorised collective investment schemes (UK Law, items 9 and 10 of group 5, Schedule 9, to the VAT Act 1994) where these services have historically been treated as subject to VAT in the UK. These changes are in accordance with the Business Brief 07/06 (item 3) from HMRC in light of the European Court of Justice judgment in case C-196/04, Abbey National and Inscape Investment Fund.

## 4. Taxation

|  | 2012  | 2011  |
|--|-------|-------|
|  | £'000 | £'000 |
| <b>a) Analysis of charge in the year</b> |       |       |
| Overseas tax suffered                    | 103   | 111   |
| Current year tax charge (Note 4b)        | 103   | 111   |

### b) Factors affecting the tax charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK for an Open-Ended Investment Company (OEIC) (20%). The differences are explained below.

|   |       |       |
|---|-------|-------|
| Net revenue before taxation               | 144   | 50    |
| Corporation tax at 20%                    | 29    | 10    |
| Effects of:                               |       |       |
| Dividends not subject to corporation tax  | (293) | (338) |
| Excess expenses for which no relief taken | 264   | 328   |
| Overseas tax suffered                     | 103   | 111   |
|   | 74    | 101   |
| Current year tax charge (Note 4a)         | 103   | 111   |

No deferred tax asset has been recognised in the financial statements. At the year end date, the fund had a deferred tax asset of £8,180,116 (31.01.11: £7,915,580) in relation to £40,900,579 (31.01.11: £39,577,901) of excess management expenses which would only be utilised to reduce the tax charge if the fund had an excess of unfranked income over expenses in a future period. There is no excess of unfranked income expected in the future.

## 5. Finance costs

### Distributions

The distributions take account of amounts receivable on the issue of shares and amounts payable on the cancellation of shares and comprise:

|  | 2012  | 2011  |
|--|-------|-------|
|  | £'000 | £'000 |
| Final dividend distribution                    | 29    | 15    |
| Add: Amounts payable on cancellation of shares | 27    | 30    |
| Deduct: Amounts receivable on issue of shares  | (17)  | (34)  |
| Total finance costs                            | 39    | 11    |

Details of the distribution per share are set out on page 206.

## 6. Movement between net revenue/(expense) after taxation and distributions

|   | 2012  | 2011  |
|---|-------|-------|
|   | £'000 | £'000 |
| Net revenue/(expense) after taxation          | 41    | (61)  |
| Add: Net expense payable from capital         | -     | 72    |
| Deduct: Undistributed revenue carried forward | (2)   | -     |
|   | 39    | 11    |

## Notes to the financial statements – continued

### 7. Debtors

|                                     | 2012  | 2011  |
|-------------------------------------|-------|-------|
|                                     | £'000 | £'000 |
| Accrued income                      | 55    | 42    |
| Due from the ACD for shares created | -     | 10    |
| Sales awaiting settlement           | 1     | 173   |
| Total debtors                       | 56    | 225   |

### 8. Cash and bank balances

|                        | 2012  | 2011  |
|------------------------|-------|-------|
|                        | £'000 | £'000 |
| Cash and bank balances | 801   | 105   |

### 9. Creditors

|                                     | 2012  | 2011  |
|-------------------------------------|-------|-------|
|                                     | £'000 | £'000 |
| Accrued expenses                    | 110   | 124   |
| Due to the ACD for shares cancelled | 333   | 240   |
| Total creditors                     | 443   | 364   |

### 10. Portfolio transaction costs

|  | 2012    | 2011    |
|--|---------|---------|
|  | £'000   | £'000   |
| Analysis of total purchase costs           |         |         |
| Purchases in year before transaction costs | 106,034 | 244,534 |
| Commissions                                | 69      | 161     |
| Total purchase costs                       | 69      | 161     |
| Gross purchases total                      | 106,103 | 244,695 |
| Analysis of total sale costs               |         |         |
| Gross sales before transaction costs       | 115,201 | 277,950 |
| Commissions                                | (69)    | (183)   |
| Total sale costs                           | (69)    | (183)   |
| Total sales net of transaction costs       | 115,132 | 277,767 |

### 11. Related party transactions

JPMorgan Funds Limited, as Authorised Corporate Director (“ACD”), is a related party, and acts as principal in respect of all transactions of shares in the Company. The aggregate monies received through issue, and paid on cancellation, are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

The balance due to the ACD and their associates at the year end date in respect of related party transactions was £442,084 (31.01.11: £354,259). Details of related party transactions are given under note 13 on page 389.

Some of the dealing transactions for the fund are carried out through associates of the ACD. Such transactions are carried out on an arm's length basis. The commissions paid to these companies over the year were £13,375 (31.01.11: £18,033). Commission was paid to the associated company JPMorgan Securities Ltd.

The gross stocklending income received was £11,245 (31.01.11: £91,910), with fees deducted of £1,968 (31.01.11: £16,084).

### 12. Stocklending

As at 31 January 2012 the aggregate value of securities on loan was £14 (31.01.11: £547,520). The Depository held £15 (31.01.11: £578,946) of collateral assets on behalf of the fund in respect thereof. The nature of the collateral was 100.0% cash.

### 13. Financial instruments

#### Currency exposures

A substantial proportion of the net assets of the fund are denominated in currencies other than sterling, with the effect that the Balance sheet and total return can be significantly affected by currency movements.

| Currency        | Net foreign currency assets |                                |                                    |
|-----------------|-----------------------------|--------------------------------|------------------------------------|
|                 | Total<br>£'000              | Monetary<br>exposures<br>£'000 | Non-monetary<br>exposures<br>£'000 |
| <b>31.01.12</b> |                             |                                |                                    |
| Japanese Yen    | 75,906                      | 575                            | 75,331                             |
| <b>31.01.11</b> |                             |                                |                                    |
| Japanese Yen    | 87,432                      | 103                            | 87,329                             |

#### Interest rate risk

At the year end date, 1.0% (31.01.11: 0.1%) of the fund's net assets by value were interest bearing.

For consideration of other risks including liquidity, pricing and credit risk, please refer to the notes to the aggregated financial statements, pages 389 to 390.

### 14. Share classes

The fund currently has two share classes; Class A shares and Class C shares. The Authorised Corporate Director's (ACD) fee and fixed expenses charge are shown below.

|                 | ACD fee | Fixed expenses |
|-----------------|---------|----------------|
| Class A shares: | 1.50%   | 0.18%          |
| Class C shares: | 0.75%   | 0.12%          |

The net asset value of each share class, the net asset value per share and the number of shares in each class are shown on page 200. All classes have the same rights on winding up.

# Distribution table

## Final distribution in pence per share

Group 1 – Shares purchased prior to 1 February 2011

Group 2 – Shares purchased 1 February 2011 to 31 January 2012

|                                    | Gross revenue | Tax at 10% | Net revenue | Equalisation | Distribution payable 30.04.12 | Distribution paid 30.04.11 |
|------------------------------------|---------------|------------|-------------|--------------|-------------------------------|----------------------------|
| <b>A-Class Accumulation Shares</b> |               |            |             |              |                               |                            |
| Group 1                            | 0.033333      | 0.003333   | 0.030000    | -            | 0.030000                      | 0.000000                   |
| Group 2                            | 0.000000      | 0.000000   | 0.000000    | 0.030000     | 0.030000                      | 0.000000                   |
| <b>A-Class Income Shares</b>       |               |            |             |              |                               |                            |
| Group 1                            | 0.000000      | 0.000000   | 0.000000    | -            | 0.000000                      | 0.000000                   |
| Group 2                            | 0.000000      | 0.000000   | 0.000000    | 0.000000     | 0.000000                      | 0.000000                   |
| <b>C-Class Accumulation Shares</b> |               |            |             |              |                               |                            |
| Group 1                            | 0.911111      | 0.091111   | 0.820000    | -            | 0.820000                      | 0.690000                   |
| Group 2                            | 0.650889      | 0.065089   | 0.585800    | 0.234200     | 0.820000                      | 0.690000                   |

Equalisation applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of revenue included in the purchase price of all group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.



# JPM Multi-Asset Income Fund

## Important information

### Change of Depositary

As part of an internal re-structuring, The Royal Bank of Scotland plc has transferred its Trustee and Depositary Services business from The Royal Bank of Scotland plc to National Westminster Bank plc and consequently National Westminster Bank plc has been appointed as Depositary of the Fund with effect from 15 October 2011.

As Depositary, National Westminster Bank plc will have the same duties and responsibilities as The Royal Bank of Scotland plc and this change will have no impact on the way the Fund operates.

### Investment objective and policy

To provide income by investing primarily in a global portfolio of income generating securities.

The Fund will predominantly invest in fixed and floating rate debt securities and equity and equity linked securities to generate income. Whilst there might be gains, there is also a risk of capital erosion. The Fund may invest in high-yield bonds, convertible bonds, investment grade, non-investment grade and unrated securities, Real Estate Investment Trusts ("REITs"), smaller companies and collective investment schemes as the investment adviser deems appropriate. Issuers of securities may be located in any country, including emerging markets and the Fund may invest in assets denominated in any currency. Non-sterling currency exposure (excluding emerging markets local currency) will be hedged back to sterling. The Fund may use derivatives and forward transactions for investment purposes and Efficient Portfolio Management, including hedging.

### Risk profile

Bond prices can fluctuate significantly depending not only on the global economic and interest rate conditions but also on the general credit market environment and the creditworthiness of the issuer.

The credit quality of high yield bonds is below investment grade and they usually offer higher yields to compensate for the reduced creditworthiness and the increased risk of default relative to investment grade bonds.

The Fund may have a significant exposure to asset and mortgage backed securities (ABS and MBS). Owing to the nature of some ABS and MBS, the exact timing and size of cashflows paid by the securities may not be fully assured.

The investment policy of the Fund permits the use of derivatives and/or forward transactions for investment purposes, potentially increasing the volatility and therefore risk of the Fund.

Equity investment is subject to specific risks relating to the performance of the individual companies held and the market's perception of their performance. Equities are also subject to systematic risks such as general economic conditions, inflation, interest rates, foreign exchange rates and industry sector risks. In general terms, equities tend to be more volatile than bonds.

The Fund may be invested in emerging markets, which may be subject to additional political and economic risks, low liquidity, poor transparency and greater financial risks.

Investments in equity securities issued by companies which are principally engaged in the business of real estate will subject the strategy to risks associated with the direct ownership of real estate. The majority of the REITs and other real estate companies that may be held by the Fund will be publicly listed. The performance of any investment in such vehicles will therefore be subject to normal market fluctuations, correlations and other risks inherent in investing in securities.

This Fund charges the fees of the ACD against capital, which will increase the amount of income available for distribution to Shareholders, but may constrain capital growth. It may also have tax implications for certain investors.

As the Fund is primarily focused on generating income, the Fund is expected to deviate from its benchmark in terms of asset allocation and performance.

### Fund review

The 12-month review period was a very volatile time for markets. In this environment, the Fund underperformed its benchmark. We increased the Fund's total equity position (including REITs) in the first half of 2011, before reducing it in the third quarter from 44 to 39%, in response to continued global economic uncertainty. We then added to our already substantial high yield allocation. We also increased our position in non-agency mortgages from 3-8% over the review period as they offer attractive income and total return opportunities.

### Fund outlook

We remain aware of risks to the downside. Without the support of the European Central Bank (ECB), there would be real concerns about the state of peripheral European countries and the viability of the euro. The ECB's long-term refinancing programme has offered European governments some much needed time, but the situation remains fluid for the foreseeable future.

The Fund remains flexible in its mandate to provide an attractive risk-adjusted yield and is prepared to adjust its allocations in anticipation of fluid events on the global landscape, whether they be to the upside or downside.

### 12 month performance as at 31 January

|   | 2012         | 2011         |
|---|--------------|--------------|
| <b>JPM Multi-Asset Income A-Class Acc</b> | <b>-0.7%</b> | <b>12.5%</b> |
| <b>JPM Multi-Asset Income X-Class Inc</b> | <b>0.4%</b>  | <b>-</b>     |
| <b>Benchmark Index<sup>A</sup></b>        | <b>2.2%</b>  | <b>15.0%</b> |

You should remember that past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. For specific risks, please read the Simplified Prospectus.

All performance returns are calculated using the quoted price of the accumulation or income shares. Performance returns are in Sterling.

Blended benchmarks have been calculated by JPMAM.

Source: J.P. Morgan.

<sup>A</sup> On 01/04/10 part of the element of the composite benchmark for the Fund changed from 10% Global Property Research 250 (Total Return Net) hedged into GBP to 10% FTSE EPRA/NAREIT Developed Index (Total Return Net) hedged into GBP. On 01/03/11 the composite benchmark changed from 10% JPM GBI - Emerging Markets Global Index in GBP, 45% BofA Merrill Lynch High Yield BB-B Constrained Index hedged to GBP, 10% FTSE EPRA/NAREIT Developed Index hedged to GBP, 25% MSCI World Index hedged to GBP, 10% BofA Merrill Lynch Sterling Broad Market Index in GBP to 40% MSCI World Index - Total Return Net - Hedged to GBP, 30% Barclays U.S. High Yield 2% Issuer Cap Index - Total Return Gross - Hedged to GBP, 30% Barclays Global Credit Index - Total Return Gross - Hedged to GBP.

Benchmark Source: MSCI. The MSCI data is comprised of a custom index calculated by MSCI for, and as requested by JPMorgan Asset Management (UK) Ltd. The MSCI data is for internal use only and may not be redistributed or used in connection with creating or offering any securities, financial products or indices. Neither MSCI nor any other third party involved in or related to compiling, computing or creating the MSCI data (the "MSCI Parties") makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and the MSCI Parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to such data. Without limiting any of the foregoing, in no event shall any of the MSCI Parties have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

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## Fund statistics

|                              |  |
|------------------------------|--|
| Fund size                    | £50.7m   |
| Benchmark Index <sup>a</sup> | 40% MSCI World Index (Total Return Net)<br>- Hedged to GBP,<br>30% Barclays U.S. High Yield 2%<br>Issuer Cap Index (Total Return Gross)<br>- Hedged to GBP,<br>30% Barclays Global Credit Index<br>(Total Return Gross) - Hedged to GBP<br>in GBP (Total Return Gross) |
| Fund charges                 |  |
| A-Class                      | Initial 4.25%, Annual 1.25%  |
| X-Class                      | On application <sup>b</sup>  |

## Top ten holdings

|  | %   |
|--|-----|
| Time Warner  | 0.8 |
| Peoples Choice Home Loan Securities Trust FRN 2034 | 0.7 |
| Royal Dutch Shell 'A'                              | 0.7 |
| Schneider Electric                                 | 0.7 |
| Du Pont de Nemours                                 | 0.7 |
| Merck & Co   | 0.7 |
| Roche (Genusscheine)                               | 0.7 |
| Brazil 11% 2040                                    | 0.7 |
| KT ADR   | 0.7 |
| British American Tobacco                           | 0.7 |

## Sector breakdown

|                            | %    |
|----------------------------|------|
| Equities                   | 44.3 |
| Corporate bonds            | 44.1 |
| Government bonds           | 4.9  |
| Convertible bonds          | 3.7  |
| Forward currency contracts | 1.2  |
| Futures                    | 0.0  |
| Options                    | 0.0  |
| Net other assets           | 1.8  |

In line with current accounting practice the sector breakdown includes the unrealised profit or loss on derivative holdings and consequently the economic market exposure of the fund cannot be fully determined from the above disclosure.

## Highest/lowest share price and distribution record

| Calendar year                                  | Highest share price | Lowest share price | Distribution per share (net) |
|--|---------------------|--------------------|------------------------------|
| <b>A-Class Accumulation Shares<sup>c</sup></b> |                     |                    |                              |
| 2009   | 59.42p              | 50.24p             | 0.94p                        |
| 2010   | 65.78p              | 58.35p             | 3.36p                        |
| 2011   | 68.50p              | 59.77p             | 3.51p                        |
| 2012 <sup>d</sup>                              | 66.14p              | 64.25p             | 0.67p                        |
| <b>A-Class Income Shares</b>                   |                     |                    |                              |
| 2009   | 58.42p              | 50.24p             | 0.94p                        |
| 2010   | 61.36p              | 55.91p             | 3.23p                        |
| 2011   | 62.75p              | 53.50p             | 3.18p                        |
| 2012 <sup>d</sup>                              | 58.36p              | 56.69p             | 0.59p                        |
| <b>X-Class Income Shares<sup>e</sup></b>       |                     |                    |                              |
| 2010   | 110.3p              | 100.0p             | 1.53p                        |
| 2011   | 113.4p              | 97.09p             | 5.90p                        |
| 2012 <sup>d</sup>                              | 106.3p              | 103.1p             | 1.10p                        |

<sup>c</sup> A-Class Accumulation and A-Class Income Shares were launched on 30 June 2009.

<sup>d</sup> To 31 January 2012.

<sup>e</sup> X-Class Income Shares were launched on 7 July 2010.

## Portfolio turnover rate

|          |        |
|----------|--------|
| 31.01.11 | 92.1%  |
| 31.01.12 | 117.0% |

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the period.

## Net asset values and Total expense ratios

| Date                               | Net asset value per share class £'000 | Number of shares | Net asset value per share | Total expense ratio |
|------------------------------------|---------------------------------------|------------------|---------------------------|---------------------|
| <b>A-Class Accumulation Shares</b> |                                       |                  |                           |                     |
| 31.01.10                           | 12,826                                | 21,878,031       | 58.62p                    | 1.43%               |
| 31.01.11                           | 13,251                                | 19,993,416       | 66.28p                    | 1.43%               |
| 31.01.12                           | 23,278                                | 35,379,772       | 65.79p                    | 1.43%               |
| <b>A-Class Income Shares</b>       |                                       |                  |                           |                     |
| 31.01.10                           | 6,623                                 | 11,651,616       | 56.84p                    | 1.43%               |
| 31.01.11                           | 3,581                                 | 5,873,739        | 60.97p                    | 1.43%               |
| 31.01.12                           | 13,415                                | 23,346,692       | 57.46p                    | 1.43%               |
| <b>X-Class Income Shares</b>       |                                       |                  |                           |                     |
| 31.01.11                           | 15,636                                | 14,231,250       | 109.9p                    | 0.06%               |
| 31.01.12                           | 14,047                                | 13,429,180       | 104.6p                    | 0.06%               |

The net asset value and the net asset value per income share are shown ex-dividend.

The total expense ratio (TER) takes into account the ACD fee and any fixed expenses charged to revenue expressed as a percentage of the average daily net asset values over the period.

# Portfolio statement

As at 31 January 2012

| Investment                                      | Holding | Market value<br>£'000 | Total net<br>assets % | Investment                               | Holding | Market value<br>£'000 | Total net<br>assets % |
|---|---------|-----------------------|-----------------------|--|---------|-----------------------|-----------------------|
| <b>Equities - 44.3% (41.4%)</b>                 |         |                       |                       | <b>Japan - 3.3%</b>                      |         |                       |                       |
| <b>United States of America - 13.8%</b>         |         |                       |                       | Advance Residence REIT                   |         |                       |                       |
| American Campus Communities                     | 1,900   | 51                    | 0.1                   | Blife Investment                         | 5       | 20                    | -                     |
| Apple   | 736     | 211                   | 0.4                   | Canon                                    | 9,800   | 267                   | 0.5                   |
| Bank of America 7.25% Non Cumulative Preference | 270     | 156                   | 0.3                   | Daito Trust Construction                 | 4,100   | 244                   | 0.5                   |
| Boston Properties                               | 200     | 13                    | -                     | Japan Retail Fund Investment REIT        | 85      | 78                    | 0.2                   |
| Brandywine Realty Trust                         | 7,400   | 49                    | 0.1                   | Japan Tobacco                            | 80      | 248                   | 0.5                   |
| Bristol-Myers Squibb                            | 9,196   | 188                   | 0.4                   | Kenedix Realty Investment                | 36      | 67                    | 0.1                   |
| Carnival  | 7,724   | 147                   | 0.3                   | Nippon Telegraph & Telephone             | 7,900   | 250                   | 0.5                   |
| Chevron   | 3,727   | 244                   | 0.5                   | Nomura Real Estate Residential Fund REIT | 17      | 49                    | 0.1                   |
| Citigroup Capital 7.875% Preference             | 6,000   | 102                   | 0.2                   | Orix Jreit REIT                          | 20      | 54                    | 0.1                   |
| Cobank ACB 11% Perpetual Preference 'D'         | 700     | 23                    | -                     | Premier Investment REIT                  | 17      | 36                    | 0.1                   |
| Cobank ACB Preference                           | 1,700   | 49                    | 0.1                   | Sumitomo                                 | 33,700  | 306                   | 0.6                   |
| Coca-Cola                                       | 4,878   | 208                   | 0.4                   | <b>Germany - 2.3%</b>                    |         |                       |                       |
| ConocoPhillips                                  | 3,388   | 148                   | 0.3                   | Allianz                                  | 3,247   | 230                   | 0.5                   |
| Constar International Holdings                  | 495     | 2                     | -                     | BASF                                     | 4,617   | 232                   | 0.5                   |
| DCT Industrial Trust                            | 10,200  | 36                    | 0.1                   | BMW                                      | 4,187   | 230                   | 0.5                   |
| Du Pont de Nemours                              | 10,446  | 337                   | 0.7                   | Deutsche Boerse                          | 5,618   | 211                   | 0.4                   |
| Duke Realty                                     | 11,100  | 94                    | 0.2                   | E.ON                                     | 15,572  | 213                   | 0.4                   |
| Eastgroup Properties                            | 1,300   | 39                    | 0.1                   | <b>Australia - 1.8%</b>                  |         |                       |                       |
| Emerson Electric                                | 6,738   | 221                   | 0.5                   | Australia & New Zealand Bank Group       | 12,155  | 176                   | 0.4                   |
| General Motors 4.75% 'B' Junior Preference      | 3,675   | 93                    | 0.2                   | CFS Retail Property Trust                | 15,999  | 18                    | -                     |
| Health Care Property Investors                  | 4,700   | 124                   | 0.3                   | Commonwealth Property Office Fund        | 133,875 | 88                    | 0.2                   |
| Health Care Property Investors 7.1% Preference  | 4,775   | 77                    | 0.2                   | Dexus Property Group                     | 248,339 | 148                   | 0.3                   |
| Health Care REIT                                | 1,270   | 46                    | 0.1                   | Stockland Trust Group                    | 34,735  | 79                    | 0.2                   |
| Kilroy 7.5% Preference                          | 5,225   | 83                    | 0.2                   | Tatts Group                              | 73,088  | 125                   | 0.3                   |
| Liberty Property Trust                          | 2,470   | 52                    | 0.1                   | Westfield Group                          | 19,466  | 111                   | 0.2                   |
| M/I Homes 9.75% Preference                      | 2,631   | 19                    | -                     | Westfield Retail Trust                   | 47,277  | 80                    | 0.2                   |
| Macerich  | 1,100   | 38                    | 0.1                   | <b>Switzerland - 1.6%</b>                |         |                       |                       |
| Mack Cali Realty                                | 3,400   | 61                    | 0.1                   | Nestle                                   | 5,782   | 212                   | 0.4                   |
| Mattel  | 6,199   | 116                   | 0.2                   | Roche (Genusscheine)                     | 3,066   | 330                   | 0.7                   |
| McDonald's                                      | 3,754   | 235                   | 0.5                   | Swiss Re                                 | 6,411   | 222                   | 0.5                   |
| Merck & Co                                      | 13,422  | 331                   | 0.7                   | <b>Hong Kong - 1.2%</b>                  |         |                       |                       |
| Microsoft                                       | 11,239  | 211                   | 0.4                   | ASM Pacific Technology                   | 9,000   | 73                    | 0.2                   |
| Nextera Energy                                  | 5,950   | 198                   | 0.4                   | China Mobile                             | 18,500  | 120                   | 0.2                   |
| Omega Healthcare Investors                      | 1,700   | 23                    | -                     | Hang Seng Bank                           | 13,300  | 109                   | 0.2                   |
| Paychex   | 7,402   | 148                   | 0.3                   | Hutchison Whampoa                        | 52,000  | 313                   | 0.6                   |
| Pennsylvania REIT                               | 3,200   | 25                    | 0.1                   | <b>China - 1.2%</b>                      |         |                       |                       |
| Pfizer  | 22,360  | 305                   | 0.6                   | China Construction Bank 'H'              | 624,000 | 316                   | 0.6                   |
| PG&E  | 7,772   | 199                   | 0.4                   | Jiangsu Expressway 'H'                   | 118,000 | 74                    | 0.2                   |
| PPL Corporation                                 | 5,200   | 172                   | 0.3                   | Petrochina 'H'                           | 152,000 | 141                   | 0.3                   |
| Prologis 6.5% Preference                        | 4,700   | 71                    | 0.2                   | Zhejiang Expressway 'H'                  | 148,000 | 66                    | 0.1                   |
| PS Business Park 7% Preference                  | 4,200   | 67                    | 0.1                   | <b>South Africa - 1.0%</b>               |         |                       |                       |
| Public Storage Preference                       | 4,650   | 74                    | 0.2                   | African Bank Investments                 | 35,471  | 107                   | 0.2                   |
| Realty Income Corporation                       | 1,600   | 37                    | 0.1                   | Growthpoint Properties                   | 34,500  | 56                    | 0.1                   |
| Regency Centers                                 | 500     | 13                    | -                     | Kumba Iron                               | 2,200   | 96                    | 0.2                   |
| Regency Centers Preference                      | 4,950   | 78                    | 0.2                   | MTN Group                                | 12,808  | 139                   | 0.3                   |
| Senior Housing Properties Trust                 | 1,800   | 26                    | 0.1                   | Redefine Properties                      | 91,700  | 57                    | 0.1                   |
| Sysco   | 8,221   | 157                   | 0.3                   | Vodacom Group                            | 7,700   | 61                    | 0.1                   |
| Taubman 8% Preference                           | 3,550   | 57                    | 0.1                   | <b>Brazil - 0.9%</b>                     |         |                       |                       |
| Time Warner                                     | 17,258  | 409                   | 0.8                   | AES Tiete                                | 7,400   | 59                    | 0.1                   |
| US Concrete                                     | 3,325   | 8                     | -                     | Cia Souza Cruz                           | 8,200   | 69                    | 0.2                   |
| Ventas  | 1,905   | 70                    | 0.2                   | Cia Transmissao de Energia Electrica     |         |                       |                       |
| Verizon Communications                          | 10,302  | 245                   | 0.5                   | Paulista Preference                      | 3,300   | 66                    | 0.1                   |
| Vornado Realty Trust                            | 200     | 10                    | -                     | Cielo                                    | 3,600   | 68                    | 0.1                   |
| Vornado Realty Trust 6.625% Preference 'G'      | 5,100   | 82                    | 0.2                   | Companhia de Bebidas das Americas        |         |                       |                       |
| Weingarten Realty                               | 1,760   | 27                    | 0.1                   | ADR Preference                           | 4,300   | 100                   | 0.2                   |
| Wells Fargo                                     | 14,712  | 273                   | 0.5                   | Companhia de Concessoes Rodoviaras       | 13,000  | 56                    | 0.1                   |
| Williams  | 7,561   | 137                   | 0.3                   | Energias do Brasil                       | 4,200   | 62                    | 0.1                   |
| <b>United Kingdom - 4.4%</b>                    |         |                       |                       | <b>Taiwan - 0.9%</b>                     |         |                       |                       |
| British American Tobacco                        | 10,917  | 322                   | 0.7                   | Asustek Computer                         | 10,000  | 50                    | 0.1                   |
| British Land                                    | 23,140  | 113                   | 0.2                   | MediaTek                                 | 9,000   | 54                    | 0.1                   |
| Cairn Energy                                    | 35,906  | 101                   | 0.2                   | Novatek Microelectronics                 | 34,000  | 61                    | 0.1                   |
| Centrica  | 71,386  | 211                   | 0.4                   | Quanta Computer                          | 47,000  | 63                    | 0.1                   |
| GlaxoSmithKline                                 | 17,505  | 249                   | 0.5                   | Taiwan Mobile                            | 34,000  | 65                    | 0.1                   |
| HSBC  | 39,639  | 211                   | 0.4                   | Taiwan Semiconductor Manufacturing ADS   | 19,600  | 174                   | 0.4                   |
| Land Securities                                 | 2,900   | 20                    | -                     | <b>South Korea - 0.9%</b>                |         |                       |                       |
| Royal Dutch Shell 'A'                           | 15,546  | 351                   | 0.7                   | KT ADR                                   | 34,236  | 322                   | 0.7                   |
| SABMiller                                       | 5,570   | 135                   | 0.3                   | KT&G                                     | 2,100   | 93                    | 0.2                   |
| Segro   | 17,712  | 39                    | 0.1                   | <b>Singapore - 0.9%</b>                  |         |                       |                       |
| Standard Chartered                              | 10,977  | 169                   | 0.3                   | Ascendas India Trust Units               | 154,000 | 59                    | 0.1                   |
| Vodafone Group                                  | 164,933 | 285                   | 0.6                   | Ascendas REIT                            | 26,000  | 25                    | -                     |
| <b>France - 3.5%</b>                            |         |                       |                       | Ascott Residence REIT                    | 52,004  | 26                    | 0.1                   |
| Compagnie de Saint-Gobain                       | 7,501   | 214                   | 0.4                   | Cambridge Industrial Trust REIT          | 125,275 | 32                    | 0.1                   |
| GDF Suez  | 9,251   | 160                   | 0.3                   | CapitaCommercial Trust                   | 55,000  | 30                    | 0.1                   |
| PPR   | 2,107   | 210                   | 0.4                   | Hutchison Port Holding                   | 160,000 | 76                    | 0.2                   |
| Sanofi-Aventis                                  | 3,162   | 150                   | 0.3                   | Singapore Telecommunications             | 107,000 | 167                   | 0.3                   |
| Schneider Electric                              | 8,669   | 343                   | 0.7                   |  |         |                       |                       |
| Sodexo  | 4,672   | 220                   | 0.5                   |  |         |                       |                       |
| Suez Environment                                | 14,817  | 121                   | 0.2                   |  |         |                       |                       |
| TOTAL S.A.                                      | 6,408   | 217                   | 0.4                   |  |         |                       |                       |
| Unibail   | 1,009   | 124                   | 0.3                   |  |         |                       |                       |

# Portfolio statement – continued

As at 31 January 2012

| Investment                                  | Holding   | Market value<br>£'000 | Total net<br>assets % | Investment                                       | Holding   | Market value<br>£'000 | Total net<br>assets % |
|---|-----------|-----------------------|-----------------------|--|-----------|-----------------------|-----------------------|
| <b>Netherlands – 0.9%</b>                   |           |                       |                       | Alternative Loan Trust 5.5% 2020                 |           |                       |                       |
| Corio                                       | 1,601     | 48                    | 0.1                   |  | \$78,964  | 45                    | 0.1                   |
| Eurocommercial Properties                   | 1,460     | 33                    | 0.1                   | Alternative Loan Trust 6% 2022                   | \$93,056  | 55                    | 0.1                   |
| Nieuwe Steen Investments                    | 6,528     | 51                    | 0.1                   | AMC Entertainments 8.75% 2019                    | \$12,000  | 8                     | -                     |
| Unilever                                    | 9,609     | 204                   | 0.4                   | AMC Entertainments 9.75% 2020                    | \$100,000 | 63                    | 0.1                   |
| VastNed Retail                              | 1,441     | 41                    | 0.1                   | American Achievement 10.875% 2016                | \$30,000  | 14                    | -                     |
| Wereldhave                                  | 650       | 30                    | 0.1                   | American Airlines 8.625% 2021                    | \$32,000  | 22                    | -                     |
| <b>Sweden – 0.6%</b>                        |           |                       |                       | American International Group 8.175% 2058         | \$100,000 | 61                    | 0.1                   |
| Ericsson 'B'                                | 34,799    | 203                   | 0.4                   | AmeriGas Financial 6.75% 2020                    | \$10,000  | 6                     | -                     |
| Swedbank 'A'                                | 12,458    | 114                   | 0.2                   | AmeriGas Partners 6.25% 2019                     | \$45,000  | 28                    | 0.1                   |
| <b>New Zealand – 0.5%</b>                   |           |                       |                       | AmeriGas Partners 7% 2022                        | \$13,000  | 8                     | -                     |
| Telecom Corporation of New Zealand          | 248,015   | 272                   | 0.5                   | Ameristar Casinos 7.5% 2021                      | \$30,000  | 20                    | -                     |
| <b>Thailand – 0.5%</b>                      |           |                       |                       | Amkor Technology 7.375% 2018                     | \$15,000  | 10                    | -                     |
| Advanced Info Service Public (Alien Market) | 35,100    | 109                   | 0.2                   | Amkor Technology 6.625% 2021                     | \$20,000  | 13                    | -                     |
| Bangkok Expressway (Alien Market)           | 157,300   | 60                    | 0.1                   | Apollo Investment 5.75% 2016                     | \$274,000 | 153                   | 0.3                   |
| Charoen Pokphand Foods (Alien Market)       | 139,200   | 99                    | 0.2                   | Appleton Papers 10.5% 2015                       | \$69,000  | 44                    | 0.1                   |
| <b>Italy – 0.5%</b>                         |           |                       |                       | Arch Coal 7% 2019                                | \$20,000  | 13                    | -                     |
| ENI   | 18,708    | 266                   | 0.5                   | Arch Coal 7.25% 2021                             | \$20,000  | 13                    | -                     |
| <b>Finland – 0.5%</b>                       |           |                       |                       | Ardagh Packaging Finance 7.375% 2017             | \$200,000 | 132                   | 0.3                   |
| UPM-Kymmene                                 | 26,576    | 218                   | 0.5                   | Ardagh Packaging Finance 9.125% 2020             | \$250,000 | 160                   | 0.3                   |
| <b>Russia – 0.5%</b>                        |           |                       |                       | Argent Securities FRN 2034                       | \$100,000 | 50                    | 0.1                   |
| Mechel ADR Preference                       | 50,200    | 139                   | 0.3                   | Ashtead Capital 9% 2016                          | \$100,000 | 66                    | 0.1                   |
| Mobile Telesystems ADR                      | 7,100     | 75                    | 0.2                   | AutoNation 5.5% 2020                             | \$25,000  | 16                    | -                     |
| <b>Poland – 0.4%</b>                        |           |                       |                       | Avaya 7% 2019                                    | \$170,000 | 105                   | 0.2                   |
| KGHM Polska Miedz                           | 2,200     | 61                    | 0.1                   | Avis Budget Car Rental 9.625% 2018               | \$45,000  | 31                    | 0.1                   |
| Powszechny Zaklad Ubezpieczen               | 1,100     | 73                    | 0.2                   | Avis Budget Car Rental 8.25% 2019                | \$100,000 | 67                    | 0.1                   |
| Telekomunikacja Polska                      | 19,800    | 68                    | 0.1                   | Aviv Healthcare Properties 7.75% 2019            | \$20,000  | 13                    | -                     |
| <b>Philippines – 0.3%</b>                   |           |                       |                       | Banc of America Alternative Loan Trust 5.5% 2020 | \$35,437  | 22                    | -                     |
| Philippine Long Distance Telephone          | 4,100     | 164                   | 0.3                   | Banc of America Alternative Loan Trust 6% 2021   | \$53,410  | 32                    | 0.1                   |
| <b>Malaysia – 0.3%</b>                      |           |                       |                       | Banc of America Alternative Loan Trust 6% 2035   | \$89,212  | 54                    | 0.1                   |
| Berjaya Sports Toto Berhad                  | 65,600    | 60                    | 0.1                   | Banc of America Funding 5.5% 2034                | \$134,773 | 84                    | 0.2                   |
| Malayan Cement Berhad                       | 40,600    | 56                    | 0.1                   | Banc of America Mortgage Trust 6% 2037           | \$111,752 | 62                    | 0.1                   |
| Telekom Malaysia Berhad                     | 26,100    | 26                    | 0.1                   | Bank of America 7.8% 2016                        | \$25,000  | 17                    | -                     |
| <b>Turkey – 0.3%</b>                        |           |                       |                       | Bank of America 8% FRN Perpetual                 | \$101,000 | 63                    | 0.1                   |
| Arcelik                                     | 28,800    | 81                    | 0.2                   | Bank of America Structured Notes 5.5% 2020       | \$23,374  | 14                    | -                     |
| Turkiye Petrol Rafinerileri                 | 4,100     | 59                    | 0.1                   | B-Corp Merger Sub 8.25% 2019                     | \$25,000  | 16                    | -                     |
| <b>Mexico – 0.3%</b>                        |           |                       |                       | Be Aerospace 6.875% 2020                         | \$35,000  | 24                    | 0.1                   |
| Grupo Aeroportuario del Sureste ADS 'B'     | 1,700     | 70                    | 0.2                   | Belden 7% 2017                                   | \$25,000  | 16                    | -                     |
| Kimberly-Clark de Mexico                    | 16,400    | 59                    | 0.1                   | Berry Plastics 9.5% 2018                         | \$48,000  | 32                    | 0.1                   |
| <b>Canada – 0.3%</b>                        |           |                       |                       | Bill Barrett 9.875% 2016                         | \$35,000  | 24                    | 0.1                   |
| Liz Claiborne                               | 3,834     | 43                    | 0.1                   | Bill Barrett 7.625% 2019                         | \$15,000  | 10                    | -                     |
| Riocan Real Estate Trust                    | 4,841     | 80                    | 0.2                   | Biomet 10.375% 2017                              | \$250,000 | 172                   | 0.3                   |
| <b>Czech Republic – 0.2%</b>                |           |                       |                       | Boart Longyear 7% 2021                           | \$10,000  | 7                     | -                     |
| Telefonica O2 Czech Republic                | 6,400     | 81                    | 0.2                   | Breitburn Energy Partners 8.625% 2020            | \$100,000 | 67                    | 0.1                   |
| <b>Kazakhstan – 0.1%</b>                    |           |                       |                       | Bresnan Broadband Holdings 8% 2018               | \$10,000  | 7                     | -                     |
| Kazmunaigas Exploration Production GDR      | 6,000     | 61                    | 0.1                   | Briggs & Stratton 6.875% 2020                    | \$100,000 | 65                    | 0.1                   |
| <b>India – 0.1%</b>                         |           |                       |                       | Brigham Explorations 8.75% 2018                  | \$10,000  | 8                     | -                     |
| Hero Honda Motors                           | 1,600     | 38                    | 0.1                   | Brightstar Corporation 9.5% 2016                 | \$45,000  | 29                    | 0.1                   |
| <b>Indonesia – 0.1%</b>                     |           |                       |                       | Building Materials 6.75% 2021                    | \$150,000 | 102                   | 0.2                   |
| Perusahaan Gas Negara                       | 128,500   | 30                    | 0.1                   | Bumble Bee Acquisition 9% 2017                   | \$253,000 | 165                   | 0.3                   |
| <b>Chile – 0.1%</b>                         |           |                       |                       | Burger King 9.875% 2018                          | \$15,000  | 11                    | -                     |
| Banco Santander Chile ADR                   | 500       | 25                    | 0.1                   | BWAY Holding 10% 2018                            | \$10,000  | 7                     | -                     |
| <b>Belgium – 0.1%</b>                       |           |                       |                       | Calpine Construction Finance 8% 2016             | \$125,000 | 85                    | 0.2                   |
| Cofinimmo                                   | 320       | 24                    | 0.1                   | Calumet Speciality Products 9.375% 2019          | \$20,000  | 12                    | -                     |
| <b>Corporate bonds – 44.1% (47.2%)</b>      |           |                       |                       | Capella Healthcare 9.25% 2017                    | \$25,000  | 16                    | -                     |
| <b>US Dollar – 43.9%</b>                    |           |                       |                       | Capital One Financial 10.25% 2039                | \$35,000  | 23                    | -                     |
| 1st Industrial 6.42% 2014                   | \$50,000  | 32                    | 0.1                   | Capmark Financial FRN 2014                       | \$76,738  | 49                    | 0.1                   |
| ABFC Asset Backed Certificates 2033         | \$155,673 | 73                    | 0.2                   | Cardinal Health 409 FRN 2015                     | \$18,922  | 12                    | -                     |
| ABFC Asset Backed Certificates 2034         | \$144,775 | 63                    | 0.1                   | Carriage Services 7.875% 2015                    | \$34,000  | 22                    | -                     |
| ACCO Brands 10.625% 2015                    | \$225,000 | 158                   | 0.3                   | Cascades 7.875% 2020                             | \$25,000  | 16                    | -                     |
| Ace Cash Express 11% 2019                   | \$70,000  | 40                    | 0.1                   | CB Richard Ellis Services 6.625% 2020            | \$50,000  | 33                    | 0.1                   |
| Advanced Micro Devices 8.125% 2017          | \$30,000  | 21                    | -                     | CCH II Capital 13.5% 2016                        | \$8,597   | 6                     | -                     |
| Advanced Micro Devices 7.75% 2020           | \$25,000  | 17                    | -                     | CCO Holdings 7.25% 2017                          | \$30,000  | 20                    | -                     |
| Aircastle 9.75% 2018                        | \$20,000  | 14                    | -                     | CCO Holdings 7.875% 2018                         | \$250,000 | 172                   | 0.3                   |
| Aircastle 9.75% 2018 144A                   | \$5,000   | 3                     | -                     | CCO Holdings 7% 2019                             | \$35,000  | 24                    | -                     |
| AK Steel 7.625% 2020                        | \$20,000  | 12                    | -                     | CCO Holdings 7.375% 2020                         | \$20,000  | 14                    | -                     |
| Alliance One International 10% 2016         | \$45,000  | 28                    | 0.1                   | CCO Holdings 6.5% 2021                           | \$40,000  | 26                    | 0.1                   |
| Alliant Techsystems 6.875% 2020             | \$15,000  | 10                    | -                     | CCO Holdings 6.625% 2022                         | \$9,000   | 6                     | -                     |
| Ally Financial 6.25% 2017                   | \$250,000 | 162                   | 0.3                   | Central Garden & Pet 8.25% 2018                  | \$250,000 | 160                   | 0.3                   |
| Ally Financial 7.5% 2020                    | \$100,000 | 68                    | 0.1                   | Cenveo 8.875% 2018                               | \$50,000  | 28                    | 0.1                   |
| Ally Financial 8% 2031                      | \$90,000  | 60                    | 0.1                   | Cequel Communications 8.625% 2017                | \$40,000  | 27                    | 0.1                   |
| Alpha Natural Resources 6% 2019             | \$10,000  | 6                     | -                     | Chase Funding Mortgage Loan FRN 2033             | \$111,844 | 68                    | 0.1                   |
| Alpha Natural Resources 6.25% 2021          | \$20,000  | 12                    | -                     | Chase Funding Trust 5.641% 2032                  | \$92,592  | 31                    | 0.1                   |
| Alta Mesa 9.625% 2018                       | \$25,000  | 15                    | -                     | Chesapeake Energy 6.875% 2018                    | \$20,000  | 13                    | -                     |
| Alternative Loan Trust 6% 2017              | \$85,187  | 54                    | 0.1                   | Chesapeake Energy 6.125% 2021                    | \$30,000  | 19                    | -                     |
|   |           |                       |                       | Chesapeake Midstream 2022                        | \$15,000  | 10                    | -                     |
|   |           |                       |                       | Chesapeake Oilfield 6.625% 2019                  | \$20,000  | 13                    | -                     |
|   |           |                       |                       | Chiron Merger 10.5% 2018                         | \$100,000 | 64                    | 0.1                   |
|   |           |                       |                       | CHL Mortgage Pass-Through Trust 5.25% 2027       | \$246,579 | 141                   | 0.3                   |
|   |           |                       |                       | Chrysler Group 8.25% 2021                        | \$400,000 | 241                   | 0.5                   |

# Portfolio statement – continued

As at 31 January 2012

| Investment  | Holding   | Market value |     | Investment   | Holding   | Market value |     | Total net assets % | Total net assets % |
|---|-----------|--------------|-----|--|-----------|--------------|-----|--------------------|--------------------|
|   |           | £'000        | %   |  |           | £'000        | %   |                    |                    |
| Cincinnati Bell 8.25% 2017  | \$20,000  | 13           | -   | FFMLT Trust 0.527% 2035                                  | \$134,456 | 71           | 0.2 |                    |                    |
| Cincinnati Bell 8.75% 2018  | \$10,000  | 6            | -   | FGI Holding 11.25% 2015                                  | \$21,792  | 14           | -   |                    |                    |
| Cincinnati Bell 8.375% 2020   | \$100,000 | 65           | 0.1 | Fidelity National Information Services 7.625% 2017       | \$10,000  | 7            | -   |                    |                    |
| Cinemark 8.625% 2019  | \$25,000  | 17           | -   | First Data 8.875% 2020                                   | \$165,000 | 110          | 0.2 |                    |                    |
| CIT Group 7% 2017   | \$80,000  | 51           | 0.1 | First Data 8.75% 2022                                    | \$125,000 | 72           | 0.2 |                    |                    |
| CIT Group 6.625% 2018   | \$40,000  | 27           | 0.1 | First Horizon Alternative Mortgage Securities 5.75% 2021 | \$159,639 | 96           | 0.2 |                    |                    |
| Citgo Petroleum 11.5% 2017  | \$30,000  | 21           | -   | First Horizon Alternative Mortgage Securities 5.5% 2035  | \$31,707  | 18           | -   |                    |                    |
| Citigroup Funding 10.99% 2020   | \$300,000 | 185          | 0.4 | First Horizon Mortgage Pass Through Trust 5.25% 2021     | \$16,523  | 10           | -   |                    |                    |
| Citigroup Mortgage Loan Trust 5.5% 2035   | \$324,189 | 195          | 0.4 | First Horizon Mortgage Pass Through Trust 5.5% 2035      | \$75,401  | 49           | 0.1 |                    |                    |
| Citigroup Mortgage Loan Trust 7% 2035   | \$191,367 | 107          | 0.2 | First Wind Holdings 10.25% 2018                          | \$10,000  | 6            | -   |                    |                    |
| Citigroup Mortgage Loan Trust FRN 2035  | \$78,034  | 26           | 0.1 | FMG Resources 6.375% 2016                                | \$15,000  | 10           | -   |                    |                    |
| Citigroup Mortgage Loan Trust 2035 STEP   | \$48,881  | 30           | 0.1 | FMG Resources 6.875% 2018                                | \$40,000  | 26           | 0.1 |                    |                    |
| Citigroup Mortgage Loan Trust FRN 2036  | \$144,115 | 64           | 0.1 | FMG Resources 8.25% 2019                                 | \$100,000 | 68           | 0.1 |                    |                    |
| Citigroup Mortgage Loan Trust FRN 2037  | \$98,140  | 57           | 0.1 | Ford Motor 8% 2016                                       | \$100,000 | 74           | 0.2 |                    |                    |
| City Center 10.75% 2017   | \$52,347  | 35           | 0.1 | Ford Motor 7.75% 2043                                    | \$50,000  | 33           | 0.1 |                    |                    |
| CKE Restaurants 11.375% 2018  | \$31,000  | 22           | -   | Ford Motor 9.98% 2047                                    | \$125,000 | 101          | 0.2 |                    |                    |
| Claire's Stores 8.875% 2019   | \$100,000 | 52           | 0.1 | Ford Motor Credit 6.625% 2017                            | \$250,000 | 177          | 0.4 |                    |                    |
| Clear Channel Communications 9% 2021  | \$80,000  | 44           | 0.1 | Forest City Enterprises 6.5% 2017                        | \$35,000  | 21           | -   |                    |                    |
| Clear Channel Communications 9.25% 2021   | \$25,000  | 17           | -   | Forest Oil 7.25% 2019                                    | \$75,000  | 47           | 0.1 |                    |                    |
| Clear Channel Worldwide 9.25% 2017  | \$280,000 | 195          | 0.4 | Freescale Semiconductor 9.25% 2018                       | \$270,000 | 187          | 0.4 |                    |                    |
| Cloud Peak Energy Resources 8.25% 2017  | \$30,000  | 20           | -   | Freescale Semiconductor 10.125% 2018                     | \$35,000  | 25           | 0.1 |                    |                    |
| CNG Holdings 12.25% 2015  | \$25,000  | 17           | -   | Freescale Semiconductor 8.05% 2020                       | \$40,000  | 25           | 0.1 |                    |                    |
| CNH Capital 6.25% 2016  | \$25,000  | 17           | -   | Freescale Semiconductor 10.75% 2020                      | \$13,000  | 9            | -   |                    |                    |
| CNL Lifestyle 7.25% 2019  | \$25,000  | 15           | -   | Fremont Home Loan Trust FRN 2034                         | \$114,979 | 60           | 0.1 |                    |                    |
| CNO Financial Group 9% 2018   | \$25,000  | 17           | -   | Fresenius Medical Care 6.5% 2018                         | \$70,000  | 47           | 0.1 |                    |                    |
| Commercial Barge Line 12.5% 2017  | \$40,000  | 28           | 0.1 | Frontier Communications 7.125% 2019                      | \$40,000  | 24           | 0.1 |                    |                    |
| Commercial Vehicle 7.875% 2019  | \$6,000   | 4            | -   | Frontier Communications 8.5% 2020                        | \$5,000   | 3            | -   |                    |                    |
| Community Choice Financial 10.75% 2019  | \$25,000  | 16           | -   | Frontier Communications 8.75% 2022                       | \$5,000   | 3            | -   |                    |                    |
| Community Health Systems 8.875% 2015  | \$121,000 | 80           | 0.2 | FTI Consulting 7.75% 2016                                | \$25,000  | 16           | -   |                    |                    |
| Comstock Resources 8.375% 2017  | \$30,000  | 18           | -   | FTI Consulting 6.75% 2020                                | \$25,000  | 17           | -   |                    |                    |
| Comstock Resources 7.75% 2019   | \$45,000  | 26           | 0.1 | Gannett 6.375% 2015                                      | \$15,000  | 10           | -   |                    |                    |
| Concho Resources 7% 2021  | \$100,000 | 70           | 0.2 | Gannett 7.125% 2018                                      | \$15,000  | 10           | -   |                    |                    |
| Concho Resources 6.5% 2022  | \$20,000  | 14           | -   | Garda World Security 9.75% 2017                          | \$25,000  | 17           | -   |                    |                    |
| Consol Energy 8% 2017   | \$18,000  | 12           | -   | General Maritime 12% 2017                                | \$26,000  | -            | -   |                    |                    |
| Consol Energy 8.25% 2020  | \$25,000  | 17           | -   | Genesis Energy 7.875% 2018                               | \$15,000  | 10           | -   |                    |                    |
| Constar 11% 2017  | \$32,126  | 20           | -   | Genesis Energy 7.875% 2018 144A                          | \$16,000  | 10           | -   |                    |                    |
| Constellation Brands 7.25% 2017   | \$150,000 | 106          | 0.2 | Geo Group 7.75% 2017                                     | \$250,000 | 169          | 0.3 |                    |                    |
| Continental Airlines 7.875% 2020  | \$52,874  | 33           | 0.1 | Goodyear Tire & Rubber 8.25% 2020                        | \$200,000 | 138          | 0.3 |                    |                    |
| Continental Airlines 9.318% 2021  | \$13,861  | 9            | -   | GS Mortgage Securities FRN 2045                          | \$51,152  | 29           | 0.1 |                    |                    |
| Continental Airlines 9.558% 2021  | \$13,187  | 8            | -   | GSR Mortgage Loan Trust 5.5% 2021                        | \$161,651 | 96           | 0.2 |                    |                    |
| Continental Airlines 9.798% 2021  | \$51,547  | 33           | 0.1 | Hanesbrands 8% 2016                                      | \$250,000 | 174          | 0.4 |                    |                    |
| Countrywide Capital III 8.05% Preference 2027   | \$50,000  | 28           | 0.1 | Harland Clarke FRN 2015                                  | \$40,000  | 17           | -   |                    |                    |
| Countrywide Home Loan Alternative Loan Trust 5.75% 2035                                       | \$90,030  | 55           | 0.1 | Harrha's Operating 11.25% 2017                           | \$380,000 | 261          | 0.5 |                    |                    |
| Countrywide Securities 2.56375% 2032 Credit-Based Asset Servicing and Securitization FRN 2035 | \$160,262 | 91           | 0.2 | Hartford Financial Services 8.125% 2038                  | \$15,000  | 10           | -   |                    |                    |
| Cricket Communications 7.75% 2020   | \$25,000  | 15           | -   | HCA 8% 2018  | \$15,000  | 10           | -   |                    |                    |
| CSC Holdings 7.625% 2018  | \$10,000  | 7            | -   | HCA 6.5% 2020  | \$25,000  | 17           | -   |                    |                    |
| CSC Holdings 8.625% 2019  | \$45,000  | 33           | 0.1 | HCA 7.25% 2020   | \$50,000  | 34           | 0.1 |                    |                    |
| CSFB Mortgage Backed 5.5% 2020  | \$491,915 | 298          | 0.6 | HCA 7.5% 2022  | \$400,000 | 271          | 0.5 |                    |                    |
| CWABS 0.987% 2033   | \$38,118  | 19           | -   | HCA 7.875% 2022  | \$20,000  | 14           | -   |                    |                    |
| CWABS FRN 2034  | \$241,921 | 131          | 0.3 | Health Management Associates 6.125% 2016                 | \$150,000 | 98           | 0.2 |                    |                    |
| CWALT 2005-28CB 1A5 5.5% 2035   | \$47,670  | 30           | 0.1 | Health Management Associates 7.375% 2020                 | \$20,000  | 13           | -   |                    |                    |
| CWALT 2005-J6 2-A-1 5.5% 2025   | \$27,417  | 16           | -   | Helix Energy Solutions Group 9.5% 2016                   | \$20,000  | 13           | -   |                    |                    |
| D.R. Horton 5.625% 2016   | \$30,000  | 20           | -   | Hertz 7.5% 2018  | \$8,000   | 5            | -   |                    |                    |
| D.R. Horton 6.5% 2016   | \$10,000  | 7            | -   | Hertz 6.75% 2019   | \$257,000 | 169          | 0.3 |                    |                    |
| DaVita 6.375% 2018  | \$33,000  | 22           | -   | Hertz 7.375% 2021  | \$20,000  | 13           | -   |                    |                    |
| Dean Foods 7% 2016  | \$15,000  | 10           | -   | Hilcorp Energy 8% 2020                                   | \$30,000  | 21           | -   |                    |                    |
| Del Monte 7.625% 2019   | \$250,000 | 156          | 0.3 | Hilcorp Energy 7.625% 2021                               | \$15,000  | 10           | -   |                    |                    |
| Deluxe Corporation 7% 2019  | \$50,000  | 31           | 0.1 | Holly Energy 8.25% 2018                                  | \$15,000  | 10           | -   |                    |                    |
| Deutsche Bank 10.25% 2027   | \$180,000 | 178          | 0.4 | Home Equity Loan Trust FRN 2031                          | \$128,460 | 60           | 0.1 |                    |                    |
| DineEquity 9.5% SNR 2018  | \$15,000  | 10           | -   | Host Hotels & Resorts 9% 2017                            | \$25,000  | 18           | -   |                    |                    |
| Dish DBS 7.125% 2016  | \$250,000 | 173          | 0.3 | Hovnanian K Enterprises 10.625% 2016                     | \$9,000   | 5            | -   |                    |                    |
| Dish DBS 7.875% 2019  | \$310,000 | 225          | 0.5 | Hub International Holdings 10.25% 2015                   | \$30,000  | 19           | -   |                    |                    |
| Dish DBS 6.75% SNR 2021   | \$55,000  | 38           | 0.1 | Huntsman International 8.625% 2020                       | \$150,000 | 104          | 0.2 |                    |                    |
| DJO Finance 7.75% SNR 2018  | \$100,000 | 47           | 0.1 | IASIS Healthcare 8.375% 2019                             | \$39,000  | 24           | 0.1 |                    |                    |
| Dubai Electricity and Water 8.5% 2015   | \$210,000 | 144          | 0.3 | iGATE 9% SNR 2016  | \$25,000  | 17           | -   |                    |                    |
| Dupont Fabros Technology 8.5% 2017  | \$15,000  | 10           | -   | ILFC Index Linked 6.25% 2065                             | \$100,000 | 46           | 0.1 |                    |                    |
| Eastman Kodak 9.75% 2018  | \$35,000  | 19           | -   | Inergy 6.875% 2021                                       | \$8,000   | 5            | -   |                    |                    |
| Easton-Bell Sports 9.75% 2016   | \$100,000 | 70           | 0.2 | Ingles Market 8.875% 2017                                | \$50,000  | 34           | 0.1 |                    |                    |
| Edison Mission Energy 7% 2017   | \$100,000 | 37           | 0.1 | Intelsat Bermuda 11.25% 2016                             | \$100,000 | 67           | 0.1 |                    |                    |
| Edison Mission Energy 7.2% 2019   | \$50,000  | 18           | -   | Intelsat Bermuda 11.5% 2017                              | \$124,330 | 79           | 0.2 |                    |                    |
| Elan Finance 8.75% 2016   | \$100,000 | 69           | 0.2 | Intelsat Bermuda FRN 2017                                | \$25,000  | 16           | -   |                    |                    |
| Energy Transfer Partners 5.2% 2022  | \$5,000   | 3            | -   | Intelsat Bermuda 11.5% Step Up 2017                      | \$125,000 | 80           | 0.2 |                    |                    |
| Energy XXI Gulf Coast 9.25% 2017  | \$6,000   | 4            | -   | Intelsat Jackson 7.25% 2019                              | \$125,000 | 83           | 0.2 |                    |                    |
| Equinix 7% 2021   | \$10,000  | 7            | -   | Interactive Data 10.25% 2018                             | \$50,000  | 35           | 0.1 |                    |                    |
| Equity One Mortgage Trust 5.05% 2033  | \$94,756  | 49           | 0.1 | International Lease Finance 8.625% 2015                  | \$250,000 | 171          | 0.3 |                    |                    |
| Eurasian Development Bank 7.375% 2014   | \$250,000 | 170          | 0.3 | International Lease Finance 6.25% 2019                   | \$25,000  | 16           | -   |                    |                    |
| Felcor Lodging 6.75% 2019   | \$10,000  | 6            | -   | International Lease Finance 8.25% 2020                   | \$35,000  | 24           | 0.1 |                    |                    |
| Ferrellgas Finance Corporation 6.5% 2021  | \$45,000  | 25           | 0.1 |  |           |              |     |                    |                    |

# Portfolio statement – continued

As at 31 January 2012

| Investment                                     | Holding   | Market value |                    | Investment   | Holding   | Market value |                    |
|--|-----------|--------------|--------------------|--|-----------|--------------|--------------------|
|  |           | £'000        | Total net assets % |  |           | £'000        | Total net assets % |
| International Wire Group 9.75% 2015            | \$50,000  | 32           | 0.1                | Number Merger 11% 2019                             | \$20,000  | 13           | -                  |
| Iron Mountain 8.75% 2014                       | \$250,000 | 165          | 0.3                | Number Merger 11% 2019 144A                        | \$20,000  | 13           | -                  |
| Iron Mountain 7.75% 2019                       | \$25,000  | 17           | -                  | Oil States International 6.5% 2019                 | \$30,000  | 20           | -                  |
| Island of Capri 7% 2014                        | \$25,000  | 16           | -                  | Omega Healthcare Investors 6.75% 2022              | \$20,000  | 13           | -                  |
| Island of Capri Casinos 7.75% 2019             | \$40,000  | 24           | 0.1                | Omnicare 7.75% 2020                                | \$5,000   | 3            | -                  |
| J Crew Group 8.125% 2019                       | \$100,000 | 61           | 0.1                | OMNOVA Solutions 7.875% 2018                       | \$50,000  | 29           | 0.1                |
| Jarden 7.5% 2017                               | \$250,000 | 169          | 0.3                | Oppenheimer Holdings 8.75% 2018                    | \$10,000  | 6            | -                  |
| JBS USA 11.625% 2014                           | \$12,000  | 9            | -                  | Option One Mortgage Loan Trust 2004-3M-2 FRN 2034  | \$100,000 | 50           | 0.1                |
| JBS USA 8.25% 2020                             | \$24,000  | 15           | -                  | Paetec 8.875% 2017                                 | \$270,000 | 187          | 0.4                |
| JM Huber 9.875% 2019                           | \$15,000  | 10           | -                  | Patriot Coal Corporation 8.25% 2018                | \$10,000  | 6            | -                  |
| JPMorgan Mortgage Trust 5.5% 2035 <sup>^</sup> | \$63,589  | 41           | 0.1                | PBF 8.25% 2020                                     | \$29,000  | 18           | -                  |
| Kansas City 6.625% 2020                        | \$45,000  | 31           | 0.1                | Peabody Energy 6% 2018                             | \$20,000  | 13           | -                  |
| Kansas City 6.125% 2021                        | \$10,000  | 7            | -                  | Peabody Energy 6.25% 2021                          | \$120,000 | 78           | 0.2                |
| KazMuniGaz Finance 11.75% 2015                 | \$350,000 | 268          | 0.5                | Peninsula Gaming 10.75% 2017                       | \$35,000  | 24           | 0.1                |
| Kemet 10.5% 2018                               | \$35,000  | 24           | 0.1                | Penn Virginia Resources 8.25% 2018                 | \$15,000  | 10           | -                  |
| Kennedy-Wilson Holdings 8.75% 2019             | \$15,000  | 10           | -                  | Peoples Choice Home Loan Securities Trust FRN 2034 | \$888,292 | 352          | 0.7                |
| Key Energy Services 6.75% 2021                 | \$35,000  | 23           | -                  | Petrohawk Energy 7.875% 2015                       | \$250,000 | 168          | 0.3                |
| Knowledge Learning 7.75% 2015                  | \$50,000  | 29           | 0.1                | Petrohawk Energy 6.25% 2019                        | \$25,000  | 18           | -                  |
| Landrys Restaurants 11.625% 2015               | \$40,000  | 27           | 0.1                | PHI 8.625% 2018                                    | \$35,000  | 23           | -                  |
| Lennar 5.6% 2015                               | \$10,000  | 7            | -                  | Pilgrims Pride 7.875% 2018                         | \$15,000  | 9            | -                  |
| Lennar 12.25% 2017                             | \$5,000   | 4            | -                  | Pinnacle Entertainment 8.75% 2020                  | \$30,000  | 19           | -                  |
| Lennar 6.95% 2018                              | \$20,000  | 13           | -                  | Pioneer Drilling 9.875% 2018                       | \$10,000  | 7            | -                  |
| Level 3 Financing 8.75% 2017                   | \$50,000  | 33           | 0.1                | Pioneer Natural Resources 6.875% 2018              | \$25,000  | 18           | -                  |
| Level 3 Financing 10% 2018                     | \$30,000  | 20           | -                  | Pittsburgh Glass Works 8.5% 2016                   | \$35,000  | 22           | -                  |
| Liberty Mutual Group 7.8% 2087                 | \$25,000  | 15           | -                  | Plains Exploration & Production 7.625% 2020        | \$10,000  | 7            | -                  |
| Liberty Mutual Group FRN 2058                  | \$61,000  | 49           | 0.1                | Polarcus Limited 2.875% 2018                       | \$200,000 | 98           | 0.2                |
| Liberty Tire Recycling 11% 2016                | \$20,000  | 12           | -                  | Polyone 7.375% 2020                                | \$85,000  | 58           | 0.1                |
| Long Beach Mortgage Loan Trust 0.787% 2034     | \$79,663  | 40           | 0.1                | Post Holdings 7.375% 2022                          | \$13,000  | 9            | -                  |
| MAC Gray 7.625% 2015                           | \$53,000  | 34           | 0.1                | Precision Drilling Corporation 6.625% 2020         | \$15,000  | 10           | -                  |
| Marina District Finance 9.875% 2018            | \$250,000 | 146          | 0.3                | Precision Drilling Corporation 6.5% 2021           | \$10,000  | 7            | -                  |
| Markwest Energy 6.75% 2020                     | \$15,000  | 10           | -                  | Prestige Brands 8.125% 2020                        | \$4,000   | 3            | -                  |
| Markwest Energy Partners 6.25% 2022            | \$20,000  | 13           | -                  | Production Resource 8.875% 2019                    | \$15,000  | 9            | -                  |
| Master Alternative Loan Trust 5.75% 2035       | \$139,690 | 73           | 0.2                | QEP Resources 6.875% 2021                          | \$15,000  | 10           | -                  |
| Master Asset Backed Securities FRN 2034        | \$145,000 | 64           | 0.1                | Quality Distribution 9.875% 2018                   | \$25,000  | 17           | -                  |
| McClatchy 11.5% 2017                           | \$10,000  | 6            | -                  | Quapaw Downstream Development 10.5% 2019           | \$20,000  | 12           | -                  |
| MCE Finance 10.25% 2018                        | \$30,000  | 21           | -                  | Quebecor Media 7.75% 2016                          | \$250,000 | 163          | 0.3                |
| McJunkin Red Man 9.5% 2016                     | \$45,000  | 30           | 0.1                | QVC 7.375% 2020                                    | \$100,000 | 69           | 0.2                |
| MDC 5.625% 2020                                | \$15,000  | 9            | -                  | Qwest Communications International 8% 2015         | \$75,000  | 51           | 0.1                |
| Media General 11.75% 2017                      | \$35,000  | 21           | -                  | Qwest Communications International 7.125% 2018     | \$25,000  | 17           | -                  |
| Mediacom Broadband 8.5% 2015                   | \$5,000   | 3            | -                  | Radiation Therapy Services 9.875% 2017             | \$10,000  | 5            | -                  |
| Mediacom Capital 9.125% 2019                   | \$35,000  | 24           | 0.1                | RailAmerica 9.25% 2017                             | \$32,000  | 23           | -                  |
| Mediacom Capital 7.25% 2022                    | \$5,000   | 3            | -                  | Rain CII Carbon 8% 2018                            | \$10,000  | 7            | -                  |
| MEMC Electronics Materials 7.75% 2019          | \$10,000  | 5            | -                  | Ramp Series Trust 0.95% 2034                       | \$87,629  | 51           | 0.1                |
| Metropcs Wireless 7.875% 2018                  | \$140,000 | 94           | 0.2                | Range Resources 7.25% 2018                         | \$30,000  | 20           | -                  |
| Mexico 5.75% 2110                              | \$220,000 | 144          | 0.3                | Range Resources 5.75% 2021                         | \$15,000  | 10           | -                  |
| MGM Resorts 7.5% 2016                          | \$24,000  | 15           | -                  | RBS Global & Rexnord 8.5% 2018                     | \$250,000 | 168          | 0.3                |
| MGM Resorts 7.625% 2017                        | \$21,000  | 13           | -                  | Real Mex Restaurants 14% 2013                      | \$50,000  | 18           | -                  |
| MGM Resorts 8.625% 2019                        | \$15,000  | 10           | -                  | Regal Cinemas 8.625% 2019                          | \$25,000  | 17           | -                  |
| MGM Resorts International 10% 2016             | \$50,000  | 35           | 0.1                | Regency Energy Partners 6.5% 2021                  | \$30,000  | 20           | -                  |
| Michaels Stores 7.75% 2018                     | \$250,000 | 165          | 0.3                | Renaissance 5.565% 2036                            | \$129,716 | 71           | 0.2                |
| Mobile Mini 7.875% 2020                        | \$25,000  | 16           | -                  | Resident Asset Mortgage Securities 6.03% 2032      | \$145,379 | 82           | 0.2                |
| Momentive Performance Materials 12.5% 2014     | \$40,000  | 27           | 0.1                | Residential Accredited Loans 6% 2036               | \$295,533 | 104          | 0.2                |
| Morgan Stanley ABS Capital FRN Aug 2034        | \$125,253 | 66           | 0.1                | Residential Asset Securitization Trust 5% 2019     | \$112,206 | 71           | 0.2                |
| Morgan Stanley ABS Capital FRN Dec 2034        | \$147,822 | 69           | 0.2                | Residential Asset Securitization Trust 6% 2035     | \$301,926 | 162          | 0.3                |
| Morgan Stanley ABS Capital FRN 2035            | \$73,731  | 35           | 0.1                | Residential Asset Securitization Trust FRN 2036    | \$92,308  | 47           | 0.1                |
| Morgan Stanley Mortgage Loan Trust FRN 2034    | \$110,649 | 68           | 0.1                | Reynolds Group 8.5% 2018                           | \$250,000 | 157          | 0.3                |
| Multiplan 9.875% 2018                          | \$70,000  | 48           | 0.1                | Reynolds Group 7.125% 2019                         | \$100,000 | 66           | 0.1                |
| Murray Energy 10.25% 2015                      | \$15,000  | 10           | -                  | RGHL 9.875% 2019                                   | \$100,000 | 64           | 0.1                |
| Mylan 7.625% 2017                              | \$22,000  | 15           | -                  | Rite Aid 9.75% 2016                                | \$100,000 | 69           | 0.2                |
| Mylan 7.875% 2020                              | \$272,000 | 191          | 0.4                | Rite Aid 7.5% 2017                                 | \$150,000 | 97           | 0.2                |
| Nai Enter Holdings 8.25% 2017                  | \$5,000   | 3            | -                  | Rite Aid 9.5% 2017                                 | \$36,000  | 23           | -                  |
| Navios Maritime Holdings 8.875% 2017           | \$43,000  | 27           | 0.1                | ROC Finance 12.125% 2018                           | \$30,000  | 21           | -                  |
| Navios South America Logistics 9.25% 2019      | \$8,000   | 4            | -                  | RR Donnelley & Sons 7.25% 2018                     | \$30,000  | 17           | -                  |
| Nebraska Book 8.625% 2012                      | \$34,000  | 3            | -                  | RR Donnelley & Sons 7.625% 2020                    | \$9,000   | 5            | -                  |
| New Century Home Equity Loan Trust FRN 2034    | \$76,701  | 40           | 0.1                | RSC Equipment Rental 8.25% 2021                    | \$250,000 | 163          | 0.3                |
| Newfield Exploration 6.875% 2020               | \$30,000  | 20           | -                  | RSHB Capital 9% 2014                               | \$230,000 | 160          | 0.3                |
| Newfield Exploration 5.75% 2022                | \$25,000  | 17           | -                  | Sally Holdings 6.875% 2019                         | \$50,000  | 34           | 0.1                |
| NewPage 11.375% 2014                           | \$150,000 | 62           | 0.1                | San Pasqual Casino 8% 2013                         | \$75,000  | 47           | 0.1                |
| Nexstar Broadcasting 8.875% 2017               | \$127,000 | 85           | 0.2                | Scotts Miracle-Gro 7.25% 2018                      | \$100,000 | 67           | 0.1                |
| Nextel Communications 'D' 7.375% 2015          | \$138,000 | 85           | 0.2                | Seagate Cayman 6.875% 2020                         | \$15,000  | 10           | -                  |
| NFR Energy 9.75% 2017                          | \$25,000  | 14           | -                  | Seagate Technology 7.75% 2018                      | \$45,000  | 31           | 0.1                |
| NFR Energy Finance 9.75% 2017                  | \$15,000  | 8            | -                  | Sealy Mattress 8.25% 2014                          | \$250,000 | 148          | 0.3                |
| NGC Corporation 7.125% 2018                    | \$100,000 | 38           | 0.1                | Sears Holdings 6.625% 2018                         | \$15,000  | 8            | -                  |
| NII Capital 8.875% 2019                        | \$35,000  | 24           | -                  | Seneca Gaming 8.25% 2018                           | \$30,000  | 19           | -                  |
| NII Capital 7.625% 2021                        | \$5,000   | 3            | -                  | Service Corporation International 6.75% 2015       | \$25,000  | 17           | -                  |
| Noranda Alum Acquisition 5.373% FRN 2015       | \$111,939 | 68           | 0.1                |  |           |              |                    |
| Nortek 8.5% 2021                               | \$18,000  | 11           | -                  |  |           |              |                    |
| Novelis 8.375% 2017                            | \$25,000  | 17           | -                  |  |           |              |                    |
| Novelis 8.75% 2020                             | \$40,000  | 28           | 0.1                |  |           |              |                    |
| NRG Energy 7.625% 2019                         | \$20,000  | 12           | -                  |  |           |              |                    |
| NRG Energy 7.875% 2021                         | \$20,000  | 12           | -                  |  |           |              |                    |

# Portfolio statement – continued

As at 31 January 2012

| Investment   | Holding   | Market value<br>£'000 | Total net<br>assets % |
|--|-----------|-----------------------|-----------------------|
| Service Corporation International 7% 2017            | \$250,000 | 176                   | 0.4                   |
| Service Corporation International 7% 2019            | \$25,000  | 17                    | -                     |
| Servicemaster 2015                                   | \$250,000 | 165                   | 0.3                   |
| Shingle Springs Tribal 9.375% 2015                   | \$25,000  | 10                    | -                     |
| Simmons 11.25% 2015                                  | \$250,000 | 164                   | 0.3                   |
| Simmons Food 10.5% 2017                              | \$20,000  | 11                    | -                     |
| Sitel 11.5% 2018                                     | \$50,000  | 23                    | -                     |
| SM Energy 6.625% 2019                                | \$60,000  | 40                    | 0.1                   |
| Smithfield Foods 7.75% 2017                          | \$25,000  | 18                    | -                     |
| Spectrum Brands 9.5% 2018                            | \$250,000 | 180                   | 0.4                   |
| Speedway Motor Sports 6.75% 2019                     | \$25,000  | 16                    | -                     |
| Springleaf Finance 6.9% 2017                         | \$100,000 | 49                    | 0.1                   |
| Sprint Capital 8.75% 2032                            | \$350,000 | 187                   | 0.4                   |
| Sprint Nextel 6% 2016                                | \$52,000  | 29                    | 0.1                   |
| Sprint Nextel 8.375% 2017                            | \$10,000  | 6                     | -                     |
| Sprint Nextel 9% 2018                                | \$63,000  | 43                    | 0.1                   |
| Sprint Nextel 11.5% 2021                             | \$7,000   | 5                     | -                     |
| Squaretwo 11.625% 2017                               | \$15,000  | 9                     | -                     |
| Standard Pacific 10.75% 2016                         | \$10,000  | 7                     | -                     |
| Standard Pacific 8.375% 2018                         | \$20,000  | 13                    | -                     |
| Standard Pacific 8.375% 2021                         | \$25,000  | 16                    | -                     |
| Stream Global 11.25% 2014                            | \$25,000  | 16                    | -                     |
| Sugar HSP 8.625% 2016                                | \$15,000  | 10                    | -                     |
| Sungard Data Systems 10.25% 2015                     | \$250,000 | 164                   | 0.3                   |
| Sungard Data Systems 7.375% 2018                     | \$100,000 | 67                    | 0.1                   |
| SUPERVALU 8% 2016                                    | \$225,000 | 148                   | 0.3                   |
| Swift Energy Co 8.875% 2020                          | \$50,000  | 33                    | 0.1                   |
| Swift Energy 7.875% 2022                             | \$20,000  | 13                    | -                     |
| Targa Resources Partners 8.25% 2016                  | \$15,000  | 10                    | -                     |
| Targa Resources Partners 6.875% 2021                 | \$45,000  | 30                    | 0.1                   |
| Targa Resources Partners 6.375% 2022                 | \$6,000   | 4                     | -                     |
| Taseko Mines 7.75% 2019                              | \$20,000  | 12                    | -                     |
| Tata Steel 4.5% 2014                                 | \$200,000 | 124                   | 0.3                   |
| Telesat 11% 2015                                     | \$15,000  | 10                    | -                     |
| Tenet Healthcare 9.25% 2015                          | \$200,000 | 138                   | 0.3                   |
| Tenet Healthcare 6.25% 2018                          | \$15,000  | 10                    | -                     |
| Tenet Healthcare 8.875% 2019                         | \$50,000  | 36                    | 0.1                   |
| Texas Competitive Electric 10.25% FRN 2015           | \$25,000  | 4                     | -                     |
| Texas Competitive Electric 11.5% 2020                | \$10,000  | 5                     | -                     |
| Thompson Creek 7.375% 2018                           | \$20,000  | 12                    | -                     |
| Tops Markets 10.125% 2015                            | \$60,000  | 41                    | 0.1                   |
| Transdigm 7.75% 2018                                 | \$100,000 | 69                    | 0.2                   |
| Trimas 9.75% 2017                                    | \$50,000  | 35                    | 0.1                   |
| Trinidad Drilling 7.875% 2019                        | \$30,000  | 20                    | -                     |
| Tutor Perini 7.625% 2018                             | \$25,000  | 15                    | -                     |
| Ultrapetrol 9% 2014                                  | \$22,000  | 13                    | -                     |
| Unit 6.625% 2021                                     | \$5,000   | 3                     | -                     |
| United States Steel 7% 2018                          | \$50,000  | 32                    | 0.1                   |
| Univision Communications 6.875% 2019                 | \$45,000  | 29                    | 0.1                   |
| Univision Communications 7.875% 2020                 | \$40,000  | 27                    | 0.1                   |
| UPC Germany 8.125% 2017                              | \$50,000  | 34                    | 0.1                   |
| US Oncology Action Escrow 9.125% 2017                | \$250,000 | 2                     | -                     |
| Vail Resorts 6.5% 2019                               | \$280,000 | 183                   | 0.4                   |
| Valassis Communications 6.625% 2021                  | \$40,000  | 25                    | 0.1                   |
| Valeant Pharmaceuticals 6.5% 2016                    | \$30,000  | 19                    | -                     |
| Valeant Pharmaceuticals 6.875% 2018                  | \$100,000 | 65                    | 0.1                   |
| Vanguard Health Holdings 8% 2018                     | \$25,000  | 17                    | -                     |
| Veneco 8.875% 2019                                   | \$2,000   | 1                     | -                     |
| Venezuela 11.95% 2031                                | \$420,000 | 229                   | 0.5                   |
| Verso Paper 11.5% 2014                               | \$75,000  | 49                    | 0.1                   |
| Virgin Media Finance 8.375% 2019                     | \$50,000  | 35                    | 0.1                   |
| Visant 10% 2017                                      | \$150,000 | 86                    | 0.2                   |
| Vulcan Materials 7.5% 2021                           | \$75,000  | 52                    | 0.1                   |
| W&T Offshore 8.5% 2019                               | \$65,000  | 44                    | 0.1                   |
| Wachovia Capital Trust I 5.8% 2042                   | \$50,000  | 28                    | 0.1                   |
| Wamu Mortgage FRN 2035                               | \$228,559 | 136                   | 0.3                   |
| WCA Waste 7.5% 2019                                  | \$10,000  | 7                     | -                     |
| Wells Fargo Asset Backed Securities FRN 2034         | \$177,374 | 86                    | 0.2                   |
| Wells Fargo Mortgage Backed Securities Trust 6% 2037 | \$115,854 | 67                    | 0.1                   |
| Wendys Arbys Restaurants 10% 2016                    | \$20,000  | 14                    | -                     |
| Western Refining 11.25% 2017                         | \$50,000  | 36                    | 0.1                   |
| Windstream 7.75% 2021                                | \$60,000  | 41                    | 0.1                   |
| WM Finance 9.5% 2016                                 | \$4,000   | 3                     | -                     |
| WM Finance 11.5% 2018                                | \$5,000   | 3                     | -                     |
| WMG Acquisition 9.5% 2016                            | \$25,000  | 17                    | -                     |
| WPX Energy 5.25% 2017                                | \$20,000  | 13                    | -                     |
| WPX Energy 6% 2022                                   | \$20,000  | 13                    | -                     |
| XL Capital 6.5% FRN Perpetual                        | \$15,000  | 8                     | -                     |
| XM Satellite Radio 7.625% 2018                       | \$50,000  | 34                    | 0.1                   |
| Yankee Finance 9.75% 2017                            | \$100,000 | 64                    | 0.1                   |

| Investment   | Holding     | Market value<br>£'000 | Total net<br>assets % |
|--|-------------|-----------------------|-----------------------|
| <b>Sterling - 0.2%</b>                                   |             |                       |                       |
| SVG Capital 8.25% 2016                                   | £100,000    | 100                   | 0.2                   |
| <b>Euro - 0.0%</b>                                       |             |                       |                       |
| Q-Cells International 5.75% 2014                         | €100,000    | 14                    | -                     |
| <b>Government bonds - 4.9% (5.4%)</b>                    |             |                       |                       |
| Argentina 7% 2013  | \$50,000    | 32                    | 0.1                   |
| Argentina 8.75% 2017                                     | \$393,568   | 249                   | 0.5                   |
| Argentina 8.28% 2033                                     | \$6,505     | 3                     | -                     |
| Brazil 11% 2040  | \$385,000   | 324                   | 0.7                   |
| Colombia 11.75% 2020                                     | \$180,000   | 179                   | 0.4                   |
| Dominican Republic 9.04% 2018                            | \$153,018   | 107                   | 0.2                   |
| Dominican Republic 9.04% 2018                            | \$124,235   | 87                    | 0.2                   |
| El Salvador 7.75% 2023                                   | \$260,000   | 180                   | 0.4                   |
| Iraq 5.8% 2028   | \$550,000   | 268                   | 0.5                   |
| Peru 9.875% 2015   | \$230,000   | 179                   | 0.4                   |
| Philippines 10.625% 2025                                 | \$140,000   | 142                   | 0.3                   |
| Philippines 10.625% 2025                                 | \$50,000    | 51                    | 0.1                   |
| Russian Federation 12.75% 2028                           | \$195,000   | 216                   | 0.4                   |
| Sri Lanka 7.4% 2015                                      | \$280,000   | 188                   | 0.4                   |
| Uruguay 8% 2022  | \$95,000    | 82                    | 0.2                   |
| US Treasury 2.875% 2013                                  | \$50,000    | 33                    | 0.1                   |
| <b>Convertible bonds - 3.7% (3.5%)</b>                   |             |                       |                       |
| <b>Sterling - 1.5%</b>                                   |             |                       |                       |
| Cable & Wireless 5.75% Convertible 2014                  | £200,000    | 182                   | 0.4                   |
| Ineos Finance 9% 2015                                    | £250,000    | 163                   | 0.3                   |
| STX Pan Ocean 4.5% 2014                                  | £200,000    | 120                   | 0.2                   |
| TUI Travel 6% Convertible 2014                           | £200,000    | 191                   | 0.4                   |
| Vedanta 4% 2017  | £200,000    | 116                   | 0.2                   |
| <b>US Dollar - 1.3%</b>                                  |             |                       |                       |
| Anglogold Ashanti Holdings 6% Convertible 2010           | \$4,950     | 160                   | 0.3                   |
| Ares Capital 5.125% Convertible 2016                     | \$227,000   | 143                   | 0.3                   |
| Cemex Sab de 4.875% Convertible 2015                     | \$200,000   | 101                   | 0.2                   |
| Dryships 5% Convertible 2014                             | \$156,000   | 70                    | 0.2                   |
| GMAC Capital Trust FRN 2040                              | \$1,000     | 14                    | -                     |
| Jaiprakash Power Ventures 5% Convertible 2015            | \$200,000   | 92                    | 0.2                   |
| Polarcus 2.875% Convertible 2016                         | \$123,000   | 49                    | 0.1                   |
| US Concrete 9.5% Convertible 2015                        | \$15,000    | 9                     | -                     |
| <b>Euro - 0.5%</b>                                       |             |                       |                       |
| Aabar Investments 4% Convertible 2016                    | €100,000    | 79                    | 0.2                   |
| Steinhoff Finance 4.5% Convertible 2018                  | €200,000    | 150                   | 0.3                   |
| <b>Australian Dollar - 0.4%</b>                          |             |                       |                       |
| CFS Retail Property Trust 5.075% Convertible 2016        | AUD 200,000 | 134                   | 0.3                   |
| Commonwealth Property Office Fund 5.25% Convertible 2016 | AUD 100,000 | 68                    | 0.1                   |
| <b>Forward currency contracts - 1.2% (1.2%)</b>          |             |                       |                       |
| <b>Australian Dollar</b>                                 |             |                       |                       |
| Buy AUD 312569 sell \$324979 dated 14/02/12              |             | 5                     | -                     |
| <b>Euro</b>  |             |                       |                       |
| Buy €153,681 sell £126,937 dated 14/02/12                |             | 1                     | -                     |
| Buy €153,953 sell \$196,990 dated 14/02/12               |             | 4                     | -                     |
| Sell €586,454 buy £490,199 dated 14/02/12                |             | 1                     | -                     |
| Sell €276,047 buy £229,985 dated 14/02/12                |             | -                     | -                     |
| <b>Norwegian Krone</b>                                   |             |                       |                       |
| Buy NOK 846,509 sell £91,857 dated 14/02/12              |             | -                     | -                     |
| Buy NOK 103,5416 sell £172,309 dated 14/02/12            |             | 4                     | -                     |
| <b>Swiss Franc</b>                                       |             |                       |                       |
| Sell CHF 199,540 buy £137,885 dated 14/02/12             |             | (1)                   | -                     |
| <b>US Dollar</b>   |             |                       |                       |
| Buy \$1,832,208 sell AUD 1,787,014 dated 14/02/12        |             | (44)                  | (0.1)                 |
| Buy \$849,657 sell CHF 805,840 dated 14/02/12            |             | (20)                  | -                     |
| Buy \$5,534,248 sell €4,310,810 dated 14/02/12           |             | (93)                  | (0.2)                 |
| Buy \$551,257 sell HKD 4,281,398 dated 14/02/12          |             | -                     | -                     |
| Buy \$2,394,540 sell ¥183,456,979 dated 14/02/12         |             | (4)                   | -                     |
| Buy \$233,282 sell NOK 1,400,000 dated 14/02/12          |             | (5)                   | -                     |
| Buy \$239,099 sell NZD 306,248 dated 14/02/12            |             | (9)                   | -                     |
| Buy \$333,852 sell SEK 2,282,835 dated 14/02/12          |             | (3)                   | -                     |
| Buy \$395,438 sell SGD 511,072 dated 14/02/12            |             | (8)                   | -                     |
| Buy \$635,720 sell £412,270 dated 14/02/12               |             | (10)                  | -                     |
| Sell \$66,156,777 buy £42,646,458 dated 14/02/12         |             | 737                   | 1.5                   |

## Portfolio statement – continued

As at 31 January 2012

| Investment  | Holding | Market value<br>£'000 | Total net<br>assets % |
|---|---------|-----------------------|-----------------------|
| <b>Futures – 0.0% (0.0%)</b>                                |         |                       |                       |
| US Long Bond Futures Mar 2012                               |         | (12)                  | -                     |
| <b>Options – 0.0% (0.0%)</b>                                |         |                       |                       |
| Allianz Call Option 90 Mar 2012                             | (27)    | (3)                   | -                     |
| BASF Call Option 62 Feb 2012                                | (40)    | (2)                   | -                     |
| BMW Call Option 68 Feb 2012                                 | (35)    | (3)                   | -                     |
| British Call Option 3100 Feb 2012                           | (9)     | -                     | -                     |
| China Call Option 6.5 Feb 2012                              | (44)    | -                     | -                     |
| ACompagnie de Saint-Gobain Call Option 38 Mar 2012          | (63)    | (2)                   | -                     |
| ENI Call Option 18.5 Mar 2012                               | (31)    | (1)                   | -                     |
| Hutchison Whampoa Call Option 77.5 Feb 2012                 | (44)    | (2)                   | -                     |
| Nestle Call Option 55 Mar 2012                              | (49)    | (1)                   | -                     |
| PPR Call Option 130 Mar 2012                                | (17)    | (1)                   | -                     |
| Schneider Electric Call Option 55 Mar 2012                  | (86)    | (3)                   | -                     |
| Swedbank Call Option 105 Mar 2012                           | (105)   | (1)                   | -                     |
| Time Warner Call Option 39 Feb 2012                         | (146)   | (2)                   | -                     |
| TOTAL S.A. Call Option 42 Mar 2012                          | (54)    | (2)                   | -                     |
| Verizon Communications Call Option 39 Mar 2012              | (87)    | (1)                   | -                     |
| Vodafone Call Option 186 Mar 2012                           | (140)   | (1)                   | -                     |
| <b>Investment assets (including investment liabilities)</b> |         | <b>49,811</b>         | <b>98.2</b>           |
| <b>Net other assets</b>                                     |         | <b>929</b>            | <b>1.8</b>            |
| <b>Net assets</b>   |         | <b>50,740</b>         | <b>100.0</b>          |

Unless otherwise stated the above securities are admitted to official stock exchange listings or trade on a regulated market.

The comparative percentage figures in brackets are at 31 January 2011.

# Unquoted security

^ Deemed to be investment in related parties of the ACD

| Portfolio credit ratings                                    | Market value<br>£'000 |
|---|-----------------------|
| A+  | 62                    |
| A   | 134                   |
| A-  | 68                    |
| BBB+  | 221                   |
| BBB   | 1,206                 |
| BBB-  | 899                   |
| BB+   | 965                   |
| BB  | 1,369                 |
| BB-   | 2,940                 |
| B+  | 5,924                 |
| B   | 1,617                 |
| B-  | 3,409                 |
| CCC+  | 3,743                 |
| CCC   | 16                    |
| C   | 2,671                 |
| Unrated   | 2,378                 |
| <b>Total bonds</b>  | <b>27,622</b>         |
| Equities  | 21,671                |
| Forward currency contracts                                  | 555                   |
| Futures   | (12)                  |
| Options   | (25)                  |
| <b>Investment assets (including investment liabilities)</b> | <b>49,811</b>         |



## Portfolio movements

For the year ending 31 January 2012

|  | £'000         |  | £'000           |
|--|---------------|--|-----------------|
| <b>Total of all purchases for the year (Note 10)</b> | <b>51,783</b> | <b>Total of all sales for the year (Note 10)</b> | <b>32,287</b>   |
| <b>Major purchases</b>                               | <b>Cost</b>   | <b>Major sales</b>                               | <b>Proceeds</b> |
| China Construction Bank 'H'                          | 538           | Venezuela 12.75% 2022                            | 468             |
| UPM-Kymmene  | 446           | Xcel Energy                                      | 459             |
| Canon  | 436           | IBM  | 431             |
| Schneider Electric                                   | 427           | Banco Santander                                  | 423             |
| Argentina 8.75% 2017                                 | 414           | Zurich Financial Services                        | 390             |
| Wells Fargo  | 409           | China Construction Bank 'H'                      | 361             |
| Ericsson 'B'   | 405           | Sampo 'A'  | 360             |
| Sampo 'A'  | 398           | Enel   | 353             |
| Allianz  | 375           | Canon  | 348             |
| Deutsche Boerse                                      | 374           | Abbott Laboratories                              | 337             |
| DNB  | 369           | Daimler  | 330             |
| Citigroup Funding 10.99% 2020                        | 368           | QBE Insurance Group                              | 321             |
| Nippon Telegraph & Telephone                         | 360           | Novartis   | 314             |
| Deutsche Telekom                                     | 354           | Centerpoint Energy                               | 313             |
| Peoples Choice Home Loan Securities Trust FRN 2034   | 351           | Singapore Airlines                               | 312             |
| Sanofi-Aventis                                       | 349           | Telefonica                                       | 307             |
| KT ADR   | 347           | Coca-Cola  | 304             |
| Telecom Corporation of New Zealand                   | 342           | KPN  | 303             |
| Japan Tobacco  | 340           | BNP Paribas                                      | 298             |
| CSFB Mortgage Backed 5.5% 2020                       | 340           | Deutsche Telekom                                 | 290             |

# Financial statements

## Statement of total return

For the year ending 31 January

|   | £'000 | 2012<br>£'000  | £'000 | 2011<br>£'000 |
|---|-------|----------------|-------|---------------|
| <b>Income</b>   |       |                |       |               |
| Net capital (losses)/gains (Note 1)   |       | (2,648)        |       | 2,629         |
| Revenue (Note 2)  | 2,957 |                | 1,782 |               |
| Expenses (Note 3)   | (452) |                | (289) |               |
| Net revenue before taxation   | 2,505 |                | 1,493 |               |
| Taxation (Note 4)   | (422) |                | (267) |               |
| Net revenue after taxation  |       | 2,083          |       | 1,226         |
| <b>Total return before distributions</b>  |       | <b>(565)</b>   |       | <b>3,855</b>  |
| Finance costs:<br>Distributions (Note 5)  |       | (2,393)        |       | (1,423)       |
| <b>Change in net assets attributable to shareholders from investment activities</b> |       | <b>(2,958)</b> |       | <b>2,432</b>  |

## Statement of change in net assets attributable to shareholders

For the year ending 31 January

|  | £'000   | 2012<br>£'000 | £'000    | 2011<br>£'000 |
|--|---------|---------------|----------|---------------|
| <b>Opening net assets attributable to shareholders</b>                                   |         | <b>32,468</b> |          | <b>19,449</b> |
| Amounts receivable on issue of shares  | 26,014  |               | 23,062   |               |
| Amounts payable on cancellation of shares  | (5,986) |               | (13,144) |               |
|  |         | 20,028        |          | 9,918         |
| Change in net assets attributable to shareholders from investment activities (see above) |         | (2,958)       |          | 2,432         |
| Retained distributions on accumulation shares  |         | 1,204         |          | 671           |
| Stamp duty reserve tax   |         | (2)           |          | (2)           |
| <b>Closing net assets attributable to shareholders</b>                                   |         | <b>50,740</b> |          | <b>32,468</b> |

## Balance sheet

As at 31 January

|  | £'000 | 2012<br>£'000  | £'000 | 2011<br>£'000  |
|--|-------|----------------|-------|----------------|
| <b>ASSETS</b>                                  |       |                |       |                |
| Investment assets                              |       | 50,045         |       | 32,341         |
| Debtors (Note 7)                               | 1,104 |                | 737   |                |
| Cash and bank balances (Note 8)                | 1,108 |                | 714   |                |
| <b>Total other assets</b>                      |       | <b>2,212</b>   |       | <b>1,451</b>   |
| <b>Total assets</b>                            |       | <b>52,257</b>  |       | <b>33,792</b>  |
| <b>LIABILITIES</b>                             |       |                |       |                |
| Investment liabilities                         |       | (234)          |       | (300)          |
| Creditors (Note 9)                             | (986) |                | (797) |                |
| Bank overdraft                                 | (11)  |                | -     |                |
| Distribution payable on income shares          | (286) |                | (227) |                |
| <b>Total other liabilities</b>                 |       | <b>(1,283)</b> |       | <b>(1,024)</b> |
| <b>Total liabilities</b>                       |       | <b>(1,517)</b> |       | <b>(1,324)</b> |
| <b>Net assets attributable to shareholders</b> |       | <b>50,740</b>  |       | <b>32,468</b>  |

The notes to these financial statements are shown on pages 217 to 219.

# Notes to the financial statements for the year ending 31 January 2012

## 1. Net capital (losses)/gains

|                            | 2012           | 2011         |
|----------------------------|----------------|--------------|
|                            | £'000          | £'000        |
| Currency gains/(losses)    | 44             | (587)        |
| Derivative contracts       | (185)          | 19           |
| Forward currency contracts | (621)          | 510          |
| Non-derivative securities  | (1,886)        | 2,687        |
| Net capital (losses)/gains | <u>(2,648)</u> | <u>2,629</u> |

## 2. Revenue

|   | 2012         | 2011         |
|---|--------------|--------------|
|   | £'000        | £'000        |
| Franked income from UK equity investments                         | 70           | 47           |
| Income from overseas equity investments                           | 680          | 332          |
| Interest on amounts held with futures clearing houses and brokers | 1            | -            |
| Interest on bank and term deposits                                | 2            | 1            |
| Interest on fixed-interest securities                             | 1,854        | 1,311        |
| Option income   | 217          | -            |
| Property income distributions                                     | 115          | 91           |
| Stock dividends   | 18           | -            |
| Total revenue   | <u>2,957</u> | <u>1,782</u> |

## 3. Expenses

|   | 2012       | 2011       |
|---|------------|------------|
|   | £'000      | £'000      |
| Payable to the ACD or associate of the ACD: |            |            |
| ACD fee                                     | 387        | 248        |
| Fixed expenses                              | 65         | 41         |
| Total expenses                              | <u>452</u> | <u>289</u> |

## 4. Taxation

|                                   | 2012       | 2011       |
|-----------------------------------|------------|------------|
|                                   | £'000      | £'000      |
| a) Analysis of charge in the year |            |            |
| Corporation tax at 20%            | 351        | 227        |
| Double tax relief                 | (11)       | (14)       |
| Overseas tax suffered             | 82         | 52         |
| Prior year adjustments            | -          | 2          |
| Current year tax charge (Note 4b) | <u>422</u> | <u>267</u> |

### b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an Open-Ended Investment Company (OEIC) (20%). The differences are explained below.

|  |             |             |
|--|-------------|-------------|
| Net revenue before taxation              | 2,505       | 1,493       |
| Corporation tax at 20%                   | <u>501</u>  | <u>299</u>  |
| Effects of:                              |             |             |
| Dividends not subject to corporation tax | (151)       | (72)        |
| Double tax relief                        | (11)        | (14)        |
| Overseas tax suffered                    | 82          | 52          |
| Prior year adjustments                   | -           | 2           |
| Taxable gain on offshore funds           | 1           | -           |
|  | <u>(79)</u> | <u>(32)</u> |
| Current year tax charge (Note 4a)        | <u>422</u>  | <u>267</u>  |

## 5. Finance costs

### Distributions

The distributions take account of amounts receivable on the issue of shares and amounts payable on the cancellation of shares and comprise:

|  | 2012         | 2011         |
|--|--------------|--------------|
|  | £'000        | £'000        |
| First interim dividend distribution            | 495          | 320          |
| Second interim dividend distribution           | 812          | 339          |
| Third interim dividend distribution            | 731          | 375          |
| Final dividend distribution                    | 522          | 381          |
| Add: Amounts payable on cancellation of shares | 44           | 100          |
| Deduct: Amounts receivable on issue of shares  | (211)        | (92)         |
| Total finance costs                            | <u>2,393</u> | <u>1,423</u> |

Details of the distribution per share are set out on pages 220 to 221.

## 6. Movement between net revenue after taxation and distributions

|  | 2012         | 2011         |
|--|--------------|--------------|
|  | £'000        | £'000        |
| Net revenue after taxation                         | 2,083        | 1,226        |
| Add: ACD fee (net of tax relief) paid from capital | 310          | 198          |
| Add: Undistributed revenue brought forward         | 2            | 1            |
| Deduct: Undistributed revenue carried forward      | (2)          | (2)          |
|  | <u>2,393</u> | <u>1,423</u> |

## 7. Debtors

|                                     | 2012         | 2011       |
|-------------------------------------|--------------|------------|
|                                     | £'000        | £'000      |
| Accrued income                      | 512          | 377        |
| Due from the ACD for shares created | 216          | 232        |
| Overseas tax recoverable            | 9            | 6          |
| Sales awaiting settlement           | 367          | 122        |
| Total debtors                       | <u>1,104</u> | <u>737</u> |

## 8. Cash and bank balances

|   | 2012         | 2011       |
|---|--------------|------------|
|   | £'000        | £'000      |
| Amounts held at futures clearing houses and brokers | 338          | (1)        |
| Cash and bank balances                              | 770          | 715        |
| Total cash and bank balances                        | <u>1,108</u> | <u>714</u> |

## 9. Creditors

|                                     | 2012       | 2011       |
|-------------------------------------|------------|------------|
|                                     | £'000      | £'000      |
| Accrued expenses                    | 46         | 21         |
| Capital deferred tax liability      | 5          | -          |
| Corporation tax payable             | 159        | 211        |
| Due to the ACD for shares cancelled | 71         | -          |
| Purchases awaiting settlement       | 705        | 565        |
| Total creditors                     | <u>986</u> | <u>797</u> |

## Notes to the financial statements – continued

### 10. Portfolio transaction costs

|  | 2012<br>£'000 | 2011<br>£'000 |
|--|---------------|---------------|
| Analysis of total purchase costs           |               |               |
| Purchases in year before transaction costs | 51,750        | 33,113        |
| Commissions                                | 19            | 8             |
| Taxes                                      | 14            | 7             |
| Total purchase costs                       | 33            | 15            |
| Gross purchases total                      | 51,783        | 33,128        |
| Analysis of total sale costs               |               |               |
| Gross sales before transaction costs       | 32,304        | 22,969        |
| Commissions                                | (15)          | (6)           |
| Taxes                                      | (2)           | -             |
| Total sale costs                           | (17)          | (6)           |
| Total sales net of transaction costs       | 32,287        | 22,963        |

### 11. Related party transactions

JPMorgan Funds Limited, as Authorised Corporate Director (“ACD”), is a related party, and acts as principal in respect of all transactions of shares in the Company. The aggregate monies received through issue, and paid on cancellation, are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

The balance due from the ACD and their associates at the year end date in respect of related party transactions was £99,118 (31.01.11: £210,484). Details of related party transactions are given under note 13 on page 389.

Investments considered to be related parties have been identified in the portfolio statement on pages 209 to 214 and the revenue from these investments was £1,213 (31.01.11: Enil).

Some of the dealing transactions for the fund are carried out through associates of the ACD. Such transactions are carried out on an arm's length basis. The commissions paid to these companies over the year were £2,726 (31.01.11: £196). Commission was paid to the associated company JPMorgan Securities Ltd.

The following parties held a material interest in the fund at the year end date:

- JPMorgan Income & Growth Investment Trust Plc 27.67% (31.01.11: 48.14%)
- S&P Pensions Ltd 14.24% (31.01.11: 21.14%)
- FIL (Luxembourg) SA 13.19% (31.01.11: 4.56%)

### 12. Financial instruments

#### Currency exposures

A proportion of the net assets of the fund are denominated in currencies other than sterling, with the effect that the Balance sheet and total return can be affected by currency movements.

| Currency           | Net foreign currency assets |                                |                                    |
|--------------------|-----------------------------|--------------------------------|------------------------------------|
|                    | Total<br>£'000              | Monetary<br>exposures<br>£'000 | Non-monetary<br>exposures<br>£'000 |
| <b>31.01.12</b>    |                             |                                |                                    |
| US Dollar          | 1,250                       | (33,363)                       | 34,613                             |
| Hong Kong Dollar   | 873                         | (336)                          | 1,209                              |
| South African Rand | 524                         | 9                              | 515                                |
| Taiwan Dollar      | 334                         | 40                             | 294                                |
| Brazilian Real     | 327                         | (54)                           | 381                                |
| Thailand Baht      | 268                         | -                              | 268                                |
| Malaysian Ringgit  | 231                         | 89                             | 142                                |
| Polish Zloty       | 202                         | -                              | 202                                |
| Japanese Yen       | 143                         | (1,514)                        | 1,657                              |
| Turkish Lira       | 140                         | -                              | 140                                |
| Canadian Dollar    | 125                         | 1                              | 124                                |
| New Zealand Dollar | 119                         | (153)                          | 272                                |
| Swedish Krona      | 103                         | (213)                          | 316                                |
| Korean Won         | 96                          | 3                              | 93                                 |
| Singapore Dollar   | 89                          | (250)                          | 339                                |
| Czech Koruna       | 81                          | -                              | 81                                 |
| Swiss Franc        | 73                          | (691)                          | 764                                |
| Mexican Peso       | 63                          | 4                              | 59                                 |
| Norwegian Krone    | 55                          | 55                             | -                                  |
| Australian Dollar  | 44                          | (984)                          | 1,028                              |
| Euro               | 40                          | (3,975)                        | 4,015                              |
| Indian Rupee       | 38                          | -                              | 38                                 |
| Indonesian Rupiah  | 30                          | -                              | 30                                 |
| <b>31.01.11</b>    |                             |                                |                                    |
| US Dollar          | 632                         | (21,197)                       | 21,829                             |
| Hong Kong Dollar   | 288                         | (231)                          | 519                                |
| Australian Dollar  | 109                         | (779)                          | 888                                |
| South African Rand | 88                          | 10                             | 78                                 |
| Swedish Krona      | 72                          | (22)                           | 94                                 |
| Japanese Yen       | 65                          | (799)                          | 864                                |
| Swiss Franc        | 60                          | (196)                          | 256                                |
| Canadian Dollar    | 39                          | (49)                           | 88                                 |
| Euro               | 38                          | (4,885)                        | 4,923                              |
| Singapore Dollar   | 38                          | (279)                          | 317                                |
| Norwegian Krone    | 26                          | (88)                           | 114                                |

## Notes to the financial statements – continued

### Interest rate risk

The tables below detail the interest rate profile of the fund's assets and liabilities as at the year end.

| Currency           | Total assets<br>£'000 | Floating rate financial assets<br>£'000 | Fixed rate financial assets<br>£'000 | Financial assets not carrying any interest<br>£'000 |
|--------------------|-----------------------|---|--------------------------------------|---|
| <b>31.01.12</b>    |                       |   |                                      |   |
| UK Sterling        | 46,183                | 398                                     | -                                    | 45,785  |
| US Dollar          | 1,747                 | 2,592                                   | 24,496                               | (25,341)  |
| Hong Kong Dollar   | 873                   | 13                                      | -                                    | 860   |
| South African Rand | 524                   | 9                                       | -                                    | 515   |
| Brazilian Real     | 384                   | 2                                       | -                                    | 382   |
| Taiwan Dollar      | 334                   | 41                                      | -                                    | 293   |
| Thailand Baht      | 268                   | -                                       | -                                    | 268   |
| Malaysian Ringgit  | 231                   | -                                       | -                                    | 231   |
| Polish Zloty       | 202                   | -                                       | -                                    | 202   |
| Japanese Yen       | 143                   | -                                       | -                                    | 143   |
| Turkish Lira       | 140                   | -                                       | -                                    | 140   |
| Canadian Dollar    | 125                   | 1                                       | -                                    | 124   |
| New Zealand Dollar | 119                   | 7                                       | -                                    | 112   |
| Swedish Krona      | 103                   | 1                                       | -                                    | 102   |
| Korean Won         | 96                    | -                                       | -                                    | 96  |
| Singapore Dollar   | 89                    | 6                                       | -                                    | 83  |
| Czech Koruna       | 81                    | -                                       | -                                    | 81  |
| Indian Rupee       | 76                    | 38                                      | -                                    | 38  |
| Swiss Franc        | 73                    | 6                                       | -                                    | 67  |
| Mexican Peso       | 63                    | 4                                       | -                                    | 59  |
| Norwegian Krone    | 55                    | -                                       | -                                    | 55  |
| Australian Dollar  | 44                    | -                                       | 203                                  | (159)   |
| Euro               | 40                    | 21                                      | -                                    | 19  |
| Indonesian Rupiah  | 30                    | -                                       | -                                    | 30  |
| <b>31.01.11</b>    |                       |   |                                      |   |
| UK Sterling        | 31,473                | 29                                      | 200                                  | 31,244  |
| US Dollar          | 1,196                 | 963                                     | 16,947                               | (16,714)  |
| Hong Kong Dollar   | 288                   | -                                       | -                                    | 288   |
| Australian Dollar  | 109                   | -                                       | 121                                  | (12)  |
| South African Rand | 88                    | -                                       | -                                    | 88  |
| Swedish Krona      | 72                    | -                                       | 94                                   | (22)  |
| Japanese Yen       | 65                    | 4                                       | -                                    | 61  |
| Swiss Franc        | 60                    | -                                       | -                                    | 60  |
| Canadian Dollar    | 39                    | -                                       | -                                    | 39  |
| Euro               | 38                    | 8                                       | 511                                  | (481)   |
| Singapore Dollar   | 38                    | -                                       | -                                    | 38  |
| Norwegian Krone    | 26                    | -                                       | -                                    | 26  |

The floating rate financial assets comprise investments in variable interest rate paying corporate debt and bank balances that bear interest at rates based on LIBOR or its overseas equivalent.

| Currency        | Total liabilities<br>£'000 | Floating rate financial liabilities<br>£'000 | Financial liabilities not carrying any interest<br>£'000 |
|-----------------|----------------------------|--|--|
| <b>31.01.12</b> |                            |  |  |
| UK Sterling     | 691                        | 11   | 680  |
| US Dollar       | 497                        | -  | 497  |
| Brazilian Real  | 57                         | -  | 57   |
| Indian Rupee    | 38                         | -  | 38   |
| <b>31.01.11</b> |                            |  |  |
| US Dollar       | 564                        | -  | 564  |
| UK Sterling     | 460                        | -  | 460  |

| Currency          | Weighted average interest rate | Weighted average period for which rate is fixed (years) |
|-------------------|--------------------------------|---|
| <b>31.01.12</b>   |                                |   |
| UK Sterling       | 8.4%                           | 3.1   |
| US Dollar         | 6.7%                           | 9.4   |
| Euro              | 5.6%                           | 5.4   |
| Australian Dollar | 5.6%                           | 4.6   |
| <b>31.01.11</b>   |                                |   |
| Swedish Krona     | 8.3%                           | 4.2   |
| UK Sterling       | 6.8%                           | 4.5   |
| US Dollar         | 6.8%                           | 8.7   |
| Australian Dollar | 6.3%                           | 4.8   |
| Euro              | 5.5%                           | 5.5   |

For consideration of other risks including liquidity, pricing and credit risk, please refer to the notes to the aggregated financial statements, pages 389 to 390.

### 13. Share classes

The fund currently has two share classes; Class A shares and Class X shares. The Authorised Corporate Director's (ACD) fee and fixed expenses charge are shown below.

|                 | ACD fee | Fixed expenses |
|-----------------|---------|----------------|
| Class A shares: | 1.25%   | 0.18%          |
| Class X shares: | 0.00%   | 0.06%          |

The X share class is designed to accommodate an alternative charging structure whereby the annual fee normally charged to the fund and then passed on in the share price is instead administratively levied and collected by the ACD from the shareholder or through the relevant JPMorgan Chase & Co entity.

The net asset value of each share class, the net asset value per share and the number of shares in each class are shown on page 208. All classes have the same rights on winding up.

### 14. Derivatives

The fund enters into derivative transactions in the form of forward currency contracts, futures and options. The fund may use derivatives for investment purposes or efficient portfolio management including hedging, where appropriate.

The Investment Adviser assesses the market risk of the fund's investments, including derivative exposure, using the Monte Carlo simulation methodology. This process provides an estimate of the maximum potential loss that could be expected to occur as a result of changes in market prices over a given period of time in all but a given percentage of circumstances. The VaR is calculated on a 99% confidence level with a 20 day horizon & 250 days of history. As at the balance date the VaR was 4.60%.

Further information on the derivative risks can be found in the notes to the aggregated financial statements on page 390.

## Distribution table

### Final distribution in pence per share

Group 1 – Shares purchased prior to 1 November 2011

Group 2 – Shares purchased 1 November 2011 to 31 January 2012

|                                    | Gross revenue | Tax at 10% | Net revenue | Equalisation | Distribution payable 30.04.12 | Distribution paid 30.04.11 |
|------------------------------------|---------------|------------|-------------|--------------|-------------------------------|----------------------------|
| <b>A-Class Accumulation Shares</b> |               |            |             |              |                               |                            |
| Group 1                            | 0.744444      | 0.074444   | 0.670000    | -            | 0.670000                      | 0.770000                   |
| Group 2                            | 0.240979      | 0.024098   | 0.216881    | 0.453119     | 0.670000                      | 0.770000                   |
| <b>A-Class Income Shares</b>       |               |            |             |              |                               |                            |
| Group 1                            | 0.655556      | 0.065556   | 0.590000    | -            | 0.590000                      | 0.700000                   |
| Group 2                            | 0.330446      | 0.033045   | 0.297401    | 0.292599     | 0.590000                      | 0.700000                   |
| <b>X-Class Income Shares</b>       |               |            |             |              |                               |                            |
| Group 1                            | 1.222222      | 0.122222   | 1.100000    | -            | 1.100000                      | 1.310000                   |
| Group 2                            | 1.222222      | 0.122222   | 1.100000    | 0.000000     | 1.100000                      | 1.310000                   |

### Third interim distribution in pence per share

Group 1 – Shares purchased prior to 1 August 2011

Group 2 – Shares purchased 1 August 2011 to 31 October 2011

|                                    | Gross revenue | Tax at 10% | Net revenue | Equalisation | Distribution paid 31.01.12 | Distribution paid 31.01.11 |
|------------------------------------|---------------|------------|-------------|--------------|----------------------------|----------------------------|
| <b>A-Class Accumulation Shares</b> |               |            |             |              |                            |                            |
| Group 1                            | 1.022222      | 0.102222   | 0.920000    | -            | 0.920000                   | 0.750000                   |
| Group 2                            | 0.530198      | 0.053020   | 0.477178    | 0.442822     | 0.920000                   | 0.750000                   |
| <b>A-Class Income Shares</b>       |               |            |             |              |                            |                            |
| Group 1                            | 0.911111      | 0.091111   | 0.820000    | -            | 0.820000                   | 0.700000                   |
| Group 2                            | 0.542971      | 0.054297   | 0.488674    | 0.331326     | 0.820000                   | 0.700000                   |
| <b>X-Class Income Shares</b>       |               |            |             |              |                            |                            |
| Group 1                            | 1.677778      | 0.167778   | 1.510000    | -            | 1.510000                   | 1.290000                   |
| Group 2                            | 1.677778      | 0.167778   | 1.510000    | 0.000000     | 1.510000                   | 1.290000                   |

## Distribution table – continued

### Second interim distribution in pence per share

Group 1 – Shares purchased prior to 1 May 2011

Group 2 – Shares purchased 1 May 2011 to 31 July 2011

|                                    | Gross revenue | Tax at 10% | Net revenue | Equalisation | Distribution paid 31.10.11 | Distribution paid 31.10.10 |
|------------------------------------|---------------|------------|-------------|--------------|----------------------------|----------------------------|
| <b>A-Class Accumulation Shares</b> |               |            |             |              |                            |                            |
| Group 1                            | 1.144444      | 0.114444   | 1.030000    | -            | 1.030000                   | 0.890000                   |
| Group 2                            | 0.434138      | 0.043414   | 0.390724    | 0.639276     | 1.030000                   | 0.890000                   |
| <b>A-Class Income Shares</b>       |               |            |             |              |                            |                            |
| Group 1                            | 1.044444      | 0.104444   | 0.940000    | -            | 0.940000                   | 0.850000                   |
| Group 2                            | 0.393790      | 0.039379   | 0.354411    | 0.585589     | 0.940000                   | 0.850000                   |
| <b>X-Class Income Shares</b>       |               |            |             |              |                            |                            |
| Group 1                            | 1.911111      | 0.191111   | 1.720000    | -            | 1.720000                   | 0.240000                   |
| Group 2                            | 1.911111      | 0.191111   | 1.720000    | 0.000000     | 1.720000                   | 0.240000                   |

### First interim distribution in pence per share

Group 1 – Shares purchased prior to 1 February 2011

Group 2 – Shares purchased 1 February 2011 to 30 April 2011

|                                    | Gross revenue | Tax at 10% | Net revenue | Equalisation | Distribution paid 31.07.11 | Distribution paid 31.07.10 |
|------------------------------------|---------------|------------|-------------|--------------|----------------------------|----------------------------|
| <b>A-Class Accumulation Shares</b> |               |            |             |              |                            |                            |
| Group 1                            | 0.877778      | 0.087778   | 0.790000    | -            | 0.790000                   | 0.910000                   |
| Group 2                            | 0.324943      | 0.032494   | 0.292449    | 0.497551     | 0.790000                   | 0.910000                   |
| <b>A-Class Income Shares</b>       |               |            |             |              |                            |                            |
| Group 1                            | 0.800000      | 0.080000   | 0.720000    | -            | 0.720000                   | 0.880000                   |
| Group 2                            | 0.327561      | 0.032756   | 0.294805    | 0.425195     | 0.720000                   | 0.880000                   |
| <b>X-Class Income Shares</b>       |               |            |             |              |                            |                            |
| Group 1                            | 1.511111      | 0.151111   | 1.360000    | -            | 1.360000                   | -                          |
| Group 2                            | 1.511111      | 0.151111   | 1.360000    | 0.000000     | 1.360000                   | -                          |

Equalisation applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of revenue included in the purchase price of all group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

# JPM Multi-Manager Growth Fund

## Important information

### Change of Depositary

As part of an internal re-structuring, The Royal Bank of Scotland plc has transferred its Trustee and Depositary Services business from The Royal Bank of Scotland plc to National Westminster Bank plc and consequently National Westminster Bank plc has been appointed as Depositary of the Fund with effect from 15 October 2011.

As Depositary, National Westminster Bank plc will have the same duties and responsibilities as The Royal Bank of Scotland plc and this change will have no impact on the way the Fund operates.

### Change of Distribution Policy

On 30 November 2011, shareholders were informed of a change to the distribution policy of the above Fund. With effect from the financial year beginning 1 February 2012, the Fund will make a single annual distribution on 30 April each year. This amendment is intended to bring the distribution policy in line with other funds in the range which have a capital growth objective.

## Investment objective and policy

To invest worldwide in any economic sector primarily through investment trusts. The Fund aims to provide capital growth over the long-term. Currently, in addition to investment trusts, the Fund may also invest in other closed-ended and open-ended funds.

## Risk profile

This Fund is designed to give broad market exposure to global stock markets (including exposure to emerging markets and smaller companies) by investing in a broad range of investment trusts and other collective investment schemes.

Equity investment is subject to specific risks relating to the performance of the individual companies held and the market's perception of their performance. Equities are also subject to systematic risks such as general economic conditions, inflation, interest rates, foreign exchange rates and industry sector risks. In general terms, equities tend to be more volatile than bonds.

Shares of investment trusts can trade at a premium or at a discount to their net assets and this might affect the performance of a fund. Investment trusts may use gearing (leverage) which will exaggerate market movements, both down and up. Some investment trusts may have warrants in issue, which if exercised may affect share values.

The Fund invests in emerging markets, which may be subject to additional political and economic risks, low liquidity, poor transparency and greater financial risks.

Smaller companies' securities may be less liquid than the securities of larger companies as a result of inadequate trading volume or restrictions on trading. Smaller companies may possess greater potential for growth, but can also involve greater risks, such as limited product lines and markets, and financial or managerial resources. Trading in such securities may be subject to more abrupt price movements and greater fluctuations in available liquidity than trading in the securities of larger companies.

## Fund review

The 12-month period proved to be a challenging time for investors, with stubbornly high inflation across many regions, weak macroeconomic data and a rise in market volatility. In this environment, the Fund posted negative absolute and relative returns.

The largest positive contributors to relative performance were overweight positions in the Biotech Growth Trust and the Finsbury Growth & Income Trust. An underweight to the Fidelity China Special Situations and off-benchmark allocations to the JPM US Smaller Companies Investment Trust and the Catco Reinsurance Opportunities Fund were also positive. Detractors included overweights to the Impax Environmental Markets Trust and the JPM European Investment Trust. A small off-benchmark allocation to the Vision Opportunity China Fund Limited also detracted.

Across the market in general, UK, global growth and income strategies were among the best performers. The biotechnology & life sciences sector posted the strongest returns over the period. On a regional basis, Asian and European funds were the worst performers, while UK and US strategies (excluding small cap funds) performed well. While we reduced our allocation to Europe in the period, we were overweight on average, which was detrimental to performance on an absolute and relative basis. The discount to net asset value in the market widened over the 12-month period.

## Fund outlook

We are concerned about the US Federal Reserve's commitment to zero interest rates through 2014. This may set the scene for economic misjudgement within global markets or by the Fed itself. Our economic assessment has limited conviction. We are unsure about a global recovery but believe inflation will trend down. We believe valuations remain reasonable for equities, specifically for the US, Japan and emerging markets.

## 12 month performance as at 31 January

|   | 2012         | 2011         | 2010         | 2009          | 2008         |
|---|--------------|--------------|--------------|---------------|--------------|
| <b>JPM Multi-Manager Growth A-Class Acc</b> | <b>-9.2%</b> | <b>24.5%</b> | <b>31.6%</b> | <b>-34.2%</b> | <b>-6.0%</b> |
| Benchmark Index                             | -4.5%        | 23.8%        | 34.9%        | -31.8%        | -1.8%        |

## Fund statistics

|                 |   |
|-----------------|---|
| Fund size       | £287.1m   |
| Benchmark Index | FTSE Equity Investment Instruments Index (Total Return Net) |
| Fund charges    | Initial 4.25%, Annual 1.25%                                 |

You should remember that past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. For specific risks, please read the Simplified Prospectus.

All performance returns are calculated using the quoted price of the accumulation shares. Performance returns are in Sterling.  
Source: J.P. Morgan.

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## Top ten holdings (excluding Liquidity funds) %

|   |     |
|---|-----|
| The Mercantile Investment Trust <sup>^</sup>            | 4.3 |
| Scottish Mortgage Investment Trust                      | 4.1 |
| Templeton Emerging Markets Investment Trust             | 4.0 |
| BlackRock World Mining Trust                            | 3.5 |
| JPMorgan Emerging Markets Investment Trust <sup>^</sup> | 3.1 |
| RIT Capital Partners                                    | 3.0 |
| JPMorgan Asian Investment Trust <sup>^</sup>            | 3.0 |
| Monks Investment Trust                                  | 3.0 |
| Alliance Trust  | 2.8 |
| 3i Infrastructure                                       | 2.8 |

<sup>^</sup> Deemed to be investment in related parties of the ACD

## Sector breakdown %

|                  |      |
|------------------|------|
| Investment funds | 99.2 |
| Liquidity funds  | 0.5  |
| Net other assets | 0.3  |

## Highest/lowest share price and distribution record

| Calendar year                      | Highest share price | Lowest share price | Distribution per share (net) |
|------------------------------------|---------------------|--------------------|------------------------------|
| <b>A-Class Accumulation Shares</b> |                     |                    |                              |
| 2007                               | 608.8p              | 539.5p             | 1.04p                        |
| 2008                               | 567.3p              | 322.4p             | 2.01p                        |
| 2009                               | 470.0p              | 301.0p             | 4.98p                        |
| 2010                               | 571.2p              | 446.9p             | 1.34p                        |
| 2011                               | 582.9p              | 474.0p             | 0.61p                        |
| 2012 <sup>A</sup>                  | 513.3p              | 486.7p             | 0.93p                        |
| <b>A-Class Income Shares</b>       |                     |                    |                              |
| 2007                               | 589.6p              | 522.5p             | 1.02p                        |
| 2008                               | 548.4p              | 310.6p             | 1.95p                        |
| 2009                               | 446.9p              | 288.7p             | 4.78p                        |
| 2010                               | 541.6p              | 424.5p             | 1.28p                        |
| 2011                               | 552.8p              | 449.0p             | 0.58p                        |
| 2012 <sup>A</sup>                  | 486.2p              | 461.0p             | 0.88p                        |

<sup>A</sup> To 31 January 2012.

## Portfolio turnover rate

|          |       |
|----------|-------|
| 31.01.11 | 30.0% |
| 31.01.12 | 53.6% |

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the period.

## Net asset values and Total expense ratios

| Date                               | Net asset value per share class £'000 | Number of shares | Net asset value per share | Total expense ratio |
|------------------------------------|---------------------------------------|------------------|---------------------------|---------------------|
| <b>A-Class Accumulation Shares</b> |                                       |                  |                           |                     |
| 31.01.10                           | 130,874                               | 29,078,647       | 450.1p                    | 1.42%               |
| 31.01.11                           | 153,228                               | 27,294,668       | 561.4p                    | 1.43%               |
| 31.01.12                           | 130,672                               | 25,640,089       | 509.6p                    | 1.43%               |
| <b>A-Class Income Shares</b>       |                                       |                  |                           |                     |
| 31.01.10                           | 187,718                               | 43,907,479       | 427.5p                    | 1.42%               |
| 31.01.11                           | 208,552                               | 39,174,861       | 532.4p                    | 1.43%               |
| 31.01.12                           | 156,400                               | 32,456,094       | 481.9p                    | 1.43%               |

The net asset value and the net asset value per income share are shown ex-dividend.

The total expense ratio (TER) takes into account the ACD fee and any fixed expenses charged to revenue expressed as a percentage of the average daily net asset values over the period.

# Portfolio statement

As at 31 January 2012

| Investment   | Holding   | Market value<br>£'000 | Total net<br>assets % | Investment  | Holding   | Market value<br>£'000 | Total net<br>assets % |
|--|-----------|-----------------------|-----------------------|---|-----------|-----------------------|-----------------------|
| <b>Investment funds - 99.2% (98.0%)</b>  |           |                       |                       | JPMorgan Japanese Smaller Companies<br>Investment Trust Subscription shares<br>(GBP 147) <sup>^</sup>                         |           |                       |                       |
| 3i Infrastructure  | 6,628,272 | 7,954                 | 2.8                   |   | 326,000   | 37                    | -                     |
| 3i Infrastructure Warrants 2012 (GBP 1.00)   | 340,000   | 68                    | -                     | JPMorgan Overseas Investment Trust <sup>^</sup>   | 341,127   | 2,565                 | 0.9                   |
| Aberdeen New Dawn Investment Trust   | 100,000   | 787                   | 0.3                   | JPMorgan Russian Securities <sup>^</sup>  | 715,000   | 3,879                 | 1.4                   |
| Aberforth Smaller Companies Trust  | 227,907   | 1,316                 | 0.5                   | JPMorgan Smaller Companies Investment<br>Trust <sup>^</sup>   | 745,051   | 3,222                 | 1.1                   |
| Advance Developing Markets Fund  | 1,064,386 | 4,619                 | 1.6                   | JPMorgan US Smaller Companies Investment<br>Trust <sup>^</sup>  | 356,301   | 3,517                 | 1.2                   |
| Alliance Trust   | 2,261,332 | 8,066                 | 2.8                   | Jupiter European Opportunities Trust  | 1,060,956 | 2,588                 | 0.9                   |
| Artemis Alpha Trust  | 930,301   | 2,358                 | 0.8                   | Lowland Investment  | 285,000   | 2,366                 | 0.8                   |
| Artemis Alpha Trust Subscription Shares<br>(GBP 3.45)                                    | 98,390    | 38                    | -                     | Mitton Worldwide Growth Investment Trust  | 850,000   | 1,054                 | 0.4                   |
| Ashmore Global Opportunities   | 355,000   | 2,238                 | 0.8                   | Monks Investment Trust  | 2,662,060 | 8,532                 | 3.0                   |
| Bankers Investment Trust   | 420,000   | 1,663                 | 0.6                   | Montanaro European Smaller Companies<br>Trust   | 409,000   | 1,440                 | 0.5                   |
| BH Macro   | 298,092   | 6,030                 | 2.1                   | Montanaro UK Smaller Companies<br>Investment Trust  | 1,083,500 | 3,381                 | 1.2                   |
| Biotech Growth Trust   | 1,505,183 | 3,251                 | 1.1                   | NB Distressed Debt Investment Fund  | 3,955,600 | 2,424                 | 0.8                   |
| BlackRock Frontier   | 3,660,000 | 2,754                 | 1.0                   | Pacific Horizon Investment Trust  | 1,768,993 | 2,751                 | 1.0                   |
| BlackRock World Mining Trust   | 1,422,019 | 10,054                | 3.5                   | Perpetual Income & Growth Investment<br>Trust   | 1,164,605 | 2,998                 | 1.0                   |
| British Empire Securities & General Trust  | 1,700,832 | 7,484                 | 2.6                   | Perpetual Income & Growth Investment<br>Trust Subscription shares (GBP 218.94)  | 252,299   | 91                    | -                     |
| Caledonia Investments  | 446,554   | 6,497                 | 2.3                   | RCM Technology Trust  | 869,725   | 2,611                 | 0.9                   |
| Candover Investments   | 213,943   | 1,006                 | 0.4                   | RCM Technology Trust Subscription shares<br>(GBP 267)   | 228,000   | 73                    | -                     |
| Catco Reinsurance Opportunities Fund   | 4,026,000 | 2,474                 | 0.9                   | RIT Capital Partners  | 708,939   | 8,635                 | 3.0                   |
| Catco Reinsurance Opportunities Fund 'C'   | 1,500,000 | 1,036                 | 0.4                   | Schroder Asia Pacific Fund  | 1,427,655 | 3,219                 | 1.1                   |
| City Natural Resources High Yield Trust  | 1,411,400 | 3,754                 | 1.3                   | Schroder Asia Pacific Fund Subscription<br>shares (GBP 191)   | 981,330   | 61                    | -                     |
| Damille Investments  | 2,476,208 | 2,006                 | 0.7                   | Schroder UK Growth Fund   | 1,590,000 | 1,952                 | 0.7                   |
| Damille Investments II   | 2,000,000 | 2,020                 | 0.7                   | Schroder UK Mid & Small Cap Fund  | 600,000   | 1,428                 | 0.5                   |
| Dexion Trading   | 1,275,000 | 1,527                 | 0.5                   | Scottish Mortgage Investment Trust  | 1,769,278 | 11,695                | 4.1                   |
| Diverse Income Trust   | 4,827,875 | 2,221                 | 0.8                   | SVG Capital   | 820,666   | 1,793                 | 0.7                   |
| Doric Nimrod Air Two Preference  | 1,250,000 | 2,750                 | 1.0                   | SVM Global Fund   | 1,281,277 | 3,588                 | 1.2                   |
| East Capital Explorer  | 270,000   | 1,382                 | 0.5                   | Templeton Emerging Markets Investment<br>Trust  | 1,947,630 | 11,618                | 4.0                   |
| Ecofin Water & Power Opportunities   | 2,572,481 | 2,958                 | 1.0                   | The Cayenne Trust   | 2,358,000 | 2,665                 | 0.9                   |
| Edinburgh Dragon Trust   | 1,196,750 | 2,837                 | 1.0                   | The Mercantile Investment Trust <sup>^</sup>  | 1,335,307 | 12,472                | 4.3                   |
| Edinburgh Dragon Trust 3.5% Convertible<br>2018  | 922,307   | 964                   | 0.3                   | TR Property Investment Trust Sigma  | 2,968,030 | 1,901                 | 0.7                   |
| Edinburgh Investment Trust   | 807,353   | 3,833                 | 1.3                   | Vision Opportunity China  | 1,540,000 | 166                   | 0.1                   |
| Edinburgh Worldwide Investment Trust   | 1,046,081 | 2,809                 | 1.0                   | <b>Liquidity funds - 0.5% (0.0%)</b>  |           |                       |                       |
| Electra Private Equity   | 186,590   | 2,713                 | 0.9                   | JPM Sterling Liquidity 'X' (Income) <sup>^</sup>  | 1,302,405 | 1,302                 | 0.5                   |
| Electra Private Equity 5% Convertible 2017   | 1,593     | 1,776                 | 0.6                   | <b>Investment assets</b>  |           |                       |                       |
| F&C Private Equity Trust Restricted Voting   | 1,500,000 | 75                    | -                     | <b>Net other assets</b>   |           |                       |                       |
| Fidelity China Special Situations  | 2,675,000 | 2,143                 | 0.7                   | <b>Net assets</b>   |           |                       |                       |
| Fidelity European Values   | 179,923   | 1,898                 | 0.7                   | <b>286,265</b>  |           |                       |                       |
| Finsbury Growth & Income Trust   | 1,613,000 | 5,404                 | 1.9                   | <b>807</b>  |           |                       |                       |
| Finsbury Worldwide Pharmaceutical Trust  | 416,924   | 3,131                 | 1.1                   | <b>287,072</b>  |           |                       |                       |
| Foreign & Colonial Investment Trust  | 1,400,000 | 4,151                 | 1.4                   | <b>100.0</b>  |           |                       |                       |
| Hansa Trust 'A' Non-Voting   | 614,222   | 5,288                 | 1.8                   | Unless otherwise stated the above securities are admitted to official stock exchange listings or trade on a regulated market. |           |                       |                       |
| Henderson Eurotrust  | 418,000   | 2,087                 | 0.7                   | The comparative percentage figures in brackets are at 31 January 2011.  |           |                       |                       |
| Henderson Fledgling Trust  | 232,511   | 766                   | 0.3                   | <sup>^</sup> Deemed to be investment in related parties of the ACD  |           |                       |                       |
| HG Capital Trust   | 374,948   | 3,637                 | 1.3                   |   |           |                       |                       |
| HG Capital Trust Subscription shares<br>(GBP 9.50)                                       | 111,189   | 80                    | -                     |   |           |                       |                       |
| Impax Asian Environmental Markets  | 3,633,263 | 2,925                 | 1.0                   |   |           |                       |                       |
| Impax Asian Environmental Markets<br>Subscription shares (GBP 100)                       | 858,774   | 49                    | -                     |   |           |                       |                       |
| Impax Environmental Markets  | 4,317,754 | 4,227                 | 1.5                   |   |           |                       |                       |
| International Public Partnerships  | 1,400,000 | 1,680                 | 0.6                   |   |           |                       |                       |
| JPMorgan American Investment Trust <sup>^</sup>  | 756,558   | 6,847                 | 2.4                   |   |           |                       |                       |
| JPMorgan Asian Investment Trust <sup>^</sup>   | 4,270,013 | 8,455                 | 2.9                   |   |           |                       |                       |
| JPMorgan Asian Investment Trust<br>Subscription shares (GBP 176) <sup>^</sup>            | 809,765   | 170                   | 0.1                   |   |           |                       |                       |
| JPMorgan Brazil Investment Trust <sup>^</sup>  | 1,772,000 | 1,701                 | 0.6                   |   |           |                       |                       |
| JPMorgan Brazil Investment Trust<br>Subscription shares (GBP 100) <sup>^</sup>           | 453,137   | 91                    | -                     |   |           |                       |                       |
| JPMorgan Emerging Markets Investment<br>Trust <sup>^</sup>                               | 1,551,875 | 8,566                 | 3.0                   |   |           |                       |                       |
| JPMorgan Emerging Markets Investment<br>Trust Subscription shares (GBP 422) <sup>^</sup> | 219,030   | 202                   | 0.1                   |   |           |                       |                       |
| JPMorgan European Investment Trust<br>(Growth) <sup>^</sup>                              | 512,642   | 774                   | 0.3                   |   |           |                       |                       |
| JPMorgan European Smaller Companies<br>Trust <sup>^</sup>                                | 223,480   | 1,543                 | 0.5                   |   |           |                       |                       |
| JPMorgan Global Emerging Markets<br>Income Trust <sup>^</sup>                            | 2,180,760 | 2,410                 | 0.8                   |   |           |                       |                       |
| JPMorgan Income & Capital Trust <sup>^</sup>   | 1,638,037 | 1,048                 | 0.4                   |   |           |                       |                       |
| JPMorgan Income & Growth Investment<br>Trust (Capital) <sup>^</sup>                      | 4,836,729 | 193                   | 0.1                   |   |           |                       |                       |
| JPMorgan Income & Growth Investment<br>Trust (Income) <sup>^</sup>                       | 133,333   | 96                    | -                     |   |           |                       |                       |
| JPMorgan Indian Investment Trust <sup>^</sup>  | 557,910   | 2,063                 | 0.7                   |   |           |                       |                       |
| JPMorgan Japanese Investment Trust <sup>^</sup>  | 2,003,959 | 3,246                 | 1.1                   |   |           |                       |                       |
| JPMorgan Japanese Smaller Companies<br>Investment Trust <sup>^</sup>                     | 1,506,186 | 2,052                 | 0.7                   |   |           |                       |                       |

## Portfolio movements

For the year ending 31 January 2012

|  | £'000         |   | £'000           |
|--|---------------|---|-----------------|
| <b>Total of all purchases for the year (Note 10)</b> | <b>93,100</b> | <b>Total of all sales for the year (Note 10)</b>  | <b>127,300</b>  |
| <b>Major purchases</b>                               | <b>Cost</b>   | <b>Major sales</b>                                | <b>Proceeds</b> |
| JPM Sterling Liquidity 'X' (Income)^                 | 39,822        | JPM Sterling Liquidity 'X' (Income)^              | 38,520          |
| RIT Capital Partners                                 | 5,564         | Fidelity European Values                          | 4,393           |
| Alliance Trust                                       | 4,071         | Schroder Asia Pacific Fund                        | 4,217           |
| Foreign & Colonial Investment Trust                  | 4,058         | Thames River Multi Hedge                          | 3,391           |
| 3i Infrastructure (Placing 2011)                     | 3,060         | Finsbury Worldwide Pharmaceutical Trust           | 3,391           |
| Diverse Income Trust                                 | 2,683         | JPMorgan European Investment Trust (Growth)^      | 3,213           |
| Doric Nimrod Air Two Preference                      | 2,503         | North Atlantic Smaller Companies Investment Trust | 3,127           |
| JPMorgan Global Emerging Markets Income Trust^       | 2,500         | Electra Private Equity                            | 3,052           |
| Lowland Investment                                   | 2,479         | City Natural Resources High Yield Trust           | 3,008           |
| BH Macro   | 2,263         | SVM UK Active Fund                                | 2,733           |
| Damille Investments II (Placing 2011)                | 2,002         | Mercantile Investment Trust^                      | 2,608           |
| Edinburgh Investment Trust                           | 1,805         | Advance Developing Markets Fund                   | 2,535           |
| JPMorgan American Investment Trust                   | 1,781         | Baillie Gifford Japan Trust                       | 2,426           |
| Bankers Investment Trust                             | 1,775         | Standard Life UK Smaller Companies Trust          | 2,336           |
| Schroder UK Mid & Small Cap Fund                     | 1,642         | Edinburgh Dragon Trust                            | 2,320           |
| International Public Partnerships                    | 1,600         | Jupiter European Opportunities Trust              | 2,283           |
| Impax Environmental Markets                          | 1,463         | Midas Income & Growth Trust                       | 2,238           |
| British Empire Securities & General Trust            | 1,377         | SVM Global Fund                                   | 2,161           |
| Mercantile Investment Trust^                         | 1,206         | Monks Investment Trust                            | 2,119           |
| Fidelity China Special Situations                    | 1,102         | JPMorgan Japanese Investment Trust^               | 1,897           |

^ Deemed to be investment in related parties of the ACD

## Financial statements

### Statement of total return

For the year ending 31 January

|   | 2012            | 2011          |
|---|-----------------|---------------|
| £'000   | £'000           | £'000         |
| Income  |                 |               |
| Net capital (losses)/gains (Note 1)   | (33,945)        | 74,452        |
| Revenue (Note 2)  | 5,513           | 4,932         |
| Expenses (Note 3)   | (4,580)         | (4,899)       |
| Net revenue before taxation   | 933             | 33            |
| Taxation (Note 4)   | (1)             | -             |
| Net revenue after taxation  | 932             | 33            |
| <b>Total return before distributions</b>  | <b>(33,013)</b> | <b>74,485</b> |
| Finance costs:  |                 |               |
| Distributions (Note 5)  | (930)           | (583)         |
| <b>Change in net assets attributable to shareholders from investment activities</b> | <b>(33,943)</b> | <b>73,902</b> |

### Balance sheet

As at 31 January

|  | 2012           | 2011           |
|--|----------------|----------------|
| £'000  | £'000          | £'000          |
| <b>ASSETS</b>                                  |                |                |
| Investment assets                              | 286,265        | 354,483        |
| Debtors (Note 7)                               | 1,508          | 2,503          |
| Cash and bank balances (Note 8)                | 775            | 7,944          |
| <b>Total other assets</b>                      | <b>2,283</b>   | <b>10,447</b>  |
| <b>Total assets</b>                            | <b>288,548</b> | <b>364,930</b> |
| <b>LIABILITIES</b>                             |                |                |
| Creditors (Note 9)                             | (1,191)        | (3,150)        |
| Distribution payable on income shares          | (285)          | -              |
| <b>Total liabilities</b>                       | <b>(1,476)</b> | <b>(3,150)</b> |
| <b>Net assets attributable to shareholders</b> | <b>287,072</b> | <b>361,780</b> |

The notes to these financial statements are shown on pages 227 to 228.

### Statement of change in net assets attributable to shareholders

For the year ending 31 January

|   | 2012            | 2011           |
|---|-----------------|----------------|
| £'000   | £'000           | £'000          |
| <b>Opening net assets attributable to shareholders</b>  | <b>361,780</b>  | <b>318,592</b> |
| Amounts receivable on issue of shares   | 1,375           | 567            |
| Amounts payable on cancellation of shares   | (42,540)        | (31,523)       |
|   | (41,165)        | (30,956)       |
| <b>Change in net assets attributable to shareholders from investment activities (see above)</b> | <b>(33,943)</b> | <b>73,902</b>  |
| Retained distributions on accumulation shares   | 399             | 233            |
| Stamp duty reserve tax  | (12)            | (11)           |
| Unclaimed distributions   | 13              | 20             |
| <b>Closing net assets attributable to shareholders</b>  | <b>287,072</b>  | <b>361,780</b> |

# Notes to the financial statements for the year ending 31 January 2012

## 1. Net capital (losses)/gains

|                            | 2012            | 2011          |
|----------------------------|-----------------|---------------|
|                            | £'000           | £'000         |
| Currency gains/(losses)    | 3               | (34)          |
| Custodian handling charges | (5)             | (3)           |
| Non-derivative securities  | (33,943)        | 74,489        |
| Net capital (losses)/gains | <u>(33,945)</u> | <u>74,452</u> |

## 2. Revenue

|   | 2012         | 2011         |
|---|--------------|--------------|
|   | £'000        | £'000        |
| Franked income from UK equity investments     | 4,079        | 4,351        |
| Income from overseas equity investments       | 802          | 434          |
| Interest distributions from Investment Trusts | 142          | 130          |
| Interest on bank and term deposits            | 119          | 15           |
| Interest on fixed-interest securities         | 194          | 2            |
| Stock dividends                               | 172          | -            |
| Underwriting commission                       | 5            | -            |
| Total revenue                                 | <u>5,513</u> | <u>4,932</u> |

## 3. Expenses

|  | 2012         | 2011         |
|--|--------------|--------------|
|  | £'000        | £'000        |
| <b>Payable to the ACD or associate of the ACD:</b> |              |              |
| ACD fee  | 4,133        | 4,285        |
| Fixed expenses                                     | 590          | 614          |
|  | <u>4,723</u> | <u>4,899</u> |
| <b>Payable to third parties:</b>                   |              |              |
| VAT recovered*                                     | (143)        | -            |
| Total expenses                                     | <u>4,580</u> | <u>4,899</u> |

\* VAT recovered includes amounts arising as a result of changes to the policy of HM Revenue & Customs ("HMRC") concerning VAT exemption for the management of authorised collective investment schemes (UK Law, items 9 and 10 of group 5, Schedule 9, to the VAT Act 1994) where these services have historically been treated as subject to VAT in the UK. These changes are in accordance with the Business Brief 07/06 (item 3) from HMRC in light of the European Court of Justice judgment in case C-196/04, Abbey National and Inscape Investment Fund.

## 4. Taxation

|  | 2012     | 2011     |
|--|----------|----------|
|  | £'000    | £'000    |
| <b>a) Analysis of charge in the year</b> |          |          |
| Overseas tax suffered                    | 1        | -        |
| Current year tax charge (Note 4b)        | <u>1</u> | <u>-</u> |

### b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an Open-Ended Investment Company (OEIC) (20%). The differences are explained below.

|   |              |            |
|---|--------------|------------|
| Net revenue before taxation               | 933          | 33         |
| Corporation tax at 20%                    | <u>187</u>   | <u>7</u>   |
| Effects of:                               |              |            |
| Dividends not subject to corporation tax  | (1,011)      | (957)      |
| Excess expenses for which no relief taken | 824          | 950        |
| Overseas tax suffered                     | 1            | -          |
|   | <u>(186)</u> | <u>(7)</u> |
| Current year tax charge (Note 4a)         | <u>1</u>     | <u>-</u>   |

No deferred tax asset has been recognised in the financial statements. At the year end date, the fund had a deferred tax asset of £15,251,317 (31.01.11: £14,427,168) in relation to £76,256,585 (31.01.11: £72,135,839) of excess management expenses which would only be utilised to reduce the tax charge if the fund had an excess of unfranked income over expenses in a future period. There is no excess of unfranked income expected in the future.

## 5. Finance costs

### Distributions

The distributions take account of amounts receivable on the issue of shares and amounts payable on the cancellation of shares and comprise:

|  | 2012       | 2011       |
|--|------------|------------|
|  | £'000      | £'000      |
| Interim dividend distribution                  | 381        | 552        |
| Final dividend distribution                    | 524        | -          |
| Add: Amounts payable on cancellation of shares | 24         | 31         |
| Deduct: Amounts receivable on issue of shares  | 1          | -          |
| Total finance costs                            | <u>930</u> | <u>583</u> |

Details of the distribution per share are set out on page 229.

## 6. Movement between net revenue after taxation and distributions

|   | 2012       | 2011       |
|---|------------|------------|
|   | £'000      | £'000      |
| Net revenue after taxation                    | 932        | 33         |
| Add: Net expense payable from capital         | -          | 543        |
| Add: Undistributed revenue brought forward    | -          | 7          |
| Deduct: Undistributed revenue carried forward | (2)        | -          |
|   | <u>930</u> | <u>583</u> |

## 7. Debtors

|                                     | 2012         | 2011         |
|-------------------------------------|--------------|--------------|
|                                     | £'000        | £'000        |
| Accrued income                      | 560          | 342          |
| Due from the ACD for shares created | 46           | -            |
| Income tax recoverable              | 54           | 26           |
| Sales awaiting settlement           | 848          | 2,135        |
| Total debtors                       | <u>1,508</u> | <u>2,503</u> |

## Notes to the financial statements – continued

### 8. Cash and bank balances

|                        | 2012  | 2011  |
|------------------------|-------|-------|
|                        | £'000 | £'000 |
| Cash and bank balances | 775   | 7,944 |

### 9. Creditors

|                                     | 2012  | 2011  |
|-------------------------------------|-------|-------|
|                                     | £'000 | £'000 |
| Accrued expenses                    | 349   | 451   |
| Due to the ACD for shares cancelled | 842   | 310   |
| Purchases awaiting settlement       | -     | 2,389 |
| Total creditors                     | 1,191 | 3,150 |

### 10. Portfolio transaction costs

|  | 2012    | 2011   |
|--|---------|--------|
|  | £'000   | £'000  |
| Analysis of total purchase costs           |         |        |
| Purchases in year before transaction costs | 92,847  | 48,957 |
| Commissions                                | 75      | 41     |
| Taxes                                      | 178     | 94     |
| Total purchase costs                       | 253     | 135    |
| Gross purchases total                      | 93,100  | 49,092 |
| Analysis of total sale costs               |         |        |
| Gross sales before transaction costs       | 127,450 | 85,232 |
| Commissions                                | (150)   | (144)  |
| Total sale costs                           | (150)   | (144)  |
| Total sales net of transaction costs       | 127,300 | 85,088 |

### 11. Related party transactions

JPMorgan Funds Limited, as Authorised Corporate Director (“ACD”), is a related party, and acts as principal in respect of all transactions of shares in the Company. The aggregate monies received through issue, and paid on cancellation, are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

The balance due to the ACD and their associates at the year end date in respect of related party transactions was £1,145,528 (31.01.11: £760,871). Details of related party transactions are given under note 13 on page 389.

Investments considered to be related parties have been identified in the portfolio statement on page 224 and the revenue from these investments was £1,138,973 (31.01.11: £1,220,439).

Some of the dealing transactions for the fund are carried out through associates of the ACD. Such transactions are carried out on an arm's length basis. The commissions paid to these companies over the year were £22,672 (31.01.11: £16,430). Commission was paid to the associated company JPMorgan Securities Ltd.

### 12. Financial instruments

#### Currency exposures

At the year end date, the majority of the fund's financial assets and liabilities are denominated in Sterling. As a result, the fund has no material exposure to currency movements.

#### Interest rate risk

At the year end date, 0.8% (31.01.11: 3.2%) of the fund's net assets by value were interest bearing.

For consideration of other risks including liquidity, pricing and credit risk, please refer to the notes to the aggregated financial statements, pages 389 to 390.

### 13. Share classes

The fund currently has only one share class. The Authorised Corporate Director's (ACD) fee and fixed expenses charge are shown below.

|                 | ACD fee | Fixed expenses |
|-----------------|---------|----------------|
| Class A shares: | 1.25%   | 0.18%          |

The net asset value, the net asset value per share and the number of shares are shown on page 223.

# Distribution table

## Final distribution in pence per share

Group 1 – Shares purchased prior to 1 August 2011

Group 2 – Shares purchased 1 August 2011 to 31 January 2012

|                                    | Gross revenue | Tax at 10% | Net revenue | Equalisation | Distribution payable 30.04.12 | Distribution paid 30.04.11 |
|------------------------------------|---------------|------------|-------------|--------------|-------------------------------|----------------------------|
| <b>A-Class Accumulation Shares</b> |               |            |             |              |                               |                            |
| Group 1                            | 1.033333      | 0.103333   | 0.930000    | -            | 0.930000                      | 0.000000                   |
| Group 2                            | 1.033333      | 0.103333   | 0.930000    | 0.000000     | 0.930000                      | 0.000000                   |
| <b>A-Class Income Shares</b>       |               |            |             |              |                               |                            |
| Group 1                            | 0.977778      | 0.097778   | 0.880000    | -            | 0.880000                      | 0.000000                   |
| Group 2                            | 0.977778      | 0.097778   | 0.880000    | 0.000000     | 0.880000                      | 0.000000                   |

## Interim distribution in pence per share

Group 1 – Shares purchased prior to 1 February 2011

Group 2 – Shares purchased 1 February 2011 to 31 July 2011

|                                    | Gross revenue | Tax at 10% | Net revenue | Equalisation | Distribution paid 31.10.11 | Distribution paid 31.10.10 |
|------------------------------------|---------------|------------|-------------|--------------|----------------------------|----------------------------|
| <b>A-Class Accumulation Shares</b> |               |            |             |              |                            |                            |
| Group 1                            | 0.677778      | 0.067778   | 0.610000    | -            | 0.610000                   | 0.830000                   |
| Group 2                            | 0.632099      | 0.063210   | 0.568889    | 0.041111     | 0.610000                   | 0.830000                   |
| <b>A-Class Income Shares</b>       |               |            |             |              |                            |                            |
| Group 1                            | 0.644444      | 0.064444   | 0.580000    | -            | 0.580000                   | 0.790000                   |
| Group 2                            | 0.535410      | 0.053541   | 0.481869    | 0.098131     | 0.580000                   | 0.790000                   |

Equalisation applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of revenue included in the purchase price of all group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

# JPM Natural Resources Fund

## Important information

### Change of Depositary

As part of an internal re-structuring, The Royal Bank of Scotland plc has transferred its Trustee and Depositary Services business from The Royal Bank of Scotland plc to National Westminster Bank plc and consequently National Westminster Bank plc has been appointed as Depositary of the Fund with effect from 15 October 2011.

As Depositary, National Westminster Bank plc will have the same duties and responsibilities as The Royal Bank of Scotland plc and this change will have no impact on the way the Fund operates.

### Investment objective and policy

To invest, primarily in the shares of, companies throughout the world engaged in the production and marketing of commodities. The Fund aims to provide capital growth over the long term.

### Risk profile

This specialist equity based Fund focuses on one sector of the global stock market (and will include exposure to emerging markets and smaller companies).

Equity investment is subject to specific risks relating to the performance of the individual companies held and the market's perception of their performance. Equities are also subject to systematic risks such as general economic conditions, inflation, interest rates, foreign exchange rates and industry sector risks. In general terms, equities tend to be more volatile than bonds.

The Fund will be invested in emerging markets, which may be subject to additional political and economic risks, low liquidity, poor transparency and greater financial risks.

Smaller companies' securities may be less liquid than the securities of larger companies as a result of inadequate trading volume or restrictions on trading. Smaller companies may possess greater potential for growth, but can also involve greater risks, such as limited product lines and markets, and financial or managerial resources. Trading in such securities may be subject to more abrupt price movements and greater fluctuations in available liquidity than trading in the securities of larger companies.

Funds that invest predominantly in a single market, asset class or sector may be subject to greater volatility than those funds with a more diversified portfolio.

The Fund is not managed with reference to an index and its composition may significantly deviate from any index used for comparison purposes.

The underlying assets of the Fund are denominated in a currency other than Sterling and are not hedged back to Sterling. Investors will therefore be exposed to the currency risk of fluctuations between Sterling and the currency denomination of the underlying assets.

## Fund review

The Fund's performance was weak for the 12 months to the end of January 2012, with all three main sub-sectors - energy, base metals and gold & precious metals - detracting from returns. At the start of the period, performance was strong, particularly among our base metals stocks, which benefited from growing optimism surrounding the global economic recovery. However, as the year wore on, investors became increasingly concerned about a material slowdown in the Chinese economy, hurting energy and base metals stocks. The gold price rose over the year, but our gold equities underperformed the spot price and performed in line with our energy stocks. Towards the end of the period, geopolitical tension between Iran, Israel and the US began to put upward pressure on the oil price as concerns grew about the potential impact on supply.

## Fund outlook

Many economists now suggest that China has begun a soft landing as GDP growth has moderated to a sustainable level and inflationary risks are declining. The renewed confidence in the Chinese economy has manifested itself with an aggressive restocking of industrial metals by Chinese buyers over the last couple of months in anticipation of a pickup in end demand. The degree of pickup in demand after Chinese New Year (a seasonally weak period) will be closely watched by investors over the next six months. From a gold perspective, investors will keep a close eye on central banks and any reflationary policy that would support the outlook for gold versus paper assets. If market turmoil persists, there will be significant delays to mining capital expenditure, thus accentuating the long-term supply constraints that we seek to exploit within the Fund. As always we focus on identifying world-class exploration projects that offer the greatest investment return potential.

## 12 month performance as at 31 January

|  | 2012          | 2011         | 2010         | 2009          | 2008         |
|--|---------------|--------------|--------------|---------------|--------------|
| <b>JPM Natural Resources A-Class Acc</b> | <b>-15.5%</b> | <b>47.4%</b> | <b>79.4%</b> | <b>-47.7%</b> | <b>34.8%</b> |
| <b>JPM Natural Resources B-Class Acc</b> | <b>-15.1%</b> | <b>48.1%</b> | <b>80.4%</b> | <b>-47.5%</b> | <b>-</b>     |
| <b>Benchmark Index<sup>A</sup></b>       | <b>-2.0%</b>  | <b>34.0%</b> | <b>39.3%</b> | <b>-24.8%</b> | <b>35.4%</b> |

## Fund statistics

|                              |   |
|------------------------------|---|
| Fund size                    | £2,234.8m   |
| Benchmark Index <sup>A</sup> | HSBC Gold Mining & Energy Index<br>(Total Return Net) |
| Fund charges                 |   |
| A-Class                      | Initial 4.25%, Annual 1.50%                           |
| B-Class                      | Initial Nil, Annual 1.00%                             |

You should remember that past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. For specific risks, please read the Simplified Prospectus.

All performance returns are calculated using the quoted price of the accumulation shares. Performance returns are in Sterling.

Source: J.P. Morgan.

<sup>A</sup> On 01/03/07 a customised index was introduced in order to facilitate a comparison between the Fund's performance and that of the broader Natural Resources sector. Please note that the Fund should not be expected to look or perform similar to the index.



## Top ten holdings (excluding Liquidity funds) %

|                                |     |
|--------------------------------|-----|
| Rio Tinto                      | 3.7 |
| Xstrata                        | 2.3 |
| Anglo American                 | 2.2 |
| BHP Billiton                   | 2.0 |
| Pacific Rubiales Energy        | 1.9 |
| Kinross Gold                   | 1.8 |
| Freeport-McMoRan Copper & Gold | 1.6 |
| Canadian Natural Resources     | 1.5 |
| Randgold Resources ADS         | 1.4 |
| CNOOC                          | 1.4 |

## Sector breakdown %

|                            |      |
|----------------------------|------|
| Gold & silver              | 33.0 |
| Base metals & diversified  | 30.0 |
| Oil & gas                  | 22.7 |
| Others                     | 5.4  |
| Coal                       | 3.3  |
| Diamonds & precious stones | 2.0  |
| Platinum                   | 1.3  |
| Liquidity funds            | 1.2  |
| Uranium                    | 0.8  |
| Net other assets           | 0.3  |

## Highest/lowest share price and distribution record

| Calendar year                                  | Highest share price | Lowest share price | Distribution per share (net) |
|--|---------------------|--------------------|------------------------------|
| <b>A-Class Accumulation Shares</b>             |                     |                    |                              |
| 2007   | 906.6p              | 560.0p             | 0.00p                        |
| 2008   | 933.5p              | 297.1p             | 0.00p                        |
| 2009   | 827.4p              | 387.7p             | 0.00p                        |
| 2010   | 1,182p              | 729.7p             | 0.00p                        |
| 2011   | 1,194p              | 762.0p             | 0.00p                        |
| 2012 <sup>b</sup>                              | 942.8p              | 832.7p             | 0.00p                        |
| <b>A-Class Income Shares<sup>c</sup></b>       |                     |                    |                              |
| 2007   | 64.27p              | 50.00p             | -                            |
| 2008   | 66.18p              | 21.06p             | 0.00p                        |
| 2009   | 58.66p              | 27.49p             | 0.00p                        |
| 2010   | 83.83p              | 51.73p             | 0.00p                        |
| 2011   | 84.60p              | 54.03p             | 0.00p                        |
| 2012 <sup>b</sup>                              | 66.84p              | 59.03p             | 0.00p                        |
| <b>B-Class Accumulation Shares<sup>d</sup></b> |                     |                    |                              |
| 2007   | 101.3p              | 86.67p             | -                            |
| 2008   | 104.6p              | 33.38p             | 0.00p                        |
| 2009   | 93.46p              | 43.59p             | 0.00p                        |
| 2010   | 134.3p              | 82.49p             | 0.00p                        |
| 2011   | 135.5p              | 86.91p             | 0.00p                        |
| 2012 <sup>b</sup>                              | 107.7p              | 95.09p             | 0.00p                        |

<sup>a</sup> To 31 January 2012.

<sup>c</sup> A-Class Income Shares were launched on 1 September 2007.

<sup>d</sup> B-Class Accumulation Shares were launched on 1 November 2007.

## Portfolio turnover rate

|          |       |
|----------|-------|
| 31.01.11 | 28.9% |
| 31.01.12 | 58.2% |

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the period.

## Net asset values and Total expense ratios

| Date                               | Net asset value per share class £'000 | Number of shares | Net asset value per share | Total expense ratio |
|------------------------------------|---------------------------------------|------------------|---------------------------|---------------------|
| <b>A-Class Accumulation Shares</b> |                                       |                  |                           |                     |
| 31.01.10                           | 1,686,211                             | 225,659,286      | 747.2p                    | 1.67%               |
| 31.01.11                           | 2,605,760                             | 237,879,051      | 1,095p                    | 1.68%               |
| 31.01.12                           | 2,144,226                             | 230,377,642      | 930.7p                    | 1.68%               |
| <b>A-Class Income Shares</b>       |                                       |                  |                           |                     |
| 31.01.10                           | 22,938                                | 43,296,995       | 52.98p                    | 1.66%               |
| 31.01.11                           | 63,158                                | 81,320,630       | 77.67p                    | 1.68%               |
| 31.01.12                           | 49,978                                | 75,735,140       | 65.99p                    | 1.68%               |
| <b>B-Class Accumulation Shares</b> |                                       |                  |                           |                     |
| 31.01.10                           | 20,054                                | 23,740,284       | 84.47p                    | 1.14%               |
| 31.01.11                           | 45,561                                | 36,598,198       | 124.5p                    | 1.15%               |
| 31.01.12                           | 40,571                                | 38,153,191       | 106.3p                    | 1.15%               |

The net asset value and the net asset value per income share are shown ex-dividend.

The total expense ratio (TER) takes into account the ACD fee and any fixed expenses charged to revenue expressed as a percentage of the average daily net asset values over the period.

# Portfolio statement

As at 31 January 2012

| Investment   | Holding     | Market value<br>£'000 | Total net<br>assets % | Investment   | Holding    | Market value<br>£'000 | Total net<br>assets % |
|--|-------------|-----------------------|-----------------------|--|------------|-----------------------|-----------------------|
| <b>Gold &amp; silver – 33.0% (29.0%)</b>           |             |                       |                       | <b>Base metals &amp; diversified – 30.0% (33.8%)</b> |            |                       |                       |
| Alacer Gold  | 2,635,139   | 16,012                | 0.7                   | Silver Wheaton                                       | 1,300,000  | 29,441                | 1.3                   |
| Alamos Gold  | 1,188,620   | 15,357                | 0.7                   | St Barbara   | 3,050,000  | 4,633                 | 0.2                   |
| Allied Gold (AUD)                                  | 3,079,584   | 4,034                 | 0.2                   | Swan Gold Mining†                                    | 6,904,508  | -                     | -                     |
| Allied Gold (GBP)*                                 | 1,525,000   | 2,059                 | 0.1                   | Teranga Gold (AUD)                                   | 1,530,000  | 2,366                 | 0.1                   |
| AngloGold Ashanti                                  | 265,000     | 7,782                 | 0.3                   | Teranga Gold (CAD)                                   | 1,524,179  | 2,361                 | 0.1                   |
| Aureus Mining                                      | 4,968,836   | 4,174                 | 0.2                   | Victoria Gold  | 6,679,000  | 1,972                 | 0.1                   |
| Ausgold  | 3,926,143   | 2,412                 | 0.1                   | Victoria Gold Warrants 2012 (CAD 0.55)#              | 685,000    | -                     | -                     |
| Avocet Mining*                                     | 5,546,000   | 12,673                | 0.6                   | Yamana Gold  | 2,485,000  | 27,357                | 1.2                   |
| Azumah Resources                                   | 11,018,200  | 2,938                 | 0.1                   | <b>Base metals &amp; diversified – 30.0% (33.8%)</b> |            |                       |                       |
| B2Gold   | 4,100,000   | 9,761                 | 0.4                   | Aditya Birla Minerals                                | 9,450,000  | 5,678                 | 0.3                   |
| Banro (CAD)  | 6,878,571   | 21,792                | 1.0                   | Afferro Mining                                       | 4,927,577  | 3,794                 | 0.2                   |
| Banro (USD)  | 1,285,000   | 4,045                 | 0.2                   | African Minerals*                                    | 4,063,400  | 20,520                | 0.9                   |
| Barrick Gold                                       | 880,000     | 27,533                | 1.2                   | Alumina  | 5,069,900  | 4,364                 | 0.2                   |
| Brazilian Gold                                     | 3,840,000   | 1,122                 | 0.1                   | Anglo American                                       | 1,872,000  | 49,833                | 2.2                   |
| Carrick Gold                                       | 6,450,000   | 1,393                 | 0.1                   | Antofagasta  | 1,356,000  | 17,709                | 0.8                   |
| Castlemaine Goldfields                             | 12,424,971  | 839                   | -                     | Anvil Mining   | 3,861,300  | 18,411                | 0.8                   |
| Centamin   | 7,850,000   | 7,403                 | 0.3                   | AQM Copper   | 4,700,000  | 1,462                 | 0.1                   |
| Centerra Gold                                      | 1,770,000   | 22,003                | 1.0                   | AQM Copper Warrants 2014 (CAD 1.00)#                 | 2,350,000  | -                     | -                     |
| CGA Mining   | 8,200,000   | 13,536                | 0.6                   | Aquila Resources                                     | 1,963,225  | 7,979                 | 0.4                   |
| Cluff Gold   | 6,500,000   | 5,688                 | 0.3                   | Archipelago Metals#                                  | 1,608,002  | -                     | -                     |
| Coeur D'Alene Mincom                               | 1,000,000   | 18,078                | 0.8                   | Archipelago Resources*                               | 9,417,321  | 6,451                 | 0.3                   |
| Colossus Minerals                                  | 420,000     | 1,909                 | 0.1                   | Atlas Iron   | 540,000    | 1,127                 | 0.1                   |
| Detour Gold  | 1,129,791   | 20,027                | 0.9                   | Augusta Resource (CAD)                               | 3,450,400  | 6,813                 | 0.3                   |
| Eldorado Gold                                      | 1,520,000   | 14,340                | 0.7                   | Augusta Resource (USD)                               | 570,000    | 1,116                 | -                     |
| Endeavour Mining                                   | 5,415,000   | 8,774                 | 0.4                   | Baja Mining  | 7,405,000  | 4,231                 | 0.2                   |
| European Goldfields                                | 3,000,000   | 23,980                | 1.1                   | BHP Billiton (AUD)                                   | 855,000    | 21,629                | 1.0                   |
| Exorre Gold Mines                                  | 1,950,000   | 11,885                | 0.5                   | BHP Billiton (GBP)                                   | 1,022,600  | 22,160                | 1.0                   |
| Goldcorp   | 430,000     | 13,298                | 0.6                   | Blackthorn Resources                                 | 4,521,912  | 1,694                 | 0.1                   |
| Great Basin Gold                                   | 5,660,000   | 4,528                 | 0.2                   | Cape Lambert Iron Ore                                | 16,600,000 | 6,332                 | 0.3                   |
| G-Resources Group                                  | 331,392,000 | 12,991                | 0.6                   | Copper Mountain Mining                               | 275,000    | 901                   | -                     |
| Gryphon Minerals                                   | 3,247,500   | 2,850                 | 0.1                   | Discovery Metals                                     | 3,785,000  | 3,948                 | 0.2                   |
| Highland Gold Mining*                              | 4,850,000   | 8,585                 | 0.4                   | Duluth Exploration Warrants 2013#                    | 204,999    | 16                    | -                     |
| Hummingbird Resources*                             | 2,025,000   | 3,139                 | 0.1                   | Duluth Metals  | 3,075,000  | 4,998                 | 0.2                   |
| IAMGOLD  | 887,000     | 9,376                 | 0.4                   | Equatorial Resources                                 | 2,942,825  | 4,570                 | 0.2                   |
| Integra Mining                                     | 25,372,400  | 10,192                | 0.5                   | Eurasian Natural Resources                           | 950,000    | 6,536                 | 0.3                   |
| Keegan Resources                                   | 1,800,000   | 4,731                 | 0.2                   | Exeter Resources                                     | 1,556,563  | 3,815                 | 0.2                   |
| Kinross Gold                                       | 5,520,000   | 39,917                | 1.8                   | Ferrexpo   | 4,577,622  | 15,642                | 0.7                   |
| Kinross Gold Warrants 2014 (USD 21.30)             | 249,150     | 171                   | -                     | Ferrox Holdings#                                     | 158,318    | -                     | -                     |
| Kirkland Lake Gold                                 | 1,850,000   | 20,672                | 0.9                   | Ferrox Holdings Warrants 2014 (USD 0.80)#            | 79,158     | -                     | -                     |
| Lake Shore Gold                                    | 1,680,000   | 1,568                 | 0.1                   | First Quantum Minerals                               | 2,035,000  | 28,075                | 1.3                   |
| Levon Resources                                    | 2,121,750   | 1,387                 | 0.1                   | Fortescue Metals Group                               | 6,875,000  | 23,394                | 1.1                   |
| Mariana Resources*                                 | 3,730,887   | 336                   | -                     | Freeport-McMoRan Copper & Gold                       | 1,192,000  | 34,793                | 1.6                   |
| Medusa Mining                                      | 1,300,000   | 4,740                 | 0.2                   | Gindalbie Metals                                     | 29,094,692 | 12,277                | 0.5                   |
| Minera IRL (CAD)                                   | 200,000     | 130                   | -                     | Global Alumina                                       | 6,532,449  | 1,841                 | 0.1                   |
| Minera IRL (GBP)*                                  | 4,855,000   | 3,204                 | 0.1                   | Hudbay Minerals                                      | 1,490,000  | 10,992                | 0.5                   |
| Mirasol Resources                                  | 1,171,705   | 3,080                 | 0.1                   | Inco   | 43,500,000 | 12,260                | 0.5                   |
| Nevsun Resources                                   | 5,935,835   | 24,496                | 1.1                   | Independence Group                                   | 2,169,486  | 5,712                 | 0.3                   |
| Newcrest Mining                                    | 970,000     | 22,070                | 1.0                   | Inmet Mining   | 377,000    | 16,274                | 0.7                   |
| Newmont Mining                                     | 378,000     | 14,651                | 0.7                   | International Ferro Metals                           | 16,100,000 | 3,140                 | 0.1                   |
| Norseman Gold*                                     | 11,517,442  | 766                   | -                     | IRC  | 32,500,000 | 3,052                 | 0.1                   |
| Norseman Gold CDI                                  | 800,000     | 36                    | -                     | Ivornia  | 24,375,000 | 1,083                 | -                     |
| Northern Star Mining†                              | 1,370,000   | -                     | -                     | Kagara   | 16,600,000 | 3,867                 | 0.2                   |
| Northern Star Mining (R1933)†                      | 8,500,000   | 1                     | -                     | Kazakhmys  | 420,000    | 4,809                 | 0.2                   |
| Northern Star Mining Warrants Aug 2012 (CAD 0.70)† | 4,250,000   | -                     | -                     | Lundin Mining  | 4,300,000  | 13,459                | 0.6                   |
| Northern Star Mining Warrants Dec 2012 (CAD 0.70)† | 685,000     | -                     | -                     | Lundin Mining SDR                                    | 1,000,000  | 3,156                 | 0.1                   |
| Nyota Minerals                                     | 30,066,129  | 1,927                 | 0.1                   | Mawson West  | 6,340,000  | 5,676                 | 0.3                   |
| Oceanagold   | 5,460,000   | 8,773                 | 0.4                   | Merafe Resources                                     | 70,000,000 | 5,082                 | 0.2                   |
| Orezone Gold                                       | 3,321,738   | 5,378                 | 0.2                   | Mercator Minerals                                    | 1,975,000  | 2,307                 | 0.1                   |
| Osisko Mining                                      | 2,100,000   | 15,799                | 0.7                   | Minsur 'I'   | 6,404,184  | 4,463                 | 0.2                   |
| Pan American Silver                                | 705,000     | 10,241                | 0.5                   | Mirabela Nickel (AUD)                                | 5,550,000  | 3,447                 | 0.2                   |
| Pan American Silver Warrants 2014 (CAD 35.00)#     | 222,000     | -                     | -                     | Mirabela Nickel (CAD)                                | 2,732,727  | 1,718                 | 0.1                   |
| Perseus Mining                                     | 5,200,000   | 10,433                | 0.5                   | MMC Norilsk Nickel ADR                               | 996,493    | 12,145                | 0.5                   |
| Petropavlovsk                                      | 1,990,000   | 15,124                | 0.7                   | Mount Gibson Iron                                    | 7,050,000  | 6,687                 | 0.3                   |
| Polyus Gold  | 1,811,396   | 3,614                 | 0.2                   | Mwana Africa*  | 26,719,454 | 1,309                 | 0.1                   |
| Rainy River Resources                              | 1,116,400   | 5,656                 | 0.3                   | NGEx Resources                                       | 1,773,000  | 2,983                 | 0.1                   |
| Rainy River Resources Warrants 2012 (CAD 7.10)#    | 325,000     | 182                   | -                     | Ormonde Mining*                                      | 13,272,836 | 1,128                 | 0.1                   |
| Randgold Resources ADS                             | 433,000     | 31,073                | 1.4                   | Pan Australian Resources                             | 2,285,000  | 5,399                 | 0.2                   |
| Real Gold Mining†                                  | 3,089,500   | -                     | -                     | Pluton Resources                                     | 8,696,853  | 1,321                 | 0.1                   |
| Red 5  | 3,000,000   | 3,656                 | 0.2                   | Rex Minerals   | 4,163,772  | 4,287                 | 0.2                   |
| Resolute Mining                                    | 1,500,000   | 2,066                 | 0.1                   | Rio Tinto (AUD)                                      | 630,000    | 29,383                | 1.3                   |
| Rio Alto Mining                                    | 6,160,000   | 15,448                | 0.7                   | Rio Tinto (GBP)                                      | 1,410,000  | 54,179                | 2.4                   |
| Romarco Minerals                                   | 8,113,333   | 6,387                 | 0.3                   | Robust Resources                                     | 3,379,315  | 2,681                 | 0.1                   |
| Rubicon Minerals Corporation                       | 2,030,000   | 5,581                 | 0.2                   | St Augustine Gold and Copper                         | 1,063,692  | 182                   | -                     |
| Rusoro Mining                                      | 13,000,000  | 949                   | -                     | Sundance Resources                                   | 33,000,000 | 9,469                 | 0.4                   |
| Saracen Mineral                                    | 6,988,411   | 4,058                 | 0.2                   | Teck Resources 'B'                                   | 587,500    | 15,871                | 0.7                   |
| Scorpio Mining                                     | 5,245,000   | 7,259                 | 0.3                   | Terramin   | 4,800,000  | 470                   | -                     |
| SEMAFO   | 5,410,000   | 24,078                | 1.1                   | Thompson Creek Metals                                | 1,290,000  | 6,986                 | 0.3                   |
|  |             |                       |                       | Tiger Resources                                      | 6,000,000  | 1,620                 | 0.1                   |
|  |             |                       |                       | Timah  | 37,400,000 | 4,928                 | 0.2                   |
|  |             |                       |                       | Vale ADR Preference                                  | 575,000    | 8,650                 | 0.4                   |
|  |             |                       |                       | Western Areas  | 680,000    | 2,429                 | 0.1                   |

# Portfolio statement – continued

As at 31 January 2012

| Investment   | Holding    | Market value<br>£'000 | Total net<br>assets % |
|--|------------|-----------------------|-----------------------|
| Windimurra Vanadium†                                     | 7,085,887  | -                     | -                     |
| Xstrata  | 4,667,000  | 50,754                | 2.3                   |
| Zincor Resources*  | 2,454,282  | 1,767                 | 0.1                   |
| <b>Oil &amp; gas – 22.7% (21.4%)</b>                     |            |                       |                       |
| 3Legs Resources  | 2,650,000  | 1,517                 | 0.1                   |
| Afren  | 11,865,000 | 14,179                | 0.6                   |
| African Petroleum  | 7,900,000  | 2,400                 | 0.1                   |
| Amerisur Resources                                       | 11,853,900 | 2,163                 | 0.1                   |
| Argos Resources*   | 11,095,308 | 2,330                 | 0.1                   |
| Aurora Oil & Gas   | 13,410,624 | 26,529                | 1.2                   |
| Bankers Petroleum  | 735,000    | 2,506                 | 0.1                   |
| Beach Petroleum  | 4,300,000  | 4,282                 | 0.2                   |
| Birchcliff Energy  | 230,000    | 1,904                 | 0.1                   |
| Borders & Southern Petroleum*                            | 7,000,000  | 4,778                 | 0.2                   |
| Bowleven*  | 7,465,000  | 6,009                 | 0.3                   |
| Calvalley Petroleum                                      | 5,024,000  | 5,486                 | 0.2                   |
| Canacol Energy   | 3,150,000  | 1,780                 | 0.1                   |
| Canadian Natural Resources                               | 1,335,000  | 33,768                | 1.5                   |
| Canadian Overseas Petroleum                              | 10,600,000 | 1,985                 | 0.1                   |
| Canadian Overseas Petroleum Warrants<br>2013 (CAD 0.65)# | 5,300,000  | -                     | -                     |
| China Petroleum & Chemical 'H'                           | 8,500,000  | 6,512                 | 0.3                   |
| Circle Oil*  | 14,350,000 | 3,695                 | 0.2                   |
| CNOOC  | 23,375,000 | 30,315                | 1.4                   |
| Coastal Energy   | 1,100,000  | 11,509                | 0.5                   |
| ConocoPhillips   | 325,000    | 14,149                | 0.6                   |
| Cove Energy*   | 4,220,000  | 5,718                 | 0.3                   |
| DNO International  | 19,400,000 | 17,141                | 0.8                   |
| Eland 5% Convertible 2011#                               | £19        | 950                   | -                     |
| Energy XXI (Bermuda)                                     | 815,000    | 16,995                | 0.8                   |
| Exillon Energy   | 7,497,479  | 18,676                | 0.8                   |
| Falkand Oil & Gas*                                       | 6,290,652  | 3,696                 | 0.2                   |
| Gran Tierra Energy                                       | 2,175,000  | 7,595                 | 0.3                   |
| Gulf Keystone Petroleum*                                 | 9,414,501  | 26,314                | 1.2                   |
| International Petroleum                                  | 25,340,367 | 3,336                 | 0.1                   |
| Ithaca Energy (CAD)                                      | 6,660,000  | 11,628                | 0.5                   |
| Ithaca Energy (GBP)*                                     | 1,550,000  | 2,697                 | 0.1                   |
| Jordan Energy and Mining#                                | 188,512    | 464                   | -                     |
| Lukoil ADR   | 123,000    | 4,562                 | 0.2                   |
| Lundin Petroleum   | 1,073,000  | 15,487                | 0.7                   |
| Mitra Energy#  | 2,335,000  | 4,807                 | 0.2                   |
| Niko Resources   | 295,000    | 9,159                 | 0.4                   |
| Ophir Energy   | 1,310,000  | 3,842                 | 0.2                   |
| Pacific Rubiales Energy                                  | 2,620,000  | 41,386                | 1.9                   |
| Parex Resources  | 1,860,000  | 9,683                 | 0.5                   |
| Petrobank Energy & Resources                             | 485,000    | 4,434                 | 0.2                   |
| Petroceltic International*                               | 51,230,644 | 4,175                 | 0.2                   |
| Petroleo Brasileiro ADS                                  | 725,000    | 14,103                | 0.6                   |
| Petromagdalena Energy                                    | 1,600,000  | 1,321                 | 0.1                   |
| Petrominerales   | 1,443,887  | 19,068                | 0.9                   |
| PetroNefc Resources*                                     | 18,000,000 | 2,925                 | 0.1                   |
| Premier Oil  | 2,300,000  | 9,501                 | 0.4                   |
| Providence Resources*                                    | 2,520,000  | 6,804                 | 0.3                   |
| Providence Resources 12% Convertible 2012*               | £2,443,514 | 1,020                 | -                     |
| Rialto Energy  | 21,472,107 | 4,493                 | 0.2                   |
| Rockhopper Exploration*                                  | 1,508,225  | 5,090                 | 0.2                   |
| Royal Dutch Shell 'B'                                    | 94,000     | 2,188                 | 0.1                   |
| RusPetro   | 2,450,000  | 3,271                 | 0.1                   |
| Southwestern Energy                                      | 338,000    | 6,847                 | 0.3                   |
| Swift Energy   | 202,000    | 4,272                 | 0.2                   |
| Tethys Petroleum (CAD)                                   | 12,196,000 | 4,878                 | 0.2                   |
| Tethys Petroleum (GBP)                                   | 1,100,000  | 421                   | -                     |
| Trap Oil Group   | 10,500,000 | 2,310                 | 0.1                   |
| Valiant Petroleum*                                       | 1,830,198  | 7,687                 | 0.3                   |
| Volga Gas*   | 1,850,000  | 1,517                 | 0.1                   |
| WesternZagros Resources                                  | 4,830,000  | 2,055                 | 0.1                   |
| Zhaikmunai L.P. GDR                                      | 2,610,000  | 17,773                | 0.8                   |
| <b>Others – 5.4% (3.3%)</b>                              |            |                       |                       |
| Allana Potash  | 2,450,000  | 1,244                 | 0.1                   |
| Altus Renewables#  | 715,000    | -                     | -                     |
| Arafura Resources  | 4,669,096  | 1,560                 | 0.1                   |
| Astra Agro Lestari                                       | 3,620,000  | 5,254                 | 0.2                   |
| Base Resources   | 4,020,748  | 1,276                 | 0.1                   |
| Elemental Minerals                                       | 2,340,869  | 1,858                 | 0.1                   |
| Equatorial Palm Oil                                      | 4,410,000  | 794                   | -                     |
| Equatorial Palm Oil Warrants 2012<br>(GBP 0.175)#        | 1,580,000  | 8                     | -                     |
| Equatorial Palm Oil Warrants 2013<br>(GBP 0.175)#        | 630,000    | 3                     | -                     |
| Iluka Resources  | 1,900,000  | 23,475                | 1.1                   |

| Investment  | Holding    | Market value<br>£'000 | Total net<br>assets % |
|---|------------|-----------------------|-----------------------|
| IOI   | 2,000,066  | 2,237                 | 0.1                   |
| Kenmare Resources                                   | 42,150,000 | 20,211                | 0.9                   |
| Leaf Clean Energy*                                  | 3,131,250  | 2,411                 | 0.1                   |
| Lynas   | 21,870,000 | 19,490                | 0.9                   |
| Mineral Deposits                                    | 1,330,000  | 5,109                 | 0.2                   |
| New Britain Palm Oil                                | 920,000    | 7,774                 | 0.3                   |
| Pathfinder Minerals†                                | 48,000,000 | 480                   | -                     |
| Perusahaan Perkebunan London Sumtra                 | 30,588,500 | 5,226                 | 0.2                   |
| R.E.A.  | 598,900    | 3,938                 | 0.2                   |
| R.E.A. 9% Cum Preference                            | 120,306    | 129                   | -                     |
| Sierra Rutile*                                      | 23,960,704 | 15,215                | 0.7                   |
| Stans Energy  | 2,410,000  | 2,356                 | 0.1                   |
| Stans Energy Warrants 2013#                         | 1,205,000  | -                     | -                     |
| <b>Coal – 3.3% (4.6%)</b>                           |            |                       |                       |
| Bathurst Resources                                  | 16,328,583 | 7,276                 | 0.3                   |
| China Coal Energy 'H'                               | 10,400,000 | 8,247                 | 0.4                   |
| China Shenhua Energy 'H'                            | 7,200,000  | 20,022                | 0.9                   |
| Coal of Africa                                      | 6,408,965  | 4,150                 | 0.2                   |
| Mongolian Mining                                    | 8,250,000  | 4,204                 | 0.2                   |
| New Hope Coal                                       | 2,275,000  | 8,617                 | 0.4                   |
| New World Resources 'A'                             | 945,000    | 4,301                 | 0.2                   |
| Walter Energy                                       | 359,430    | 15,901                | 0.7                   |
| <b>Diamonds &amp; precious stones – 2.0% (2.4%)</b> |            |                       |                       |
| DiamonEx (GBP)#                                     | 800,000    | -                     | -                     |
| DiamonEx (AUD)†                                     | 6,500,000  | -                     | -                     |
| Firestone Diamonds*                                 | 20,375,149 | 2,088                 | 0.1                   |
| Gem Diamonds  | 1,500,000  | 3,143                 | 0.1                   |
| Harry Winston Diamond                               | 545,000    | 4,052                 | 0.2                   |
| Lucara Diamond                                      | 10,095,455 | 5,512                 | 0.2                   |
| Mantle Diamonds#                                    | 1,693,365  | 135                   | -                     |
| Mountain Province Diamonds (R1933)#                 | 739,767    | 2,048                 | 0.1                   |
| Mountain Province Diamonds                          | 1,682,500  | 4,657                 | 0.2                   |
| Petra Diamonds*                                     | 18,679,882 | 24,097                | 1.1                   |
| Redox Diamonds#                                     | 2,000,000  | -                     | -                     |
| Stornaway Diamond                                   | 1,302,500  | 711                   | -                     |
| Target Resources‡                                   | 6,155,800  | 1                     | -                     |
| Tsar Emerald#                                       | 9,400,000  | 1                     | -                     |
| <b>Platinum – 1.3% (2.3%)</b>                       |            |                       |                       |
| Aquarius Platinum                                   | 4,517,997  | 7,640                 | 0.3                   |
| Eastern Platinum                                    | 20,439,107 | 7,007                 | 0.3                   |
| Impala Platinum                                     | 543,000    | 7,678                 | 0.3                   |
| Jubilee Platinum (GBP)*                             | 10,750,831 | 1,720                 | 0.1                   |
| Jubilee Platinum (ZAR)                              | 700,000    | 115                   | -                     |
| Platinum Group Metals                               | 6,583,850  | 4,556                 | 0.2                   |
| Sylvania Platinum*                                  | 9,595,000  | 2,159                 | 0.1                   |
| <b>Uranium – 0.8% (1.3%)</b>                        |            |                       |                       |
| Berkeley Resources (AUD)                            | 3,833,193  | 906                   | -                     |
| Berkeley Resources Warrants 2013 (AUD 0.75)         | 26,133     | -                     | -                     |
| Global Atomic Fuels#                                | 2,160,000  | 3,086                 | 0.1                   |
| Kalahari Minerals*                                  | 5,440,000  | 13,138                | 0.6                   |
| Rockgate Capital                                    | 4,650,000  | 2,982                 | 0.1                   |
| <b>Liquidity funds – 1.2% (0.0%)</b>                |            |                       |                       |
| JPM Sterling Liquidity 'X' (Income)^                | 27,161,531 | 27,162                | 1.2                   |
| <b>Investment assets</b>                            |            | <b>2,226,955</b>      | <b>99.7</b>           |
| <b>Net other assets</b>                             |            | <b>7,820</b>          | <b>0.3</b>            |
| <b>Net assets</b>                                   |            | <b>2,234,775</b>      | <b>100.0</b>          |

Unless otherwise stated the above securities are admitted to official stock exchange listings or trade on a regulated market.

The comparative percentage figures in brackets are at 31 January 2011.

\* Listed on Alternative Investment Market (AIM)

# Unquoted security

† Suspended security

‡ Delisted security

^ Deemed to be investment in related parties of the ACD

## Portfolio movements

For the year ending 31 January 2012

|  | £'000          |  | £'000           |
|--|----------------|--|-----------------|
| <b>Total of all purchases for the year (Note 10)</b> | <b>883,118</b> | <b>Total of all sales for the year (Note 10)</b> | <b>912,738</b>  |
| <b>Major purchases</b>                               | <b>Cost</b>    | <b>Major sales</b>                               | <b>Proceeds</b> |
| JPM Sterling Liquidity 'X' (Income)^                 | 153,762        | JPM Sterling Liquidity 'X' (Income)^             | 126,600         |
| Antofagasta  | 17,326         | Equinox Minerals                                 | 30,730          |
| Energy XXI (Bermuda)                                 | 16,986         | Kazakhmys  | 20,419          |
| BHP Billiton (GBP)                                   | 12,962         | ArcelorMittal                                    | 16,512          |
| Premier Oil  | 11,689         | Mantra Resources                                 | 16,093          |
| Glencore International                               | 11,482         | Western Canadian Coal                            | 14,886          |
| First Quantum Minerals                               | 11,367         | Metorex  | 14,444          |
| Centamin   | 11,101         | Sinopec Shanghai Petrochemical 'H'               | 12,924          |
| Gran Tierra Energy                                   | 10,352         | IOI  | 12,779          |
| Eurasian Natural Resources                           | 8,671          | Southern Copper                                  | 9,547           |
| Eland 5% Convertible 2011                            | 8,000          | Glencore International                           | 8,576           |
| Coastal Energy                                       | 7,478          | Lundin Mining                                    | 8,513           |
| AngloGold Ashanti                                    | 7,321          | Petropavlovsk                                    | 8,405           |
| Canadian Natural Resources                           | 7,159          | AngloGold Ashanti                                | 8,136           |
| Teck Resources 'B'                                   | 5,511          | Eland 5% Convertible 2011                        | 8,000           |
| Allied Gold  | 5,233          | Silver Wheaton                                   | 7,585           |
| Rockgate Capital                                     | 4,965          | Caledon Resources                                | 7,560           |
| Perusahaan Perkebunan London Sumtra                  | 4,817          | Straits Resources                                | 6,562           |
| 3Legs Resources                                      | 4,760          | United States Steel                              | 6,434           |
| Yamana Gold  | 4,298          | Vedanta Resources                                | 6,416           |

^ Deemed to be investment in related parties of the ACD

# Financial statements

## Statement of total return

For the year ending 31 January

|   | 2012             | 2011           |
|---|------------------|----------------|
| £'000   | £'000            | £'000          |
| <b>Income</b>   |                  |                |
| Net capital (losses)/gains (Note 1)   | (406,384)        | 829,624        |
| Revenue (Note 2)  | 24,847           | 15,426         |
| Expenses (Note 3)   | (40,647)         | (36,618)       |
| Net expense before taxation   | (15,800)         | (21,192)       |
| Taxation (Note 4)   | (2,280)          | (1,213)        |
| Net expense after taxation  | (18,080)         | (22,405)       |
| <b>Total return before distributions</b>  | <b>(424,464)</b> | <b>807,219</b> |
| Finance costs:  |                  |                |
| Distributions (Note 5)  | 554              | (935)          |
| <b>Change in net assets attributable to shareholders from investment activities</b> | <b>(423,910)</b> | <b>806,284</b> |

## Balance sheet

As at 31 January

|  | 2012             | 2011             |
|--|------------------|------------------|
| £'000  | £'000            | £'000            |
| <b>ASSETS</b>                                  |                  |                  |
| Investment assets                              | 2,226,955        | 2,662,526        |
| Debtors (Note 7)                               | 12,178           | 6,298            |
| Cash and bank balances (Note 8)                | 3,555            | 63,974           |
| <b>Total other assets</b>                      | <b>15,733</b>    | <b>70,272</b>    |
| <b>Total assets</b>                            | <b>2,242,688</b> | <b>2,732,798</b> |
| <b>LIABILITIES</b>                             |                  |                  |
| Creditors (Note 9)                             | (7,913)          | (18,312)         |
| Bank overdraft                                 | -                | (7)              |
| <b>Total liabilities</b>                       | <b>(7,913)</b>   | <b>(18,319)</b>  |
| <b>Net assets attributable to shareholders</b> | <b>2,234,775</b> | <b>2,714,479</b> |

The notes to these financial statements are shown on pages 236 to 237.

## Statement of change in net assets attributable to shareholders

For the year ending 31 January

|   | 2012             | 2011             |
|---|------------------|------------------|
| £'000   | £'000            | £'000            |
| <b>Opening net assets attributable to shareholders</b>  | <b>2,714,479</b> | <b>1,729,203</b> |
| Amounts receivable on issue of shares   | 173,733          | 308,262          |
| Amounts payable on cancellation of shares   | (228,974)        | (128,791)        |
|   | (55,241)         | 179,471          |
| <b>Change in net assets attributable to shareholders from investment activities (see above)</b> | <b>(423,910)</b> | <b>806,284</b>   |
| Stamp duty reserve tax  | (553)            | (479)            |
| <b>Closing net assets attributable to shareholders</b>  | <b>2,234,775</b> | <b>2,714,479</b> |

# Notes to the financial statements for the year ending 31 January 2012

## 1. Net capital (losses)/gains

|                            | 2012             | 2011           |
|----------------------------|------------------|----------------|
|                            | £'000            | £'000          |
| Capital dividends          | -                | 2,417          |
| Currency (losses)/gains    | (410)            | 799            |
| Custodian handling charges | (29)             | (26)           |
| Non-derivative securities  | (405,945)        | 826,434        |
| Net capital (losses)/gains | <u>(406,384)</u> | <u>829,624</u> |

## 2. Revenue

|   | 2012          | 2011          |
|---|---------------|---------------|
|   | £'000         | £'000         |
| Franked income from UK equity investments | 3,486         | 2,056         |
| Income from overseas equity investments   | 20,588        | 12,779        |
| Interest on bank and term deposits        | 180           | 203           |
| Interest on fixed-interest securities     | 593           | 356           |
| Underwriting commission                   | -             | 32            |
| Total revenue                             | <u>24,847</u> | <u>15,426</u> |

## 3. Expenses

|  | 2012          | 2011          |
|--|---------------|---------------|
|  | £'000         | £'000         |
| <b>Payable to the ACD or associate of the ACD:</b> |               |               |
| ACD fee  | 36,385        | 32,709        |
| Fixed expenses                                     | 4,351         | 3,909         |
|  | <u>40,736</u> | <u>36,618</u> |
| <b>Payable to third parties:</b>                   |               |               |
| VAT recovered*                                     | (89)          | -             |
| Total expenses                                     | <u>40,647</u> | <u>36,618</u> |

\* VAT recovered includes amounts arising as a result of changes to the policy of HM Revenue & Customs ("HMRC") concerning VAT exemption for the management of authorised collective investment schemes (UK Law, items 9 and 10 of group 5, Schedule 9, to the VAT Act 1994) where these services have historically been treated as subject to VAT in the UK. These changes are in accordance with the Business Brief 07/06 (item 3) from HMRC in light of the European Court of Justice judgment in case C-196/04, Abbey National and Inscape Investment Fund.

## 4. Taxation

|  | 2012         | 2011         |
|--|--------------|--------------|
|  | £'000        | £'000        |
| <b>a) Analysis of charge in the year</b> |              |              |
| Overseas tax provision                   | 88           | 12           |
| Overseas tax suffered                    | 2,192        | 1,201        |
| Current year tax charge (Note 4b)        | <u>2,280</u> | <u>1,213</u> |

### b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an Open-Ended Investment Company (OEIC) (20%). The differences are explained below.

|                              |                |                |
|------------------------------|----------------|----------------|
| Net expenses before taxation | (15,800)       | (21,192)       |
| Corporation tax at 20%       | <u>(3,160)</u> | <u>(4,238)</u> |

### Effects of:

|   |              |              |
|---|--------------|--------------|
| Dividends not subject to corporation tax  | (4,498)      | (2,804)      |
| Excess expenses for which no relief taken | 7,658        | 7,042        |
| Overseas tax provision                    | 88           | 12           |
| Overseas tax suffered                     | 2,192        | 1,201        |
|   | <u>5,440</u> | <u>5,451</u> |
| Current year tax charge (Note 4a)         | <u>2,280</u> | <u>1,213</u> |

No deferred tax asset has been recognised in the financial statements. At the year end date, the fund had a deferred tax asset of £24,659,756 (31.01.11: £17,002,276) in relation to £123,298,780 (31.01.11: £85,011,379) of excess management expenses which would only be utilised to reduce the tax charge if the fund had an excess of unfranked income over expenses in a future period. There is no excess of unfranked income expected in the future.

## 5. Finance costs

### Distributions

The distributions take account of amounts receivable on the issue of shares and amounts payable on the cancellation of shares and comprise:

|  | 2012         | 2011       |
|--|--------------|------------|
|  | £'000        | £'000      |
| Add: Amounts payable on cancellation of shares | (891)        | (400)      |
| Deduct: Amounts receivable on issue of shares  | 337          | 1,335      |
| Total finance costs                            | <u>(554)</u> | <u>935</u> |

Details of the distribution per share are set out on page 238.

## 6. Movement between net expense after taxation and distributions

|                                       | 2012         | 2011       |
|---------------------------------------|--------------|------------|
|                                       | £'000        | £'000      |
| Net expense after taxation            | (18,080)     | (22,405)   |
| Add: Net expense payable from capital | 17,526       | 23,340     |
|                                       | <u>(554)</u> | <u>935</u> |

## 7. Debtors

|                                     | 2012          | 2011         |
|-------------------------------------|---------------|--------------|
|                                     | £'000         | £'000        |
| Accrued income                      | 606           | 269          |
| Due from the ACD for shares created | 132           | 3,712        |
| Overseas tax recoverable            | 131           | 353          |
| Sales awaiting settlement           | 11,309        | 1,964        |
| Total debtors                       | <u>12,178</u> | <u>6,298</u> |

## Notes to the financial statements – continued

### 8. Cash and bank balances

|                        | 2012  | 2011   |
|------------------------|-------|--------|
|                        | £'000 | £'000  |
| Cash and bank balances | 3,555 | 63,974 |

### 9. Creditors

|                                     | 2012  | 2011   |
|-------------------------------------|-------|--------|
|                                     | £'000 | £'000  |
| Accrued expenses                    | 3,045 | 4,008  |
| Due to the ACD for shares cancelled | 384   | 2,036  |
| Purchases awaiting settlement       | 4,484 | 12,268 |
| Total creditors                     | 7,913 | 18,312 |

### 10. Portfolio transaction costs

|  | 2012    | 2011    |
|--|---------|---------|
|  | £'000   | £'000   |
| Analysis of total purchase costs           |         |         |
| Purchases in year before transaction costs | 882,395 | 585,174 |
| Commissions                                | 367     | 1,399   |
| Taxes                                      | 356     | 694     |
| Total purchase costs                       | 723     | 2,093   |
| Gross purchases total                      | 883,118 | 587,267 |
| Analysis of total sale costs               |         |         |
| Gross sales before transaction costs       | 913,259 | 457,407 |
| Commissions                                | (497)   | (711)   |
| Taxes                                      | (24)    | (4)     |
| Total sale costs                           | (521)   | (715)   |
| Total sales net of transaction costs       | 912,738 | 456,692 |

### 11. Related party transactions

JPMorgan Funds Limited, as Authorised Corporate Director ("ACD"), is a related party, and acts as principal in respect of all transactions of shares in the Company. The aggregate monies received through issue, and paid on cancellation, are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

The balance due to the ACD and their associates at the year end date in respect of related party transactions was £3,296,821 (31.01.11: £2,332,270). Details of related party transactions are given under note 13 on page 389.

Investments considered to be related parties have been identified in the portfolio statement on pages 232 to 233 and the revenue from these investments was £18,178 (31.01.11: £nil).

Some of the dealing transactions for the fund are carried out through associates of the ACD. Such transactions are carried out on an arm's length basis. The commissions paid to these companies over the year were £66,812 (31.01.11: £67,980). Commission was paid to the associated company JPMorgan Securities Ltd.

### 12. Financial instruments

#### Currency exposures

A substantial proportion of the net assets of the fund are denominated in currencies other than sterling, with the effect that the Balance sheet and total return can be significantly affected by currency movements.

| Currency           | Net foreign currency assets |                    |                        |
|--------------------|-----------------------------|--------------------|------------------------|
|                    | Total exposures             | Monetary exposures | Non-monetary exposures |
|                    | £'000                       | £'000              | £'000                  |
| <b>31.01.12</b>    |                             |                    |                        |
| Canadian Dollar    | 831,005                     | (587)              | 831,592                |
| Australian Dollar  | 379,459                     | (898)              | 380,357                |
| US Dollar          | 229,961                     | 83                 | 229,878                |
| Hong Kong Dollar   | 85,344                      | (1)                | 85,345                 |
| Indonesian Rupiah  | 27,669                      | -                  | 27,669                 |
| South African Rand | 20,657                      | 1                  | 20,656                 |
| Swedish Krona      | 18,643                      | -                  | 18,643                 |
| Norwegian Krone    | 17,141                      | -                  | 17,141                 |
| Malaysian Ringgit  | 4,583                       | 2,346              | 2,237                  |
| Peruvian Nuevo Sol | 4,463                       | -                  | 4,463                  |
| Euro               | 1,048                       | 28                 | 1,020                  |
| Swiss Franc        | 131                         | 131                | -                      |
| <b>31.01.11</b>    |                             |                    |                        |
| Canadian Dollar    | 984,289                     | 1,014              | 983,275                |
| Australian Dollar  | 435,281                     | (853)              | 436,134                |
| US Dollar          | 307,527                     | 2,299              | 305,228                |
| Hong Kong Dollar   | 119,685                     | -                  | 119,685                |
| South African Rand | 38,929                      | 26                 | 38,903                 |
| Norwegian Krone    | 20,465                      | -                  | 20,465                 |
| Indonesian Rupiah  | 17,344                      | (6,108)            | 23,452                 |
| Malaysian Ringgit  | 16,362                      | -                  | 16,362                 |
| Swedish Krona      | 13,944                      | -                  | 13,944                 |
| Peruvian Nuevo Sol | 6,467                       | -                  | 6,467                  |
| Singapore Dollar   | 5,121                       | -                  | 5,121                  |
| Euro               | 1,662                       | 372                | 1,290                  |

#### Interest rate risk

At the year end date, 1.4% (31.01.11: 2.6%) of the fund's net assets by value were interest bearing.

For consideration of other risks including liquidity, pricing and credit risk, please refer to the notes to the aggregated financial statements, pages 389 to 390.

### 13. Share classes

The fund currently has two share classes; Class A shares and Class B shares. The Authorised Corporate Director's (ACD) fee and fixed expenses charge are shown below.

|                 | ACD fee | Fixed expenses |
|-----------------|---------|----------------|
| Class A shares: | 1.50%   | 0.18%          |
| Class B shares: | 1.00%   | 0.15%          |

The net asset value of each share class, the net asset value per share and the number of shares in each class are shown on page 231. All classes have the same rights on winding up.

# Distribution table

## Final distribution in pence per share

Group 1 – Shares purchased prior to 1 February 2011

Group 2 – Shares purchased 1 February 2011 to 31 January 2012

|                                    | Gross<br>revenue | Tax<br>at 10% | Net<br>revenue | Equalisation | Distribution<br>payable<br>30.04.12 | Distribution<br>paid<br>30.04.11 |
|------------------------------------|------------------|---------------|----------------|--------------|-------------------------------------|----------------------------------|
| <b>A-Class Accumulation Shares</b> |                  |               |                |              |                                     |                                  |
| Group 1                            | 0.000000         | 0.000000      | 0.000000       | -            | 0.000000                            | 0.000000                         |
| Group 2                            | 0.000000         | 0.000000      | 0.000000       | 0.000000     | 0.000000                            | 0.000000                         |
| <b>A-Class Income Shares</b>       |                  |               |                |              |                                     |                                  |
| Group 1                            | 0.000000         | 0.000000      | 0.000000       | -            | 0.000000                            | 0.000000                         |
| Group 2                            | 0.000000         | 0.000000      | 0.000000       | 0.000000     | 0.000000                            | 0.000000                         |
| <b>B-Class Accumulation Shares</b> |                  |               |                |              |                                     |                                  |
| Group 1                            | 0.000000         | 0.000000      | 0.000000       | -            | 0.000000                            | 0.000000                         |
| Group 2                            | 0.000000         | 0.000000      | 0.000000       | 0.000000     | 0.000000                            | 0.000000                         |

Equalisation applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of revenue included in the purchase price of all group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.



# JPM New Europe Fund

## Important information

### Change of Depositary

As part of an internal re-structuring, The Royal Bank of Scotland plc has transferred its Trustee and Depositary Services business from The Royal Bank of Scotland plc to National Westminster Bank plc and consequently National Westminster Bank plc has been appointed as Depositary of the Fund with effect from 15 October 2011.

As Depositary, National Westminster Bank plc will have the same duties and responsibilities as The Royal Bank of Scotland plc and this change will have no impact on the way the Fund operates.

### Investment objective and policy

To provide long-term capital growth by investing primarily in companies operating or investing in central and eastern Europe and Russia.

### Risk profile

This equity based Fund is designed for investors looking for enhanced long-term capital growth opportunities, but who are comfortable with exposure to emerging market and smaller company investments.

Equity investment is subject to specific risks relating to the performance of the individual companies held and the market's perception of their performance. Equities are also subject to systematic risks such as general economic conditions, inflation, interest rates, foreign exchange rates and industry sector risks. In general terms, equities tend to be more volatile than bonds.

This Fund is aggressively managed, which may result in higher volatility of the Fund's performance and bigger differences between the performance of the Fund and its benchmark when compared to core funds.

The Fund will be invested in emerging markets, which may be subject to additional political and economic risks, low liquidity, poor transparency and greater financial risks.

Investors should be aware that the Fund will be exposed to the particular political and economic risks of Russia.

Smaller companies' securities may be less liquid than the securities of larger companies as a result of inadequate trading volume or restrictions on trading. Smaller companies may possess greater potential for growth, but can also involve greater risks, such as limited product lines and markets, and financial or managerial resources. Trading in such securities may be subject to more abrupt price movements and greater fluctuations in available liquidity than trading in the securities of larger companies.

The underlying assets of the Fund are denominated in currencies other than Sterling and are not hedged back to Sterling. Investors will therefore be exposed to the currency risk of fluctuations between Sterling and the currency denomination of the underlying assets.

## Fund review

Eastern Europe was the strongest regional performer in the first quarter of 2011, boosted by a rally in Russia given the strength of oil. This was reversed in the second quarter when the strong oil price declined, causing Russia to be one of the weaker global markets. The European debt crisis continued to depress equity markets in the summer, and global market volatility remained at extreme levels, with risk aversion driving cash out of higher-beta assets including emerging European equities. Eastern Europe finished the last quarter of 2011 up again, although underperforming the broader asset class as Russia dragged down the region's performance, damaged by the political and social unrest after the Duma elections. The eastern Europe region started off 2012 on a better note and outperformed the broader emerging markets in January.

The Fund underperformed the benchmark in the period. Stock selection in Poland contributed positively to returns as did underweight positions in Hungary and Poland. However, names in Russia and Turkey detracted, along with overweight positions in Kazakhstan and Turkey.

## Fund outlook

Despite the sharp rally in markets, we are positive as fundamentals are improving and valuations are attractive. Three concerns weighed on markets last year: inflation, China and Europe. Inflation is beginning to roll over across emerging markets, led by food prices. The focus of central banks is therefore shifting from containing inflation to supporting growth. This is particularly important in China, where the authorities are engineering a soft landing amid concerns of overheating in the property market. The biggest risk is an external shock that precipitates a return to a crisis and risk aversion.

## 12 month performance as at 31 January

|                                    | 2012          | 2011         | 2010          | 2009          | 2008         |
|------------------------------------|---------------|--------------|---------------|---------------|--------------|
| <b>JPM New Europe A-Class Acc</b>  | <b>-19.9%</b> | <b>22.2%</b> | <b>137.7%</b> | <b>-62.6%</b> | <b>28.3%</b> |
| <b>JPM New Europe B-Class Acc</b>  | <b>-19.4%</b> | <b>22.8%</b> | <b>138.8%</b> | <b>-62.4%</b> | <b>-</b>     |
| <b>Benchmark Index<sup>A</sup></b> | <b>-12.5%</b> | <b>16.9%</b> | <b>98.9%</b>  | <b>-55.1%</b> | <b>10.4%</b> |

## Fund statistics

|                              |  |
|------------------------------|--|
| Fund size                    | <b>£196.5m</b>   |
| Benchmark Index <sup>A</sup> | <b>MSCI Emerging Markets Europe Index (Total Return Net)</b> |
| Fund charges                 |  |
| A-Class                      | <b>Initial 4.25%, Annual 1.50%</b>                           |
| B-Class                      | <b>Initial Nil, Annual 1.00%</b>                             |

You should remember that past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. For specific risks, please read the Simplified Prospectus.

All performance returns are calculated using the quoted price of the accumulation shares. Performance returns are in Sterling.

Source: J.P. Morgan.

<sup>A</sup> On 01/09/06 the benchmark was changed from MSCI EM Eastern Europe USD Net to MSCI Emerging Markets Europe Index (Total Return Net).

Benchmark Source: MSCI. Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express of implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent.

## Top ten holdings

|  | %   |
|--|-----|
| Sberbank                                 | 9.1 |
| Lukoil ADR                               | 8.7 |
| Magnit GDR                               | 5.5 |
| Turkiye Garanti Bankasi                  | 4.7 |
| AO Tatneft ADR                           | 4.5 |
| Mobile Telesystems                       | 4.1 |
| JPMorgan Russian Securities <sup>^</sup> | 3.9 |
| Powszechna Kasa Oszczednosci Bank Polski | 3.8 |
| Sistema GDR                              | 3.5 |
| Dragon Oil                               | 3.5 |

<sup>^</sup> Deemed to be investment in related parties of the ACD

## Geographical breakdown

|                       | %     |
|-----------------------|-------|
| Russia                | 61.4  |
| Poland                | 13.5  |
| Turkey                | 13.0  |
| Kazakhstan            | 3.8   |
| Turkmenistan          | 3.5   |
| Czech Republic        | 3.1   |
| Sweden                | 1.0   |
| Ukraine               | 0.0   |
| Liquidity funds       | 1.2   |
| Net other liabilities | (0.5) |

## Highest/lowest share price and distribution record

| Calendar year                                  | Highest share price | Lowest share price | Distribution per share (net) |
|--|---------------------|--------------------|------------------------------|
| <b>A-Class Accumulation Shares</b>             |                     |                    |                              |
| 2007   | 239.6p              | 154.6p             | 0.90p                        |
| 2008   | 258.9p              | 74.00p             | 1.32p                        |
| 2009   | 185.1p              | 74.22p             | 2.16p                        |
| 2010   | 241.2p              | 183.2p             | 0.14p                        |
| 2011   | 250.2p              | 155.9p             | 0.00p                        |
| 2012 <sup>b</sup>                              | 185.8p              | 166.2p             | 1.51p                        |
| <b>A-Class Income Shares<sup>c</sup></b>       |                     |                    |                              |
| 2007   | 62.97p              | 49.31p             | -                            |
| 2008   | 68.04p              | 19.45p             | 0.00p                        |
| 2009   | 47.43p              | 18.90p             | 0.55p                        |
| 2010   | 61.77p              | 46.92p             | 0.04p                        |
| 2011   | 64.08p              | 39.93p             | 0.00p                        |
| 2012 <sup>b</sup>                              | 47.59p              | 42.57p             | 0.98p                        |
| <b>B-Class Accumulation Shares<sup>d</sup></b> |                     |                    |                              |
| 2008   | 123.9p              | 35.51p             | 0.00p                        |
| 2009   | 89.34p              | 35.67p             | 1.33p                        |
| 2010   | 117.1p              | 88.50p             | 0.43p                        |
| 2011   | 121.4p              | 75.96p             | 0.37p                        |
| 2012 <sup>b</sup>                              | 90.69p              | 81.09p             | 1.26p                        |

<sup>a</sup> To 31 January 2012.

<sup>c</sup> A-Class Income Shares were launched on 1 September 2007.

<sup>d</sup> B-Class Accumulation Shares were launched on 22 January 2008.

## Portfolio turnover rate

|          |       |
|----------|-------|
| 31.01.11 | 69.3% |
| 31.01.12 | 50.1% |

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the period.

## Net asset values and Total expense ratios

| Date                               | Net asset value per share class £'000 | Number of shares | Net asset value per share | Total expense ratio |
|------------------------------------|---------------------------------------|------------------|---------------------------|---------------------|
| <b>A-Class Accumulation Shares</b> |                                       |                  |                           |                     |
| 31.01.10                           | 218,852                               | 115,642,873      | 189.3p                    | 1.68%               |
| 31.01.11                           | 280,785                               | 121,422,746      | 231.3p                    | 1.67%               |
| 31.01.12                           | 189,446                               | 102,229,669      | 185.3p                    | 1.68%               |
| <b>A-Class Income Shares</b>       |                                       |                  |                           |                     |
| 31.01.10                           | 1,551                                 | 3,199,709        | 48.46p                    | 1.68%               |
| 31.01.11                           | 2,666                                 | 4,502,227        | 59.22p                    | 1.67%               |
| 31.01.12                           | 2,121                                 | 4,564,105        | 46.48p                    | 1.68%               |
| <b>B-Class Accumulation Shares</b> |                                       |                  |                           |                     |
| 31.01.10                           | 2,133                                 | 2,334,456        | 91.40p                    | 1.15%               |
| 31.01.11                           | 8,994                                 | 8,009,990        | 112.3p                    | 1.14%               |
| 31.01.12                           | 4,973                                 | 5,497,662        | 90.45p                    | 1.15%               |

The net asset value and the net asset value per income share are shown ex-dividend.

The total expense ratio (TER) takes into account the ACD fee and any fixed expenses charged to revenue expressed as a percentage of the average daily net asset values over the period.

# Portfolio statement

As at 31 January 2012

| Investment                                       | Holding   | Market value<br>£'000 | Total net<br>assets % |
|--|-----------|-----------------------|-----------------------|
| <b>Russia – 61.4% (60.2%)</b>                    |           |                       |                       |
| AO Tatneft ADR                                   | 407,086   | 8,945                 | 4.5                   |
| Cherkizovo Group GDR                             | 216,748   | 1,708                 | 0.9                   |
| CTC Media  | 483,173   | 3,085                 | 1.6                   |
| DIXY Group                                       | 312,289   | 2,319                 | 1.2                   |
| EurAsia Drilling Company GDR                     | 168,367   | 2,781                 | 1.4                   |
| Gazprom ADR                                      | 720,400   | 5,522                 | 2.8                   |
| JPMorgan Russian Securities <sup>^</sup>         | 1,434,049 | 7,780                 | 3.9                   |
| Lukoil ADR                                       | 460,250   | 17,069                | 8.7                   |
| Magnit GDR                                       | 679,458   | 10,829                | 5.5                   |
| Magnitogorsk Iron & Steel Works GDR              | 1,231,772 | 4,627                 | 2.3                   |
| Mechel ADR Preference                            | 131,100   | 363                   | 0.2                   |
| Mechel Preference                                | 240,697   | 1,168                 | 0.6                   |
| MMC Norilsk Nickel ADR                           | 289,251   | 3,525                 | 1.8                   |
| Mobile Telesystems                               | 562,531   | 2,533                 | 1.3                   |
| Mobile Telesystems ADR                           | 514,139   | 5,445                 | 2.8                   |
| Mostotrest                                       | 755,347   | 3,059                 | 1.5                   |
| Novatek GDR                                      | 71,400    | 6,151                 | 3.1                   |
| Novolipetsk Iron and Steel GDR                   | 292,732   | 4,567                 | 2.3                   |
| Polyus Gold                                      | 170,004   | 339                   | 0.2                   |
| Ros Agro GDR                                     | 277,000   | 1,149                 | 0.6                   |
| Sberbank   | 3,692,827 | 7,008                 | 3.6                   |
| Sberbank ADR                                     | 1,420,725 | 10,817                | 5.5                   |
| Sistema GDR                                      | 555,383   | 6,804                 | 3.5                   |
| X5 Retail Group GDR                              | 231,600   | 3,050                 | 1.6                   |
| <b>Poland – 13.5% (8.1%)</b>                     |           |                       |                       |
| Bank Pekao                                       | 66,822    | 2,090                 | 1.1                   |
| Eurocash   | 171,200   | 1,002                 | 0.5                   |
| Kernel   | 195,400   | 2,599                 | 1.3                   |
| KGHM Polska Miedz                                | 133,900   | 3,720                 | 1.9                   |
| Powszechna Kasa Oszczednosci Bank Polski         | 1,087,601 | 7,518                 | 3.8                   |
| Powszechny Zaklad Ubezpieczen                    | 97,046    | 6,477                 | 3.3                   |
| Telekomunikacja Polska                           | 905,400   | 3,089                 | 1.6                   |
| <b>Turkey – 13.0% (15.4%)</b>                    |           |                       |                       |
| Bim Birlesik Magazalar                           | 52,400    | 1,055                 | 0.5                   |
| TAV Havalimanlari                                | 436,600   | 1,254                 | 0.7                   |
| Turkiye Garanti Bankasi                          | 3,950,536 | 9,335                 | 4.7                   |
| Turkiye Halk Bankasi                             | 1,102,833 | 4,777                 | 2.4                   |
| Turkiye Petrol Rafinerileri                      | 369,361   | 5,303                 | 2.7                   |
| Yapi ve Kredi Bankasi                            | 3,111,803 | 3,843                 | 2.0                   |
| <b>Kazakhstan – 3.8% (3.8%)</b>                  |           |                       |                       |
| Kazmunaigas Exploration Production GDR           | 461,900   | 4,667                 | 2.4                   |
| Steppe Cement                                    | 846,262   | 271                   | 0.1                   |
| Zhaikmunai L.P. GDR                              | 380,959   | 2,594                 | 1.3                   |
| <b>Turkmenistan – 3.5% (5.2%)</b>                |           |                       |                       |
| Dragon Oil                                       | 1,346,008 | 6,905                 | 3.5                   |
| <b>Czech Republic – 3.1% (3.2%)</b>              |           |                       |                       |
| CEZ  | 112,939   | 2,911                 | 1.5                   |
| Telefonica O2 Czech Republic                     | 248,518   | 3,135                 | 1.6                   |
| <b>Sweden – 1.0% (1.0%)</b>                      |           |                       |                       |
| Oriflame Cosmetics SDR                           | 97,351    | 1,965                 | 1.0                   |
| <b>Ukraine – 0.0% (0.0%)</b>                     |           |                       |                       |
| XXI Century Investments <sup>†</sup>             | 88,591    | 5                     | -                     |
| <b>Liquidity funds – 1.2% (0.0%)</b>             |           |                       |                       |
| JPM Sterling Liquidity 'X' (Income) <sup>^</sup> | 2,300,000 | 2,300                 | 1.2                   |
| <b>Investment assets</b>                         |           | <b>197,458</b>        | <b>100.5</b>          |
| <b>Net other liabilities</b>                     |           | <b>(918)</b>          | <b>(0.5)</b>          |
| <b>Net assets</b>                                |           | <b>196,540</b>        | <b>100.0</b>          |

Unless otherwise stated the above securities are admitted to official stock exchange listings or trade on a regulated market.

The comparative percentage figures in brackets are at 31 January 2011.

<sup>†</sup> Suspended security

<sup>^</sup> Deemed to be investment in related parties of the ACD

## Portfolio movements

For the year ending 31 January 2012

|  | £'000         |  | £'000           |
|--|---------------|--|-----------------|
| <b>Total of all purchases for the year (Note 10)</b> | <b>83,758</b> | <b>Total of all sales for the year (Note 10)</b> | <b>108,851</b>  |
| <b>Major purchases</b>                               | <b>Cost</b>   | <b>Major sales</b>                               | <b>Proceeds</b> |
| JPM Sterling Liquidity 'X' (Income)^                 | 26,160        | JPM Sterling Liquidity 'X' (Income)^             | 23,860          |
| Lukoil ADR   | 12,818        | MMC Norilsk Nickel ADR                           | 12,004          |
| Powszechna Kasa Oszczednosci Bank Polski             | 8,181         | Magnit GDR                                       | 8,212           |
| Novatek GDR  | 6,586         | Dragon Oil                                       | 7,720           |
| Turkiye Garanti Bankasi                              | 3,045         | Sberbank   | 6,724           |
| KGHM Polska Miedz                                    | 3,014         | Bank Pekao                                       | 5,509           |
| Bim Birlesik Magazalar                               | 2,567         | Turkiye Garanti Bankasi                          | 4,925           |
| MMC Norilsk Nickel ADR                               | 2,543         | Mobile Telesystems ADR                           | 3,855           |
| Ros Agro GDR   | 2,541         | Lukoil ADR                                       | 3,677           |
| Powszechny Zaklad Ubezpieczen                        | 2,482         | JPMorgan Russian Securities                      | 3,373           |
| Mechel Preference                                    | 2,426         | CTC Media  | 2,788           |
| Yapi ve Kredi Bankasi                                | 1,579         | Turk Ekonomi Bankasi                             | 2,659           |
| Dragon Oil   | 1,573         | Komercni Banka                                   | 2,643           |
| Magnit GDR   | 1,570         | Turkiye Vakiflar Bankasi 'D'                     | 2,574           |
| Turkiye Halk Bankasi                                 | 1,491         | Turkcell Iletisim Hizmetleri                     | 2,301           |
| Kazmunaigas Exploration Production GDR               | 1,474         | Sistema GDR                                      | 2,093           |
| Eurocash   | 948           | Turk Hava Yollari                                | 1,706           |
| DIXY Group   | 832           | Bim Birlesik Magazalar                           | 1,462           |
| Mechel ADR Preference                                | 522           | Arcelik  | 1,435           |
| Komercni Banka                                       | 506           | X5 Retail Group GDR                              | 1,420           |

^ Deemed to be investment in related parties of the ACD

## Financial statements

### Statement of total return

For the year ending 31 January

|   | 2012            | 2011          |
|---|-----------------|---------------|
| £'000   | £'000           | £'000         |
| Income  |                 |               |
| Net capital (losses)/gains (Note 1)   | (61,067)        | 49,962        |
| Revenue (Note 2)  | 7,001           | 4,529         |
| Expenses (Note 3)   | (4,104)         | (4,422)       |
| Net revenue before taxation   | 2,897           | 107           |
| Taxation (Note 4)   | (837)           | (579)         |
| Net revenue/(expense) after taxation  | 2,060           | (472)         |
| <b>Total return before distributions</b>  | <b>(59,007)</b> | <b>49,490</b> |
| Finance costs:  |                 |               |
| Distributions (Note 5)  | (2,057)         | (5)           |
| <b>Change in net assets attributable to shareholders from investment activities</b> | <b>(61,064)</b> | <b>49,485</b> |

### Balance sheet

As at 31 January

|  | 2012           | 2011           |
|--|----------------|----------------|
| £'000  | £'000          | £'000          |
| <b>ASSETS</b>                                  |                |                |
| Investment assets                              | 197,458        | 283,497        |
| Debtors (Note 7)                               | 16             | 1,072          |
| Cash and bank balances (Note 8)                | 208            | 8,610          |
| <b>Total other assets</b>                      | <b>224</b>     | <b>9,682</b>   |
| <b>Total assets</b>                            | <b>197,682</b> | <b>293,179</b> |
| <b>LIABILITIES</b>                             |                |                |
| Creditors (Note 9)                             | (1,097)        | (734)          |
| Distribution payable on income shares          | (45)           | -              |
| <b>Total liabilities</b>                       | <b>(1,142)</b> | <b>(734)</b>   |
| <b>Net assets attributable to shareholders</b> | <b>196,540</b> | <b>292,445</b> |

The notes to these financial statements are shown on pages 244 to 245.

### Statement of change in net assets attributable to shareholders

For the year ending 31 January

|  | 2012           | 2011           |
|--|----------------|----------------|
| £'000  | £'000          | £'000          |
| <b>Opening net assets attributable to shareholders</b>                                   | <b>292,445</b> | <b>222,536</b> |
| Amounts receivable on issue of shares  | 18,287         | 60,731         |
| Amounts payable on cancellation of shares  | (54,725)       | (40,311)       |
|  | (36,438)       | 20,420         |
| Change in net assets attributable to shareholders from investment activities (see above) | (61,064)       | 49,485         |
| Retained distributions on accumulation shares  | 1,613          | 30             |
| Stamp duty reserve tax   | (16)           | (26)           |
| <b>Closing net assets attributable to shareholders</b>                                   | <b>196,540</b> | <b>292,445</b> |

# Notes to the financial statements for the year ending 31 January 2012

## 1. Net capital (losses)/gains

|                            | 2012            | 2011          |
|----------------------------|-----------------|---------------|
|                            | £'000           | £'000         |
| Currency losses            | (24)            | (111)         |
| Custodian handling charges | (3)             | (23)          |
| Derivative contracts       | -               | 15            |
| Forward currency contracts | (4)             | -             |
| Non-derivative securities  | (61,036)        | 50,081        |
| Net capital (losses)/gains | <u>(61,067)</u> | <u>49,962</u> |

## 2. Revenue

|   | 2012         | 2011         |
|---|--------------|--------------|
|   | £'000        | £'000        |
| Income from overseas equity investments | 6,975        | 4,496        |
| Interest on bank and term deposits      | 13           | 33           |
| Interest on fixed-interest securities   | 13           | -            |
| Total revenue                           | <u>7,001</u> | <u>4,529</u> |

## 3. Expenses

|   | 2012         | 2011         |
|---|--------------|--------------|
|   | £'000        | £'000        |
| Payable to the ACD or associate of the ACD: |              |              |
| ACD fee                                     | 3,665        | 3,967        |
| Fixed expenses                              | 439          | 455          |
| Total expenses                              | <u>4,104</u> | <u>4,422</u> |

## 4. Taxation

|                                   | 2012       | 2011       |
|-----------------------------------|------------|------------|
|                                   | £'000      | £'000      |
| a) Analysis of charge in the year |            |            |
| Overseas tax suffered             | 837        | 579        |
| Current year tax charge (Note 4b) | <u>837</u> | <u>579</u> |

### b) Factors affecting the tax charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK for an Open-Ended Investment Company (OEIC) (20%). The differences are explained below.

|                             |            |           |
|-----------------------------|------------|-----------|
| Net revenue before taxation | 2,897      | 107       |
| Corporation tax at 20%      | <u>580</u> | <u>21</u> |

### Effects of:

|   |            |            |
|---|------------|------------|
| Dividends not subject to corporation tax  | (834)      | (487)      |
| Excess expenses for which no relief taken | 254        | 466        |
| Overseas tax suffered                     | 837        | 579        |
|   | <u>257</u> | <u>558</u> |
| Current year tax charge (Note 4a)         | <u>837</u> | <u>579</u> |

No deferred tax asset has been recognised in the financial statements. At the year end date, the fund had a deferred tax asset of £925,489 (31.01.11: £671,186) in relation to £4,627,447 (31.01.11: £3,355,930) of excess management expenses which would only be utilised to reduce the tax charge if the fund had an excess of unfranked income over expenses in a future period. There is no excess of unfranked income expected in the future.

## 5. Finance costs

### Distributions

The distributions take account of amounts receivable on the issue of shares and amounts payable on the cancellation of shares and comprise:

|  | 2012         | 2011     |
|--|--------------|----------|
|  | £'000        | £'000    |
| Final dividend distribution                    | 1,658        | 30       |
| Add: Amounts payable on cancellation of shares | 470          | 40       |
| Deduct: Amounts receivable on issue of shares  | (71)         | (65)     |
| Total finance costs                            | <u>2,057</u> | <u>5</u> |

Details of the distribution per share are set out on page 246.

## 6. Movement between net revenue/(expense) after taxation and distributions

|   | 2012         | 2011     |
|---|--------------|----------|
|   | £'000        | £'000    |
| Net revenue/(expense) after taxation          | 2,060        | (472)    |
| Add: Net expense payable from capital         | -            | 477      |
| Add: Undistributed revenue brought forward    | 1            | 1        |
| Deduct: Undistributed revenue carried forward | (4)          | (1)      |
|   | <u>2,057</u> | <u>5</u> |

## 7. Debtors

|                                     | 2012      | 2011         |
|-------------------------------------|-----------|--------------|
|                                     | £'000     | £'000        |
| Accrued income                      | -         | 2            |
| Due from the ACD for shares created | 16        | 143          |
| Overseas tax recoverable            | -         | 7            |
| Sales awaiting settlement           | -         | 920          |
| Total debtors                       | <u>16</u> | <u>1,072</u> |

## 8. Cash and bank balances

|   | 2012       | 2011         |
|---|------------|--------------|
|   | £'000      | £'000        |
| Amounts held at futures clearing houses and brokers | -          | 24           |
| Cash and bank balances                              | 208        | 8,586        |
| Total cash and bank balances                        | <u>208</u> | <u>8,610</u> |

## 9. Creditors

|                                     | 2012         | 2011       |
|-------------------------------------|--------------|------------|
|                                     | £'000        | £'000      |
| Accrued expenses                    | 317          | 460        |
| Due to the ACD for shares cancelled | 780          | 274        |
| Total creditors                     | <u>1,097</u> | <u>734</u> |

## Notes to the financial statements – continued

### 10. Portfolio transaction costs

|  | 2012<br>£'000 | 2011<br>£'000 |
|--|---------------|---------------|
| Analysis of total purchase costs           |               |               |
| Purchases in year before transaction costs | 83,666        | 132,425       |
| Commissions                                | 77            | 251           |
| Taxes                                      | 15            | 68            |
| Total purchase costs                       | 92            | 319           |
| Gross purchases total                      | 83,758        | 132,744       |
| Analysis of total sale costs               |               |               |
| Gross sales before transaction costs       | 108,980       | 119,410       |
| Commissions                                | (129)         | (210)         |
| Taxes                                      | -             | (1)           |
| Total sale costs                           | (129)         | (211)         |
| Total sales net of transaction costs       | 108,851       | 119,199       |

### 11. Related party transactions

JPMorgan Funds Limited, as Authorised Corporate Director (“ACD”), is a related party, and acts as principal in respect of all transactions of shares in the Company. The aggregate monies received through issue, and paid on cancellation, are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

The balance due to the ACD and their associates at the year end date in respect of related party transactions was £1,081,012 (31.01.11: £590,678). Details of related party transactions are given under note 13 on page 389.

The following parties held a material interest in the fund at the year end date:

- FIL (Luxembourg) SA 11.80% (31.01.11: 11.96%)
- Skandia Life Assurance Co Ltd 11.55% (31.01.11: 15.61%)

### 12. Financial instruments

#### Currency exposures

A substantial proportion of the net assets of the fund are denominated in currencies other than sterling, with the effect that the Balance sheet and total return can be significantly affected by currency movements.

| Currency        | Net foreign currency assets |                                |                                    |
|-----------------|-----------------------------|--------------------------------|------------------------------------|
|                 | Total<br>£'000              | Monetary<br>exposures<br>£'000 | Non-monetary<br>exposures<br>£'000 |
| <b>31.01.12</b> |                             |                                |                                    |
| US Dollar       | 120,124                     | -                              | 120,124                            |
| Polish Zloty    | 26,496                      | -                              | 26,496                             |
| Turkish Lira    | 25,567                      | -                              | 25,567                             |
| Czech Koruna    | 6,045                       | -                              | 6,045                              |
| Swedish Krona   | 1,966                       | -                              | 1,966                              |
| Euro            | 7                           | 7                              | -                                  |
| <b>31.01.11</b> |                             |                                |                                    |
| US Dollar       | 172,013                     | 8                              | 172,005                            |
| Turkish Lira    | 45,320                      | -                              | 45,320                             |
| Polish Zloty    | 23,789                      | 137                            | 23,652                             |
| Czech Koruna    | 9,405                       | -                              | 9,405                              |
| Swedish Krona   | 2,889                       | -                              | 2,889                              |
| Euro            | 7                           | 7                              | -                                  |

#### Interest rate risk

At the year end date, 1.3% (31.10.11: 2.9%) of the fund's net assets by value were interest bearing.

For consideration of other risks including liquidity, pricing and credit risk, please refer to the notes to the aggregated financial statements, pages 389 to 390.

### 13. Share classes

The fund currently has two share classes; Class A shares and Class B shares. The Authorised Corporate Director's (ACD) fee and fixed expenses charge are shown below.

|                 | ACD fee | Fixed expenses |
|-----------------|---------|----------------|
| Class A shares: | 1.50%   | 0.18%          |
| Class B shares: | 1.00%   | 0.15%          |

The net asset value of each share class, the net asset value per share and the number of shares in each class are shown on page 240. All classes have the same rights on winding up.

### 14. Derivatives

The fund enters into derivative transactions in the form of forward currency contracts for the purpose of efficient portfolio management. The commitment approach has been used to calculate the global exposure.

Further information on the derivative risks can be found in the notes to the aggregated financial statements on page 390.

# Distribution table

## Final distribution in pence per share

Group 1 – Shares purchased prior to 1 February 2011

Group 2 – Shares purchased 1 February 2011 to 31 January 2012

|                                    | Gross<br>revenue | Tax<br>at 10% | Net<br>revenue | Equalisation | Distribution<br>payable<br>30.04.12 | Distribution<br>paid<br>30.04.11 |
|------------------------------------|------------------|---------------|----------------|--------------|-------------------------------------|----------------------------------|
| <b>A-Class Accumulation Shares</b> |                  |               |                |              |                                     |                                  |
| Group 1                            | 1.677778         | 0.167778      | 1.510000       | -            | 1.510000                            | 0.000000                         |
| Group 2                            | 0.649672         | 0.064967      | 0.584705       | 0.925295     | 1.510000                            | 0.000000                         |
| <b>A-Class Income Shares</b>       |                  |               |                |              |                                     |                                  |
| Group 1                            | 1.088889         | 0.108889      | 0.980000       | -            | 0.980000                            | 0.000000                         |
| Group 2                            | 0.296852         | 0.029685      | 0.267167       | 0.712833     | 0.980000                            | 0.000000                         |
| <b>B-Class Accumulation Shares</b> |                  |               |                |              |                                     |                                  |
| Group 1                            | 1.400000         | 0.140000      | 1.260000       | -            | 1.260000                            | 0.370000                         |
| Group 2                            | 0.229731         | 0.022973      | 0.206758       | 1.053242     | 1.260000                            | 0.370000                         |

Equalisation applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of revenue included in the purchase price of all group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.



# JPM Sterling Corporate Bond Fund

## Important information

### Change of Depositary

As part of an internal re-structuring, The Royal Bank of Scotland plc has transferred its Trustee and Depositary Services business from The Royal Bank of Scotland plc to National Westminster Bank plc and consequently National Westminster Bank plc has been appointed as Depositary of the Fund with effect from 15 October 2011.

As Depositary, National Westminster Bank plc will have the same duties and responsibilities as The Royal Bank of Scotland plc and this change will have no impact on the way the Fund operates.

### Investment objective and policy

The Fund's investment objective is to maximise total returns by investing primarily in high quality sterling denominated bonds (or other bonds hedged back to sterling).

The Fund's investment policy will focus on investment grade corporate issues. The Fund may also invest in non-investment grade securities, including corporate and emerging market bonds when the investment adviser believes these offer significant opportunities. The Fund may use derivatives for investment purposes or Efficient Portfolio Management including hedging, where appropriate. Although most of the non-sterling securities will be hedged back to sterling, the investment adviser will also use opportunities in the foreign exchange market to maximise returns.

### Risk profile

Bond funds may not behave like direct investments in the underlying bonds themselves. By investing in bond funds, the certainty of receiving a regular fixed amount of income for a defined period of time with the prospect of a future known return of capital is lost.

Bond prices can fluctuate significantly depending not only on the global economic and interest rate conditions but also on the general credit market environment and the creditworthiness of the issuer.

Bonds with a lower credit rating may have a higher risk of defaulting which may in turn have an adverse effect on the performance of funds which invest in them.

The investment policy of the Fund permits the use of derivatives and/or forward transactions for investment purposes. As a result the Fund may sometimes be leveraged, potentially increasing the volatility and therefore risk of the Fund.

Bond funds will normally distribute a combination of coupon and the expected discount/premium on the securities. Therefore, a fund's distribution will comprise income received and an element of projected capital gains or losses. This could result in an element of capital gain being taxed as income in the hands of an investor.

### Fund review

At the beginning of the period, the Fund held overweight allocations to financials and was underweight in defensive sectors such as utilities and consumer non-cyclical, which generated outperformance. However, our overweight in Lower Tier 2 debt versus our underweight in Tier 1 debt detracted from performance.

The second half of the year was dominated by stress in peripheral Europe, while worries in the UK were focused on weak growth rather than above-target inflation. However, global markets had a solid start to 2012, which benefited high beta sectors such as financials. The rise in markets was in large part due to the European Central Bank's long-term refinancing operations, which provided European banks with the means to meet their near-term liquidity needs.

### Fund outlook

We will continue to look to take profits on the various bank stocks purchased since late 2011 and will continue to steer clear of both Italian and Spanish issuers, both financial and corporate, for the time being. To offset this loss of income we will look to reinvest in the higher yielding areas of telecommunications and, on a selective basis, utilities.

### 12 month performance as at 31 January

|  | 2012        | 2011        | 2010         | 2009          | 2008         |
|--|-------------|-------------|--------------|---------------|--------------|
| <b>JPM Sterling Corporate Bond A-Class Acc</b>             | <b>9.1%</b> | <b>3.5%</b> | <b>17.4%</b> | <b>-18.1%</b> | <b>-4.0%</b> |
| <b>JPM Sterling Corporate Bond C-Class Inc<sup>A</sup></b> | -           | -           | -            | -             | -            |
| <b>JPM Sterling Corporate Bond I-Class Acc</b>             | <b>9.7%</b> | <b>4.1%</b> | <b>18.7%</b> | <b>-17.6%</b> | <b>-3.4%</b> |
| Benchmark Index  | 9.6%        | 5.5%        | 18.9%        | -6.8%         | 2.2%         |

### Fund statistics

|                 |  |
|-----------------|--|
| Fund size       | £92.7m   |
| Benchmark Index | Barclays Aggregate Corporate Index in GBP (Total Return Gross) |
| Fund charges    |  |
| A-Class         | Initial 3.50%, Annual 1.00%                                    |
| C-Class         | Initial Nil, Annual 0.50%                                      |
| I-Class         | Initial Nil, Annual 0.40%                                      |

### Top ten holdings (excluding Liquidity funds)

|   | %   |
|---|-----|
| European Investment Bank 2.25% 2015       | 2.7 |
| Aegon 6.625% 2039                         | 2.0 |
| Barclays Bank 14% FRN Perpetual           | 1.9 |
| AT&T 5.5% 2027                            | 1.8 |
| Santander Finance 11.3% FRN Perpetual     | 1.8 |
| Unilever 4% 2014                          | 1.7 |
| HSBC Capital Funding 8.208% FRN Perpetual | 1.7 |
| Bank of America 5.5% 2019                 | 1.6 |
| Societe Generale 5% 2018                  | 1.5 |
| BAT International Finance 7.25% 2024      | 1.4 |

You should remember that past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. For specific risks, please read the Simplified Prospectus.

All performance returns are calculated using the quoted price of the accumulation shares. Performance returns are in Sterling.

Source: J.P. Morgan.

<sup>A</sup> The launch of this share class occurred less than 12 months ago and as a result no performance return is reported.

## Sector breakdown

|                            | %    |
|----------------------------|------|
| Corporate debt             | 93.5 |
| Liquidity funds            | 4.8  |
| Government stock           | 0.2  |
| Forward currency contracts | 0.0  |
| Futures                    | 0.0  |
| Net other assets           | 1.5  |

In line with current accounting practice the sector breakdown includes the unrealised profit or loss on derivative holdings and consequently the economic market exposure of the fund cannot be fully determined from the above disclosure.

## Highest/lowest share price and distribution record

| Calendar year  | Highest share price | Lowest share price | Distribution per share (net) |
|--|---------------------|--------------------|------------------------------|
| <b>A-Class Accumulation Shares</b>                   |                     |                    |                              |
| 2007   | 65.69p              | 61.69p             | 2.35p                        |
| 2008   | 63.32p              | 51.25p             | 2.37p                        |
| 2009   | 59.04p              | 49.70p             | 2.04p                        |
| 2010   | 64.21p              | 58.11p             | 2.29p                        |
| 2011   | 65.75p              | 61.20p             | 2.28p                        |
| 2012 <sup>b</sup>                                    | 67.08p              | 65.52p             | 0.51p                        |
| <b>A-Class Income Shares</b>                         |                     |                    |                              |
| 2007   | 53.97p              | 49.43p             | 1.93p                        |
| 2008   | 50.52p              | 39.21p             | 1.86p                        |
| 2009   | 43.58p              | 37.63p             | 1.54p                        |
| 2010   | 45.95p              | 42.37p             | 1.66p                        |
| 2011   | 45.04p              | 43.07p             | 1.60p                        |
| 2012 <sup>b</sup>                                    | 45.89p              | 44.82p             | 0.34p                        |
| <b>C-Class Income Shares<sup>c</sup></b>             |                     |                    |                              |
| 2011   | 102.1p              | 98.58p             | 1.34p                        |
| 2012 <sup>b</sup>                                    | 104.1p              | 101.6p             | 0.89p                        |
| <b>C-Class Gross Income Shares<sup>d</sup></b>       |                     |                    |                              |
| 2011   | 100.4p              | 100.0p             | -                            |
| 2012 <sup>b</sup>                                    | 102.8p              | 100.3p             | 0.38p                        |
| <b>I-Class Accumulation Shares</b>                   |                     |                    |                              |
| 2007   | 114.0p              | 107.4p             | 4.70p                        |
| 2008   | 110.5p              | 89.88p             | 4.79p                        |
| 2009   | 104.2p              | 87.36p             | 4.15p                        |
| 2010   | 113.9p              | 102.7p             | 4.72p                        |
| 2011   | 117.4p              | 108.7p             | 4.77p                        |
| 2012 <sup>b</sup>                                    | 120.0p              | 117.1p             | 1.08p                        |
| <b>I-Class Gross Accumulation Shares<sup>e</sup></b> |                     |                    |                              |
| 2011   | 103.5p              | 98.78p             | 1.66p                        |
| 2012 <sup>b</sup>                                    | 105.8p              | 103.30p            | 1.19p                        |
| <b>I-Class Income Shares</b>                         |                     |                    |                              |
| 2007   | 102.7p              | 94.05p             | 4.23p                        |
| 2008   | 96.16p              | 74.54p             | 4.09p                        |
| 2009   | 82.94p              | 71.57p             | 3.37p                        |
| 2010   | 87.43p              | 80.58p             | 3.71p                        |
| 2011   | 85.71p              | 81.90p             | 3.54p                        |
| 2012 <sup>b</sup>                                    | 87.38p              | 85.31p             | 0.79p                        |

<sup>b</sup> To 31 January 2012.

<sup>c</sup> C-Class Income Shares were launched on 14 June 2011.

<sup>d</sup> C-Class Gross Income Shares were launched on 28 December 2011.

<sup>e</sup> I-Class Gross Accumulation Shares were launched on 21 June 2011.

## Portfolio turnover rate

|          |        |
|----------|--------|
| 31.01.11 | 181.4% |
| 31.01.12 | 412.9% |

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the period.

## Net asset values and Total expense ratios

| Date                                     | Net asset value per share class £'000 | Number of shares | Net asset value per share | Total expense ratio |
|--|---------------------------------------|------------------|---------------------------|---------------------|
| <b>A-Class Accumulation Shares</b>       |                                       |                  |                           |                     |
| 31.01.10                                 | 26,254                                | 44,426,721       | 59.10p                    | 1.18%               |
| 31.01.11                                 | 24,922                                | 40,739,572       | 61.17p                    | 1.18%               |
| 31.01.12                                 | 35,834                                | 54,023,456       | 66.33p                    | 1.17%               |
| <b>A-Class Income Shares</b>             |                                       |                  |                           |                     |
| 31.01.10                                 | 30,227                                | 70,141,256       | 43.09p                    | 1.18%               |
| 31.01.11                                 | 27,454                                | 63,911,209       | 42.96p                    | 1.18%               |
| 31.01.12                                 | 33,962                                | 75,422,034       | 45.03p                    | 1.17%               |
| <b>C-Class Income Shares</b>             |                                       |                  |                           |                     |
| 31.01.12                                 | 11,650                                | 11,414,874       | 102.1p                    | 0.62%               |
| <b>C-Class Gross Income Shares</b>       |                                       |                  |                           |                     |
| 31.01.12                                 | 2,607                                 | 2,573,668        | 101.4p                    | 0.62%               |
| <b>I-Class Accumulation Shares</b>       |                                       |                  |                           |                     |
| 31.01.10                                 | 5                                     | 5,000            | 104.4p                    | 0.40%               |
| 31.01.11                                 | 5                                     | 5,000            | 108.7p                    | 0.40%               |
| 31.01.12                                 | 6                                     | 5,000            | 118.6p                    | 0.40%               |
| <b>I-Class Gross Accumulation Shares</b> |                                       |                  |                           |                     |
| 31.01.12                                 | 5                                     | 5,000            | 104.7p                    | 0.40%               |
| <b>I-Class Income Shares</b>             |                                       |                  |                           |                     |
| 31.01.10                                 | 6                                     | 7,000            | 81.92p                    | 0.40%               |
| 31.01.11                                 | 5                                     | 6,000            | 81.67p                    | 0.40%               |
| 31.01.12                                 | 8,621                                 | 10,069,143       | 85.62p                    | 0.40%               |

The net asset value and the net asset value per income share are shown ex-dividend.

The total expense ratio (TER) takes into account the ACD fee and any fixed expenses charged to revenue expressed as a percentage of the average daily net asset values over the period.

# Portfolio statement

As at 31 January 2012

| Investment                                    | Holding    | Market value<br>£'000 | Total net<br>assets % |
|---|------------|-----------------------|-----------------------|
| <b>Corporate debt - 93.5% (97.6%)</b>         |            |                       |                       |
| ABN Amro Bank 4.875% 2019                     | £1,000,000 | 1,004                 | 1.1                   |
| Aegon 6.625% 2039                             | £1,750,000 | 1,814                 | 2.0                   |
| Ahold Finance 6.5% 2017                       | £1,000,000 | 1,141                 | 1.2                   |
| America Movil 5.75% 2030                      | £500,000   | 587                   | 0.6                   |
| American Express Credit 5.375% 2014           | £150,000   | 159                   | 0.2                   |
| American International 5% 2023                | £500,000   | 412                   | 0.4                   |
| Anglo American Capital 6.875% 2018            | £1,000,000 | 1,158                 | 1.2                   |
| Annington Finance No.4 0% 2023                | £1,000,000 | 580                   | 0.6                   |
| AT&T 5.5% 2027                                | £1,500,000 | 1,700                 | 1.8                   |
| Aviva 5.9021% 2020                            | £200,000   | 135                   | 0.1                   |
| Aviva 6.625% 2041                             | £750,000   | 637                   | 0.7                   |
| BA Credit Card Trust 5.525% FRN 2016          | £440,000   | 444                   | 0.5                   |
| BAA 7.125% 2017                               | £750,000   | 723                   | 0.8                   |
| BAA Funding 6.75% 2028                        | £500,000   | 582                   | 0.6                   |
| Bank of America 5.5% 2019                     | £1,500,000 | 1,455                 | 1.6                   |
| Bank of America 7% 2028                       | £1,250,000 | 1,268                 | 1.4                   |
| Bank of Scotland 9.375% 2021                  | £500,000   | 487                   | 0.5                   |
| Barclays Bank 5.75% 2021                      | £750,000   | 775                   | 0.8                   |
| Barclays Bank 10% 2021                        | £1,250,000 | 1,383                 | 1.5                   |
| Barclays Bank 14% FRN Perpetual               | £1,500,000 | 1,783                 | 1.9                   |
| BAT International Finance 7.25% 2024          | £1,000,000 | 1,297                 | 1.4                   |
| BG Energy Capital 5% 2036                     | £1,000,000 | 1,077                 | 1.2                   |
| Biomet 10.375% 2017                           | £500,000   | 344                   | 0.4                   |
| BMW Finance 3.375% 2018                       | £1,000,000 | 1,008                 | 1.1                   |
| British Telecommunications 7.5% FRN 2016      | £1,000,000 | 1,228                 | 1.3                   |
| Carlsberg 7.25% FRN 2016                      | £750,000   | 876                   | 0.9                   |
| Carrefour 5.375% 2012                         | £750,000   | 768                   | 0.8                   |
| Citigroup 5.125% 2018                         | £1,000,000 | 926                   | 1.0                   |
| Comcast 5.5% 2029                             | £275,000   | 309                   | 0.3                   |
| Compagnie de Saint-Gobain 5.625% 2024         | £1,000,000 | 1,046                 | 1.1                   |
| Constellation Brands 7.25% 2016               | \$450,000  | 318                   | 0.3                   |
| Continental Gummi Finance 7.125% 2018         | € 205,000  | 176                   | 0.2                   |
| Corrections Corporation of America 7.75% 2017 | \$450,000  | 309                   | 0.3                   |
| Credit Suisse London 6.75% FRN 2023           | £1,000,000 | 993                   | 1.1                   |
| Daimler Finance 3.5% 2019                     | £1,000,000 | 990                   | 1.1                   |
| Dish DBS 7.125% 2016                          | \$500,000  | 346                   | 0.4                   |
| E.ON International Finance 6.75% 2039         | £500,000   | 649                   | 0.7                   |
| Eastern Power Network 4.75% 2021              | £480,000   | 507                   | 0.5                   |
| Enel 5.625% 2024                              | £1,000,000 | 886                   | 1.0                   |
| Enel 5.75% 2040                               | £1,000,000 | 799                   | 0.9                   |
| European Investment Bank 2.25% 2015           | £2,500,000 | 2,516                 | 2.7                   |
| Eversholt Funding 6.359% 2025                 | £1,000,000 | 1,122                 | 1.2                   |
| FCE Bank 5.125% 2015                          | £500,000   | 509                   | 0.5                   |
| France Telecom 5% 2016                        | £1,000,000 | 1,085                 | 1.2                   |
| Gatwick Funding 5.25% 2024                    | £1,000,000 | 995                   | 1.1                   |
| GlaxoSmithKline Capital 5.25% 2033            | £500,000   | 596                   | 0.6                   |
| Goldman Sachs Group 5.25% 2015                | £1,250,000 | 1,293                 | 1.4                   |
| Goldman Sachs Group 5.5% 2021                 | £500,000   | 455                   | 0.5                   |
| Hammerson 6.875% FRN 2020                     | £500,000   | 575                   | 0.6                   |
| Health Management Associates 6.125% 2016      | \$500,000  | 325                   | 0.4                   |
| Host Marriott 'Q' 6.75% 2016                  | \$450,000  | 294                   | 0.3                   |
| HSBC 6% 2040                                  | £1,250,000 | 1,191                 | 1.3                   |
| HSBC Capital Funding 8.208% FRN Perpetual     | £1,500,000 | 1,601                 | 1.7                   |
| Hutchison Whampoa Finance 5.625% 2026         | £1,000,000 | 1,110                 | 1.2                   |
| Imperial Tobacco Finance 9% 2022              | £500,000   | 679                   | 0.7                   |
| Imperial Tobacco Finance 5.5% 2026            | £1,000,000 | 1,077                 | 1.2                   |
| Intelsat Jackson 7.25% 2020                   | \$450,000  | 297                   | 0.3                   |
| Jarden 7.5% 2017                              | \$450,000  | 304                   | 0.3                   |
| Johnson & Johnson 5.5% 2024                   | £1,000,000 | 1,239                 | 1.3                   |
| Land Securities Capital Markets 5.391% 2026   | £1,000,000 | 1,123                 | 1.2                   |
| Legal & General Finance 5.875% 2033           | £750,000   | 790                   | 0.9                   |
| Linde Finance 6.5% 2016                       | £1,000,000 | 1,177                 | 1.3                   |
| Lloyds Banking Group 7.5% 2024                | £500,000   | 542                   | 0.6                   |
| London Power Networks 5.125% 2023             | £1,000,000 | 1,085                 | 1.2                   |
| Morrison (Wm.) Supermarkets 4.625% 2023       | £1,000,000 | 1,060                 | 1.1                   |
| National Australia Bank 3.625% 2017           | £500,000   | 506                   | 0.5                   |
| National Grid Electricity 7.375% 2031         | £250,000   | 341                   | 0.4                   |
| Northumbrian Water Finance 5.125% 2042        | £455,000   | 471                   | 0.5                   |
| Petrobras International Finance 6.25% 2026    | £1,000,000 | 1,037                 | 1.1                   |
| Porterbrook Rail Finance 5.5% 2019            | £1,000,000 | 1,070                 | 1.2                   |
| Prudential 3.375% 2013                        | £1,000,000 | 1,014                 | 1.1                   |
| Prudential 11.375% FRN 2039                   | £560,000   | 716                   | 0.8                   |
| Roche 5.5% 2015                               | £1,000,000 | 1,122                 | 1.2                   |

| Investment                                     | Holding    | Market value<br>£'000 | Total net<br>assets % |
|--|------------|-----------------------|-----------------------|
| Roche Finance 5.375% 2023                      | £500,000   | 611                   | 0.7                   |
| RSA Insurance Group 9.375% 2039                | £750,000   | 861                   | 0.9                   |
| RWE Finance 6.125% 2039                        | £500,000   | 594                   | 0.6                   |
| Santander Finance 11.3% FRN Perpetual          | £1,750,000 | 1,650                 | 1.8                   |
| Santander Issuances 7.3% 2019                  | £450,000   | 384                   | 0.4                   |
| Scotland Gas Network 4.75% 2017                | £750,000   | 808                   | 0.9                   |
| Service Corporation International 6.75% 2015   | \$450,000  | 310                   | 0.3                   |
| Societe Generale 5% 2018                       | £1,500,000 | 1,407                 | 1.5                   |
| Societe Generale 5.4% 2018                     | £500,000   | 428                   | 0.5                   |
| Southern Electric Power Distribution 5.5% 2032 | £250,000   | 279                   | 0.3                   |
| Southern Gas Network 4.875% 2023               | £500,000   | 528                   | 0.6                   |
| Southern Gas Network 4.875% 2029               | £500,000   | 521                   | 0.6                   |
| Sprint Capital 8.75% 2032                      | \$500,000  | 267                   | 0.3                   |
| Standard Chartered 7.75% 2018                  | £500,000   | 556                   | 0.6                   |
| Standard Life 6.546% FRN Perpetual             | £1,000,000 | 846                   | 0.9                   |
| Statoil 6.875% 2031                            | £500,000   | 693                   | 0.7                   |
| SunTrust Bank FRN 2012                         | £250,000   | 249                   | 0.3                   |
| Svenska Handelsbanken 4% 2019                  | £1,050,000 | 1,067                 | 1.2                   |
| Svenska Handelsbanken 5.375% Perpetual         | £565,000   | 563                   | 0.6                   |
| Telefonica Emisiones 5.375% 2026               | £1,000,000 | 895                   | 1.0                   |
| Tesco Property Finance 5.744% 2040             | £49,814    | 52                    | 0.1                   |
| Three Valleys Water Finance 5.875% FRN 2026    | £1,000,000 | 1,093                 | 1.2                   |
| Time Warner Cable 5.75% 2031                   | £500,000   | 542                   | 0.6                   |
| UBS 5.24% FRN 2021                             | £460,000   | 423                   | 0.5                   |
| Unilever 4% 2014                               | £1,500,000 | 1,618                 | 1.7                   |
| UPM-Kymmene 6.625% 2017                        | £500,000   | 488                   | 0.5                   |
| US Oncology Action Escrow 9.125% 2017          | \$200,000  | 1                     | -                     |
| Valeant Pharmaceuticals 7.25% 2022             | \$250,000  | 160                   | 0.2                   |
| Virgin Media Secured Finance 5.5% SNR 2021     | £750,000   | 752                   | 0.8                   |
| Vodafone Group 4.625% 2014                     | £750,000   | 806                   | 0.9                   |
| Vodafone Group 5.375% 2017                     | £1,000,000 | 1,140                 | 1.2                   |
| Wal-Mart Stores 5.25% 2035                     | £1,000,000 | 1,186                 | 1.3                   |
| Wells Fargo 5.25% 2023                         | £1,000,000 | 1,041                 | 1.1                   |
| Westpac Banking 5% 2019                        | £500,000   | 534                   | 0.6                   |
| Xstrata Finance Canada 7.375% 2020             | £750,000   | 882                   | 1.0                   |

## Government stock - 0.2% (0.4%)

|                   |          |     |     |
|-------------------|----------|-----|-----|
| Mexico 6.75% 2024 | £200,000 | 214 | 0.2 |
|-------------------|----------|-----|-----|

## Forward currency contracts - (0.0%) (0.0%)

### Euro

|   |   |   |   |
|---|---|---|---|
| Sell €137,105 buy £117,157 dated 14/02/12 | - | 3 | - |
|---|---|---|---|

### US Dollar

|   |   |    |   |
|---|---|----|---|
| Sell \$5,118,281 sell £3,264,787 dated 14/02/12 | - | 22 | - |
|---|---|----|---|

## Futures - (0.0%) (0.2%)

|                                  |      |      |   |
|----------------------------------|------|------|---|
| Euro BOBL Futures Mar 2012       | (2)  | (4)  | - |
| US 5 Year Note Futures Mar 2012  | (39) | (30) | - |
| US 10 Year Note Futures Mar 2012 | (18) | (30) | - |
| US Long Bond Futures Mar 2012    | 4    | 2    | - |

## Liquidity funds - 4.8% (0.1%)

|                                      |           |       |     |
|--------------------------------------|-----------|-------|-----|
| JPM Sterling Liquidity 'X' (Income)^ | 4,469,024 | 4,469 | 4.8 |
|--------------------------------------|-----------|-------|-----|

|   |               |             |
|---|---------------|-------------|
| <b>Investment assets (including investment liabilities)</b> | <b>91,277</b> | <b>98.5</b> |
|---|---------------|-------------|

|                         |              |            |
|-------------------------|--------------|------------|
| <b>Net other assets</b> | <b>1,408</b> | <b>1.5</b> |
|-------------------------|--------------|------------|

|                   |               |              |
|-------------------|---------------|--------------|
| <b>Net assets</b> | <b>92,685</b> | <b>100.0</b> |
|-------------------|---------------|--------------|

Unless otherwise stated the above securities are admitted to official stock exchange listings or trade on a regulated market.

The comparative percentage figures in brackets are at 31 January 2011.

^ Deemed to be investment in related parties of the ACD

## Portfolio statement – continued

As at 31 January 2012

| Portfolio credit ratings                                    | Market value<br>£'000 |
|---|-----------------------|
| A   | 10,421                |
| A-  | 20,979                |
| A+  | 7,632                 |
| AA  | 3,349                 |
| AA-   | 4,822                 |
| AAA   | 3,755                 |
| B   | 304                   |
| B-  | 641                   |
| B+  | 427                   |
| BB  | 1,115                 |
| BB-   | 1,880                 |
| BB+   | 803                   |
| BBB   | 12,003                |
| BBB-  | 2,508                 |
| BBB+  | 16,205                |
| Unrated   | 1                     |
| <b>Total bonds</b>  | <b>86,845</b>         |
| Forward currency contracts                                  | 25                    |
| Futures   | (62)                  |
| Liquidity funds   | 4,469                 |
| <b>Investment assets (including investment liabilities)</b> | <b>91,277</b>         |

## Portfolio movements

For the year ending 31 January 2012

|  | £'000          |  | £'000           |
|--|----------------|--|-----------------|
| <b>Total of all purchases for the year (Note 10)</b> | <b>174,216</b> | <b>Total of all sales for the year (Note 10)</b> | <b>137,173</b>  |
| <b>Major purchases</b>                               | <b>Cost</b>    | <b>Major sales</b>                               | <b>Proceeds</b> |
| JPM Sterling Liquidity 'X' (Income)^                 | 51,289         | JPM Sterling Liquidity 'X' (Income)^             | 46,870          |
| National Grid Electricity 7.375% 2031                | 3,312          | National Grid Electricity 7.375% 2031            | 3,774           |
| RWE Finance 6.125% 2039                              | 3,190          | Tesco 6% 2029                                    | 3,117           |
| European Investment Bank 2.25% 2015                  | 3,001          | RWE Finance 6.125% 2039                          | 2,908           |
| GlaxoSmithKline Capital 5.25% 2033                   | 2,768          | Statoil 6.875% 2031                              | 2,408           |
| Tesco 6% 2029  | 2,687          | GlaxoSmithKline Capital 5.25% 2033               | 2,374           |
| Statoil 6.875% 2031                                  | 2,616          | Lloyds Banking Group 7.5% 2024                   | 2,345           |
| Linde Finance 6.5% 2016                              | 2,330          | Royal Bank of Scotland 7.5% 2024                 | 2,136           |
| Johnson & Johnson 5.5% 2024                          | 2,288          | E.ON International Finance 6.75% 2039            | 2,073           |
| Roche 5.5% 2015                                      | 2,222          | E.ON International Finance 6.375% 2032           | 1,798           |
| Unilever 4% 2014                                     | 2,141          | Southern Electric Power Distribution 5.5% 2032   | 1,794           |
| Lloyds Banking Group 7.5% 2024                       | 1,975          | BMW (UK) Capital 5% 2017                         | 1,655           |
| E.ON International Finance 6.75% 2039                | 1,944          | Standard Chartered 7.75% 2018                    | 1,465           |
| HSBC Capital Funding 8.208% FRN Perpetual            | 1,848          | Safeway 6.125% 2018                              | 1,442           |
| Santander Finance 11.3% FRN Perpetual                | 1,823          | General Electric Capital UK 6.25% 2038           | 1,388           |
| E.ON International Finance 6.375% 2032               | 1,779          | Kraft Foods 7.25% 2018                           | 1,378           |
| Bank of America 7% 2028                              | 1,722          | HSBC 6% 2040                                     | 1,367           |
| Citigroup 5.125% 2018                                | 1,717          | Wal-Mart Stores 5.25% 2035                       | 1,358           |
| AT&T 5.5% 2027                                       | 1,714          | British Telecommunications 7.5% FRN 2016         | 1,239           |
| Ahold Finance 6.5% 2017                              | 1,706          | National Express Group 6.625% 2020               | 1,228           |

^ Deemed to be investment in related parties of the ACD

# Financial statements

## Statement of total return

For the year ending 31 January

|   | £'000 | 2012<br>£'000 | £'000 | 2011<br>£'000 |
|---|-------|---------------|-------|---------------|
| Income  |       |               |       |               |
| Net capital gains/(losses) (Note 1)   |       | 3,022         |       | (107)         |
| Revenue (Note 2)  | 3,453 |               | 3,288 |               |
| Expenses (Note 3)   | (684) |               | (659) |               |
| Net revenue before taxation   | 2,769 |               | 2,629 |               |
| Taxation (Note 4)   | -     |               | -     |               |
| Net revenue after taxation  |       | 2,769         |       | 2,629         |
| <b>Total return before distributions</b>  |       | <b>5,791</b>  |       | <b>2,522</b>  |
| Finance costs:<br>Distributions (Note 5)  |       | (2,765)       |       | (2,631)       |
| <b>Change in net assets attributable to shareholders from investment activities</b> |       | <b>3,026</b>  |       | <b>(109)</b>  |

## Statement of change in net assets attributable to shareholders

For the year ending 31 January

|  | £'000   | 2012<br>£'000 | £'000   | 2011<br>£'000 |
|--|---------|---------------|---------|---------------|
| <b>Opening net assets attributable to shareholders</b>                                   |         | <b>52,386</b> |         | <b>56,492</b> |
| Amounts receivable on issue of shares  | 42,148  |               | 583     |               |
| Amounts payable on cancellation of shares  | (5,919) |               | (5,560) |               |
|  |         | 36,229        |         | (4,977)       |
| Change in net assets attributable to shareholders from investment activities (see above) |         | 3,026         |         | (109)         |
| Retained distributions on accumulation shares  |         | 1,040         |         | 978           |
| Unclaimed distributions  |         | 4             |         | 2             |
| <b>Closing net assets attributable to shareholders</b>                                   |         | <b>92,685</b> |         | <b>52,386</b> |

## Balance sheet

As at 31 January

|  | £'000   | 2012<br>£'000  | £'000 | 2011<br>£'000 |
|--|---------|----------------|-------|---------------|
| <b>ASSETS</b>                                  |         |                |       |               |
| Investment assets                              |         | 91,341         |       | 51,551        |
| Debtors (Note 7)                               | 8,093   |                | 1,620 |               |
| Cash and bank balances (Note 8)                | 372     |                | 156   |               |
| <b>Total other assets</b>                      |         | <b>8,465</b>   |       | <b>1,776</b>  |
| <b>Total assets</b>                            |         | <b>99,806</b>  |       | <b>53,327</b> |
| <b>LIABILITIES</b>                             |         |                |       |               |
| Investment liabilities                         |         | (64)           |       | (38)          |
| Creditors (Note 9)                             | (6,609) |                | (635) |               |
| Distribution payable on income shares          | (448)   |                | (268) |               |
| <b>Total other liabilities</b>                 |         | <b>(7,057)</b> |       | <b>(903)</b>  |
| <b>Total liabilities</b>                       |         | <b>(7,121)</b> |       | <b>(941)</b>  |
| <b>Net assets attributable to shareholders</b> |         | <b>92,685</b>  |       | <b>52,386</b> |

The notes to these financial statements are shown on pages 253 to 255.

# Notes to the financial statements for the year ending 31 January 2012

## 1. Net capital gains/(losses)

|                            | 2012<br>£'000 | 2011<br>£'000 |
|----------------------------|---------------|---------------|
| Currency losses            | (40)          | (11)          |
| Custodian handling charges | (4)           | (1)           |
| Derivative contracts       | (130)         | (606)         |
| Forward currency contracts | 79            | (755)         |
| Non-derivative securities  | 3,117         | 1,266         |
| Net capital gains/(losses) | <u>3,022</u>  | <u>(107)</u>  |

## 2. Revenue

|                                       | 2012<br>£'000 | 2011<br>£'000 |
|---------------------------------------|---------------|---------------|
| Interest on bank and term deposits    | 37            | 1             |
| Interest on fixed-interest securities | 3,413         | 3,263         |
| Stocklending income*                  | 3             | 24            |
| Total revenue                         | <u>3,453</u>  | <u>3,288</u>  |

\* Stocklending income is disclosed net of fees. See note 11.

## 3. Expenses

|  | 2012<br>£'000 | 2011<br>£'000 |
|--|---------------|---------------|
| <b>Payable to the ACD or associate of the ACD:</b> |               |               |
| ACD fee  | 622           | 560           |
| Fixed expenses                                     | 108           | 99            |
|  | <u>730</u>    | <u>659</u>    |
| <b>Payable to third parties:</b>                   |               |               |
| VAT recovered*                                     | (46)          | -             |
| Total expenses                                     | <u>684</u>    | <u>659</u>    |

\* VAT recovered includes amounts arising as a result of changes to the policy of HM Revenue & Customs ("HMRC") concerning VAT exemption for the management of authorised collective investment schemes (UK Law, items 9 and 10 of group 5, Schedule 9, to the VAT Act 1994) where these services have historically been treated as subject to VAT in the UK. These changes are in accordance with the Business Brief 07/06 (item 3) from HMRC in light of the European Court of Justice judgment in case C-196/04, Abbey National and Inscape Investment Fund.

## 4. Taxation

|  | 2012<br>£'000 | 2011<br>£'000 |
|--|---------------|---------------|
| <b>a) Analysis of charge in the year</b>   |               |               |
| Current year tax charge (Note 4b)  | <u>-</u>      | <u>-</u>      |
| <b>b) Factors affecting the tax charge for the year</b>  |               |               |
| The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an Open-Ended Investment Company (OEIC) (20%). The differences are explained below. |               |               |
| Net revenue before taxation  | 2,769         | 2,629         |
| Corporation tax at 20%   | <u>554</u>    | <u>526</u>    |
| Effects of:  |               |               |
| Excess expenses for which no relief taken  | (1)           | -             |
| Interest distributions deductible for tax purposes   | <u>(553)</u>  | <u>(526)</u>  |
| Current year tax charge (Note 4a)  | <u>-</u>      | <u>-</u>      |

No deferred tax asset has been recognised in the financial statements. At the year end date, the fund had a deferred tax asset of £72,255 (31.01.11: £73,024) in relation to £361,276 (31.01.11: £365,118) of excess management expenses which would only be utilised to reduce the tax charge if the fund had an excess of unfranked income over expenses in a future period. There is no excess of unfranked income expected in the future.

## 5. Finance costs

|   | 2012<br>£'000 | 2011<br>£'000 |
|---|---------------|---------------|
| <b>Distributions</b>  |               |               |
| The distributions take account of amounts receivable on the issue of shares and amounts payable on the cancellation of shares and comprise: |               |               |
| First interim interest distribution   | 656           | 674           |
| Second interim interest distribution  | 668           | 634           |
| Third interim interest distribution   | 707           | 656           |
| Final interest distribution   | 892           | 642           |
| Add: Amounts payable on cancellation of shares  | 30            | 28            |
| Deduct: Amounts receivable on issue of shares   | <u>(188)</u>  | <u>(3)</u>    |
| Total finance costs   | <u>2,765</u>  | <u>2,631</u>  |

Details of the distribution per share are set out on pages 256 to 257.

## 6. Movement between net revenue after taxation and distributions

|   | 2012<br>£'000 | 2011<br>£'000 |
|---|---------------|---------------|
| Net revenue after taxation                    | 2,769         | 2,629         |
| Add: Undistributed revenue brought forward    | 5             | 7             |
| Deduct: Undistributed revenue carried forward | <u>(9)</u>    | <u>(5)</u>    |
|   | <u>2,765</u>  | <u>2,631</u>  |

## 7. Debtors

|                                     | 2012<br>£'000 | 2011<br>£'000 |
|-------------------------------------|---------------|---------------|
| Accrued income                      | 1,962         | 1,370         |
| Due from the ACD for shares created | 1,289         | 2             |
| Sales awaiting settlement           | 4,842         | 248           |
| Total debtors                       | <u>8,093</u>  | <u>1,620</u>  |

## Notes to the financial statements – continued

### 8. Cash and bank balances

|   | 2012<br>£'000 | 2011<br>£'000 |
|---|---------------|---------------|
| Amounts held at futures clearing houses and brokers | 110           | 37            |
| Cash and bank balances                              | 262           | 119           |
| Total cash and bank balances                        | 372           | 156           |

### 9. Creditors

|                                     | 2012<br>£'000 | 2011<br>£'000 |
|-------------------------------------|---------------|---------------|
| Accrued expenses                    | 79            | 53            |
| Due to the ACD for shares cancelled | 12            | 61            |
| Income tax payable                  | 286           | 255           |
| Purchases awaiting settlement       | 6,232         | 266           |
| Total creditors                     | 6,609         | 635           |

### 10. Portfolio transaction costs

No portfolio transactions costs were incurred during the current or prior year.

### 11. Related party transactions

JPMorgan Funds Limited, as Authorised Corporate Director (“ACD”), is a related party, and acts as principal in respect of all transactions of shares in the Company. The aggregate monies received through issue, and paid on cancellation, are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

The balance due from the ACD and their associates at the year end date in respect of related party transactions was £1,198,005 (31.01.11: £111,705). Details of related party transactions are given under note 13 on page 389.

Investments considered to be related parties have been identified in the portfolio statement on page 249 and the revenue from these investments was £3,066 (31.01.11: £1,000).

The gross stocklending income received was £3,329 (31.01.11: £29,670), with fees deducted of £583 (31.01.11: £5,192).

The following party held a material interest in the fund at the year end date:

- FNZ (UK) Nominess Ltd 29.97% (31.01.11: 54.74%)

### 12. Stocklending

As at 31 January 2012 the aggregate value of securities on loan was £nil (31.01.11: £2,600,480). The Depository held £nil (31.01.11: £2,773,953) of collateral assets on behalf of the fund in respect thereof.

### 13. Financial instruments

#### Currency exposures

At the year end date, the majority of the fund's financial assets and liabilities are denominated in Sterling. As a result, the fund has no material exposure to currency movements.

#### Interest rate risk

The tables below detail the interest rate profile of the fund's assets and liabilities as at the year end.

| Currency        | Total assets<br>£'000 | Floating rate financial assets<br>£'000 | Fixed rate financial assets<br>£'000 | Financial assets not carrying any interest<br>£'000 |
|-----------------|-----------------------|---|--------------------------------------|---|
| <b>31.01.12</b> |                       |   |                                      |   |
| UK Sterling     | 99,541                | 4,998                                   | 83,143                               | 11,400  |
| US Dollar       | 131                   | 428                                     | 2,933                                | (3,230)   |
| Euro            | 70                    | 9                                       | 176                                  | (115)   |
| <b>31.01.11</b> |                       |   |                                      |   |
| UK Sterling     | 53,201                | 438                                     | 44,726                               | 8,037   |
| US Dollar       | 47                    | 229                                     | 5,687                                | (5,869)   |
| Euro            | 41                    | 34                                      | 397                                  | (390)   |

The floating rate financial assets comprise investments in variable interest rate paying corporate debt and bank balances that bear interest at rates based on LIBOR or its overseas equivalent.

| Currency        | Total liabilities<br>£'000 | Floating rate financial liabilities<br>£'000 | Financial liabilities not carrying any interest<br>£'000 |
|-----------------|----------------------------|--|--|
| <b>31.01.12</b> |                            |  |  |
| UK Sterling     | 7,057                      | -  | 7,057  |
| <b>31.01.11</b> |                            |  |  |
| UK Sterling     | 903                        | -  | 903  |

| Currency        | Weighted average interest rate | Fixed rate financial assets<br>Weighted average period for which rate is fixed (years) |
|-----------------|--------------------------------|--|
| <b>31.01.12</b> |                                |  |
| UK Sterling     | 4.7%                           | 11.7   |
| Euro            | 6.5%                           | 6.7  |
| US Dollar       | 5.2%                           | 6.6  |
| <b>31.01.11</b> |                                |  |
| UK Sterling     | 5.8%                           | 15.1   |
| US Dollar       | 4.9%                           | 6.2  |
| Euro            | 5.8%                           | 5.7  |

For consideration of other risks including liquidity, pricing and credit risk, please refer to the notes to the aggregated financial statements, pages 389 to 390.



## Notes to the financial statements – continued

### 14. Share classes

The fund currently has three share classes: Class A shares, Class C shares and Class I shares. The Authorised Corporate Director's (ACD) fee and fixed expenses charge are shown below.

|                 | ACD fee | Fixed expenses |
|-----------------|---------|----------------|
| Class A shares: | 1.00%   | 0.18%          |
| Class C shares: | 0.50%   | 0.12%          |
| Class I shares: | 0.40%   | 0.00%          |

The net asset value of each share class, the net asset value per share and the number of shares in each class are shown on page 248. All classes have the same rights on winding up.

### 15. Derivatives

The fund enters into derivative transactions in the form of forward currency contracts and futures. The fund may use derivatives for investment purposes or efficient portfolio management including hedging, where appropriate.

The Investment Adviser assesses the market risk of the fund's investments, including derivative exposure, using the Monte Carlo simulation methodology. This process provides an estimate of the maximum potential loss that could be expected to occur as a result of changes in market prices over a given period of time in all but a given percentage of circumstances. The VaR is calculated on a 99% confidence level with a 20 day horizon & 250 days of history. As at the balance date the VaR was 3.29%.

Further information on the derivative risks can be found in the notes to the aggregated financial statements on page 390.

## Distribution table

### Final interest distribution in pence per share

Group 1 – Shares purchased prior to 1 November 2011

Group 2 – Shares purchased 1 November 2011 to 31 January 2012

|  | Gross revenue | Tax at 20% | Net revenue | Equalisation | Distribution payable 30.04.12 | Distribution paid 30.04.11 |
|--|---------------|------------|-------------|--------------|-------------------------------|----------------------------|
| <b>A-Class Accumulation Shares</b>       |               |            |             |              |                               |                            |
| Group 1                                  | 0.637500      | 0.127500   | 0.510000    | -            | 0.510000                      | 0.600000                   |
| Group 2                                  | 0.338938      | 0.067788   | 0.271150    | 0.238850     | 0.510000                      | 0.600000                   |
| <b>A-Class Income Shares</b>             |               |            |             |              |                               |                            |
| Group 1                                  | 0.425000      | 0.085000   | 0.340000    | -            | 0.340000                      | 0.420000                   |
| Group 2                                  | 0.213400      | 0.042680   | 0.170720    | 0.169280     | 0.340000                      | 0.420000                   |
| <b>C-Class Income Shares</b>             |               |            |             |              |                               |                            |
| Group 1                                  | 1.112500      | 0.222500   | 0.890000    | -            | 0.890000                      | -                          |
| Group 2                                  | 0.468616      | 0.093723   | 0.374893    | 0.515107     | 0.890000                      | -                          |
| <b>C-Class Gross Income Shares</b>       |               |            |             |              |                               |                            |
| Group 1                                  | 0.380000      | -          | 0.380000    | -            | 0.380000                      | -                          |
| Group 2                                  | 0.208669      | -          | 0.208669    | 0.171331     | 0.380000                      | -                          |
| <b>I-Class Accumulation Shares</b>       |               |            |             |              |                               |                            |
| Group 1                                  | 1.350000      | 0.270000   | 1.080000    | -            | 1.080000                      | 1.220000                   |
| Group 2                                  | 1.350000      | 0.270000   | 1.080000    | 0.000000     | 1.080000                      | 1.220000                   |
| <b>I-Class Gross Accumulation Shares</b> |               |            |             |              |                               |                            |
| Group 1                                  | 1.190000      | -          | 1.190000    | -            | 1.190000                      | -                          |
| Group 2                                  | 1.190000      | -          | 1.190000    | 0.000000     | 1.190000                      | -                          |
| <b>I-Class Income Shares</b>             |               |            |             |              |                               |                            |
| Group 1                                  | 0.987500      | 0.197500   | 0.790000    | -            | 0.790000                      | 0.930000                   |
| Group 2                                  | 0.487303      | 0.097461   | 0.389842    | 0.400158     | 0.790000                      | 0.930000                   |

### Third interim interest distribution in pence per share

Group 1 – Shares purchased prior to 1 August 2011

Group 2 – Shares purchased 1 August 2011 to 31 October 2011

|  | Gross revenue | Tax at 20% | Net revenue | Equalisation | Distribution paid 31.01.12 | Distribution paid 31.01.11 |
|--|---------------|------------|-------------|--------------|----------------------------|----------------------------|
| <b>A-Class Accumulation Shares</b>       |               |            |             |              |                            |                            |
| Group 1                                  | 0.612500      | 0.122500   | 0.490000    | -            | 0.490000                   | 0.590000                   |
| Group 2                                  | 0.407116      | 0.081423   | 0.325693    | 0.164307     | 0.490000                   | 0.590000                   |
| <b>A-Class Income Shares</b>             |               |            |             |              |                            |                            |
| Group 1                                  | 0.425000      | 0.085000   | 0.340000    | -            | 0.340000                   | 0.420000                   |
| Group 2                                  | 0.157660      | 0.031532   | 0.126128    | 0.213872     | 0.340000                   | 0.420000                   |
| <b>C-Class Income Shares</b>             |               |            |             |              |                            |                            |
| Group 1                                  | 1.100000      | 0.220000   | 0.880000    | -            | 0.880000                   | -                          |
| Group 2                                  | 0.566340      | 0.113268   | 0.453072    | 0.426928     | 0.880000                   | -                          |
| <b>I-Class Accumulation Shares</b>       |               |            |             |              |                            |                            |
| Group 1                                  | 1.337500      | 0.267500   | 1.070000    | -            | 1.070000                   | 1.210000                   |
| Group 2                                  | 1.337500      | 0.267500   | 1.070000    | 0.000000     | 1.070000                   | 1.210000                   |
| <b>I-Class Gross Accumulation Shares</b> |               |            |             |              |                            |                            |
| Group 1                                  | 1.170000      | -          | 1.170000    | -            | 1.170000                   | -                          |
| Group 2                                  | 1.170000      | -          | 1.170000    | 0.000000     | 1.170000                   | -                          |
| <b>I-Class Income Shares</b>             |               |            |             |              |                            |                            |
| Group 1                                  | 0.962500      | 0.192500   | 0.770000    | -            | 0.770000                   | 0.910000                   |
| Group 2                                  | 0.324848      | 0.064970   | 0.259878    | 0.510122     | 0.770000                   | 0.910000                   |

## Distribution table – continued

### Second interim interest distribution in pence per share

Group 1 – Shares purchased prior to 1 May 2011

Group 2 – Shares purchased 1 May 2011 to 31 July 2011

|  | Gross revenue | Tax at 20% | Net revenue | Equalisation | Distribution paid 31.10.11 | Distribution paid 31.10.10 |
|--|---------------|------------|-------------|--------------|----------------------------|----------------------------|
| <b>A-Class Accumulation Shares</b>       |               |            |             |              |                            |                            |
| Group 1                                  | 0.700000      | 0.140000   | 0.560000    | -            | 0.560000                   | 0.550000                   |
| Group 2                                  | 0.062536      | 0.012507   | 0.050029    | 0.509971     | 0.560000                   | 0.550000                   |
| <b>A-Class Income Shares</b>             |               |            |             |              |                            |                            |
| Group 1                                  | 0.487500      | 0.097500   | 0.390000    | -            | 0.390000                   | 0.400000                   |
| Group 2                                  | 0.191388      | 0.038278   | 0.153110    | 0.236890     | 0.390000                   | 0.400000                   |
| <b>C-Class Income Shares</b>             |               |            |             |              |                            |                            |
| Group 1                                  | 0.575000      | 0.115000   | 0.460000    | -            | 0.460000                   | -                          |
| Group 2                                  | 0.492731      | 0.098546   | 0.394185    | 0.065815     | 0.460000                   | -                          |
| <b>I-Class Accumulation Shares</b>       |               |            |             |              |                            |                            |
| Group 1                                  | 1.475000      | 0.295000   | 1.180000    | -            | 1.180000                   | 1.160000                   |
| Group 2                                  | 1.475000      | 0.295000   | 1.180000    | 0.000000     | 1.180000                   | 1.160000                   |
| <b>I-Class Gross Accumulation Shares</b> |               |            |             |              |                            |                            |
| Group 1                                  | 0.490000      | -          | 0.490000    | -            | 0.490000                   | -                          |
| Group 2                                  | 0.490000      | -          | 0.490000    | 0.000000     | 0.490000                   | -                          |
| <b>I-Class Income Shares</b>             |               |            |             |              |                            |                            |
| Group 1                                  | 1.087500      | 0.217500   | 0.870000    | -            | 0.870000                   | 0.920000                   |
| Group 2                                  | 1.087500      | 0.217500   | 0.870000    | 0.000000     | 0.870000                   | 0.920000                   |

### First interim interest distribution in pence per share

Group 1 – Shares purchased prior to 1 February 2011

Group 2 – Shares purchased 1 February 2011 to 30 April 2011

|                                    | Gross revenue | Tax at 20% | Net revenue | Equalisation | Distribution paid 31.07.11 | Distribution paid 31.07.10 |
|------------------------------------|---------------|------------|-------------|--------------|----------------------------|----------------------------|
| <b>A-Class Accumulation Shares</b> |               |            |             |              |                            |                            |
| Group 1                            | 0.787500      | 0.157500   | 0.630000    | -            | 0.630000                   | 0.570000                   |
| Group 2                            | 0.306420      | 0.061284   | 0.245136    | 0.384864     | 0.630000                   | 0.570000                   |
| <b>A-Class Income Shares</b>       |               |            |             |              |                            |                            |
| Group 1                            | 0.562500      | 0.112500   | 0.450000    | -            | 0.450000                   | 0.420000                   |
| Group 2                            | 0.316225      | 0.063245   | 0.252980    | 0.197020     | 0.450000                   | 0.420000                   |
| <b>I-Class Accumulation Shares</b> |               |            |             |              |                            |                            |
| Group 1                            | 1.625000      | 0.325000   | 1.300000    | -            | 1.300000                   | 1.170000                   |
| Group 2                            | 1.625000      | 0.325000   | 1.300000    | 0.000000     | 1.300000                   | 1.170000                   |
| <b>I-Class Income Shares</b>       |               |            |             |              |                            |                            |
| Group 1                            | 1.212500      | 0.242500   | 0.970000    | -            | 0.970000                   | 0.920000                   |
| Group 2                            | 1.212500      | 0.242500   | 0.970000    | 0.000000     | 0.970000                   | 0.920000                   |

Equalisation applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of revenue included in the purchase price of all group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

# JPM Strategic Bond Fund

## Important information

### Change of Depositary

As part of an internal re-structuring, The Royal Bank of Scotland plc has transferred its Trustee and Depositary Services business from The Royal Bank of Scotland plc to National Westminster Bank plc and consequently National Westminster Bank plc has been appointed as Depositary of the Fund with effect from 15 October 2011.

As Depositary, National Westminster Bank plc will have the same duties and responsibilities as The Royal Bank of Scotland plc and this change will have no impact on the way the Fund operates.

### Investment objective and policy

To maximise returns by investing primarily in a global portfolio of fixed and floating rate debt securities.

The Fund may invest in developed and emerging market countries and hold investment grade, non-investment grade and unrated bonds. The Fund may have a concentrated portfolio and may have a significant exposure to any one country, sector or issuer, which may include emerging markets and non-investment grade or unrated bonds, at any time. Allocations between countries, sectors and ratings of bonds may vary significantly at any time. The Fund may use derivatives for investment purposes or Efficient Portfolio Management including hedging, where appropriate. The Fund is also permitted to invest up to 100% in government and public securities (see section 3.11(e) of the full Prospectus). The Fund's assets will be primarily either denominated in Sterling or hedged back to Sterling.

### Risk profile

Bond funds may not behave like direct investments in the underlying bonds themselves. By investing in bond funds, the certainty of receiving a regular fixed amount of income for a defined period of time with the prospect of a future known return of capital is lost.

Bond prices can fluctuate significantly depending not only on the global economic and interest rate conditions but also on the general credit market environment and the creditworthiness of the issuer.

The credit quality of high yield bonds is below investment grade and they usually offer higher yields to compensate for the reduced creditworthiness and the increased risk of default relative to investment grade bonds.

Bonds with a lower credit rating may have a higher risk of defaulting which may in turn have an adverse effect on the performance of funds which invest in them.

The investment policy of the Fund permits the use of derivatives and/or forward transactions for investment purposes. As a result the Fund may sometimes be leveraged, potentially increasing the volatility and therefore risk of the Fund.

The Fund may have a significant exposure to asset and mortgage backed securities (ABS and MBS). Owing to the nature of some ABS and MBS, the exact timing and size of cashflows paid by the securities may not be fully assured.

Bond funds will normally distribute a combination of coupon and the expected discount/premium on the securities. Therefore, a fund's distribution will comprise revenue received and an element of projected capital gains or losses. This could result in an element of capital gain being taxed as income in the hands of an investor.

## Fund review

The deepening eurozone crisis and weakening global economic data kept market volatility high and investor risk appetite low. Weak growth in the UK was also a concern, more so than above target inflation, which the Bank of England largely blamed on external factors.

Our exposure to corporate credit detracted from performance, particularly in those sectors with a high correlation to the economic cycle or the eurozone crisis, and then rebounded towards the end of the year and through to early 2012. Exposure to G10 rates enhanced returns, together with positions in Mexican and South African local rates.

Global markets had a strong start to 2012, which benefited high beta sectors such as financials. The rise in markets was in large part due to the European Central Bank's long-term refinancing operations, which provided European banks with the means to meet their near-term liquidity needs.

## Fund outlook

Our models still indicate economic growth that is above consensus estimates and it is likely that the big buyers of government debt, namely central banks, will suspend quantitative easing programmes until they expire in May/June. Cash levels also remain at historically elevated levels and in the context of unappealing yields offered by both cash and government bonds, we expect the marginal dollar to continue to be allocated to spread sectors.

## 12 month performance as at 31 January

|   | 2012        | 2011        |
|---|-------------|-------------|
| <b>JPM Strategic Bond A-Class Acc</b>             | <b>3.7%</b> | <b>7.0%</b> |
| <b>JPM Strategic Bond B-Class Inc<sup>A</sup></b> | -           | -           |
| <b>JPM Strategic Bond C-Class Inc</b>             | <b>4.3%</b> | <b>7.9%</b> |
| <b>JPM Strategic Bond I-Class Gross Acc</b>       | <b>5.2%</b> | <b>8.9%</b> |
| <b>JPM Strategic Bond X-Class Acc<sup>A</sup></b> | -           | -           |
| Benchmark Index                                   | 16.0%       | 4.9%        |

## Fund statistics

|                 |  |
|-----------------|--|
| Fund size       | £356.1m  |
| Benchmark Index | BofA Merrill Lynch GBP Broad Market Index (Total Return Gross) |
| Fund charges    |  |
| A-Class         | Initial 3.50%, Annual 1.00%                                    |
| B-Class         | Initial Nil, Annual 0.65%                                      |
| C-Class         | Initial Nil, Annual 0.50%                                      |
| I-Class         | Initial Nil, Annual 0.40%                                      |
| X-Class         | On application <sup>B</sup>                                    |

You should remember that past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. For specific risks, please read the Simplified Prospectus.

All performance returns are calculated using the quoted price of the accumulation and income shares. Performance returns are in Sterling.

Source: J.P. Morgan.

<sup>A</sup> The launch of this share class occurred less than 12 months ago and as a result no performance return is reported.

<sup>B</sup> As agreed from time to time between the ACD and the relevant JPMorgan Chase & Co. entity.

### Top ten holdings (excluding Liquidity funds) %

|  |     |
|--|-----|
| Australia 5.75% 2021                       | 6.5 |
| Treasury 3.75% 2020                        | 5.0 |
| FNLMC Gold 4% 30 Yrs 2039                  | 4.6 |
| FNMA 4% 30 Yrs 2039                        | 4.5 |
| National Australia Bank 2.625% 2017        | 0.9 |
| Commonwealth Bank of Australia 2.625% 2017 | 0.9 |
| Royal Bank of Scotland 4% 2016             | 0.7 |
| Home Equity Asset Trust FRN 2036           | 0.7 |
| Nordea Bank 2.375% Convertible Bonds 2017  | 0.7 |
| Swedbank Mortgage 2.5% 2012                | 0.7 |

### Sector breakdown %

|                            |       |
|----------------------------|-------|
| Fixed interest securities  | 82.5  |
| Government bonds           | 13.9  |
| Liquidity funds            | 9.3   |
| Forward currency contracts | 0.5   |
| Swaps                      | 0.1   |
| Futures                    | (0.4) |
| Net other liabilities      | (5.9) |

In line with current accounting practice the sector breakdown includes the unrealised profit or loss on derivative holdings and consequently the economic market exposure of the fund cannot be fully determined from the above disclosure.

### Highest/lowest share price and distribution record

| Calendar year  | Highest share price | Lowest share price | Distribution per share |
|--|---------------------|--------------------|------------------------|
| <b>A-Class Accumulation Shares<sup>c</sup></b>       |                     |                    |                        |
| 2009   | 57.46p              | 49.55p             | 0.89p                  |
| 2010   | 61.78p              | 57.39p             | 2.02p                  |
| 2011   | 63.31p              | 60.94p             | 1.79p                  |
| 2012 <sup>d</sup>                                    | 64.20p              | 62.96p             | 0.52p                  |
| <b>A-Class Income Shares<sup>c</sup></b>             |                     |                    |                        |
| 2009   | 56.53p              | 49.55p             | 0.89p                  |
| 2010   | 58.71p              | 56.07p             | 1.97p                  |
| 2011   | 59.52p              | 56.70p             | 1.56p                  |
| 2012 <sup>d</sup>                                    | 59.31p              | 58.16p             | 0.49p                  |
| <b>B-Class Income Shares<sup>e</sup></b>             |                     |                    |                        |
| 2012 <sup>d</sup>                                    | 101.2p              | 100.2p             | 0.11p                  |
| <b>C-Class Income Shares<sup>f</sup></b>             |                     |                    |                        |
| 2009   | 104.0p              | 99.80p             | 0.13p                  |
| 2010   | 107.9p              | 103.0p             | 4.16p                  |
| 2011   | 109.4p              | 104.2p             | 3.46p                  |
| 2012 <sup>d</sup>                                    | 109.0p              | 106.9p             | 1.01p                  |
| <b>I-Class Accumulation Shares<sup>g</sup></b>       |                     |                    |                        |
| 2011   | 100.6p              | 97.04p             | 1.52p                  |
| 2012 <sup>d</sup>                                    | 102.4p              | 100.4p             | 1.00p                  |
| <b>I-Class Gross Accumulation Shares<sup>h</sup></b> |                     |                    |                        |
| 2009   | 112.2p              | 100.0p             | 1.98p                  |
| 2010   | 122.6p              | 112.2p             | 5.86p                  |
| 2011   | 126.8p              | 122.3p             | 5.36p                  |
| 2012 <sup>d</sup>                                    | 129.4p              | 126.8p             | 1.57p                  |
| <b>I-Class Income Shares<sup>g</sup></b>             |                     |                    |                        |
| 2011   | 100.5p              | 96.40p             | 1.50p                  |
| 2012 <sup>d</sup>                                    | 100.9p              | 98.87p             | 0.98p                  |
| <b>I-Class Gross Income Shares<sup>i</sup></b>       |                     |                    |                        |
| 2010   | 102.7p              | 98.44p             | 2.93p                  |
| 2011   | 104.2p              | 99.19p             | 4.40p                  |
| 2012 <sup>d</sup>                                    | 103.8p              | 101.7p             | 1.25p                  |
| <b>X-Class Accumulation Shares<sup>j</sup></b>       |                     |                    |                        |
| 2011   | 100.9p              | 99.16p             | -                      |
| 2012 <sup>d</sup>                                    | 102.9p              | 100.8p             | 1.06p                  |

<sup>c</sup> A-Class Accumulation and A-Class Income Shares were launched on 7 May 2009.

<sup>d</sup> To 31 January 2012.

<sup>e</sup> B-Class Income Shares were launched on 18 January 2012.

<sup>f</sup> C-Class Income Shares were launched on 19 October 2009.

<sup>g</sup> I-Class Accumulation and I-Class Income Shares were launched on 21 April 2011.

<sup>h</sup> I-Class Gross Accumulation Shares were launched on 1 July 2009.

<sup>i</sup> I-Class Gross Income Shares were launched on 6 April 2010.

<sup>j</sup> X-Class Accumulation Shares were launched on 2 November 2011.

## Portfolio turnover rate

|          |        |
|----------|--------|
| 31.01.11 | 457.5% |
| 31.01.12 | 349.9% |

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the period.

## Net asset values and Total expense ratios

| Date                                     | Net asset value per share class<br>£'000 | Number of shares | Net asset value per share | Total expense ratio |
|--|--|------------------|---------------------------|---------------------|
| <b>A-Class Accumulation Shares</b>       |  |                  |                           |                     |
| 31.01.10                                 | 38,003                                   | 66,142,739       | 57.46p                    | 1.18%               |
| 31.01.11                                 | 43,847                                   | 71,104,568       | 61.66p                    | 1.18%               |
| 31.01.12                                 | 89,516                                   | 140,270,479      | 63.82p                    | 1.18%               |
| <b>A-Class Income Shares</b>             |  |                  |                           |                     |
| 31.01.10                                 | 3,390                                    | 6,037,885        | 56.14p                    | 1.18%               |
| 31.01.11                                 | 12,428                                   | 21,395,451       | 58.09p                    | 1.18%               |
| 31.01.12                                 | 58,965                                   | 100,864,947      | 58.46p                    | 1.18%               |
| <b>B-Class Income Shares</b>             |  |                  |                           |                     |
| 31.01.12                                 | 5  | 5,000            | 100.4p                    | 0.80%               |
| <b>C-Class Income Shares</b>             |  |                  |                           |                     |
| 31.01.10                                 | 1,031                                    | 1,000,681        | 103.1p                    | 0.62%               |
| 31.01.11                                 | 20,596                                   | 19,311,456       | 106.7p                    | 0.62%               |
| 31.01.12                                 | 81,568                                   | 75,987,808       | 107.3p                    | 0.62%               |
| <b>I-Class Accumulation Shares</b>       |  |                  |                           |                     |
| 31.01.12                                 | 6  | 6,000            | 101.8p                    | 0.40%               |
| <b>I-Class Gross Accumulation Shares</b> |  |                  |                           |                     |
| 31.01.10                                 | 3,934                                    | 3,503,290        | 112.3p                    | 0.40%               |
| 31.01.11                                 | 7,304                                    | 5,962,071        | 122.5p                    | 0.40%               |
| 31.01.12                                 | 5,427                                    | 4,217,453        | 128.7p                    | 0.40%               |
| <b>I-Class Income Shares</b>             |  |                  |                           |                     |
| 31.01.12                                 | 15,822                                   | 15,936,969       | 99.28p                    | 0.40%               |
| <b>I-Class Gross Income Shares</b>       |  |                  |                           |                     |
| 31.01.11                                 | 5,462                                    | 5,390,375        | 101.3p                    | 0.40%               |
| 31.01.12                                 | 34,191                                   | 33,533,941       | 102.0p                    | 0.40%               |
| <b>X-Class Accumulation Shares</b>       |  |                  |                           |                     |
| 31.01.12                                 | 70,626                                   | 69,048,871       | 102.3p                    | 0.06%               |

The net asset value and the net asset value per income share are shown ex-dividend.

The total expense ratio (TER) takes into account the ACD fee and any fixed expenses charged to revenue expressed as a percentage of the average daily net asset values over the period.

# Portfolio statement

As at 31 January 2012

| Investment   | Holding     | Market value<br>£'000 | Total net<br>assets % |
|--|-------------|-----------------------|-----------------------|
| <b>Fixed interest securities – 82.5% (81.0%)</b>         |             |                       |                       |
| <b>US Dollar – 65.5%</b>                                 |             |                       |                       |
| ABFC 2005-OPT1 Trust 2005-A2C FRN 2035                   | \$184,457   | 110                   | -                     |
| ABS Home Equity Loan Trust 2004 FRN 2034                 | \$431,131   | 209                   | 0.1                   |
| Accellent 8.375% 2017                                    | \$1,250,000 | 800                   | 0.2                   |
| ACCO Brands 10.625% 2015                                 | \$600,000   | 422                   | 0.1                   |
| ACE Securities Home Equity Trust Series 2005<br>FRN 2035 | \$112,904   | 70                    | -                     |
| AES 8% 2017  | \$1,900,000 | 1,348                 | 0.4                   |
| AES 9.75% 2016   | \$600,000   | 445                   | 0.1                   |
| Alliant Techsystems 6.75% 2016                           | \$600,000   | 390                   | 0.1                   |
| Allison Transport 7.125% 2019                            | \$600,000   | 382                   | 0.1                   |
| Ally Financial 6.75% 2014                                | \$1,500,000 | 990                   | 0.3                   |
| Ally Financial 6.25% 2017                                | \$750,000   | 486                   | 0.1                   |
| Alternative Loan Trust Series 2007 6% 2022               | \$697,922   | 409                   | 0.1                   |
| AMC Entertainments 8.75% 2019                            | \$1,000,000 | 667                   | 0.2                   |
| AMC Entertainments 9.75% 2020                            | \$1,250,000 | 782                   | 0.2                   |
| America Movil 2.375% 2016                                | \$2,020,000 | 1,289                 | 0.4                   |
| America Movil 5% 2020                                    | \$1,700,000 | 1,212                 | 0.3                   |
| American Axle & Manufacturing 7.75% 2019                 | \$1,700,000 | 1,109                 | 0.3                   |
| American Home Mortgage Assets FRN 2046                   | \$147,461   | 45                    | -                     |
| American International Group 6.4% 2020                   | \$2,050,000 | 1,376                 | 0.4                   |
| Ameriquest Mortgage FRN 2034                             | \$1,145,000 | 552                   | 0.2                   |
| AmerisourceBergen 3.5% 2021                              | \$880,000   | 587                   | 0.2                   |
| Amkor Technology 7.375% 2018                             | \$2,250,000 | 1,518                 | 0.4                   |
| Amsted Industries 8.125% 2018                            | \$500,000   | 344                   | 0.1                   |
| Anadarko Petroleum 6.375% 2017                           | \$2,150,000 | 1,612                 | 0.5                   |
| Arch Coal 8.75% 2016                                     | \$500,000   | 346                   | 0.1                   |
| Arch Coal 7.25% 2021                                     | \$1,750,000 | 1,114                 | 0.3                   |
| Ardagh Packaging Finance 7.375% 2017                     | \$200,000   | 132                   | -                     |
| Ardagh Packaging Finance 9.125% 2020                     | \$2,470,000 | 1,576                 | 0.4                   |
| Aristotle 4.75% 2021                                     | \$2,305,000 | 1,541                 | 0.4                   |
| AT&T 5.55% 2041  | \$1,360,000 | 997                   | 0.3                   |
| Avaya 9.75% 2015   | \$200,000   | 122                   | -                     |
| Avaya 10.125% 2015                                       | \$400,000   | 245                   | 0.1                   |
| Avaya 7% 2019  | \$400,000   | 247                   | 0.1                   |
| Avis Budget Car Rental 9.625% 2018                       | \$1,211,000 | 838                   | 0.2                   |
| Avis Budget Car Rental 8.25% 2019                        | \$1,500,000 | 1,000                 | 0.3                   |
| Banc of America Alternative Loan Trust<br>5.5% 2019      | \$2,361,022 | 1,510                 | 0.4                   |
| Banc of America Alternative Loan Trust<br>6% 2035        | \$214,109   | 129                   | -                     |
| Banc of America Alternative Loan Trust<br>6% 2046        | \$368,840   | 161                   | -                     |
| Bank of America 3.75% 2016                               | \$840,000   | 523                   | 0.1                   |
| Barrick Finance 5.7% 2041                                | \$1,000,000 | 757                   | 0.2                   |
| Bayview Financial Mortgage Trust FRN 2041                | \$431,152   | 259                   | 0.1                   |
| Bear Stearns ABS Trust FRN 2036                          | \$664,849   | 309                   | 0.1                   |
| Biomet 10.375% 2017                                      | \$2,250,000 | 1,550                 | 0.4                   |
| Bumble Bee Acquisition 9% 2017                           | \$2,388,000 | 1,562                 | 0.4                   |
| C Bass CBO VII 2nd Priority Notes                        | \$364,581   | 227                   | 0.1                   |
| Calpine 7.875% 2020                                      | \$2,283,000 | 1,558                 | 0.4                   |
| Camden Property Trust 4.625% 2021                        | \$870,000   | 557                   | 0.2                   |
| Capital One Financial 8.8% 2019                          | \$850,000   | 650                   | 0.2                   |
| Case New Holland 7.875% SNR 2017                         | \$1,700,000 | 1,241                 | 0.3                   |
| CCO Holdings 8.75% 2018                                  | \$2,250,000 | 1,546                 | 0.4                   |
| Central Garden & Pet 8.25% 2018                          | \$2,500,000 | 1,599                 | 0.5                   |
| Cequel Communications 8.625% 2017                        | \$600,000   | 405                   | 0.1                   |
| Chase Funding Mortgage Loan FRN 2033                     | \$1,503,496 | 916                   | 0.3                   |
| Chiron Merger 10.5% 2018                                 | \$2,500,000 | 1,611                 | 0.5                   |
| Chrysler Group 8.25% 2021                                | \$2,450,000 | 1,478                 | 0.4                   |
| Cigna 4.375% 2020  | \$1,940,000 | 1,287                 | 0.4                   |
| Cincinnati Bell 8.375% 2020                              | \$2,500,000 | 1,615                 | 0.5                   |
| Cisco Systems 5.5% 2040                                  | \$1,170,000 | 890                   | 0.3                   |
| CIT Group 7% 2016  | \$475,475   | 302                   | 0.1                   |
| CIT Group 7% 2017  | \$1,000,000 | 634                   | 0.2                   |
| Citigroup 4.45% 2017                                     | \$1,590,000 | 1,044                 | 0.3                   |
| Citigroup 5.375% 2020                                    | \$1,850,000 | 1,236                 | 0.3                   |
| Citigroup 5.875% 2037                                    | \$500,000   | 331                   | 0.1                   |
| Citigroup Mortgage Loan Trust 5.5% 2035                  | \$351,977   | 211                   | 0.1                   |
| Citigroup Mortgage Loan Trust FRN 2036                   | \$1,369,224 | 609                   | 0.2                   |
| Citigroup Mortgage Loan Trust FRN 2037                   | \$1,364,992 | 798                   | 0.2                   |
| Citigroup Mortgage Loan Trust STEP 2035                  | \$27,156    | 17                    | -                     |
| Clear Channel Worldwide 9.25% 2017                       | \$2,250,000 | 1,568                 | 0.4                   |
| Coca-Cola 1.8% 2016                                      | \$1,195,000 | 778                   | 0.2                   |
| Commercial Mortgage Certificate 2.555%<br>2012           | \$2,300,000 | 1,457                 | 0.4                   |
| Community Health Systems 8.875% 2015                     | \$1,416,000 | 931                   | 0.3                   |
| Constellation Brands 7.25% 2016                          | \$600,000   | 424                   | 0.1                   |
| Continental Airlines 7.25% 2019                          | \$370,744   | 257                   | 0.1                   |
| Countrywide 2002-3 M1 FRN 2032                           | \$428,219   | 209                   | 0.1                   |

| Investment  | Holding      | Market value<br>£'000 | Total net<br>assets % |
|---|--------------|-----------------------|-----------------------|
| Countrywide 2004-1 M2 FRN 2034  | \$2,591,538  | 1,404                 | 0.4                   |
| Coventry Health Care 5.45% 2021   | \$605,000    | 428                   | 0.1                   |
| Credit Suisse Guernsey FRN Perpetual<br>Credit-Based Asset Servicing and<br>Securitization FRN 2035 | \$1,300,000  | 527                   | 0.1                   |
| CSFB Mortgage Backed Certificates 5.75%<br>2033   | \$292,252    | 182                   | 0.1                   |
| CVS Caremark 5.75% 2041   | \$253,339    | 158                   | -                     |
| CWALT 2004-24CB 1A1 6% 2034   | \$670,000    | 502                   | 0.1                   |
| CWALT 2005-28CB 1A5 5.5% 2035   | \$1,055,598  | 655                   | 0.2                   |
| CWALT 2004-28CB 2A4 5.75% 2035  | \$81,350     | 51                    | -                     |
| CWALT 2004-28CB 3A1 6% 2035   | \$1,197,404  | 730                   | 0.2                   |
| CWALT 2004-28CB 3A1 6% 2035   | \$738,075    | 447                   | 0.1                   |
| DCP Midstream 5.35% 2020  | \$1,000,000  | 688                   | 0.2                   |
| Del Monte 7.625% 2019   | \$2,500,000  | 1,564                 | 0.4                   |
| Delta Air Lines 6.2% 2018   | \$1,348,926  | 910                   | 0.3                   |
| Delta Air Lines 'A' 7.75% 2021  | \$219,311    | 153                   | -                     |
| Denbury Resources 9.75% 2016  | \$600,000    | 427                   | 0.1                   |
| Denbury Resources 8.25% 2020  | \$500,000    | 359                   | 0.1                   |
| Digical Group 10.5% 2018  | \$250,000    | 166                   | -                     |
| DirectTV 7.625% 2016  | \$100,000    | 67                    | -                     |
| DirectTV 5% 2021  | \$1,700,000  | 1,179                 | 0.3                   |
| Discover Financial Services 6.45% 2017  | \$600,000    | 404                   | 0.1                   |
| Dish DBS 7.125% 2016  | \$100,000    | 69                    | -                     |
| Dish DBS 7.875% 2019  | \$1,400,000  | 1,015                 | 0.3                   |
| Dish DBS 6.75% SNR 2021   | \$750,000    | 517                   | 0.1                   |
| DJO Finance 7.75% SNR 2018  | \$1,500,000  | 703                   | 0.2                   |
| Duke Realty 5.95% 2017  | \$1,880,000  | 1,317                 | 0.4                   |
| Easton-Bell Sports 9.75% 2016   | \$1,500,000  | 1,050                 | 0.3                   |
| EH Holding 6.5% 2019  | \$1,000,000  | 660                   | 0.2                   |
| Energy Transfer Partners 4.65% 2021   | \$280,000    | 180                   | 0.1                   |
| Energy Transfer Partners 6.05% 2041   | \$495,000    | 317                   | 0.1                   |
| Energy Transfer Partners 6.5% 2042  | \$1,295,000  | 879                   | 0.2                   |
| Entergy Arkansas 3.75% 2021   | \$1,330,000  | 869                   | 0.2                   |
| Enterprise Products 5.7% 2042   | \$1,065,000  | 744                   | 0.2                   |
| EQT 4.875% 2021   | \$1,340,000  | 861                   | 0.2                   |
| ERP Operating 4.625% 2021   | \$510,000    | 343                   | 0.1                   |
| FFMLT Trust Series 2005-FF11 FRN 2035   | \$746,977    | 397                   | 0.1                   |
| FHLMC 5% 2021   | \$3,823,542  | 197                   | 0.1                   |
| FHLMC FRN 2036  | \$3,711,033  | 385                   | 0.1                   |
| Fidelity National Info Services 7.875% 2020   | \$600,000    | 426                   | 0.1                   |
| First Data 8.875% 2020  | \$750,000    | 501                   | 0.1                   |
| First Data 12.625% 2021   | \$142,000    | 87                    | -                     |
| First Data 8.75% 2022   | \$1,640,000  | 940                   | 0.3                   |
| First Horizon Alternative Mortgage<br>Securities Trust 5% 2020                                      | \$1,393,710  | 852                   | 0.2                   |
| First Horizon Alternative Mortgage<br>Securities Trust 5.5% 2035                                    | \$1,567,348  | 869                   | 0.2                   |
| First Horizon Mortgage Pass Through<br>Trust 5.5% 2035  | \$326,059    | 211                   | 0.1                   |
| FirstEnergy 7.375% 2031   | \$500,000    | 405                   | 0.1                   |
| FMG Resources 6.875% 2018   | \$1,450,000  | 932                   | 0.3                   |
| FMG Resources 8.25% 2019  | \$1,100,000  | 744                   | 0.2                   |
| FNLMC Gold 4% 30 Yrs 2039   | \$24,300,000 | 16,220                | 4.6                   |
| FNMA FRN Jun 2021   | \$9,034,106  | 573                   | 0.2                   |
| FNMA FRN Dec 2021   | \$10,744,990 | 655                   | 0.2                   |
| FNMA FRN 2026   | \$5,548,363  | 394                   | 0.1                   |
| FNMA FRN 2034   | \$3,557,460  | 451                   | 0.1                   |
| FNMA FRN 2035   | \$1,969,710  | 218                   | 0.1                   |
| FNMA FRN 2036   | \$3,089,543  | 357                   | 0.1                   |
| FNMA FRN 2040   | \$2,220,390  | 220                   | 0.1                   |
| FNMA 4% 30 Yrs 2039   | \$24,200,000 | 16,194                | 4.5                   |
| Ford Motor Credit 6.625% 2017   | \$850,000    | 602                   | 0.2                   |
| Ford Motor Credit 5% 2018   | \$1,550,000  | 1,014                 | 0.3                   |
| Freescale Semiconductor 9.25% 2018  | \$2,500,000  | 1,734                 | 0.5                   |
| Frontier Communications 6.625% 2015   | \$250,000    | 160                   | -                     |
| Frontier Communications 8.5% 2020   | \$350,000    | 220                   | 0.1                   |
| GCI 8.625% 2019   | \$2,500,000  | 1,710                 | 0.5                   |
| General Electric Capital 5.875% 2038  | \$1,620,000  | 1,116                 | 0.3                   |
| Geo Group 7.75% 2017  | \$1,100,000  | 746                   | 0.2                   |
| Geo Group 6.625% 2021   | \$750,000    | 487                   | 0.1                   |
| Glatfelter 7.125% 2016  | \$600,000    | 389                   | 0.1                   |
| GNMA 5% 2039  | \$971,630    | 75                    | -                     |
| GNMA FRN 2040   | \$9,576,010  | 1,167                 | 0.3                   |
| GNMA FRN 2041   | \$6,234,554  | 688                   | 0.2                   |
| Goldman Sachs Group 6.25% 2041  | \$400,000    | 257                   | 0.1                   |
| Goodyear Tire & Rubber 8.25% 2020   | \$2,200,000  | 1,515                 | 0.4                   |
| Hanesbrands 8% 2016   | \$1,000,000  | 695                   | 0.2                   |
| Harrhahs Operating 11.25% 2017  | \$2,500,000  | 1,716                 | 0.5                   |
| Hartford Financial Services 6.625% 2040   | \$300,000    | 194                   | 0.1                   |
| HCA 7.5% 2022   | \$3,000,000  | 2,033                 | 0.6                   |
| HCP 5.375% 2021   | \$750,000    | 524                   | 0.1                   |

# Portfolio statement – continued

As at 31 January 2012

| Investment   | Holding     | Market value<br>£'000 | Total net<br>assets % | Investment   | Holding     | Market value<br>£'000 | Total net<br>assets % |
|--|-------------|-----------------------|-----------------------|--|-------------|-----------------------|-----------------------|
| Health Management Associates 6.125% 2016           | \$600,000   | 390                   | 0.1                   | Peabody Energy 6.25% 2021                                    | \$2,250,000 | 1,468                 | 0.4                   |
| Health Management Associates 7.375% 2020           | \$1,500,000 | 979                   | 0.3                   | Petrohawk Energy 10.5% 2014                                  | \$600,000   | 422                   | 0.1                   |
| HealthSouth 7.25% 2018                             | \$600,000   | 391                   | 0.1                   | Petrohawk Energy 7.875% 2015                                 | \$2,375,000 | 1,595                 | 0.4                   |
| Hertz 6.75% 2019                                   | \$2,000,000 | 1,314                 | 0.4                   | Philip Morris International 5.65% 2018                       | \$2,155,000 | 1,653                 | 0.5                   |
| Hertz 7.375% 2021                                  | \$500,000   | 333                   | 0.1                   | Plains All American Pipeline 5.75% 2020                      | \$580,000   | 420                   | 0.1                   |
| Home Equity Asset Trust FRN 2036                   | \$4,791,506 | 2,529                 | 0.7                   | PNC Financial Services 6.75% 2049                            | \$1,796,000 | 1,168                 | 0.3                   |
| Host Hotels & Resorts 9% 2017                      | \$1,500,000 | 1,053                 | 0.3                   | PPL 5.375% 2021  | \$1,275,000 | 858                   | 0.2                   |
| Host Marriott 'Q' 6.75% 2016                       | \$600,000   | 392                   | 0.1                   | Quebecor Media 7.75% 2016                                    | \$1,000,000 | 652                   | 0.2                   |
| HSBC 6.1% 2042                                     | \$1,000,000 | 728                   | 0.2                   | Qwest Communications International 7.5% 2014                 | \$600,000   | 381                   | 0.1                   |
| Huntsman International 5.5% 2016                   | \$600,000   | 376                   | 0.1                   | Qwest Communications International 8% 2015                   | \$400,000   | 273                   | 0.1                   |
| Huntsman International 8.625% 2021                 | \$1,000,000 | 695                   | 0.2                   | Ramp Series Trust FRN 2034                                   | \$424,126   | 246                   | 0.1                   |
| Indymac Index Mortgage Loan Trust FRN 2034         | \$511,022   | 205                   | 0.1                   | RBS Global & REXNORD 8.5% 2018                               | \$1,600,000 | 1,077                 | 0.3                   |
| Ineos Finance 9% 2015                              | \$1,250,000 | 816                   | 0.2                   | Renaissance Home Equity Loan Trust FRN 2034                  | \$2,398,785 | 759                   | 0.2                   |
| Intelsat Bermuda 11.25% 2016                       | \$1,220,000 | 821                   | 0.2                   | Residential Asset Securitization Trust 5% 2019               | \$467,916   | 296                   | 0.1                   |
| Intelsat Bermuda 11.5% Step Up 2017                | \$500,000   | 319                   | 0.1                   | Residential Asset Securitization Trust 6% 2035               | \$1,625,943 | 873                   | 0.2                   |
| Intelsat Jackson 7.25% 2020                        | \$530,000   | 350                   | 0.1                   | Reynolds Group 9% 2019                                       | \$1,500,000 | 941                   | 0.3                   |
| International Lease Finance 8.625% 2015            | \$2,000,000 | 1,367                 | 0.4                   | Reynolds Group 9.875% 2019                                   | \$750,000   | 480                   | 0.1                   |
| International Lease Finance 8.75% 2017             | \$500,000   | 348                   | 0.1                   | RFMSI Series Trust 6% 2036                                   | \$129,288   | 76                    | -                     |
| International Paper 6% 2041                        | \$930,000   | 664                   | 0.2                   | Rite Aid 9.75% 2016  | \$1,000,000 | 691                   | 0.2                   |
| Iron Mountain 8.75% 2014                           | \$500,000   | 330                   | 0.1                   | Rockies Express Pipeline 3.9% 2015                           | \$1,370,000 | 859                   | 0.2                   |
| Iron Mountain 8.375% 2021                          | \$500,000   | 345                   | 0.1                   | RSC Equipment Rental 8.25% 2021                              | \$2,250,000 | 1,468                 | 0.4                   |
| J Crew Group 8.125% 2019                           | \$1,800,000 | 1,106                 | 0.3                   | Sand Trust 2005-HE2 FRN 2035                                 | \$8,257     | 5                     | -                     |
| Jarden 8% 2016                                     | \$600,000   | 414                   | 0.1                   | Saxon Asset Securities Trust FRN 2036                        | \$392,032   | 180                   | 0.1                   |
| Jarden 7.5% 2017                                   | \$1,900,000 | 1,285                 | 0.4                   | Sealy Mattress 8.25% 2014                                    | \$1,350,000 | 802                   | 0.2                   |
| JPMorgan Mortgage Trust 4.5% 2020^                 | \$77,131    | 49                    | -                     | Sealy Mattress 10.375% 2016                                  | \$870,000   | 599                   | 0.2                   |
| JPMorgan Mortgage Trust 5.5% 2035^                 | \$340,251   | 217                   | 0.1                   | Sensata Technologies 6.5% 2019                               | \$1,800,000 | 1,157                 | 0.3                   |
| Kinder Morgan Energy Partners 6.95% 2038           | \$400,000   | 290                   | 0.1                   | Service Corporation International 6.75% 2015                 | \$600,000   | 413                   | 0.1                   |
| Kraft Foods 5.375% 2020                            | \$2,200,000 | 1,618                 | 0.5                   | Servicemaster 10.75% 2015                                    | \$500,000   | 331                   | 0.1                   |
| Lehman Mortgage Trust 5.5% 2035                    | \$572,573   | 306                   | 0.1                   | Simmons 11.25% 2015  | \$620,000   | 406                   | 0.1                   |
| Level 3 Communications 8.125% 2019                 | \$2,500,000 | 1,595                 | 0.4                   | Spectrum Brands 9.5% 2018                                    | \$2,000,000 | 1,436                 | 0.4                   |
| Linn Energy 8.625% 2020                            | \$2,150,000 | 1,498                 | 0.4                   | Sprint Capital 8.75% 2032                                    | \$2,250,000 | 1,201                 | 0.3                   |
| Long Beach Mortgage Loan Trust FRN 2034            | \$2,270,000 | 1,057                 | 0.3                   | Sprint Nextel 9% 2018  | \$250,000   | 171                   | -                     |
| Lucent Technologie 6.45% 2029                      | \$2,500,000 | 1,192                 | 0.3                   | Structured Asset Securities 4.72% 2035                       | \$562,750   | 342                   | 0.1                   |
| Lyondell Chemical 11% 2018                         | \$299,460   | 207                   | 0.1                   | Structured Asset Securities 5.5% 2035                        | \$3,962,545 | 2,238                 | 0.6                   |
| Manitowoc 8.5% 2020                                | \$200,000   | 138                   | -                     | Structured Asset Securities FRN May 2035                     | \$178,244   | 83                    | -                     |
| Marina District Finance 9.875% 2018                | \$2,100,000 | 1,230                 | 0.3                   | Structured Asset Securities FRN Nov 2035                     | \$146,299   | 88                    | -                     |
| Master Alternative Loan Trust 5.5% 2035            | \$578,815   | 345                   | 0.1                   | Structured Asset Investment Loan Trust FRN 2033              | \$1,130,000 | 571                   | 0.2                   |
| Master Alternative Loan Trust 5.75% 2035           | \$332,596   | 173                   | -                     | Suncor Energy 6.5% 2038                                      | \$1,050,000 | 850                   | 0.2                   |
| Master Asset Backed Securities Trust FRN 2033      | \$116,451   | 71                    | -                     | Sungard Data Systems 10.25% 2015                             | \$630,000   | 413                   | 0.1                   |
| Mattel 5.45% 2041                                  | \$965,000   | 628                   | 0.2                   | Sungard Data Systems 7.375% 2018                             | \$1,000,000 | 667                   | 0.2                   |
| Metropcs Wireless 7.875% 2018                      | \$2,238,000 | 1,506                 | 0.4                   | SUPERVALU 8% 2016  | \$625,000   | 412                   | 0.1                   |
| MGM Resorts 7.5% 2016                              | \$1,300,000 | 823                   | 0.2                   | Tenet Healthcare 10% 2018                                    | \$500,000   | 365                   | 0.1                   |
| MGM Resorts 11.125% 2017                           | \$100,000   | 72                    | -                     | Tenet Healthcare 8% 2020                                     | \$1,500,000 | 981                   | 0.3                   |
| MGM Resorts 9% 2020                                | \$850,000   | 607                   | 0.2                   | Terex 8% 2017  | \$2,450,000 | 1,567                 | 0.4                   |
| Michaels Stores 7.75% 2018                         | \$2,250,000 | 1,488                 | 0.4                   | Transocean 6.375% 2021                                       | \$1,720,000 | 1,223                 | 0.3                   |
| Morgan Stanley ABS Capital I Income Trust FRN 2034 | \$517,529   | 274                   | 0.1                   | United Health Group 5.7% 2040                                | \$270,000   | 205                   | 0.1                   |
| Morgan Stanley Capital 5.21% 2042                  | \$405,000   | 285                   | 0.1                   | United Surgical Partners 8.875% 2017                         | \$1,000,000 | 659                   | 0.2                   |
| Morgan Stanley Mortgage Loan Trust 5.85% 2034      | \$835,090   | 513                   | 0.1                   | United Surgical Partners 9.25% 2017                          | \$500,000   | 321                   | 0.1                   |
| Morgan Stanley Mortgage Loan Trust 6.57% 2034      | \$838,393   | 526                   | 0.1                   | UPCB Finance III 6.625% 2020                                 | \$2,500,000 | 1,627                 | 0.5                   |
| Mylan 7.875% 2020                                  | \$2,500,000 | 1,758                 | 0.5                   | US Oncology Action Escrow 9.125% 2017                        | \$600,000   | 4                     | -                     |
| Nationwide Building Society 4.65% 2015             | \$1,365,000 | 873                   | 0.2                   | Vail Resorts 6.5% 2019                                       | \$2,500,000 | 1,631                 | 0.5                   |
| Natixis FRN 2019                                   | \$1,200,000 | 611                   | 0.2                   | Vale Overseas 4.625% 2020                                    | \$2,400,000 | 1,597                 | 0.4                   |
| NBC Universal Media 4.375% 2021                    | \$2,110,000 | 1,447                 | 0.4                   | Valeant Pharmaceuticals 6.875% 2018                          | \$1,000,000 | 648                   | 0.2                   |
| New Century Home Equity Loan Trust FRN 2034        | \$525,872   | 275                   | 0.1                   | Valeant Pharmaceuticals 7.25% 2022                           | \$1,585,000 | 1,017                 | 0.3                   |
| New Jersey Economic Development Authority 5% 2021  | \$930,000   | 710                   | 0.2                   | Valero Energy 6.625% 2037                                    | \$366,000   | 250                   | 0.1                   |
| Nisource 5.8% 2042                                 | \$1,035,000 | 709                   | 0.2                   | Videotron 6.375% 2015  | \$600,000   | 388                   | 0.1                   |
| NRG Energy 7.625% 2018                             | \$250,000   | 155                   | -                     | Visant 10% 2017  | \$600,000   | 345                   | 0.1                   |
| NV Energy 6.25% 2020                               | \$1,425,000 | 973                   | 0.3                   | Visteon 6.75% 2019   | \$2,250,000 | 1,404                 | 0.4                   |
| NXP 9.75% 2018                                     | \$2,350,000 | 1,664                 | 0.5                   | Wachovia Bank 5.274% 2044                                    | \$250,000   | 175                   | -                     |
| Occidental Petroleum 1.75% 2017                    | \$1,895,000 | 1,220                 | 0.3                   | Waste Management 2.6% 2016                                   | \$1,250,000 | 810                   | 0.2                   |
| Oglethorpe Power 5.375% 2040                       | \$465,000   | 343                   | 0.1                   | Wells Fargo Mortgage Backed Securities Trust 4.75% 2020      | \$173,798   | 113                   | -                     |
| Oncor Electric Delivery 5% 2017                    | \$1,150,000 | 833                   | 0.2                   | Wells Fargo Mortgage Backed Securities Trust 6% 2037         | \$445,591   | 258                   | 0.1                   |
| ONEOK 3.25% 2016                                   | \$1,150,000 | 761                   | 0.2                   | Windstream 8.125% 2018                                       | \$100,000   | 69                    | -                     |
| Opteum Mortgage Acceptance FRN 2035                | \$402,467   | 240                   | 0.1                   | Windstream 7.75% 2021  | \$2,400,000 | 1,638                 | 0.5                   |
| Option One Mortgage Loan Trust 2004-3 M-2 FRN 2034 | \$450,000   | 226                   | 0.1                   | WPP Finance 4.75% 2021                                       | \$775,000   | 499                   | 0.1                   |
| Option One Mortgage Loan Trust 2004-3 M-3 FRN 2034 | \$332,153   | 161                   | -                     | Xerox 4.5% 2021  | \$1,465,000 | 953                   | 0.3                   |
| Oracle 5.375% 2040                                 | \$645,000   | 493                   | 0.1                   | Xstrata Canada Corporation 6% 2041                           | \$690,000   | 465                   | 0.1                   |
| Paetec 8.875% 2017                                 | \$600,000   | 415                   | 0.1                   | <b>Euro – 14.8%</b>  |             |                       |                       |
| Paetec 9.875% 2018                                 | \$1,400,000 | 991                   | 0.3                   | Abbey National Treasury Services 2.5% Convertible Bonds 2013 | €2,500,000  | 2,101                 | 0.6                   |
| Park Place Securities FRN Feb 2035                 | \$1,500,000 | 767                   | 0.2                   | ABN Amro Bank 3.75% 2014                                     | €1,800,000  | 1,584                 | 0.4                   |
| Park Place Securities FRN Jun 2035                 | \$150,000   | 83                    | -                     | Alliance Finance 4.375% Perpetual                            | €282,000    | 192                   | 0.1                   |



# Portfolio statement – continued

As at 31 January 2012

| Investment                                  | Holding            | Market value<br>£'000 | Total net<br>assets % |
|---|--------------------|-----------------------|-----------------------|
| Ardagh Packaging Finance 7.375% 2017        | €700,000           | 594                   | 0.2                   |
| Bank of Scotland 4.5% 2013                  | €2,600,000         | 2,263                 | 0.6                   |
| Barclays Bank 6% 2021                       | €1,100,000         | 854                   | 0.2                   |
| Barclays Bank 3.125% Convertible Bonds 2015 | €2,500,000         | 2,147                 | 0.6                   |
| BNP Paribas 2.5% 2015                       | €2,750,000         | 2,330                 | 0.7                   |
| Campofrio Food 8.25% 2016                   | €350,000           | 299                   | 0.1                   |
| Capsugel 9.875% 2019                        | €300,000           | 264                   | 0.1                   |
| Cirsa Funding 8.75% 2018                    | €300,000           | 232                   | 0.1                   |
| Codere Finance 8.25% 2015                   | €350,000           | 290                   | 0.1                   |
| Commonwealth Bank of Australia 2.625% 2017  | €3,619,000         | 3,046                 | 0.9                   |
| Compagnie de Financement Foncier 4.75% 2015 | €2,200,000         | 1,970                 | 0.6                   |
| Continental Gummi Finance 7.125% 2018       | €900,000           | 772                   | 0.2                   |
| Credit Agricole 2.5% 2015                   | €2,500,000         | 2,104                 | 0.6                   |
| Danske Bank 3.25% 2015                      | €2,000,000         | 1,746                 | 0.5                   |
| DNB 2.75% 2015                              | €1,800,000         | 1,554                 | 0.4                   |
| EC Finance 9.75% 2017                       | €300,000           | 218                   | 0.1                   |
| Fiat Industrial Finance 6.25% 2018          | €350,000           | 280                   | 0.1                   |
| Fleet Street Finance Three FRN 2016         | €761,360           | 542                   | 0.2                   |
| FoodCorp 8.75% 2018                         | €300,000           | 235                   | 0.1                   |
| Grohe 8.625% 2014                           | €300,000           | 238                   | 0.1                   |
| HeidelbergCement 9.5% 2018                  | €350,000           | 329                   | 0.1                   |
| HIT Finance 5.75% 2018                      | €600,000           | 513                   | 0.1                   |
| Hutchison Whampoa 4.75% 2016                | €600,000           | 531                   | 0.1                   |
| ING Bank 2.25% 2015                         | €2,500,000         | 2,117                 | 0.6                   |
| Kabel BW Erste Beteiligungs 7.5% 2019       | €200,000           | 174                   | -                     |
| Kinove German Bondco 10% 2018               | €300,000           | 248                   | 0.1                   |
| Kion Finance 7.875% 2018                    | €300,000           | 220                   | 0.1                   |
| Lloyds Banking Group 6.5% 2020              | €1,395,000         | 993                   | 0.3                   |
| Nara Cable 8.875% 2018                      | €350,000           | 267                   | 0.1                   |
| National Australia Bank 2.625% 2017         | €3,900,000         | 3,273                 | 0.9                   |
| NorCell 10.75% 2019                         | €300,000           | 245                   | 0.1                   |
| Nordea Bank 2.375% Convertible Bonds 2017   | €2,842,000         | 2,381                 | 0.7                   |
| OP Mortgage Bank 3.125% 2014                | €1,900,000         | 1,655                 | 0.5                   |
| Pernod Ricard 5% 2017                       | €1,600,000         | 1,430                 | 0.4                   |
| Picard Bondco 9% 2018                       | €300,000           | 262                   | 0.1                   |
| Rabobank 6.875% 2020                        | €700,000           | 547                   | 0.2                   |
| Rexel 7% 2018                               | €700,000           | 598                   | 0.2                   |
| Royal Bank of Scotland 4% 2016              | €3,000,000         | 2,607                 | 0.7                   |
| Royal Bank of Scotland 4.31% FRN Perpetual  | €650,000           | 388                   | 0.1                   |
| Smurfit Kappa Acquisition 7.25% 2017        | €1,500,000         | 1,305                 | 0.4                   |
| Standard Chartered FRN 2018                 | €1,150,000         | 887                   | 0.2                   |
| Sunrise Communications 8.5% 2018            | €350,000           | 301                   | 0.1                   |
| Swedbank Mortgage 2.5% 2012                 | €2,750,000         | 2,355                 | 0.7                   |
| TVN Finance 10.75% 2017                     | €350,000           | 302                   | 0.1                   |
| Ziggo Finance 6.125% 2017                   | €1,310,000         | 1,115                 | 0.3                   |
| <b>Sterling – 2.2%</b>                      |                    |                       |                       |
| Aegon 6.625% 2039                           | €400,000           | 415                   | 0.1                   |
| BAA 7.125% 2017                             | €620,000           | 598                   | 0.2                   |
| Compagnie de Saint-Gobain 5.625% 2016       | €600,000           | 651                   | 0.2                   |
| Crown Newco 7% 2018                         | €690,000           | 668                   | 0.2                   |
| Eversholt Funding 6.359% 2025               | €775,000           | 869                   | 0.2                   |
| Imperial Tobacco Finance 5.5% 2026          | €850,000           | 916                   | 0.3                   |
| ING Bank 6.875% 2023                        | €675,000           | 641                   | 0.2                   |
| Lloyds Banking Group 10.75% 2021            | €249,000           | 260                   | 0.1                   |
| Standard Life 6.75% Perpetual               | €900,000           | 760                   | 0.2                   |
| SunTrust Bank FRN 2012                      | €100,000           | 99                    | -                     |
| Swiss Reinsurance FRN Perpetual             | €1,100,000         | 930                   | 0.3                   |
| Xstrata Finance Canada 7.375% 2020          | €755,000           | 888                   | 0.2                   |
| <b>Government bonds – 13.9% (9.0%)</b>      |                    |                       |                       |
| <b>Australia – 6.5%</b>                     |                    |                       |                       |
| Australia 5.75% 2021                        | AUD 29,500,000     | 23,060                | 6.5                   |
| <b>United Kingdom – 5.0%</b>                |                    |                       |                       |
| Treasury 3.75% 2020                         | £15,600,000        | 17,984                | 5.0                   |
| <b>United States of America – 1.0%</b>      |                    |                       |                       |
| United States Treasury 0% 2012              | \$2,637,000        | 1,670                 | 0.5                   |
| United States Treasury 2.125% 2041          | \$1,792,047        | 1,620                 | 0.5                   |
| <b>South Korea – 0.6%</b>                   |                    |                       |                       |
| Korea 4% 2012                               | KRW 1,805,000,000  | 1,022                 | 0.3                   |
| Korea 5.75% 2013                            | KRW 1,800,000,000  | 1,077                 | 0.3                   |
| <b>Indonesia – 0.6%</b>                     |                    |                       |                       |
| Indonesia 9% 2013                           | IDR 13,700,000,000 | 1,038                 | 0.3                   |
| Indonesia 11.25% 2014                       | IDR 11,100,000,000 | 893                   | 0.3                   |
| <b>Brazil – 0.2%</b>                        |                    |                       |                       |
| Brazil 10% 2013                             | BRL 1,740          | 643                   | 0.2                   |

| Investment  | Holding      | Market value<br>£'000 | Total net<br>assets % |
|---|--------------|-----------------------|-----------------------|
| <b>Forward currency contracts – 0.5% (2.0%)</b>   |              |                       |                       |
| <b>Australian Dollar</b>  |              |                       |                       |
| Buy AUD 462,101 sell £304,108 dated 07/03/12  |              | 7                     | -                     |
| Buy AUD 262,509 sell £177,310 dated 07/03/12  |              | (1)                   | -                     |
| Sell AUD 34,580,762 buy £22,311,898 dated 07/03/12  |              | (955)                 | (0.3)                 |
| <b>Chinese Renminbi</b>   |              |                       |                       |
| Buy CNY 139,882,531 sell \$22,055,774 dated 07/03/12  |              | 102                   | -                     |
| <b>Euro</b>   |              |                       |                       |
| Buy €3,658,671 sell £3,048,598 dated 07/03/12   |              | 7                     | -                     |
| Buy €16,414,931 sell \$20,829,119 dated 07/03/12  |              | 510                   | 0.1                   |
| Sell €73,758,605 buy £61,636,744 dated 07/03/12   |              | 45                    | -                     |
| Sell €8,114,184 buy £6,717,017 dated 07/03/12   |              | (59)                  | -                     |
| <b>Mexican Peso</b>   |              |                       |                       |
| Buy MXN 72,234,018 sell £3,294,574 dated 07/03/12   |              | 240                   | 0.1                   |
| <b>US Dollar</b>  |              |                       |                       |
| Buy \$1,034,111 sell BRL 1,951,988 dated 07/03/12   |              | (52)                  | -                     |
| Buy \$2,992,785 sell IDR 27,761,070,788 dated 07/03/12  |              | (60)                  | -                     |
| Buy \$3,208,064 sell KRW 3,704,351,605 dated 07/03/12   |              | (54)                  | -                     |
| Sell \$326,157,845 buy £208,686,755 dated 07/03/12  |              | 2,033                 | 0.6                   |
| <b>Swaps – 0.1% (0.0%)</b>  |              |                       |                       |
| Credit Default Swaps China 4.75%<br>20 Dec 2016   | (14,350,000) | (141)                 | -                     |
| Credit Default Swaps Korea 4.875%<br>20 Dec 2016  | 14,350,000   | 191                   | 0.1                   |
| <b>Futures – (0.4)% (0.5%)</b>  |              |                       |                       |
| Euro BOBL Futures Mar 2012  | (80)         | (116)                 | -                     |
| Euro Bund Futures Mar 2012  | 4            | (1)                   | -                     |
| Long Gilt Futures Mar 2012  | 165          | 288                   | 0.1                   |
| US 5 Year Note Futures Mar 2012   | (642)        | (478)                 | (0.1)                 |
| US 10 Year Note Futures Mar 2012  | (893)        | (1,470)               | (0.4)                 |
| US 10 Year Note Futures Mar 2012  | (893)        | (14)                  | -                     |
| US Long Bond Futures Mar 2012   | 84           | 32                    | -                     |
| <b>Liquidity funds – 9.3% (2.6%)</b>  |              |                       |                       |
| JPM Sterling Liquidity 'X' (Income)^  | 33,142,528   | 33,142                | 9.3                   |
| <b>Investment assets (including investment liabilities)</b>   |              | <b>377,248</b>        | <b>105.9</b>          |
| <b>Net other liabilities</b>  |              | <b>(21,122)</b>       | <b>(5.9)</b>          |
| <b>Net assets</b>   |              | <b>356,126</b>        | <b>100.0</b>          |
| Unless otherwise stated the above securities are admitted to official stock exchange listings or trade on a regulated market. |              |                       |                       |
| The comparative percentage figures in brackets are at 31 January 2011.  |              |                       |                       |
| ^ Deemed to be investment in related parties of the ACD   |              |                       |                       |
|   |              | Market value          |                       |
| Portfolio credit ratings  |              | £'000                 |                       |
| AAA   |              | 114,216               |                       |
| AA+   |              | 153                   |                       |
| AA  |              | 1,534                 |                       |
| AA-   |              | 227                   |                       |
| A+  |              | 7,057                 |                       |
| A   |              | 6,610                 |                       |
| A-  |              | 10,084                |                       |
| BBB+  |              | 6,071                 |                       |
| BBB   |              | 18,863                |                       |
| BBB-  |              | 20,496                |                       |
| BB+   |              | 9,873                 |                       |
| BB  |              | 14,786                |                       |
| BB-   |              | 15,923                |                       |
| B+  |              | 25,883                |                       |
| B   |              | 31,845                |                       |
| B-  |              | 24,875                |                       |
| CCC+  |              | 27,852                |                       |
| C   |              | 2,612                 |                       |
| Unrated   |              | 5,092                 |                       |
| <b>Total bonds</b>  |              | <b>344,052</b>        |                       |
| Forward currency contracts  |              | 1,763                 |                       |
| Swaps   |              | 50                    |                       |
| Futures   |              | (1,759)               |                       |
| Liquidity funds   |              | 33,142                |                       |
| <b>Investment assets (including investment liabilities)</b>   |              | <b>377,248</b>        |                       |

## Portfolio movements

For the year ending 31 January 2012

|  | £'000          |  | £'000           |
|--|----------------|--|-----------------|
| <b>Total of all purchases for the year</b> | <b>723,365</b> | <b>Total of all sales for the year</b> | <b>438,666</b>  |
| <b>Major purchases</b>                     | <b>Cost</b>    | <b>Major sales</b>                     | <b>Proceeds</b> |
| JPM Sterling Liquidity 'X' (Income)^       | 99,143         | JPM Sterling Liquidity 'X' (Income)^   | 67,444          |
| Australia 5.75% 2021                       | 20,975         | FNMA 4% 30 Yrs Oct 2039                | 17,193          |
| Treasury 3.75% 2020                        | 17,104         | FNLMLC Gold 4% 30 Yrs Jan 2040         | 16,459          |
| FNMA 4% 30 Yrs Oct 2039                    | 16,963         | FNMA 4% 30 Yrs Jan 2042                | 16,421          |
| FNLMLC Gold 4% 30 Yrs Feb 2039             | 16,413         | FHLMC Gold 4% 30 Yrs Dec 2039          | 16,197          |
| FNMA 4% 30 Yrs Feb 2039                    | 16,376         | FNMA 4% 30 Yrs Dec 2041                | 16,163          |
| FNLMLC Gold 4% 30 Yrs Jan 2040             | 16,163         | United States Treasury 0% 27 Oct 2011  | 15,600          |
| FNMA 4% 30 Yrs Jan 2042                    | 16,131         | FHLMC Gold 4% 30 Yrs Nov 2039          | 14,553          |
| FHLMC Gold 4% 30 Yrs Dec 2039              | 15,699         | FNMA Gold 4% 30 Yrs Nov 2039           | 14,526          |
| FNMA 4% 30 Yrs Dec 2041                    | 15,676         | FHLMC Gold 4% 30 Yrs Oct 2039          | 12,477          |
| United States Treasury 0% 27 Oct 2011      | 15,240         | FNMA 4.5% 30 Yrs Aug 2033              | 11,098          |
| FNMA Gold 4% 30 Yrs Nov 2039               | 14,846         | FNMA 4% 30 Yrs Sep 2039                | 10,238          |
| FHLMC Gold 4% 30 Yrs Nov 2039              | 14,452         | FHLMC Gold 4% 30 Yrs Sep 2039          | 10,228          |
| FHLMC Gold 4% 30 Yrs Oct 2039              | 12,172         | United States Treasury 0% 6 Oct 2011   | 7,440           |
| FNMA 4.5% 30 Yrs Aug 2033                  | 11,209         | FNMA 5% 30 Yrs Aug 2036                | 7,129           |
| FNMA 4% 30 Yrs Sep 2039                    | 10,031         | FNMA 4.5% 30 Yrs Jul 2034              | 6,257           |
| FHLMC Gold 4% 30 Yrs Sep 2039              | 9,917          | FNMA 4% 30 Yrs Jul 2039                | 6,188           |
| FNMA 5% 30 Yrs Aug 2036                    | 7,290          | FNMA 4% 30 Yrs Jun 2039                | 6,123           |
| United States Treasury 0% 6 Oct 2011       | 7,209          | FNMA Gold 6% 30 Yrs Jul 2034           | 6,068           |
| FNMA 4.5% 30 Yrs Jul 2034                  | 6,190          | FNMA 4% 30 Yrs May 2039                | 6,005           |

^ Deemed to be investment in related parties of the ACD

# Financial statements

## Statement of total return

For the year ending 31 January

|   | £'000   | 2012<br>£'000 | £'000 | 2011<br>£'000 |
|---|---------|---------------|-------|---------------|
| Income  |         |               |       |               |
| Net capital gains (Note 1)  |         | 1,894         |       | 1,925         |
| Revenue (Note 2)  | 9,595   |               | 4,234 |               |
| Expenses (Note 3)   | (1,607) |               | (762) |               |
| Net revenue before taxation   | 7,988   |               | 3,472 |               |
| Taxation (Note 4)   | (17)    |               | -     |               |
| Net revenue after taxation  |         | 7,971         |       | 3,472         |
| <b>Total return before distributions</b>  |         | <b>9,865</b>  |       | <b>5,397</b>  |
| Finance costs:<br>Distributions (Note 5)  |         | (7,951)       |       | (3,469)       |
| <b>Change in net assets attributable to shareholders from investment activities</b> |         | <b>1,914</b>  |       | <b>1,928</b>  |

## Statement of change in net assets attributable to shareholders

For the year ending 31 January

|  | £'000    | 2012<br>£'000  | £'000    | 2011<br>£'000 |
|--|----------|----------------|----------|---------------|
| <b>Opening net assets attributable to shareholders</b>                                   |          | <b>89,637</b>  |          | <b>46,358</b> |
| Amounts receivable on issue of shares  | 275,070  |                | 62,712   |               |
| Amounts payable on cancellation of shares  | (13,579) |                | (23,527) |               |
|  |          | 261,491        |          | 39,185        |
| Change in net assets attributable to shareholders from investment activities (see above) |          | 1,914          |          | 1,928         |
| Retained distributions on accumulation shares  |          | 3,084          |          | 2,166         |
| <b>Closing net assets attributable to shareholders</b>                                   |          | <b>356,126</b> |          | <b>89,637</b> |

## Balance sheet

As at 31 January

|  | £'000    | 2012<br>£'000   | £'000   | 2011<br>£'000  |
|--|----------|-----------------|---------|----------------|
| <b>ASSETS</b>                                  |          |                 |         |                |
| Investment assets                              |          | 380,649         |         | 85,516         |
| Debtors (Note 7)                               | 8,247    |                 | 6,968   |                |
| Cash and bank balances (Note 8)                | 10,648   |                 | 602     |                |
| <b>Total other assets</b>                      |          | <b>18,895</b>   |         | <b>7,570</b>   |
| <b>Total assets</b>                            |          | <b>339,544</b>  |         | <b>93,086</b>  |
| <b>LIABILITIES</b>                             |          |                 |         |                |
| Investment liabilities                         |          | (3,401)         |         | (275)          |
| Creditors (Note 9)                             | (38,180) |                 | (2,828) |                |
| Distribution payable on income shares          | (1,837)  |                 | (346)   |                |
| <b>Total other liabilities</b>                 |          | <b>(40,017)</b> |         | <b>(3,174)</b> |
| <b>Total liabilities</b>                       |          | <b>(43,418)</b> |         | <b>(3,449)</b> |
| <b>Net assets attributable to shareholders</b> |          | <b>356,126</b>  |         | <b>89,637</b>  |

The notes to these financial statements are shown on pages 266 to 268.

# Notes to the financial statements for the year ending 31 January 2012

## 1. Net capital gains

|                            | 2012         | 2011         |
|----------------------------|--------------|--------------|
|                            | £'000        | £'000        |
| Currency (losses)/gains    | (283)        | 54           |
| Custodian handling charges | (2)          | -            |
| Derivative contracts       | (6,597)      | (2,160)      |
| Forward currency contracts | (1,015)      | 738          |
| Non-derivative securities  | 9,791        | 3,293        |
| Net capital gains          | <u>1,894</u> | <u>1,925</u> |

## 2. Revenue

|   | 2012         | 2011         |
|---|--------------|--------------|
|   | £'000        | £'000        |
| Income from overseas equity investments | -            | 1            |
| Interest on bank and term deposits      | 6            | 3            |
| Interest on fixed-interest securities   | 9,650        | 4,228        |
| Interest on derivatives                 | (71)         | -            |
| Stocklending income*                    | 10           | 2            |
| Total revenue                           | <u>9,595</u> | <u>4,234</u> |

\* Stocklending income is disclosed net of fees. See note 11.

## 3. Expenses

|   | 2012         | 2011       |
|---|--------------|------------|
|   | £'000        | £'000      |
| Payable to the ACD or associate of the ACD: |              |            |
| ACD fee                                     | 1,362        | 651        |
| Fixed expenses                              | 245          | 111        |
| Total expenses                              | <u>1,607</u> | <u>762</u> |

## 4. Taxation

|                                   | 2012      | 2011     |
|-----------------------------------|-----------|----------|
|                                   | £'000     | £'000    |
| a) Analysis of charge in the year |           |          |
| Corporation tax at 20%            | 4         | -        |
| Double tax relief                 | (4)       | -        |
| Overseas tax provision            | 8         | -        |
| Overseas tax suffered             | 9         | -        |
| Current year tax charge (Note 4b) | <u>17</u> | <u>-</u> |

### b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an Open-Ended Investment Company (OEIC) (20%). The differences are explained below.

|  |                |              |
|--|----------------|--------------|
| Net revenue before taxation                      | <u>7,988</u>   | <u>3,472</u> |
| Corporation tax at 20%                           | <u>1,598</u>   | <u>694</u>   |
| Effects of:                                      |                |              |
| Double tax relief                                | (4)            | -            |
| Income distributions deductible for tax purposes | (1,594)        | (694)        |
| Overseas tax provision                           | 8              | -            |
| Overseas tax suffered                            | 9              | -            |
|  | <u>(1,581)</u> | <u>(694)</u> |
| Current year tax charge (Note 4a)                | <u>17</u>      | <u>-</u>     |

## 5. Finance costs

### Distributions

The distributions take account of amounts receivable on the issue of shares and amounts payable on the cancellation of shares and comprise:

|  | 2012         | 2011         |
|--|--------------|--------------|
|  | £'000        | £'000        |
| First interim interest distribution            | 1,322        | 850          |
| Second interim interest distribution           | 1,145        | 993          |
| Third interim interest distribution            | 2,189        | 937          |
| Final interest distribution                    | 3,938        | 939          |
| Add: Amounts payable on cancellation of shares | 50           | 93           |
| Deduct: Amounts receivable on issue of shares  | (693)        | (343)        |
| Total finance costs                            | <u>7,951</u> | <u>3,469</u> |

Details of the distribution per share are set out on pages 269 to 272.

## 6. Movement between net revenue after taxation and distributions

|   | 2012         | 2011         |
|---|--------------|--------------|
|   | £'000        | £'000        |
| Net revenue after taxation                    | 7,971        | 3,472        |
| Add: Undistributed revenue brought forward    | 5            | 2            |
| Deduct: Undistributed revenue carried forward | (25)         | (5)          |
|   | <u>7,951</u> | <u>3,469</u> |

## 7. Debtors

|                                     | 2012         | 2011         |
|-------------------------------------|--------------|--------------|
|                                     | £'000        | £'000        |
| Accrued income                      | 4,787        | 1,096        |
| Due from the ACD for shares created | 2,141        | 5,111        |
| Sales awaiting settlement           | 1,319        | 761          |
| Total debtors                       | <u>8,247</u> | <u>6,968</u> |

## 8. Cash and bank balances

|   | 2012          | 2011       |
|---|---------------|------------|
|   | £'000         | £'000      |
| Amounts held at futures clearing houses and brokers | 2,071         | (502)      |
| Cash and bank balances                              | 8,577         | 1,104      |
| Total cash and bank balances                        | <u>10,648</u> | <u>602</u> |

## 9. Creditors

|                                     | 2012          | 2011         |
|-------------------------------------|---------------|--------------|
|                                     | £'000         | £'000        |
| Accrued expenses                    | 205           | 66           |
| Due to the ACD for shares cancelled | 125           | -            |
| Income tax payable                  | 1,002         | 287          |
| Purchases awaiting settlement       | 36,848        | 2,475        |
| Total creditors                     | <u>38,180</u> | <u>2,828</u> |

## 10. Portfolio transaction costs

No portfolio transactions costs were incurred during the current or prior year.

## Notes to the financial statements – continued

### 11. Related party transactions

JPMorgan Funds Limited, as Authorised Corporate Director (“ACD”), is a related party, and acts as principal in respect of all transactions of shares in the Company. The aggregate monies received through issue, and paid on cancellation, are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

The balance due from the ACD and their associates at the year end date in respect of related party transactions was £1,810,432 (31.01.11: £5,044,431). Details of related party transactions are given under note 13 on page 389.

Investments considered to be related parties have been identified in the portfolio statement on pages 261 to 263 and the revenue from these investments was £119,407 (31.01.11: £1,273).

The gross stocklending income received was £12,230 (31.01.11: £1,830), with fees deducted of £2,140 (31.01.11: £320).

The following parties held a material interest in the fund at the year end date:

- London Borough of Hillingdon, Pension Fund 19.82% (31.01.11: 0.00%)
- Cofunds Nominees Ltd 14.35% (31.01.11: 3.67%)

### 12. Stocklending

As at 31 January 2012 the aggregate value of securities on loan was £296,034 (31.01.11: £1,601,484). The Depository held £311,268 (31.01.11: £1,642,071) of collateral assets on behalf of the fund in respect thereof. The nature of the collateral was 100.0% cash.

### 13. Financial instruments

#### Currency exposures

A substantial proportion of the net assets of the fund are denominated in currencies other than sterling, with the effect that the Balance sheet and total return can be significantly affected by currency movements.

| Currency           | Net foreign currency assets |                                |                                    |
|--------------------|-----------------------------|--------------------------------|------------------------------------|
|                    | Total<br>£'000              | Monetary<br>exposures<br>£'000 | Non-monetary<br>exposures<br>£'000 |
| <b>31.01.12</b>    |                             |                                |                                    |
| Chinese Renminbi   | 14,076                      | 14,076                         | -                                  |
| Mexican Peso       | 3,535                       | 3,535                          | -                                  |
| Australian Dollar  | 522                         | (22,538)                       | 23,060                             |
| Euro               | 384                         | (50,396)                       | 50,780                             |
| Brazilian Real     | 51                          | (592)                          | 643                                |
| Indonesian Rupiah  | 22                          | (1,909)                        | 1,931                              |
| Korean Won         | 12                          | (2,087)                        | 2,099                              |
| US Dollar          | (17,463)                    | (255,326)                      | 237,863                            |
| <b>31.01.11</b>    |                             |                                |                                    |
| Mexican Peso       | 1,809                       | 270                            | 1,539                              |
| Malaysian Ringgit  | 1,689                       | 1,689                          | -                                  |
| Korean Won         | 1,680                       | 20                             | 1,660                              |
| South African Rand | 1,577                       | 377                            | 1,200                              |
| Brazilian Real     | 848                         | 222                            | 626                                |
| Polish Zloty       | 823                         | 823                            | -                                  |
| Hungarian Forint   | 814                         | 814                            | -                                  |
| Chinese Renminbi   | 798                         | 798                            | -                                  |
| Indonesia Rupiah   | 793                         | 26                             | 767                                |
| Canadian Dollar    | 2                           | 2                              | -                                  |
| Israeli New Shekel | (68)                        | (1,529)                        | 1,461                              |
| US Dollar          | (416)                       | (62,524)                       | 62,108                             |
| Japanese Yen       | (3,270)                     | (3,270)                        | -                                  |
| Euro               | (3,869)                     | (11,844)                       | 7,975                              |

#### Interest rate risk

The tables below detail the interest rate profile of the fund's assets and liabilities as at the year end.

| Currency           | Total<br>assets<br>£'000 | Floating<br>rate<br>financial<br>assets<br>£'000 | Fixed<br>rate<br>financial<br>assets<br>£'000 | Financial<br>assets<br>not<br>carrying<br>any<br>interest<br>£'000 |
|--------------------|--------------------------|--|---|--|
| <b>31.01.12</b>    |                          |  |   |  |
| UK Sterling        | 358,156                  | 37,194   | 25,579  | 295,383  |
| US Dollar          | 19,385                   | 22,938   | 223,076                                       | (226,629)  |
| Chinese Renminbi   | 14,076                   | -  | -   | 14,076   |
| Mexican Peso       | 3,535                    | -  | -   | 3,535  |
| Australian Dollar  | 522                      | -  | 23,060  | (22,538)   |
| Euro               | 384                      | 901  | 50,356  | (50,873)   |
| Brazilian Real     | 51                       | 115  | 643   | (707)  |
| Indonesian Rupiah  | 22                       | -  | 1,931   | (1,909)  |
| Korean Won         | 12                       | -  | 2,099   | (2,087)  |
| <b>31.01.11</b>    |                          |  |   |  |
| UK Sterling        | 87,816                   | 3,031  | 3,720   | 81,065   |
| Mexican Peso       | 1,809                    | -  | 1,539   | 270  |
| Malaysian Ringgit  | 1,689                    | -  | -   | 1,689  |
| Korean Won         | 1,680                    | -  | 1,660   | 20   |
| South African Rand | 1,577                    | -  | 1,200   | 377  |
| Brazilian Real     | 848                      | 86   | 626   | 136  |
| Polish Zloty       | 823                      | -  | -   | 823  |
| Hungarian Forint   | 814                      | -  | -   | 814  |
| Chinese Renminbi   | 798                      | -  | -   | 798  |
| Indonesia Rupiah   | 793                      | -  | 767   | 26   |
| US Dollar          | 421                      | 7,912  | 53,622  | (61,113)   |
| Canadian Dollar    | 2                        | 2  | -   | -  |
| Israeli New Shekel | (68)                     | 2  | 1,461   | (1,531)  |
| Euro               | (2,921)                  | 2,324  | 5,686   | (10,931)   |
| Japanese Yen       | (3,270)                  | -  | -   | (3,270)  |

The floating rate financial assets comprise investments in variable interest rate paying corporate debt and bank balances that bear interest at rates based on LIBOR or its overseas equivalent.

| Currency        | Total<br>liabilities<br>£'000 | Floating<br>rate<br>financial<br>liabilities<br>£'000 | Financial<br>liabilities<br>not carrying<br>any interest<br>£'000 |
|-----------------|-------------------------------|---|---|
| <b>31.01.12</b> |                               |   |   |
| US Dollar       | 36,848                        | -   | 36,848  |
| UK Sterling     | 3,169                         | -   | 3,169   |
| <b>31.01.11</b> |                               |   |   |
| UK Sterling     | 1,389                         | -   | 1,389   |
| Euro            | 948                           | -   | 948   |
| US Dollar       | 837                           | -   | 837   |

## Notes to the financial statements – continued

| Currency           | Fixed rate financial assets    |   |
|--------------------|--------------------------------|---|
|                    | Weighted average interest rate | Weighted average period for which rate is fixed (years) |
| <b>31.01.12</b>    |                                |   |
| US Dollar          | 5.3%                           | 11.4  |
| Indonesian Rupiah  | 4.2%                           | 1.9   |
| Australian Dollar  | 3.7%                           | 9.3   |
| Euro               | 3.4%                           | 4.4   |
| UK Sterling        | 2.8%                           | 9.2   |
| Brazilian Real     | 0.0%                           | 0.9   |
| Korean Won         | 0.0%                           | 1.0   |
| <b>31.01.11</b>    |                                |   |
| UK Sterling        | 13.3%                          | 8.5   |
| Euro               | 9.6%                           | 6.4   |
| South African Rand | 8.7%                           | 9.0   |
| Indonesian Rupiah  | 7.5%                           | 2.6   |
| US Dollar          | 6.5%                           | 8.2   |
| Korean Won         | 3.7%                           | 1.9   |
| Mexican Peso       | 0.1%                           | 2.9   |
| Brazilian Real     | 0.0%                           | 1.9   |
| Israeli New Shekel | 0.0%                           | 2.2   |

For consideration of other risks including liquidity, pricing and credit risk, please refer to the notes to the aggregated financial statements, pages 389 to 390.

### 14. Share classes

The fund currently has five share classes; Class A shares, Class B shares, Class C shares, Class I shares and Class X shares. The Authorised Corporate Director's (ACD) fee and fixed expenses charge are shown below.

|                 | ACD fee | Fixed expenses |
|-----------------|---------|----------------|
| Class A shares: | 1.00%   | 0.18%          |
| Class B shares: | 0.65%   | 0.15%          |
| Class C shares: | 0.50%   | 0.12%          |
| Class I shares: | 0.40%   | 0.00%          |
| Class X shares: | 0.00%   | 0.06%          |

The net asset value of each share class, the net asset value per share and the number of shares in each class are shown on page 260. All classes have the same rights on winding up.

### 15. Derivatives

The fund enters into derivative transactions in the form of forward currency contracts, futures and credit default swaps. The fund may use derivatives for investment purposes or efficient portfolio management including hedging, where appropriate.

The Investment Adviser assesses the market risk of the fund's investments, including derivative exposure, using the Monte Carlo simulation methodology. This process provides an estimate of the maximum potential loss that could be expected to occur as a result of changes in market prices over a given period of time in all but a given percentage of circumstances. The VaR is calculated on a 99% confidence level with a 20 day horizon & 250 days of history. As at the balance date the VaR was 1.72%.

Further information on the derivative risks can be found in the notes to the aggregated financial statements on page 390.

## Distribution table

### Final interest distribution in pence per share

Group 1 – Shares purchased prior to 1 November 2011

Group 2 – Shares purchased 1 November 2011 to 31 January 2012

|  | Gross<br>revenue | Tax<br>at 20% | Net<br>revenue | Equalisation | Distribution<br>payable<br>30.04.12 | Distribution<br>paid<br>30.04.11 |
|--|------------------|---------------|----------------|--------------|-------------------------------------|----------------------------------|
| <b>A-Class Accumulation Shares</b>       |                  |               |                |              |                                     |                                  |
| Group 1                                  | 0.650000         | 0.130000      | 0.520000       | -            | 0.520000                            | 0.560000                         |
| Group 2                                  | 0.414833         | 0.082967      | 0.331866       | 0.188134     | 0.520000                            | 0.560000                         |
| <b>A-Class Income Shares</b>             |                  |               |                |              |                                     |                                  |
| Group 1                                  | 0.612500         | 0.122500      | 0.490000       | -            | 0.490000                            | 0.410000                         |
| Group 2                                  | 0.306735         | 0.061347      | 0.245388       | 0.244612     | 0.490000                            | 0.410000                         |
| <b>B-Class Income Shares</b>             |                  |               |                |              |                                     |                                  |
| Group 1                                  | 0.137500         | 0.027500      | 0.110000       | -            | 0.110000                            | -                                |
| Group 2                                  | 0.137500         | 0.027500      | 0.110000       | 0.000000     | 0.110000                            | -                                |
| <b>C-Class Income Shares</b>             |                  |               |                |              |                                     |                                  |
| Group 1                                  | 1.262500         | 0.252500      | 1.010000       | -            | 1.010000                            | 0.980000                         |
| Group 2                                  | 1.013870         | 0.202774      | 0.811096       | 0.198904     | 1.010000                            | 0.980000                         |
| <b>I-Class Accumulation Shares</b>       |                  |               |                |              |                                     |                                  |
| Group 1                                  | 1.250000         | 0.250000      | 1.000000       | -            | 1.000000                            | -                                |
| Group 2                                  | 1.250000         | 0.250000      | 1.000000       | 0.000000     | 1.000000                            | -                                |
| <b>I-Class Gross Accumulation Shares</b> |                  |               |                |              |                                     |                                  |
| Group 1                                  | 1.570000         | -             | 1.570000       | -            | 1.570000                            | 1.520000                         |
| Group 2                                  | 0.766745         | -             | 0.766745       | 0.803255     | 1.570000                            | 1.520000                         |
| <b>I-Class Income Shares</b>             |                  |               |                |              |                                     |                                  |
| Group 1                                  | 1.225000         | 0.245000      | 0.980000       | -            | 0.980000                            | -                                |
| Group 2                                  | 0.708994         | 0.141799      | 0.567195       | 0.412805     | 0.980000                            | -                                |
| <b>I-Class Gross Income Shares</b>       |                  |               |                |              |                                     |                                  |
| Group 1                                  | 1.250000         | -             | 1.250000       | -            | 1.250000                            | 1.280000                         |
| Group 2                                  | 0.682450         | -             | 0.682450       | 0.567550     | 1.250000                            | 1.280000                         |
| <b>X-Class Accumulation Shares</b>       |                  |               |                |              |                                     |                                  |
| Group 1                                  | 1.325000         | 0.265000      | 1.060000       | -            | 1.060000                            | -                                |
| Group 2                                  | 1.325000         | 0.265000      | 1.060000       | 0.000000     | 1.060000                            | -                                |

## Distribution table – continued

### Third interim interest distribution in pence per share

Group 1 – Shares purchased prior to 1 August 2011

Group 2 – Shares purchased 1 August 2011 to 31 October 2011

|  | Gross<br>revenue | Tax<br>at 20% | Net<br>revenue | Equalisation | Distribution<br>paid<br>31.01.12 | Distribution<br>paid<br>31.01.11 |
|--|------------------|---------------|----------------|--------------|----------------------------------|----------------------------------|
| <b>A-Class Accumulation Shares</b>       |                  |               |                |              |                                  |                                  |
| Group 1                                  | 0.550000         | 0.110000      | 0.440000       | -            | 0.440000                         | 0.490000                         |
| Group 2                                  | 0.193274         | 0.038655      | 0.154619       | 0.285381     | 0.440000                         | 0.490000                         |
| <b>A-Class Income Shares</b>             |                  |               |                |              |                                  |                                  |
| Group 1                                  | 0.512500         | 0.102500      | 0.410000       | -            | 0.410000                         | 0.480000                         |
| Group 2                                  | 0.169945         | 0.033989      | 0.135956       | 0.274044     | 0.410000                         | 0.480000                         |
| <b>C-Class Income Shares</b>             |                  |               |                |              |                                  |                                  |
| Group 1                                  | 1.100000         | 0.220000      | 0.880000       | -            | 0.880000                         | 1.000000                         |
| Group 2                                  | 0.499099         | 0.099820      | 0.399279       | 0.480721     | 0.880000                         | 1.000000                         |
| <b>I-Class Accumulation Shares</b>       |                  |               |                |              |                                  |                                  |
| Group 1                                  | 1.075000         | 0.215000      | 0.860000       | -            | 0.860000                         | -                                |
| Group 2                                  | 1.057500         | 0.211500      | 0.846000       | 0.014000     | 0.860000                         | -                                |
| <b>I-Class Gross Accumulation Shares</b> |                  |               |                |              |                                  |                                  |
| Group 1                                  | 1.400000         | -             | 1.400000       | -            | 1.400000                         | 1.470000                         |
| Group 2                                  | 0.897980         | -             | 0.897980       | 0.502020     | 1.400000                         | 1.470000                         |
| <b>I-Class Income Shares</b>             |                  |               |                |              |                                  |                                  |
| Group 1                                  | 1.075000         | 0.215000      | 0.860000       | -            | 0.860000                         | -                                |
| Group 2                                  | 0.987480         | 0.197496      | 0.789984       | 0.070016     | 0.860000                         | -                                |
| <b>I-Class Gross Income Shares</b>       |                  |               |                |              |                                  |                                  |
| Group 1                                  | 1.120000         | -             | 1.120000       | -            | 1.120000                         | 1.240000                         |
| Group 2                                  | 1.039279         | -             | 1.039279       | 0.080721     | 1.120000                         | 1.240000                         |



## Distribution table – continued

### Second interim interest distribution in pence per share

Group 1 – Shares purchased prior to 1 May 2011

Group 2 – Shares purchased 1 May 2011 to 31 July 2011

|  | Gross<br>revenue | Tax<br>at 20% | Net<br>revenue | Equalisation | Distribution<br>paid<br>31.10.11 | Distribution<br>paid<br>31.10.10 |
|--|------------------|---------------|----------------|--------------|----------------------------------|----------------------------------|
| <b>A-Class Accumulation Shares</b>       |                  |               |                |              |                                  |                                  |
| Group 1                                  | 0.375000         | 0.075000      | 0.300000       | -            | 0.300000                         | 0.560000                         |
| Group 2                                  | 0.198649         | 0.039730      | 0.158919       | 0.141081     | 0.300000                         | 0.560000                         |
| <b>A-Class Income Shares</b>             |                  |               |                |              |                                  |                                  |
| Group 1                                  | 0.337500         | 0.067500      | 0.270000       | -            | 0.270000                         | 0.540000                         |
| Group 2                                  | 0.101729         | 0.020346      | 0.081383       | 0.188617     | 0.270000                         | 0.540000                         |
| <b>C-Class Income Shares</b>             |                  |               |                |              |                                  |                                  |
| Group 1                                  | 0.775000         | 0.155000      | 0.620000       | -            | 0.620000                         | 1.110000                         |
| Group 2                                  | 0.244348         | 0.048870      | 0.195478       | 0.424522     | 0.620000                         | 1.110000                         |
| <b>I-Class Accumulation Shares</b>       |                  |               |                |              |                                  |                                  |
| Group 1                                  | 0.775000         | 0.155000      | 0.620000       | -            | 0.620000                         | -                                |
| Group 2                                  | 0.775000         | 0.155000      | 0.620000       | 0.000000     | 0.620000                         | -                                |
| <b>I-Class Gross Accumulation Shares</b> |                  |               |                |              |                                  |                                  |
| Group 1                                  | 0.980000         | -             | 0.980000       | -            | 0.980000                         | 1.580000                         |
| Group 2                                  | 0.265061         | -             | 0.265061       | 0.714939     | 0.980000                         | 1.580000                         |
| <b>I-Class Income Shares</b>             |                  |               |                |              |                                  |                                  |
| Group 1                                  | 0.750000         | 0.150000      | 0.600000       | -            | 0.600000                         | -                                |
| Group 2                                  | 0.113595         | 0.022719      | 0.090876       | 0.509124     | 0.600000                         | -                                |
| <b>I-Class Gross Income Shares</b>       |                  |               |                |              |                                  |                                  |
| Group 1                                  | 0.800000         | -             | 0.800000       | -            | 0.800000                         | 1.370000                         |
| Group 2                                  | 0.206238         | -             | 0.206238       | 0.593762     | 0.800000                         | 1.370000                         |

## Distribution table – continued

### First interim interest distribution in pence per share

Group 1 – Shares purchased prior to 1 February 2011

Group 2 – Shares purchased 1 February 2011 to 30 April 2011

|  | Gross<br>revenue | Tax<br>at 20% | Net<br>revenue | Equalisation | Distribution<br>paid<br>31.07.11 | Distribution<br>paid<br>31.07.10 |
|--|------------------|---------------|----------------|--------------|----------------------------------|----------------------------------|
| <b>A-Class Accumulation Shares</b>       |                  |               |                |              |                                  |                                  |
| Group 1                                  | 0.612500         | 0.122500      | 0.490000       | -            | 0.490000                         | 0.580000                         |
| Group 2                                  | 0.221540         | 0.044308      | 0.177232       | 0.312768     | 0.490000                         | 0.580000                         |
| <b>A-Class Income Shares</b>             |                  |               |                |              |                                  |                                  |
| Group 1                                  | 0.587500         | 0.117500      | 0.470000       | -            | 0.470000                         | 0.570000                         |
| Group 2                                  | 0.138615         | 0.027723      | 0.110892       | 0.359108     | 0.470000                         | 0.570000                         |
| <b>C-Class Income Shares</b>             |                  |               |                |              |                                  |                                  |
| Group 1                                  | 1.225000         | 0.245000      | 0.980000       | -            | 0.980000                         | 1.160000                         |
| Group 2                                  | 0.752380         | 0.150476      | 0.601904       | 0.378096     | 0.980000                         | 1.160000                         |
| <b>I-Class Accumulation Shares</b>       |                  |               |                |              |                                  |                                  |
| Group 1                                  | 0.050000         | 0.010000      | 0.040000       | -            | 0.040000                         | -                                |
| Group 2                                  | 0.050000         | 0.010000      | 0.040000       | 0.000000     | 0.040000                         | -                                |
| <b>I-Class Gross Accumulation Shares</b> |                  |               |                |              |                                  |                                  |
| Group 1                                  | 1.460000         | -             | 1.460000       | -            | 1.460000                         | 1.650000                         |
| Group 2                                  | 1.460000         | -             | 1.460000       | 0.000000     | 1.460000                         | 1.650000                         |
| <b>I-Class Income Shares</b>             |                  |               |                |              |                                  |                                  |
| Group 1                                  | 0.050000         | 0.010000      | 0.040000       | -            | 0.040000                         | -                                |
| Group 2                                  | 0.050000         | 0.010000      | 0.040000       | 0.000000     | 0.040000                         | -                                |
| <b>I-Class Gross Income Shares</b>       |                  |               |                |              |                                  |                                  |
| Group 1                                  | 1.200000         | -             | 1.200000       | -            | 1.200000                         | 0.320000                         |
| Group 2                                  | 1.200000         | -             | 1.200000       | 0.000000     | 1.200000                         | 0.320000                         |

Equalisation applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of revenue included in the purchase price of all group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

# JPM UK Active Index Plus Fund

## Important information

### Change of Depositary

As part of an internal re-structuring, The Royal Bank of Scotland plc has transferred its Trustee and Depositary Services business from The Royal Bank of Scotland plc to National Westminster Bank plc and consequently National Westminster Bank plc has been appointed as Depositary of the Fund with effect from 15 October 2011.

As Depositary, National Westminster Bank plc will have the same duties and responsibilities as The Royal Bank of Scotland plc and this change will have no impact on the way the Fund operates.

### Changes to the investment policy, fund name and share class

Shareholders were informed of proposed changes to the investment objective and policy of the Fund and the introduction of a performance fee on 5 January 2011 which were subsequently approved at an Extraordinary General Meeting of Shareholders on 28 January 2011. These changes took effect from 1 February 2011. At the same time the name of the Fund was changed from the JPM UK Active 350 Fund to the JPM UK Active Index Plus Fund and the existing 'A' and 'I' Share Classes were consolidated into a new 'E' Share Class with an Authorised Corporate Director's fee of 0.25% p.a., performance fee at a rate of 10% capped at 1.5% p.a. and Fixed Expenses of 0.15% p.a.

### Investment objective and policy<sup>A</sup>

The Fund aims to provide capital growth and outperform the FTSE™ All-Share Index over the long term by investing primarily in a portfolio of UK companies.

Other instruments as permitted in the stated investment and borrowing powers of the Company including, but not limited to, fixed income securities, cash and cash equivalents may be held on an ancillary basis, as appropriate.

### Risk profile

This equity based Fund is conservatively managed and designed for investors looking for broad market exposure (which may include smaller companies) to a single developed stock market.

Equity investment is subject to specific risks relating to the performance of the individual companies held and the market's perception of their performance. Equities are also subject to systematic risks such as general economic conditions, inflation, interest rates, foreign exchange rates and industry sector risks. In general terms, equities tend to be more volatile than bonds.

Funds that invest predominantly in a single market, asset class or sector may be subject to greater volatility than those funds with a more diversified portfolio.

### Fund review

UK share prices have struggled to gain traction over the review period, constrained by weak domestic and global economic data, and worries over the eurozone sovereign debt crisis.

The Fund outperformed, benefiting most from stock selection in the general retailers and oil & gas producers sectors, while an underweight position in the banks sector was also positive. The biggest detractors were stock selection in technology hardware, support services and media.

At the stock level, the Fund gained most in relative terms from an underweight position in Lloyds Banking Group, whose share price halved over the period in the face of persistently weak results, worries over new banking regulations and concerns over the health of its chief executive officer. An overweight position in sports retailer Sports Direct International was positive as the company reported rising sales, boosted by strong performance of its online business. The biggest detractor was an overweight holding in Pace, a TV set top box maker, which saw its profits hit by supply chain problems due to flooding in Thailand. An overweight position in recruitment company SThree was also detrimental due to concerns over the impact of economic weakness on staffing demand. However, the Fund's performance was lifted by an overweight position in Royal Dutch Shell as the oil producer benefited from rising reserves and higher energy prices.

### Fund outlook

The UK economy remains weak, but momentum has improved in early 2012, supported by a stabilisation of the eurozone crisis and better growth in the US. An improving economic backdrop would be supportive for UK corporate earnings, which in turn would be positive for the stock market - particularly with valuations looking attractive relative to history and compared to bonds.

### 12 month performance as at 31 January

|  | 2012        | 2011         | 2010         | 2009          | 2008          |
|--|-------------|--------------|--------------|---------------|---------------|
| <b>JPM Active Index Plus E-Class Acc</b> | <b>0.2%</b> | <b>19.0%</b> | <b>31.7%</b> | <b>-27.6%</b> | <b>-13.9%</b> |
| Benchmark Index <sup>B</sup>             | -0.3%       | 18.1%        | 32.7%        | -27.4%        | -3.0%         |

### Fund statistics

|                                   |   |
|-----------------------------------|---|
| Fund size                         | £63.9m                                  |
| Benchmark Index <sup>B</sup>      | FTSE All-Share Index (Total Return Net) |
| Fund charges E-Class <sup>C</sup> | Initial Nil, Annual 0.25%               |

### Top ten holdings (excluding Liquidity funds) %

|                          |     |
|--------------------------|-----|
| Royal Dutch Shell 'B'    | 8.1 |
| HSBC                     | 5.5 |
| BP                       | 5.1 |
| Vodafone Group           | 4.7 |
| GlaxoSmithKline          | 4.0 |
| Rio Tinto                | 3.3 |
| British American Tobacco | 3.2 |
| BHP Billiton             | 2.8 |
| BG Group                 | 2.7 |
| AstraZeneca              | 2.5 |

You should remember that past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. For specific risks, please read the Simplified Prospectus.

All performance returns are calculated using the quoted price of the accumulation shares. Performance returns are in Sterling.

Source: J.P. Morgan.

Formerly JPM UK Active 350 Fund, the Fund name was changed on 01/02/11.

<sup>A</sup> On 01/02/11 the investment objective and policy of the Fund was changed.

<sup>B</sup> The benchmark of the fund was changed from the FTSE™350 Index to the FTSE™ All-Share Index on 01/02/11.

<sup>C</sup> The E-Class Shares were launched on 01/02/11 upon consolidation of the A and I Share Classes.

Source: FTSE International Limited ("FTSE") © FTSE 2012. "FTSE" is a trade mark of London Stock Exchange Plc and The Financial Times Limited and is used by FTSE International Limited under licence. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.

## Sector breakdown

|                               | %    |
|-------------------------------|------|
| Oil & gas                     | 17.3 |
| Financials                    | 16.9 |
| Consumer goods                | 13.2 |
| Basic materials               | 11.6 |
| Consumer services             | 8.6  |
| Industrials                   | 7.8  |
| Health care                   | 7.3  |
| Telecommunications            | 6.0  |
| Liquidity funds               | 3.7  |
| Utilities                     | 3.4  |
| Equity investment instruments | 2.2  |
| Technology                    | 1.2  |
| Futures                       | 0.1  |
| Net other assets              | 0.7  |

## Highest/lowest share price and distribution record

| Calendar year                                  | Highest share price | Lowest share price | Distribution per share (net) |
|--|---------------------|--------------------|------------------------------|
| <b>A-Class Accumulation Shares</b>             |                     |                    |                              |
| 2007   | 217.6p              | 188.8p             | 3.70p                        |
| 2008   | 201.0p              | 115.7p             | 4.37p                        |
| 2009   | 174.0p              | 108.1p             | 5.43p                        |
| 2010   | 203.1p              | 160.7p             | 4.24p                        |
| 2011 <sup>d</sup>                              | 206.4p              | 199.0p             | 3.63p                        |
| <b>A-Class Income Shares<sup>e</sup></b>       |                     |                    |                              |
| 2007   | 51.10p              | 43.67p             | 0.00p                        |
| 2008   | 46.41p              | 26.72p             | 0.00p                        |
| 2009   | 38.73p              | 24.06p             | 1.08p                        |
| 2010   | 44.08p              | 34.87p             | 0.94p                        |
| 2011 <sup>d</sup>                              | 44.80p              | 43.18p             | 0.79p                        |
| <b>E-Class Accumulation Shares<sup>f</sup></b> |                     |                    |                              |
| 2011   | 210.8p              | 170.8p             | -                            |
| 2012 <sup>g</sup>                              | 201.9p              | 195.1p             | 6.31p                        |
| <b>E-Class Income Shares<sup>f</sup></b>       |                     |                    |                              |
| 2011   | 44.89p              | 36.37p             | -                            |
| 2012 <sup>g</sup>                              | 42.99p              | 41.54p             | 1.33p                        |
| <b>I-Class Accumulation Shares</b>             |                     |                    |                              |
| 2007   | 227.6p              | 197.7p             | 4.89p                        |
| 2008   | 211.1p              | 122.0p             | 5.76p                        |
| 2009   | 184.8p              | 114.3p             | 6.74p                        |
| 2010   | 216.9p              | 171.1p             | 5.37p                        |
| 2011 <sup>d</sup>                              | 220.5p              | 212.7p             | 4.99p                        |
| <b>I-Class Income Shares<sup>e</sup></b>       |                     |                    |                              |
| 2007   | 104.5p              | 90.79p             | 0.00p                        |
| 2008   | 96.90p              | 54.31p             | 2.63p                        |
| 2009   | 78.26p              | 48.41p             | 2.93p                        |
| 2010   | 89.12p              | 70.30p             | 2.27p                        |
| 2011 <sup>d</sup>                              | 90.59p              | 87.26p             | 2.06p                        |

<sup>d</sup> A-Class Accumulation Shares, A-Class Income Shares, I-Class Accumulation Shares and I-Class Income Shares were closed on 1 February 2011.

<sup>e</sup> A-Class Income Shares and I-Class Income Shares were launched on 2 January 2007.

<sup>f</sup> E-Class Accumulation Shares and E-Class Income Shares were launched on 1 February 2011.

<sup>g</sup> To 31 January 2012.

## Portfolio turnover rate

|          |        |
|----------|--------|
| 31.01.11 | 111.6% |
| 31.01.12 | 72.6%  |

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the period.

## Net asset values and Total expense ratios

| Date                               | Net asset value per share class £'000 | Number of shares | Net asset value per share | Total expense ratio |
|------------------------------------|---------------------------------------|------------------|---------------------------|---------------------|
| <b>A-Class Accumulation Shares</b> |                                       |                  |                           |                     |
| 31.01.10                           | 51,527                                | 30,838,442       | 167.1p                    | 1.16%               |
| 31.01.11                           | 59,545                                | 29,936,871       | 198.9p                    | 1.17%               |
| 31.01.12                           | -                                     | -                | -                         | -                   |
| <b>A-Class Income Shares</b>       |                                       |                  |                           |                     |
| 31.01.10                           | 19                                    | 52,672           | 36.25p                    | 1.18%               |
| 31.01.11                           | 25                                    | 58,998           | 42.37p                    | 1.18%               |
| 31.01.12                           | -                                     | -                | -                         | -                   |
| <b>E-Class Accumulation Shares</b> |                                       |                  |                           |                     |
| 31.01.11                           | -                                     | -                | -                         | -                   |
| 31.01.12                           | 63,808                                | 32,015,959       | 199.3p                    | 0.41%               |
| <b>E-Class Income Shares</b>       |                                       |                  |                           |                     |
| 31.01.11                           | -                                     | -                | -                         | -                   |
| 31.01.12                           | 68                                    | 166,565          | 41.11p                    | 0.41%               |
| <b>I-Class Accumulation Shares</b> |                                       |                  |                           |                     |
| 31.01.10                           | 5,879                                 | 3,312,043        | 177.5p                    | 0.60%               |
| 31.01.11                           | 4,692                                 | 2,207,615        | 212.5p                    | 0.60%               |
| 31.01.12                           | -                                     | -                | -                         | -                   |
| <b>I-Class Income Shares</b>       |                                       |                  |                           |                     |
| 31.01.10                           | 5                                     | 7,000            | 72.92p                    | 0.60%               |
| 31.01.11                           | 1                                     | 1,165            | 85.14p                    | 0.60%               |
| 31.01.12                           | -                                     | -                | -                         | -                   |

The net asset value and the net asset value per income share are shown ex-dividend.

The total expense ratio ("TER") includes the ACD fee and any fixed expenses charged to revenue over the period. When expressed as a percentage of the average daily net asset values over the same period this equates to 0.40%. The TER also includes a performance fee which is calculated as 10% of any outperformance of the Fund against its benchmark FTSE™ All-Share (Total Net Return), with a cap of 1.5% above benchmark return. If the net asset value per share under-performs the benchmark for one or more accounting periods the ACD will not receive a performance fee until that under-performance has been recovered. When expressed as a percentage of the average daily net asset values over the same period this equates to 0.01%. Full details on how the performance fee is calculated can be found in the Prospectus. The total TER for the period therefore is 0.41%.

# Portfolio statement

As at 31 January 2012

| Investment   | Holding | Market value<br>£'000 | Total net<br>assets % |
|--|---------|-----------------------|-----------------------|
| <b>Oil &amp; gas - 17.3% (17.5%)</b>                     |         |                       |                       |
| <b>Oil &amp; gas producers - 16.4%</b>                   |         |                       |                       |
| BG Group   | 122,784 | 1,739                 | 2.7                   |
| BP   | 694,273 | 3,271                 | 5.1                   |
| Royal Dutch Shell 'B'                                    | 222,712 | 5,184                 | 8.1                   |
| Tullow Oil   | 19,400  | 265                   | 0.5                   |
| <b>Oil equipment, services &amp; distribution - 0.9%</b> |         |                       |                       |
| AMEC   | 1,804   | 18                    | -                     |
| Cape   | 14,888  | 57                    | 0.1                   |
| Kentz Group  | 42,905  | 188                   | 0.3                   |
| Petrofac   | 21,174  | 309                   | 0.5                   |
| <b>Financials - 16.9% (20.2%)</b>                        |         |                       |                       |
| <b>Banks - 9.4%</b>                                      |         |                       |                       |
| Barclays   | 495,359 | 1,059                 | 1.7                   |
| HSBC   | 656,014 | 3,494                 | 5.5                   |
| Lloyds Banking Group                                     | 917,711 | 284                   | 0.4                   |
| Royal Bank of Scotland Group                             | 129,979 | 35                    | 0.1                   |
| Standard Chartered                                       | 71,164  | 1,096                 | 1.7                   |
| <b>General financial - 1.9%</b>                          |         |                       |                       |
| Ashmore Group  | 25,493  | 94                    | 0.1                   |
| Brewin Dolphin   | 46,624  | 71                    | 0.1                   |
| F&C Asset Management                                     | 253,779 | 164                   | 0.3                   |
| Investec   | 65,163  | 247                   | 0.4                   |
| London Stock Exchange Group                              | 5,089   | 44                    | 0.1                   |
| Paragon Group of Companies                               | 84,633  | 153                   | 0.2                   |
| Provident Financial                                      | 23,559  | 225                   | 0.4                   |
| Tullett Prebon   | 71,372  | 212                   | 0.3                   |
| <b>Life insurance - 3.0%</b>                             |         |                       |                       |
| Aviva  | 131,791 | 463                   | 0.7                   |
| Legal & General Group                                    | 378,354 | 437                   | 0.7                   |
| Old Mutual   | 65,989  | 97                    | 0.2                   |
| Prudential   | 115,409 | 813                   | 1.3                   |
| Resolution   | 34,857  | 94                    | 0.1                   |
| <b>Nonlife insurance - 0.8%</b>                          |         |                       |                       |
| Amlin  | 6,072   | 21                    | -                     |
| Beazley Group  | 146,572 | 206                   | 0.3                   |
| Catlin Group   | 33,991  | 138                   | 0.2                   |
| Hiscox   | 7,292   | 28                    | -                     |
| Lancashire Holdings                                      | 29,269  | 202                   | 0.3                   |
| RSA Insurance Group                                      | 29,715  | 31                    | -                     |
| <b>Real estate - 1.8%</b>                                |         |                       |                       |
| Capital & Counties Properties                            | 84,536  | 157                   | 0.2                   |
| Capital Shopping Centres Group                           | 67,003  | 219                   | 0.3                   |
| Derwent London   | 13,188  | 220                   | 0.3                   |
| Grainger   | 122,161 | 118                   | 0.3                   |
| Hammerson  | 67,563  | 257                   | 0.4                   |
| Land Securities  | 30,619  | 207                   | 0.3                   |
| <b>Consumer goods - 13.2% (10.4%)</b>                    |         |                       |                       |
| <b>Automobiles &amp; parts - 0.5%</b>                    |         |                       |                       |
| GKN  | 142,815 | 300                   | 0.5                   |
| <b>Beverages - 3.3%</b>                                  |         |                       |                       |
| Diageo   | 92,693  | 1,304                 | 2.0                   |
| SABMiller  | 34,201  | 829                   | 1.3                   |
| <b>Food producers - 2.1%</b>                             |         |                       |                       |
| Dairy Crest Group  | 55,310  | 174                   | 0.3                   |
| Devro  | 18,123  | 47                    | 0.1                   |
| Tate & Lyle  | 21,196  | 140                   | 0.2                   |
| Unilever   | 48,223  | 989                   | 1.5                   |
| <b>Household goods - 1.9%</b>                            |         |                       |                       |
| Bellway  | 24,340  | 178                   | 0.3                   |
| Berkeley Group 'B'                                       | 16,106  | 202                   | 0.3                   |
| Bovis Homes Group  | 6,001   | 26                    | -                     |
| Persimmon  | 41,464  | 216                   | 0.3                   |
| Reckitt Benckiser Group                                  | 19,861  | 666                   | 1.0                   |
| <b>Personal goods - 0.7%</b>                             |         |                       |                       |
| Burberry Group   | 28,334  | 380                   | 0.7                   |
| <b>Tobacco - 4.7%</b>                                    |         |                       |                       |
| British American Tobacco                                 | 68,642  | 2,025                 | 3.2                   |
| Imperial Tobacco Group                                   | 42,678  | 970                   | 1.5                   |

| Investment                             | Holding | Market value<br>£'000 | Total net<br>assets % |
|--|---------|-----------------------|-----------------------|
| <b>Basic materials - 11.6% (13.7%)</b> |         |                       |                       |
| <b>Chemicals - 0.6%</b>                |         |                       |                       |
| Croda International                    | 9,972   | 193                   | 0.3                   |
| Elementis                              | 137,324 | 206                   | 0.3                   |
| <b>Mining - 11.0%</b>                  |         |                       |                       |
| African Barrick Gold                   | 36,192  | 184                   | 0.3                   |
| Anglo American                         | 53,472  | 1,423                 | 2.2                   |
| BHP Billiton                           | 82,809  | 1,795                 | 2.8                   |
| Bumi                                   | 9,932   | 85                    | 0.1                   |
| Eurasian Natural Resources             | 39,751  | 273                   | 0.4                   |
| Ferrexpo                               | 52,734  | 180                   | 0.3                   |
| Gem Diamonds                           | 84,241  | 177                   | 0.3                   |
| Glencore International                 | 5,900   | 25                    | -                     |
| Kenmare Resources                      | 223,384 | 107                   | 0.2                   |
| Randgold Resources                     | 852     | 62                    | 0.1                   |
| Rio Tinto                              | 55,655  | 2,139                 | 3.3                   |
| Xstrata                                | 60,343  | 656                   | 1.0                   |
| <b>Consumer services - 8.6% (9.6%)</b> |         |                       |                       |
| <b>Food &amp; drug retails - 2.0%</b>  |         |                       |                       |
| Booker Group                           | 45,021  | 32                    | 0.1                   |
| Greggs                                 | 8,227   | 42                    | 0.1                   |
| Sainsbury (I)                          | 7,501   | 22                    | -                     |
| Tesco                                  | 236,309 | 754                   | 1.2                   |
| Morrison (Wm.) Supermarkets            | 143,759 | 408                   | 0.6                   |
| <b>General retailers - 1.6%</b>        |         |                       |                       |
| Debenhams                              | 295,308 | 198                   | 0.3                   |
| JD Sports Fashion                      | 22,589  | 165                   | 0.3                   |
| Kingfisher                             | 52,910  | 134                   | 0.2                   |
| Next                                   | 12,477  | 325                   | 0.5                   |
| WH Smith                               | 30,785  | 169                   | 0.3                   |
| <b>Media - 2.4%</b>                    |         |                       |                       |
| British Sky Broadcasting Group         | 25,040  | 171                   | 0.3                   |
| Daily Mail & General Trust 'A'         | 30,588  | 133                   | 0.2                   |
| Euro money Institutional Investor      | 22,522  | 154                   | 0.2                   |
| ITE Group                              | 43,588  | 89                    | 0.1                   |
| ITV                                    | 387,274 | 291                   | 0.6                   |
| Moneysupermarket.Com Group             | 17,366  | 20                    | -                     |
| Pearson                                | 14,055  | 165                   | 0.3                   |
| Reed Elsevier                          | 9,064   | 48                    | 0.1                   |
| Rightmove Group                        | 16,956  | 217                   | 0.3                   |
| United Business Media                  | 10,614  | 58                    | 0.1                   |
| WPP                                    | 17,058  | 126                   | 0.2                   |
| <b>Travel &amp; leisure - 2.6%</b>     |         |                       |                       |
| Compass Group                          | 35,871  | 211                   | 0.3                   |
| Easyjet                                | 47,096  | 214                   | 0.3                   |
| Ladbroke's                             | 163,164 | 232                   | 0.4                   |
| Marston's                              | 211,268 | 204                   | 0.3                   |
| Rank Group                             | 129,236 | 167                   | 0.3                   |
| Restaurant Group                       | 59,169  | 174                   | 0.3                   |
| Stagecoach Group                       | 32,243  | 90                    | 0.1                   |
| Whitbread                              | 8,948   | 147                   | 0.2                   |
| William Hill                           | 111,694 | 251                   | 0.4                   |

## Portfolio statement – continued

As at 31 January 2012

| Investment   | Holding   | Market value<br>£'000 | Total net<br>assets % |
|--|-----------|-----------------------|-----------------------|
| <b>Industrials – 7.8% (7.0%)</b>                     |           |                       |                       |
| <b>Aerospace &amp; defence – 2.0%</b>                |           |                       |                       |
| BAE Systems  | 173,104   | 542                   | 0.8                   |
| QinetiQ Group  | 80,081    | 104                   | 0.2                   |
| Rolls Royce Group                                    | 88,619    | 652                   | 1.0                   |
| <b>Construction &amp; materials – 0.7%</b>           |           |                       |                       |
| CRH  | 11,466    | 145                   | 0.2                   |
| Galliford Try  | 20,276    | 96                    | 0.2                   |
| Kier Group   | 12,425    | 166                   | 0.3                   |
| <b>Electronics &amp; electrical equipment – 0.5%</b> |           |                       |                       |
| Halma  | 18,675    | 65                    | 0.1                   |
| Morgan Crucible                                      | 28,142    | 89                    | 0.1                   |
| Spectris   | 14,292    | 217                   | 0.3                   |
| <b>General industrials – 0.8%</b>                    |           |                       |                       |
| Rexam  | 32,992    | 124                   | 0.2                   |
| RPC Group  | 56,862    | 217                   | 0.3                   |
| Smith (DS)   | 83,294    | 193                   | 0.3                   |
| <b>Industrial engineering – 0.8%</b>                 |           |                       |                       |
| Bodycote International                               | 30,817    | 96                    | 0.2                   |
| IMI  | 9,001     | 77                    | 0.1                   |
| Melrose  | 9,885     | 37                    | 0.1                   |
| Weir Group   | 12,190    | 237                   | 0.4                   |
| <b>Support services – 3.0%</b>                       |           |                       |                       |
| Aggreko  | 5,933     | 124                   | 0.2                   |
| Atkins (WS)  | 30,864    | 216                   | 0.3                   |
| Babcock International Group                          | 16,704    | 122                   | 0.2                   |
| Bunzl  | 14,576    | 125                   | 0.2                   |
| Capita Group   | 8,415     | 52                    | 0.1                   |
| Carillion  | 57,175    | 177                   | 0.3                   |
| Experian   | 21,427    | 183                   | 0.3                   |
| Filtrona   | 27,696    | 105                   | 0.2                   |
| G4S  | 46,190    | 125                   | 0.2                   |
| Howden Joinery Group                                 | 38,612    | 41                    | 0.1                   |
| Interserve   | 59,184    | 176                   | 0.3                   |
| Mitie Group  | 83,704    | 213                   | 0.3                   |
| Northgate  | 53,912    | 122                   | 0.2                   |
| Wolseley   | 1,587     | 35                    | 0.1                   |
| <b>Health care – 7.3% (7.2%)</b>                     |           |                       |                       |
| <b>Health care equipment &amp; services – 0.1%</b>   |           |                       |                       |
| Smith & Nephew                                       | 5,315     | 33                    | 0.1                   |
| <b>Pharmaceuticals &amp; biotechnology – 7.2%</b>    |           |                       |                       |
| AstraZeneca  | 51,247    | 1,566                 | 2.5                   |
| GlaxoSmithKline                                      | 179,004   | 2,542                 | 4.0                   |
| Shire  | 22,333    | 470                   | 0.7                   |
| <b>Telecommunications – 6.0% (6.9%)</b>              |           |                       |                       |
| <b>Fixed line telecommunications – 1.3%</b>          |           |                       |                       |
| BT Group   | 303,099   | 620                   | 1.0                   |
| Talk Talk Telecom                                    | 114,920   | 140                   | 0.2                   |
| Telecom Plus   | 9,898     | 67                    | 0.1                   |
| <b>Mobile telecommunications – 4.7%</b>              |           |                       |                       |
| Vodafone Group                                       | 1,751,370 | 3,023                 | 4.7                   |
| <b>Utilities – 3.4% (3.1%)</b>                       |           |                       |                       |
| <b>Electricity – 0.8%</b>                            |           |                       |                       |
| Drax Group   | 45,346    | 241                   | 0.4                   |
| Scottish & Southern Energy                           | 19,991    | 246                   | 0.4                   |
| <b>Gas, water &amp; multiutilities – 2.6%</b>        |           |                       |                       |
| Centrica   | 194,664   | 576                   | 0.9                   |
| National Grid  | 142,724   | 894                   | 1.4                   |
| Pennon Group   | 27,217    | 189                   | 0.3                   |
| <b>Equity investment instruments – 2.2% (0.0%)</b>   |           |                       |                       |
| JPM UK Smaller Companies 'I' (Accumulation)^         | 349,659   | 1,425                 | 2.2                   |

| Investment  | Holding   | Market value<br>£'000 | Total net<br>assets % |
|---|-----------|-----------------------|-----------------------|
| <b>Technology – 1.2% (1.5%)</b>                   |           |                       |                       |
| <b>Software &amp; computer services – 0.9%</b>    |           |                       |                       |
| Computacenter                                     | 53,162    | 208                   | 0.3                   |
| Micro Focus International                         | 45,989    | 197                   | 0.3                   |
| Teledy Group                                      | 29,450    | 191                   | 0.3                   |
| <b>Technology hardware &amp; equipment – 0.3%</b> |           |                       |                       |
| ARM Holdings                                      | 19,952    | 124                   | 0.2                   |
| Laird Group                                       | 53,803    | 89                    | 0.1                   |
| <b>Futures – 0.1% (0.0%)</b>                      |           |                       |                       |
| FTSE 100 Index Futures Mar 2012                   | 38        | 81                    | 0.1                   |
| <b>Liquidity funds – 3.7% (0.0%)</b>              |           |                       |                       |
| JPM Sterling Liquidity 'X' (Income)^              | 2,355,386 | 2,355                 | 3.7                   |
| <b>Investment assets</b>                          |           | <b>63,429</b>         | <b>99.3</b>           |
| <b>Net other assets</b>                           |           | <b>447</b>            | <b>0.7</b>            |
| <b>Net assets</b>                                 |           | <b>63,876</b>         | <b>100.0</b>          |

Unless otherwise stated the above securities are admitted to official stock exchange listings or trade on a regulated market.

The comparative percentage figures in brackets are at 31 January 2011.

^ Deemed to be investment in related parties of the ACD

## Portfolio movements

For the year ending 31 January 2012

|  | £'000         |  | £'000           |
|--|---------------|--|-----------------|
| <b>Total of all purchases for the year (Note 10)</b> | <b>25,113</b> | <b>Total of all sales for the year (Note 10)</b> | <b>22,215</b>   |
| <b>Major purchases</b>                               | <b>Cost</b>   | <b>Major sales</b>                               | <b>Proceeds</b> |
| JPM Sterling Liquidity 'X' (Income)^                 | 2,555         | British American Tobacco                         | 604             |
| JPM UK Smaller Companies 'I' (Accumulation)^         | 1,597         | Vodafone Group                                   | 539             |
| Shire  | 504           | Royal Dutch Shell 'B'                            | 535             |
| National Grid  | 502           | Sports Direct International                      | 523             |
| BAE Systems  | 466           | Northumbrian Water Group                         | 503             |
| Imperial Tobacco Group                               | 387           | Old Mutual                                       | 484             |
| BG Group   | 344           | GlaxoSmithKline                                  | 482             |
| Schroders  | 337           | Carnival   | 442             |
| Barclays   | 337           | Mondi  | 421             |
| Carillion  | 304           | Filtrona   | 401             |
| Northgate  | 301           | AstraZeneca                                      | 383             |
| Capital Shopping Centres Group                       | 294           | Next   | 363             |
| Land Securities                                      | 289           | BP   | 347             |
| Prudential   | 284           | Schroders  | 327             |
| GKN  | 278           | Royal Bank of Scotland Group                     | 322             |
| Diageo   | 271           | Electrocomponents                                | 318             |
| Kingfisher   | 257           | IMI  | 314             |
| SThree   | 256           | Lloyds Banking Group                             | 304             |
| Provident Financial                                  | 244           | Amlin  | 301             |
| Misys  | 242           | Morrison (Wm.) Supermarkets                      | 292             |

^ Deemed to be investment in related parties of the ACD

## Financial statements

### Statement of total return

For the year ending 31 January

|   | £'000 | 2012<br>£'000  | £'000 | 2011<br>£'000 |
|---|-------|----------------|-------|---------------|
| Income  |       |                |       |               |
| Net capital (losses)/gains (Note 1)   |       | (1,887)        |       | 9,233         |
| Revenue (Note 2)  | 2,282 |                | 1,910 |               |
| Expenses (Note 3)   | (248) |                | (681) |               |
| Performance fee (Note 3)  | (4)   |                | -     |               |
| Net revenue before taxation   | 2,030 |                | 1,229 |               |
| Taxation (Note 4)   | (1)   |                | (2)   |               |
| Net revenue after taxation  |       | 2,029          |       | 1,227         |
| <b>Total return before distributions</b>  |       | <b>142</b>     |       | <b>10,460</b> |
| Finance costs:  |       |                |       |               |
| Distributions (Note 5)  |       | (2,029)        |       | (1,227)       |
| <b>Change in net assets attributable to shareholders from investment activities</b> |       | <b>(1,887)</b> |       | <b>9,233</b>  |

### Statement of change in net assets attributable to shareholders

For the year ending 31 January

|   | £'000   | 2012<br>£'000  | £'000   | 2011<br>£'000 |
|---|---------|----------------|---------|---------------|
| <b>Opening net assets attributable to shareholders</b>  |         | <b>64,263</b>  |         | <b>57,430</b> |
| Amounts receivable on issue of shares   | 586     |                | 635     |               |
| Amounts payable on cancellation of shares   | (1,105) |                | (4,231) |               |
|   |         | (519)          |         | (3,596)       |
| <b>Change in net assets attributable to shareholders from investment activities (see above)</b> |         | <b>(1,887)</b> |         | <b>9,233</b>  |
| Retained distributions on accumulation shares   |         | 2,020          |         | 1,197         |
| Stamp duty reserve tax  |         | (1)            |         | (1)           |
| <b>Closing net assets attributable to shareholders</b>  |         | <b>63,876</b>  |         | <b>64,263</b> |

### Balance sheet

As at 31 January

|  | £'000 | 2012<br>£'000 | £'000 | 2011<br>£'000 |
|--|-------|---------------|-------|---------------|
| <b>ASSETS</b>                                  |       |               |       |               |
| Investment assets                              |       | 63,429        |       | 62,396        |
| Debtors (Note 7)                               | 207   |               | 131   |               |
| Cash and bank balances (Note 8)                | 270   |               | 1,893 |               |
| <b>Total other assets</b>                      |       | <b>477</b>    |       | <b>2,024</b>  |
| <b>Total assets</b>                            |       | <b>63,906</b> |       | <b>64,420</b> |
| <b>LIABILITIES</b>                             |       |               |       |               |
| Investment liabilities                         |       | -             |       | (22)          |
| Creditors (Note 9)                             | (28)  |               | (134) |               |
| Distribution payable on income shares          | (2)   |               | (1)   |               |
| <b>Total other liabilities</b>                 |       | <b>(30)</b>   |       | <b>(135)</b>  |
| <b>Total liabilities</b>                       |       | <b>(30)</b>   |       | <b>(157)</b>  |
| <b>Net assets attributable to shareholders</b> |       | <b>63,876</b> |       | <b>64,263</b> |

The notes to these financial statements are shown on pages 279 to 280.



# Notes to the financial statements for the year ending 31 January 2012

## 1. Net capital (losses)/gains

|                            | 2012<br>£'000  | 2011<br>£'000 |
|----------------------------|----------------|---------------|
| Currency losses            | (1)            | (98)          |
| Custodian handling charges | (4)            | (5)           |
| Derivative contracts       | 85             | 38            |
| Non-derivative securities  | (1,967)        | 9,298         |
| Net capital (losses)/gains | <u>(1,887)</u> | <u>9,233</u>  |

## 2. Revenue

|   | 2012<br>£'000 | 2011<br>£'000 |
|---|---------------|---------------|
| Distributions from authorised ICVCs       | 23            | -             |
| Franked income from UK equity investments | 2,115         | 1,809         |
| Income from overseas equity investments   | 76            | 57            |
| Interest on bank and term deposits        | 4             | 3             |
| Interest on fixed-interest securities     | 7             | -             |
| Management fee rebates                    | 9             | -             |
| Property income distributions             | 33            | 16            |
| Stock dividends                           | 14            | 12            |
| Stocklending income*                      | 1             | 4             |
| Underwriting commission                   | -             | 9             |
| Total revenue                             | <u>2,282</u>  | <u>1,910</u>  |

\* Stocklending income is disclosed net of fees. See note 11.

## 3. Expenses

|   | 2012<br>£'000 | 2011<br>£'000 |
|---|---------------|---------------|
| Payable to the ACD or associate of the ACD: |               |               |
| ACD fee                                     | 157           | 586           |
| Fixed expenses                              | 91            | 95            |
| Performance fees                            | 4             | -             |
| Total expenses                              | <u>252</u>    | <u>681</u>    |

## 4. Taxation

|  | 2012<br>£'000 | 2011<br>£'000 |
|--|---------------|---------------|
| <b>a) Analysis of charge in the year</b> |               |               |
| Overseas tax suffered                    | 1             | 2             |
| Current year tax charge (Note 4b)        | <u>1</u>      | <u>2</u>      |

### b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an Open-Ended Investment Company (OEIC) (20%). The differences are explained below.

|   |              |              |
|---|--------------|--------------|
| Net revenue before taxation               | 2,030        | 1,229        |
| Corporation tax at 20%                    | <u>406</u>   | <u>246</u>   |
| Effects of:                               |              |              |
| Dividends not subject to corporation tax  | (446)        | (376)        |
| Excess expenses for which no relief taken | 40           | 130          |
| Overseas tax suffered                     | 1            | 2            |
|   | <u>(405)</u> | <u>(244)</u> |
| Current year tax charge (Note 4a)         | <u>1</u>     | <u>2</u>     |

No deferred tax asset has been recognised in the financial statements. At the year end date, the fund had a deferred tax asset of £1,334,196 (31.01.11: £1,294,439) in relation to £6,670,980 (31.01.11: £6,472,193) of excess management expenses which would only be utilised to reduce the tax charge if the fund had an excess of unfranked income over expenses in a future period. There is no excess of unfranked income expected in the future.

## 5. Finance costs

### Distributions

The distributions take account of amounts receivable on the issue of shares and amounts payable on the cancellation of shares and comprise:

|  | 2012<br>£'000 | 2011<br>£'000 |
|--|---------------|---------------|
| Final dividend distribution                    | 2,022         | 1,197         |
| Add: Amounts payable on cancellation of shares | 13            | 40            |
| Deduct: Amounts receivable on issue of shares  | (6)           | (10)          |
| Total finance costs                            | <u>2,029</u>  | <u>1,227</u>  |

Details of the distribution per share are set out on page 281.

## 6. Movement between net revenue after taxation and distributions

|   | 2012<br>£'000 | 2011<br>£'000 |
|---|---------------|---------------|
| Net revenue after taxation                    | 2,029         | 1,227         |
| Add: Undistributed revenue brought forward    | 3             | 3             |
| Deduct: Undistributed revenue carried forward | (3)           | (3)           |
|   | <u>2,029</u>  | <u>1,227</u>  |

# Notes to the financial statements – continued

## 7. Debtors

|                                     | 2012<br>£'000 | 2011<br>£'000 |
|-------------------------------------|---------------|---------------|
| Accrued income                      | 200           | 122           |
| Due from the ACD for shares created | 1             | 3             |
| Overseas tax recoverable            | 4             | 4             |
| Property income tax recoverable     | 2             | 2             |
| Total debtors                       | <u>207</u>    | <u>131</u>    |

## 8. Cash and bank balances

|   | 2012<br>£'000 | 2011<br>£'000 |
|---|---------------|---------------|
| Amounts held at futures clearing houses and brokers | 93            | 101           |
| Cash and bank balances                              | 177           | 1,792         |
| Total cash and bank balances                        | <u>270</u>    | <u>1,893</u>  |

## 9. Creditors

|                                     | 2012<br>£'000 | 2011<br>£'000 |
|-------------------------------------|---------------|---------------|
| Accrued expenses                    | 26            | 63            |
| Due to the ACD for shares cancelled | 2             | 71            |
| Total creditors                     | <u>28</u>     | <u>134</u>    |

## 10. Portfolio transaction costs

|  | 2012<br>£'000 | 2011<br>£'000 |
|--|---------------|---------------|
| Analysis of total purchase costs           |               |               |
| Purchases in year before transaction costs | <u>24,989</u> | <u>34,116</u> |
| Commissions                                | 26            | 50            |
| Taxes                                      | 98            | 132           |
| Total purchase costs                       | <u>124</u>    | <u>182</u>    |
| Gross purchases total                      | <u>25,113</u> | <u>34,298</u> |
| Analysis of total sale costs               |               |               |
| Gross sales before transaction costs       | <u>22,244</u> | <u>38,071</u> |
| Commissions                                | (29)          | (55)          |
| Total sale costs                           | <u>(29)</u>   | <u>(55)</u>   |
| Total sales net of transaction costs       | <u>22,215</u> | <u>38,016</u> |

## 11. Related party transactions

JPMorgan Funds Limited, as Authorised Corporate Director ("ACD"), is a related party, and acts as principal in respect of all transactions of shares in the Company. The aggregate monies received through issue, and paid on cancellation, are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

The balance due to the ACD and their associates at the year end date in respect of related party transactions was £26,951 (31.01.11: £131,194). Details of related party transactions are given under note 13 on page 389.

Some of the dealing transactions for the fund are carried out through associates of the ACD. Such transactions are carried out on an arm's length basis. The commissions paid to these companies over the year were £6,136 (31.01.11: £46,116). Commission was paid to the associated company JPMorgan Securities Ltd.

The gross stocklending income received was £1,151 (31.01.11: £4,507), with fees deducted of £201 (31.01.11: £789).

The following parties held a material interest in the fund at the year end date:

- S&P Pensions Ltd 74.87% (31.01.11: 74.27%)
- Chase Nominees Ltd 15.61% (31.01.11: 0.00%)

## 12. Financial instruments

### Currency exposures

At the year end date, the majority of the fund's financial assets and liabilities are denominated in Sterling. As a result, the fund has no material exposure to currency movements.

### Interest rate risk

At the year end date, 4.1% (31.01.11: 2.9%) of the fund's net assets by value were interest bearing.

For consideration of other risks including liquidity, pricing and credit risk, please refer to the notes to the aggregated financial statements, pages 389 to 390.

## 13. Share classes

The fund currently has one share class; Class E shares. The Authorised Corporate Director's (ACD) fee and fixed expenses charge are shown below.

|                 | ACD fee | Fixed expenses | Performance fee |
|-----------------|---------|----------------|-----------------|
| Class E shares: | 0.25%   | 0.15%          | maximum of 10%  |

The performance fee is calculated as 10% of any outperformance of the Fund against its benchmark, FTSE™ All-Share (Total Return Net), with a cap of 1.5% above benchmark return. If the net asset value per share under-performs the benchmark for one or more accounting periods the ACD will not receive a performance fee until that under-performance has been recovered. Full details on how the performance fee is calculated can be found in the Prospectus.

The net asset value, the net asset value per share and the number of shares are shown on page 274.

## 14. Derivatives

The fund enters into derivative transactions in the form of futures for the purpose of efficient portfolio management. The commitment approach has been used to calculate the global exposure.

Further information on the derivative risks can be found in the notes to the aggregated financial statements on page 390.

# Distribution table

## Final distribution in pence per share

Group 1 – Shares purchased prior to 1 February 2011

Group 2 – Shares purchased 1 February 2011 to 31 January 2012

|                                    | Gross revenue | Tax at 10% | Net revenue | Equalisation | Distribution payable 30.04.12 | Distribution paid 30.04.11 |
|------------------------------------|---------------|------------|-------------|--------------|-------------------------------|----------------------------|
| <b>A-Class Accumulation Shares</b> |               |            |             |              |                               |                            |
| Group 1                            | -             | -          | -           | -            | -                             | 3.630000                   |
| Group 2                            | -             | -          | -           | -            | -                             | 3.630000                   |
| <b>A-Class Income Shares</b>       |               |            |             |              |                               |                            |
| Group 1                            | -             | -          | -           | -            | -                             | 0.790000                   |
| Group 2                            | -             | -          | -           | -            | -                             | 0.790000                   |
| <b>E-Class Accumulation Shares</b> |               |            |             |              |                               |                            |
| Group 1                            | 7.011111      | 0.701111   | 6.310000    | -            | 6.310000                      | -                          |
| Group 2                            | 4.788030      | 0.478803   | 4.309227    | 2.000773     | 6.310000                      | -                          |
| <b>E-Class Income Shares</b>       |               |            |             |              |                               |                            |
| Group 1                            | 1.477778      | 0.147778   | 1.330000    | -            | 1.330000                      | -                          |
| Group 2                            | 0.772932      | 0.077293   | 0.695639    | 0.634361     | 1.330000                      | -                          |
| <b>I-Class Accumulation Shares</b> |               |            |             |              |                               |                            |
| Group 1                            | -             | -          | -           | -            | -                             | 4.990000                   |
| Group 2                            | -             | -          | -           | -            | -                             | 4.990000                   |
| <b>I-Class Income Shares</b>       |               |            |             |              |                               |                            |
| Group 1                            | -             | -          | -           | -            | -                             | 2.060000                   |
| Group 2                            | -             | -          | -           | -            | -                             | 2.060000                   |

Equalisation applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of revenue included in the purchase price of all group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

# JPM UK Dynamic Fund

## Important information

### Change of Depositary

As part of an internal re-structuring, The Royal Bank of Scotland plc has transferred its Trustee and Depositary Services business from The Royal Bank of Scotland plc to National Westminster Bank plc and consequently National Westminster Bank plc has been appointed as Depositary of the Fund with effect from 15 October 2011.

As Depositary, National Westminster Bank plc will have the same duties and responsibilities as The Royal Bank of Scotland plc and this change will have no impact on the way the Fund operates.

### Investment objective and policy

To maximise long-term capital growth by investing primarily in UK equities.

### Risk profile

This equity based Fund invests only in those stocks, (which may include smaller companies), which the Fund manager believes will outperform, irrespective of their benchmark weighting, and disregarding stocks most likely to under-perform in the opinion of the fund manager.

Equity investment is subject to specific risks relating to the performance of the individual companies held and the market's perception of their performance. Equities are also subject to systematic risks such as general economic conditions, inflation, interest rates, foreign exchange rates and industry sector risks. In general terms, equities tend to be more volatile than bonds.

This Fund is aggressively managed, which may result in higher volatility of the Fund's performance and bigger differences between the performance of the Fund and its benchmark when compared to core funds.

Funds that invest predominantly in a single market, asset class or sector may be subject to greater volatility than those funds with a more diversified portfolio.

### Fund review

UK share prices have struggled to gain traction over the review period, constrained by weak domestic and global economic data and worries over the eurozone sovereign debt crisis.

The Fund, which maintains an unconstrained focus on stocks with strong value and/or growth characteristics, underperformed its benchmark. Positive contributors to relative returns included an underweight position in the banks sector and stock selection in nonlife insurance. Stock selection and an overweight in oil & gas producers detracted, as did an underweight in beverages.

At the stock level, the Fund benefited in relative terms from its underweight position in Lloyds Banking Group, which was hurt by concerns over regulation and sovereign debt, and by worries over management after the new CEO took medical leave. An overweight position in Lancashire Holdings was also positive as the insurer announced a special dividend after reporting higher-than-expected second- and third-quarter earnings on solid underwriting performance. Stock-level detractors from relative returns included an overweight position in Aurelian Oil & Gas, which reported disappointing initial findings from an appraisal well at its Siekierki gas project in Poland.

Not holding SABMiller was also detrimental as the brewing company benefited from strong emerging market volume growth. However, the Fund was boosted by its overweight position in clothing retailer Next, which delivered stronger-than-expected sales growth, helped by a rise in online demand.

### Fund outlook

The UK economy remains weak, but momentum has improved in early 2012, supported by a stabilisation of the eurozone crisis and better growth in the US. An improving global economic backdrop would be supportive for UK corporate earnings, which in turn would be positive for the stock market - particularly with valuations looking attractive relative to history and compared to bonds.

### 12 month performance as at 31 January

|                                   | 2012         | 2011         | 2010         | 2009          | 2008         |
|-----------------------------------|--------------|--------------|--------------|---------------|--------------|
| <b>JPM UK Dynamic A-Class Acc</b> | <b>-3.9%</b> | <b>23.6%</b> | <b>24.6%</b> | <b>-27.2%</b> | <b>-8.0%</b> |
| <b>JPM UK Dynamic B-Class Acc</b> | <b>-3.4%</b> | <b>24.2%</b> | <b>25.2%</b> | <b>-26.8%</b> | <b>-</b>     |
| <b>Benchmark Index</b>            | <b>-0.3%</b> | <b>18.1%</b> | <b>33.2%</b> | <b>-27.8%</b> | <b>-3.6%</b> |

### Fund statistics

|                 |  |
|-----------------|--|
| Fund size       | <b>£176.7m</b>                                 |
| Benchmark Index | <b>FTSE All-Share Index (Total Return Net)</b> |
| Fund charges    |  |
| A-Class         | <b>Initial 4.25%, Annual 1.50%</b>             |
| B-Class         | <b>Initial Nil, Annual 1.00%</b>               |

### Top ten holdings

|                          | %   |
|--------------------------|-----|
| Royal Dutch Shell        | 8.1 |
| BP                       | 6.7 |
| British American Tobacco | 5.1 |
| BG Group                 | 5.0 |
| Rio Tinto                | 3.7 |
| Vodafone Group           | 3.6 |
| Prudential               | 3.5 |
| GlaxoSmithKline          | 3.2 |
| AstraZeneca              | 3.1 |
| BHP Billiton             | 2.6 |

You should remember that past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. For specific risks, please read the Simplified Prospectus.

All performance returns are calculated using the quoted price of the accumulation shares. Performance returns are in Sterling.  
Source: J.P. Morgan.

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## Sector breakdown

|                    | %    |
|--------------------|------|
| Oil & gas          | 20.4 |
| Consumer goods     | 16.6 |
| Industrials        | 13.7 |
| Basic materials    | 11.1 |
| Financials         | 10.0 |
| Health care        | 7.7  |
| Consumer services  | 6.1  |
| Telecommunications | 5.4  |
| Technology         | 4.5  |
| Utilities          | 2.5  |
| Net other assets   | 2.0  |

## Portfolio turnover rate

|          |        |
|----------|--------|
| 31.01.11 | 508.9% |
| 31.01.12 | 403.8% |

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the period.

## Highest/lowest share price and distribution record

| Calendar year                                  | Highest share price | Lowest share price | Distribution per share (net) |
|--|---------------------|--------------------|------------------------------|
| <b>A-Class Accumulation Shares</b>             |                     |                    |                              |
| 2007   | 108.7p              | 92.43p             | 1.31p                        |
| 2008   | 104.5p              | 59.99p             | 1.35p                        |
| 2009   | 88.64p              | 57.47p             | 2.24p                        |
| 2010   | 102.7p              | 80.07p             | 1.08p                        |
| 2011   | 106.5p              | 86.13p             | 0.81p                        |
| 2012 <sup>a</sup>                              | 100.1p              | 97.56p             | 0.91p                        |
| <b>A-Class Income Shares</b>                   |                     |                    |                              |
| 2007   | 101.5p              | 85.77p             | 1.24p                        |
| 2008   | 96.69p              | 54.83p             | 1.25p                        |
| 2009   | 78.51p              | 51.80p             | 2.03p                        |
| 2010   | 89.86p              | 70.60p             | 0.96p                        |
| 2011   | 93.04p              | 74.80p             | 0.71p                        |
| 2012 <sup>a</sup>                              | 86.96p              | 84.72p             | 0.79p                        |
| <b>B-Class Accumulation Shares<sup>b</sup></b> |                     |                    |                              |
| 2007   | 105.1p              | 98.00p             | -                            |
| 2008   | 105.2p              | 60.54p             | 1.36p                        |
| 2009   | 89.93p              | 58.11p             | 2.64p                        |
| 2010   | 104.8p              | 81.54p             | 1.56p                        |
| 2011   | 109.0p              | 88.30p             | 1.37p                        |
| 2012 <sup>a</sup>                              | 102.8p              | 100.1p             | 1.19p                        |

<sup>a</sup> To 31 January 2012.

<sup>b</sup> B-Class Accumulation Shares were launched on 20 November 2007.

## Net asset values and Total expense ratios

| Date                               | Net asset value per share class £'000 | Number of shares | Net asset value per share | Total expense ratio |
|------------------------------------|---------------------------------------|------------------|---------------------------|---------------------|
| <b>A-Class Accumulation Shares</b> |                                       |                  |                           |                     |
| 31.01.10                           | 133,081                               | 160,321,157      | 83.01p                    | 1.67%               |
| 31.01.11                           | 124,699                               | 121,940,489      | 102.3p                    | 1.67%               |
| 31.01.12                           | 103,445                               | 104,819,162      | 98.69p                    | 1.67%               |
| <b>A-Class Income Shares</b>       |                                       |                  |                           |                     |
| 31.01.10                           | 99,639                                | 136,234,500      | 73.14p                    | 1.67%               |
| 31.01.11                           | 91,270                                | 102,145,673      | 89.35p                    | 1.67%               |
| 31.01.12                           | 70,389                                | 82,733,057       | 85.08p                    | 1.67%               |
| <b>B-Class Accumulation Shares</b> |                                       |                  |                           |                     |
| 31.01.10                           | 3,485                                 | 4,132,104        | 84.35p                    | 1.14%               |
| 31.01.11                           | 3,468                                 | 3,319,665        | 104.5p                    | 1.14%               |
| 31.01.12                           | 2,885                                 | 2,847,093        | 101.4p                    | 1.14%               |

The net asset value and the net asset value per income share are shown ex-dividend.

The total expense ratio (TER) takes into account the ACD fee and any fixed expenses charged to revenue expressed as a percentage of the average daily net asset values over the period.

# Portfolio statement

As at 31 January 2012

| Investment   | Holding   | Market value<br>£'000 | Total net<br>assets % |
|--|-----------|-----------------------|-----------------------|
| <b>Oil &amp; gas - 20.4% (14.5%)</b>                     |           |                       |                       |
| <b>Oil &amp; gas producers - 20.0%</b>                   |           |                       |                       |
| BG Group   | 627,287   | 8,882                 | 5.0                   |
| BP   | 2,522,332 | 11,883                | 6.7                   |
| Nautical Petroleum                                       | 118,774   | 392                   | 0.2                   |
| Royal Dutch Shell 'A' (EUR)                              | 100,112   | 2,261                 | 1.3                   |
| Royal Dutch Shell 'A' (GBP)                              | 192,547   | 4,346                 | 2.5                   |
| Royal Dutch Shell 'B'                                    | 327,310   | 7,618                 | 4.3                   |
| <b>Oil equipment, services &amp; distribution - 0.4%</b> |           |                       |                       |
| Hunting  | 77,762    | 624                   | 0.4                   |
| <b>Consumer goods - 16.6% (6.7%)</b>                     |           |                       |                       |
| <b>Food producers - 3.4%</b>                             |           |                       |                       |
| Associated British Foods                                 | 210,063   | 2,410                 | 1.4                   |
| R.E.A.   | 151,399   | 996                   | 0.6                   |
| R.E.A. 9% Cum Preference                                 | 8,039     | 9                     | -                     |
| Tate & Lyle  | 384,136   | 2,531                 | 1.4                   |
| <b>Household goods - 6.0%</b>                            |           |                       |                       |
| Barratt Development                                      | 2,128,380 | 2,307                 | 1.3                   |
| Bellway  | 237,981   | 1,742                 | 1.0                   |
| Berkeley Group 'B'                                       | 197,463   | 2,478                 | 1.4                   |
| Persimmon  | 625,513   | 3,259                 | 1.8                   |
| Taylor Wimpey  | 2,111,664 | 897                   | 0.5                   |
| <b>Tobacco - 7.2%</b>                                    |           |                       |                       |
| British American Tobacco                                 | 307,940   | 9,084                 | 5.1                   |
| Imperial Tobacco Group                                   | 165,085   | 3,752                 | 2.1                   |
| <b>Industrials - 13.7% (21.0%)</b>                       |           |                       |                       |
| <b>Aerospace &amp; defence - 0.6%</b>                    |           |                       |                       |
| BAE Systems  | 330,495   | 1,035                 | 0.6                   |
| <b>Construction &amp; materials - 0.5%</b>               |           |                       |                       |
| Kier Group   | 69,062    | 923                   | 0.5                   |
| <b>Electronics &amp; electrical equipment - 3.2%</b>     |           |                       |                       |
| Morgan Crucible  | 672,104   | 2,116                 | 1.2                   |
| Oxford Instruments                                       | 163,895   | 1,500                 | 0.9                   |
| Spectris   | 122,174   | 1,857                 | 1.1                   |
| <b>General industrials - 1.6%</b>                        |           |                       |                       |
| RPC Group  | 372,445   | 1,423                 | 0.8                   |
| Smith (DS)   | 630,290   | 1,457                 | 0.8                   |
| <b>Industrial engineering - 2.5%</b>                     |           |                       |                       |
| Fenner   | 505,470   | 2,265                 | 1.3                   |
| Spirax Sarco Engineering                                 | 44,123    | 853                   | 0.5                   |
| Weir Group   | 63,860    | 1,242                 | 0.7                   |
| <b>Support services - 5.3%</b>                           |           |                       |                       |
| Aggreko  | 95,123    | 1,980                 | 1.1                   |
| Ashtead Group  | 1,389,498 | 3,250                 | 1.8                   |
| Interserve   | 517,186   | 1,538                 | 0.9                   |
| John Menzies   | 456,261   | 2,578                 | 1.5                   |
| <b>Basic materials - 11.1% (16.7%)</b>                   |           |                       |                       |
| <b>Mining - 11.1%</b>                                    |           |                       |                       |
| Anglo American   | 131,365   | 3,497                 | 2.0                   |
| Antofagasta  | 222,998   | 2,912                 | 1.6                   |
| BHP Billiton   | 208,305   | 4,514                 | 2.6                   |
| Rio Tinto  | 170,724   | 6,560                 | 3.7                   |
| Xstrata  | 194,386   | 2,114                 | 1.2                   |
| <b>Financials - 10.0% (12.1%)</b>                        |           |                       |                       |
| <b>Banks - 3.3%</b>                                      |           |                       |                       |
| Barclays   | 1,938,749 | 4,144                 | 2.3                   |
| HSBC   | 331,708   | 1,767                 | 1.0                   |
| <b>Life insurance - 5.5%</b>                             |           |                       |                       |
| Aviva  | 798,333   | 2,805                 | 1.6                   |
| Legal & General Group                                    | 605,377   | 699                   | 0.4                   |
| Prudential   | 865,817   | 6,095                 | 3.5                   |
| <b>Nonlife insurance - 1.2%</b>                          |           |                       |                       |
| Lancashire Holdings                                      | 316,355   | 2,186                 | 1.2                   |
| <b>Health care - 7.7% (5.4%)</b>                         |           |                       |                       |
| <b>Pharmaceuticals &amp; biotechnology - 7.7%</b>        |           |                       |                       |
| AstraZeneca  | 177,046   | 5,409                 | 3.1                   |
| Genus  | 83,252    | 854                   | 0.5                   |
| GlaxoSmithKline  | 403,117   | 5,724                 | 3.2                   |
| Shire  | 78,743    | 1,658                 | 0.9                   |

| Investment  | Holding   | Market value<br>£'000 | Total net<br>assets % |
|---|-----------|-----------------------|-----------------------|
| <b>Consumer services - 6.1% (9.7%)</b>            |           |                       |                       |
| <b>Food &amp; drug retails - 1.6%</b>             |           |                       |                       |
| Booker Group                                      | 3,130,113 | 2,246                 | 1.3                   |
| Sainsbury (J)                                     | 187,879   | 543                   | 0.3                   |
| <b>Media - 4.0%</b>                               |           |                       |                       |
| ITV   | 1,163,628 | 873                   | 0.5                   |
| Moneysupermarket.Com Group                        | 901,773   | 1,045                 | 0.6                   |
| Pearson   | 218,035   | 2,553                 | 1.4                   |
| Rightmove Group                                   | 67,211    | 858                   | 0.5                   |
| WPP   | 232,028   | 1,718                 | 1.0                   |
| <b>Travel &amp; Leisure - 0.5%</b>                |           |                       |                       |
| easyJet   | 213,956   | 971                   | 0.5                   |
| <b>Telecommunications - 5.4% (9.2%)</b>           |           |                       |                       |
| <b>Fixed line telecommunications - 1.2%</b>       |           |                       |                       |
| BT Group  | 1,018,985 | 2,086                 | 1.2                   |
| <b>Mobile telecommunications - 4.2%</b>           |           |                       |                       |
| Avanti Communications Group                       | 343,709   | 986                   | 0.6                   |
| Vodafone Group                                    | 3,711,871 | 6,407                 | 3.6                   |
| <b>Technology - 4.5% (3.0%)</b>                   |           |                       |                       |
| <b>Software &amp; computer services - 2.1%</b>    |           |                       |                       |
| Micro Focus International                         | 445,789   | 1,914                 | 1.1                   |
| Telety Group                                      | 272,684   | 1,767                 | 1.0                   |
| <b>Technology hardware &amp; equipment - 2.4%</b> |           |                       |                       |
| ARM Holdings                                      | 684,931   | 4,267                 | 2.4                   |
| <b>Utilities - 2.5% (2.7%)</b>                    |           |                       |                       |
| <b>Electricity - 1.1%</b>                         |           |                       |                       |
| Drax Group  | 369,512   | 1,962                 | 1.1                   |
| <b>Gas, water &amp; multiutilities - 1.4%</b>     |           |                       |                       |
| National Grid                                     | 406,655   | 2,548                 | 1.4                   |
| <b>Investment assets</b>                          |           | <b>173,170</b>        | <b>98.0</b>           |
| <b>Net other assets</b>                           |           | <b>3,549</b>          | <b>2.0</b>            |
| <b>Net assets</b>                                 |           | <b>176,719</b>        | <b>100.0</b>          |

Unless otherwise stated the above securities are admitted to official stock exchange listings or trade on a regulated market.

The comparative percentage figures in brackets are at 31 January 2011.

## Portfolio movements

For the year ending 31 January 2012

|  | £'000          |  | £'000           |
|--|----------------|--|-----------------|
| <b>Total of all purchases for the year (Note 10)</b> | <b>418,112</b> | <b>Total of all sales for the year (Note 10)</b> | <b>455,395</b>  |
| <b>Major purchases</b>                               | <b>Cost</b>    | <b>Major sales</b>                               | <b>Proceeds</b> |
| JPM Sterling Liquidity 'X' (Income)^                 | 42,505         | JPM Sterling Liquidity 'X' (Income)^             | 42,505          |
| HSBC   | 20,241         | HSBC   | 22,994          |
| BG Group   | 16,791         | Burberry Group                                   | 11,881          |
| Barclays   | 14,038         | AstraZeneca                                      | 10,132          |
| British American Tobacco                             | 11,221         | Barclays   | 9,011           |
| GlaxoSmithKline                                      | 9,636          | Rio Tinto  | 8,665           |
| Burberry Group                                       | 9,586          | Weir Group                                       | 8,524           |
| AstraZeneca  | 9,099          | GKN  | 8,299           |
| Royal Dutch Shell 'B'                                | 8,813          | Vodafone Group                                   | 8,194           |
| BP   | 8,231          | BT Group   | 8,137           |
| ARM Holdings   | 8,163          | Anglo American                                   | 7,977           |
| Imperial Tobacco Group                               | 8,092          | BG Group   | 7,423           |
| Weir Group   | 8,068          | Royal Dutch Shell 'A' (EUR)                      | 6,842           |
| Anglo American                                       | 7,372          | BP   | 6,724           |
| Rio Tinto  | 6,676          | Xstrata  | 6,708           |
| Prudential   | 6,162          | Spectris   | 5,959           |
| Aviva  | 5,730          | Diageo   | 5,789           |
| Diageo   | 5,635          | Aviva  | 5,507           |
| Antofagasta  | 5,322          | ITV  | 5,273           |
| BT Group   | 5,244          | Cape   | 5,174           |

^ Deemed to be investment in related parties of the ACD

## Financial statements

### Statement of total return

For the year ending 31 January

|   | £'000   | 2012<br>£'000   | £'000   | 2011<br>£'000 |
|---|---------|-----------------|---------|---------------|
| Income  |         |                 |         |               |
| Net capital (losses)/gains (Note 1)   |         | (10,457)        |         | 45,225        |
| Revenue (Note 2)  | 6,640   |                 | 6,119   |               |
| Expenses (Note 3)   | (3,371) |                 | (3,823) |               |
| Finance costs: Interest (Note 5)  | -       |                 | (5)     |               |
| Net revenue before taxation   | 3,269   |                 | 2,291   |               |
| Taxation (Note 4)   | (78)    |                 | (51)    |               |
| Net revenue after taxation  |         | 3,191           |         | 2,240         |
| <b>Total return before distributions</b>  |         | <b>(7,266)</b>  |         | <b>47,465</b> |
| Finance costs:  |         |                 |         |               |
| Distributions (Note 5)  |         | (3,192)         |         | (2,235)       |
| <b>Change in net assets attributable to shareholders from investment activities</b> |         | <b>(10,458)</b> |         | <b>45,230</b> |

### Balance sheet

As at 31 January

|  | £'000    | 2012<br>£'000   | £'000    | 2011<br>£'000   |
|--|----------|-----------------|----------|-----------------|
| <b>ASSETS</b>                                  |          |                 |          |                 |
| Investment assets                              |          | 173,170         |          | 221,554         |
| Debtors (Note 7)                               | 24,265   |                 | 6,840    |                 |
| Cash and bank balances (Note 8)                | 389      |                 | 2,931    |                 |
| <b>Total other assets</b>                      |          | <b>24,654</b>   |          | <b>9,771</b>    |
| <b>Total assets</b>                            |          | <b>197,824</b>  |          | <b>231,325</b>  |
| <b>LIABILITIES</b>                             |          |                 |          |                 |
| Creditors (Note 9)                             | (20,451) |                 | (11,378) |                 |
| Bank overdraft                                 | -        |                 | (347)    |                 |
| Distribution payable on income shares          | (654)    |                 | (163)    |                 |
| <b>Total liabilities</b>                       |          | <b>(21,105)</b> |          | <b>(11,888)</b> |
| <b>Net assets attributable to shareholders</b> |          | <b>176,719</b>  |          | <b>219,437</b>  |

The notes to these financial statements are shown on pages 287 to 288.

### Statement of change in net assets attributable to shareholders

For the year ending 31 January

|   | £'000    | 2012<br>£'000   | £'000    | 2011<br>£'000  |
|---|----------|-----------------|----------|----------------|
| <b>Opening net assets attributable to shareholders</b>  |          | <b>219,437</b>  |          | <b>236,205</b> |
| Amounts receivable on issue of shares   | 12,891   |                 | 4,686    |                |
| Amounts payable on cancellation of shares   | (46,815) |                 | (67,733) |                |
|   |          | (33,924)        |          | (63,047)       |
| <b>Change in net assets attributable to shareholders from investment activities (see above)</b> |          | <b>(10,458)</b> |          | <b>45,230</b>  |
| Retained distributions on accumulation shares   |          | 1,714           |          | 1,165          |
| Stamp duty reserve tax  |          | (50)            |          | (116)          |
| <b>Closing net assets attributable to shareholders</b>  |          | <b>176,719</b>  |          | <b>219,437</b> |



# Notes to the financial statements for the year ending 31 January 2012

## 1. Net capital (losses)/gains

|                            | 2012            | 2011          |
|----------------------------|-----------------|---------------|
|                            | £'000           | £'000         |
| Currency losses            | (9)             | (59)          |
| Custodian handling charges | (12)            | (22)          |
| Derivative contracts       | 665             | 884           |
| Non-derivative securities  | (11,101)        | 44,422        |
| Net capital (losses)/gains | <u>(10,457)</u> | <u>45,225</u> |

## 2. Revenue

|   | 2012         | 2011         |
|---|--------------|--------------|
|   | £'000        | £'000        |
| Franked income from UK equity investments                         | 5,568        | 4,979        |
| Income from overseas equity investments                           | 924          | 1,050        |
| Interest on amounts held with futures clearing houses and brokers | -            | 1            |
| Interest on bank and term deposits                                | 7            | 24           |
| Interest on fixed-interest securities                             | 9            | -            |
| Property income distributions                                     | 56           | -            |
| Stock dividends   | 25           | -            |
| Stocklending income*  | 51           | 36           |
| Underwriting commission   | -            | 29           |
| Total revenue   | <u>6,640</u> | <u>6,119</u> |

\* Stocklending income is disclosed net of fees. See note 11.

## 3. Expenses

|  | 2012         | 2011         |
|--|--------------|--------------|
|  | £'000        | £'000        |
| <b>Payable to the ACD or associate of the ACD:</b> |              |              |
| ACD fee  | 3,020        | 3,432        |
| Fixed expenses                                     | 351          | 391          |
| Total expenses                                     | <u>3,371</u> | <u>3,823</u> |

## 4. Taxation

|  | 2012      | 2011      |
|--|-----------|-----------|
|  | £'000     | £'000     |
| <b>a) Analysis of charge in the year</b> |           |           |
| Overseas tax provision                   | 2         | (12)      |
| Overseas tax suffered                    | 76        | 63        |
| Current year tax charge (Note 4b)        | <u>78</u> | <u>51</u> |

### b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an Open-Ended Investment Company (OEIC) (20%). The differences are explained below.

|                             |            |            |
|-----------------------------|------------|------------|
| Net revenue before taxation | 3,269      | 2,291      |
| Corporation tax at 20%      | <u>654</u> | <u>458</u> |

### Effects of:

|   |              |              |
|---|--------------|--------------|
| Dividends not subject to corporation tax  | (1,304)      | (1,206)      |
| Excess expenses for which no relief taken | 650          | 748          |
| Overseas tax provision                    | 2            | (12)         |
| Overseas tax suffered                     | 76           | 63           |
|   | <u>(576)</u> | <u>(407)</u> |
| Current year tax charge (Note 4a)         | <u>78</u>    | <u>51</u>    |

No deferred tax asset has been recognised in the financial statements. At the year end date, the fund had a deferred tax asset of £7933,954 (31.01.11: £7,284,364) in relation to £39,669,771 (31.01.11: £36,421,818) of excess management expenses which would only be utilised to reduce the tax charge if the fund had an excess of unfranked income over expenses in a future period. There is no excess of unfranked income expected in the future.

## 5. Finance costs

### Distributions

The distributions take account of amounts receivable on the issue of shares and amounts payable on the cancellation of shares and comprise:

|  | 2012         | 2011         |
|--|--------------|--------------|
|  | £'000        | £'000        |
| Interim dividend distribution                  | 1,286        | 1,634        |
| Final dividend distribution                    | 1,641        | 398          |
| Add: Amounts payable on cancellation of shares | 338          | 231          |
| Deduct: Amounts receivable on issue of shares  | (73)         | (28)         |
| Net distributions for the year                 | <u>3,192</u> | <u>2,235</u> |
| Interest                                       | -            | 5            |
| Total finance costs                            | <u>3,192</u> | <u>2,240</u> |

Details of the distribution per share are set out on page 289.

## 6. Movement between net revenue after taxation and distributions

|   | 2012         | 2011         |
|---|--------------|--------------|
|   | £'000        | £'000        |
| Net revenue after taxation                    | 3,191        | 2,240        |
| Add: Undistributed revenue brought forward    | 10           | 5            |
| Deduct: Undistributed revenue carried forward | (9)          | (10)         |
|   | <u>3,192</u> | <u>2,235</u> |

## Notes to the financial statements – continued

### 7. Debtors

|                                     | 2012   | 2011  |
|-------------------------------------|--------|-------|
|                                     | £'000  | £'000 |
| Accrued income                      | 541    | 334   |
| Due from the ACD for shares created | 2      | 61    |
| Overseas tax recoverable            | 24     | 14    |
| Sales awaiting settlement           | 23,698 | 6,431 |
| Total debtors                       | 24,265 | 6,840 |

### 8. Cash and bank balances

|                        | 2012  | 2011  |
|------------------------|-------|-------|
|                        | £'000 | £'000 |
| Cash and bank balances | 389   | 2,931 |

### 9. Creditors

|                                     | 2012   | 2011   |
|-------------------------------------|--------|--------|
|                                     | £'000  | £'000  |
| Accrued expenses                    | 279    | 325    |
| Deferred tax provision              | 4      | -      |
| Due to the ACD for shares cancelled | 19,095 | 116    |
| Purchases awaiting settlement       | 1,073  | 10,937 |
| Total creditors                     | 20,451 | 11,378 |

### 10. Portfolio transaction costs

|  | 2012    | 2011    |
|--|---------|---------|
|  | £'000   | £'000   |
| Analysis of total purchase costs           |         |         |
| Purchases in year before transaction costs | 415,974 | 581,702 |
| Commissions                                | 366     | 615     |
| Taxes                                      | 1,772   | 2,509   |
| Total purchase costs                       | 2,138   | 3,124   |
| Gross purchases total                      | 418,112 | 584,826 |
| Analysis of total sale costs               |         |         |
| Gross sales before transaction costs       | 455,748 | 648,349 |
| Commissions                                | (352)   | (669)   |
| Taxes                                      | (1)     | (2)     |
| Total sale costs                           | (353)   | (671)   |
| Total sales net of transaction costs       | 455,395 | 647,678 |

### 11. Related party transactions

JPMorgan Funds Limited, as Authorised Corporate Director ("ACD"), is a related party, and acts as principal in respect of all transactions of shares in the Company. The aggregate monies received through issue, and paid on cancellation, are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

The balance due to the ACD and their associates at the year end date in respect of related party transactions was £19,371,314 (31.01.11: £378,620). Details of related party transactions are given under note 13 on page 389.

Some of the dealing transactions for the fund are carried out through associates of the ACD. Such transactions are carried out on an arm's length basis. The commissions paid to these companies over the year were £55,925 (31.01.11: £104,352). Commission was paid to the associated company JPMorgan Securities Ltd.

The gross stocklending income received was £61,983 (31.01.11: £43,221), with fees deducted of £10,847 (31.01.11: £7,564).

The following parties held a material interest in the fund at the year end date:

- BNY AIS Nominees Ltd 23.34% (31.01.11: 27.81%)
- S&P Pensions Ltd 21.84% (31.01.11: 22.18%)

### 12. Financial instruments

#### Currency exposures

A proportion of the net assets of the fund are denominated in currencies other than sterling, with the effect that the Balance sheet and total return can be affected by currency movements.

| Currency        | Net foreign currency assets |           |              |
|-----------------|-----------------------------|-----------|--------------|
|                 | Total                       | Monetary  | Non-monetary |
|                 | £'000                       | exposures | exposures    |
|                 |                             | £'000     | £'000        |
| <b>31.01.12</b> |                             |           |              |
| Euro            | 2,622                       | 361       | 2,261        |
| US Dollar       | 8                           | 8         | -            |
| <b>31.01.11</b> |                             |           |              |
| Euro            | 5,129                       | -         | 5,129        |
| Norwegian Krone | 7                           | 7         | -            |
| US Dollar       | (347)                       | (347)     | -            |

#### Interest rate risk

At the year end date, 0.2% (31.01.11: 1.2%) of the fund's net assets by value were interest bearing.

For consideration of other risks including liquidity, pricing and credit risk, please refer to the notes to the aggregated financial statements, pages 389 to 390.

### 13. Share classes

The fund currently has two share classes; Class A shares and Class B shares. The Authorised Corporate Director's (ACD) fee and fixed expenses charge are shown below.

|                 | ACD fee | Fixed expenses |
|-----------------|---------|----------------|
| Class A shares: | 1.50%   | 0.18%          |
| Class B shares: | 1.00%   | 0.15%          |

The net asset value of each share class, the net asset value per share and the number of shares in each class are shown on page 283. All classes have the same rights on winding up.

### 14. Derivatives

The fund enters into derivative transactions in the form of futures for the purpose of efficient portfolio management. The commitment approach has been used to calculate the global exposure.

Further information on the derivative risks can be found in the notes to the aggregated financial statements on page 390.

# Distribution table

## Final distribution in pence per share

Group 1 – Shares purchased prior to 1 August 2011

Group 2 – Shares purchased 1 August 2011 to 31 January 2012

|                                    | Gross revenue | Tax at 10% | Net revenue | Equalisation | Distribution payable 30.04.12 | Distribution paid 30.04.11 |
|------------------------------------|---------------|------------|-------------|--------------|-------------------------------|----------------------------|
| <b>A-Class Accumulation Shares</b> |               |            |             |              |                               |                            |
| Group 1                            | 1.011111      | 0.101111   | 0.910000    | -            | 0.910000                      | 0.180000                   |
| Group 2                            | 0.317773      | 0.031777   | 0.285996    | 0.624004     | 0.910000                      | 0.180000                   |
| <b>A-Class Income Shares</b>       |               |            |             |              |                               |                            |
| Group 1                            | 0.877778      | 0.087778   | 0.790000    | -            | 0.790000                      | 0.160000                   |
| Group 2                            | 0.186936      | 0.018694   | 0.168242    | 0.621758     | 0.790000                      | 0.160000                   |
| <b>B-Class Accumulation Shares</b> |               |            |             |              |                               |                            |
| Group 1                            | 1.322222      | 0.132222   | 1.190000    | -            | 1.190000                      | 0.450000                   |
| Group 2                            | 0.342883      | 0.034288   | 0.308595    | 0.881405     | 1.190000                      | 0.450000                   |

## Interim distribution in pence per share

Group 1 – Shares purchased prior to 1 February 2011

Group 2 – Shares purchased 1 February 2011 to 31 July 2011

|                                    | Gross revenue | Tax at 10% | Net revenue | Equalisation | Distribution paid 31.10.11 | Distribution paid 31.10.10 |
|------------------------------------|---------------|------------|-------------|--------------|----------------------------|----------------------------|
| <b>A-Class Accumulation Shares</b> |               |            |             |              |                            |                            |
| Group 1                            | 0.700000      | 0.070000   | 0.630000    | -            | 0.630000                   | 0.650000                   |
| Group 2                            | 0.272756      | 0.027276   | 0.245480    | 0.384520     | 0.630000                   | 0.650000                   |
| <b>A-Class Income Shares</b>       |               |            |             |              |                            |                            |
| Group 1                            | 0.611111      | 0.061111   | 0.550000    | -            | 0.550000                   | 0.570000                   |
| Group 2                            | 0.216803      | 0.021680   | 0.195123    | 0.354877     | 0.550000                   | 0.570000                   |
| <b>B-Class Accumulation Shares</b> |               |            |             |              |                            |                            |
| Group 1                            | 1.022222      | 0.102222   | 0.920000    | -            | 0.920000                   | 0.900000                   |
| Group 2                            | 0.929700      | 0.092970   | 0.836730    | 0.083270     | 0.920000                   | 0.900000                   |

Equalisation applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of revenue included in the purchase price of all group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

# JPM UK Equity & Bond Income Fund

## Important information

### Change of Depositary

As part of an internal re-structuring, The Royal Bank of Scotland plc has transferred its Trustee and Depositary Services business from The Royal Bank of Scotland plc to National Westminster Bank plc and consequently National Westminster Bank plc has been appointed as Depositary of the Fund with effect from 15 October 2011.

As Depositary, National Westminster Bank plc will have the same duties and responsibilities as The Royal Bank of Scotland plc and this change will have no impact on the way the Fund operates.

### Investment objective and policy

To provide a high and stable income, with the prospect of capital and income growth over the long term, by investing in a balanced portfolio of securities. The Fund currently invests predominantly in a balanced portfolio of blue chip UK equities, gilt edged securities and other UK fixed interest instruments. The Fund may invest up to 100% in government and public securities (see section 3.11(e) of the full Prospectus).

### Risk profile

This Fund invests in both equities (which may include smaller companies) and bonds.

Equity investment is subject to specific risks relating to the performance of the individual companies held and the market's perception of their performance. Equities are also subject to systematic risks such as general economic conditions, inflation, interest rates, foreign exchange rates and industry sector risks. In general terms, equities tend to be more volatile than bonds.

Bond prices can fluctuate significantly depending not only on the global economic and interest rate conditions but also on the general credit market environment and the creditworthiness of the issuer.

This Fund charges the fees of the ACD against capital, which will increase the amount of income available for distribution to Shareholders, but may constrain capital growth. It may also have tax implications for certain investors.

Funds that invest predominantly in a single market, asset class or sector may be subject to greater volatility than those funds with a more diversified portfolio.

### Fund review

UK share prices struggled to gain traction over the review period, constrained by weak domestic and global economic data, and worries over the eurozone sovereign debt crisis. In contrast, investment grade corporate bonds have been much better supported by strong corporate fundamentals and low interest rates.

Against this backdrop, the Fund underperformed. In the equity portfolio, the Fund benefited in relative terms from its underweight exposure to the banking sector as UK lenders suffered from ongoing regulatory worries and concerns over their exposure to eurozone debt. Stock selection in the oil & gas producers and general industrials sectors was also positive. The biggest detractors were stock selection in media and support services, and underweight exposure to the tobacco sector.

The bond portion began the period with an overweight relative to the benchmark in UK Gilts. The rationale behind this was weak growth, fiscal austerity a deleveraging consumer and the prospect of further quantitative easing in the UK. While the risks to the macro environment were broadly realised, credit markets performed strongly as corporate balance sheets remained cash rich. Mid year, with the potential for more gains in the sovereign space appearing limited, we reduced exposure to government debt and added some credit names, particularly in the defensive sectors. While performance for the period was disappointing we made up some ground towards the end.

### Fund outlook

The UK economy remains weak, but momentum has improved in early 2012, supported by a stabilisation of the eurozone crisis, better growth in the US and further quantitative easing from the Bank of England. This backdrop should be supportive for the stock market, while corporate bonds remain supported by strong corporate fundamentals.

### 12 month performance as at 31 January

|  | 2012 | 2011  | 2010  | 2009   | 2008   |
|--|------|-------|-------|--------|--------|
| <b>JPM UK Equity &amp; Bond Income</b> |      |       |       |        |        |
| A-Class Acc                            | 0.2% | 14.8% | 22.9% | -18.9% | -10.6% |
| Benchmark Index                        | 3.2% | 14.2% | 25.0% | -19.0% | -0.8%  |

### Fund statistics

|                 |  |
|-----------------|--|
| Fund size       | £159.3m  |
| Benchmark Index | 70% FTSE All-Share Index (Total Return Net)/<br>30% BofA Merrill Lynch AAA-AA+ Eurosterling Index (Total Return Gross) |
| Fund charges    | Initial 3.50%, Annual 1.50%  |

### Top ten holdings (excluding Liquidity funds)

|                                     | %   |
|-------------------------------------|-----|
| Royal Dutch Shell 'B'               | 6.9 |
| HSBC                                | 4.7 |
| BP                                  | 4.5 |
| Vodafone Group                      | 4.3 |
| GlaxoSmithKline                     | 3.5 |
| British American Tobacco            | 3.3 |
| BHP Billiton                        | 2.9 |
| AstraZeneca                         | 2.4 |
| Rio Tinto                           | 2.2 |
| European Investment Bank 6.25% 2014 | 1.7 |

You should remember that past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. For specific risks, please read the Simplified Prospectus.

All performance returns are calculated using the quoted price of the accumulation shares. Performance returns are in Sterling.

Blended benchmarks have been calculated by JPMAM.

Source: J.P. Morgan.

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## Sector breakdown

|                    | %    |
|--------------------|------|
| Corporate bonds    | 18.3 |
| Financials         | 16.1 |
| Oil & gas          | 14.2 |
| Consumer goods     | 9.0  |
| Basic materials    | 8.0  |
| Government bonds   | 6.5  |
| Health care        | 6.4  |
| Telecommunications | 5.9  |
| Industrials        | 5.8  |
| Consumer services  | 4.1  |
| Liquidity funds    | 2.7  |
| Utilities          | 1.9  |
| Technology         | 0.9  |
| Net other assets   | 0.2  |

## Highest/lowest share price and distribution record

| Calendar year                      | Highest share price | Lowest share price | Distribution per share (net) |
|------------------------------------|---------------------|--------------------|------------------------------|
| <b>A-Class Accumulation Shares</b> |                     |                    |                              |
| 2007                               | 103.5p              | 92.70p             | 3.64p                        |
| 2008                               | 96.53p              | 67.03p             | 3.79p                        |
| 2009                               | 90.63p              | 65.29p             | 3.37p                        |
| 2010                               | 102.3p              | 85.92p             | 3.24p                        |
| 2011                               | 106.0p              | 91.16p             | 3.65p                        |
| 2012 <sup>a</sup>                  | 102.0p              | 99.41p             | 0.82p                        |
| <b>A-Class Income Shares</b>       |                     |                    |                              |
| 2007                               | 82.99p              | 73.02p             | 2.93p                        |
| 2008                               | 75.91p              | 51.14p             | 2.94p                        |
| 2009                               | 65.27p              | 48.65p             | 2.49p                        |
| 2010                               | 71.03p              | 60.64p             | 2.30p                        |
| 2011                               | 72.45p              | 61.69p             | 2.50p                        |
| 2012 <sup>a</sup>                  | 68.32p              | 66.60p             | 0.55p                        |

<sup>a</sup> To 31 January 2012.

## Portfolio turnover rate

|          |       |
|----------|-------|
| 31.01.11 | 66.4% |
| 31.01.12 | 70.5% |

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the period.

## Net asset values and Total expense ratios

| Date                               | Net asset value per share class<br>£'000 | Number of shares | Net asset value per share | Total expense ratio |
|------------------------------------|--|------------------|---------------------------|---------------------|
| <b>A-Class Accumulation Shares</b> |  |                  |                           |                     |
| 31.01.10                           | 104,334                                  | 118,632,267      | 8795p                     | 1.67%               |
| 31.01.11                           | 105,753                                  | 104,823,687      | 100.9p                    | 1.67%               |
| 31.01.12                           | 96,319                                   | 95,278,700       | 101.1p                    | 1.67%               |
| <b>A-Class Income Shares</b>       |  |                  |                           |                     |
| 31.01.10                           | 71,307                                   | 113,639,668      | 62.75p                    | 1.67%               |
| 31.01.11                           | 70,993                                   | 102,068,550      | 69.55p                    | 1.67%               |
| 31.01.12                           | 62,963                                   | 93,722,072       | 67.18p                    | 1.67%               |

The net asset value and the net asset value per income share are shown ex-dividend.

The total expense ratio (TER) takes into account the ACD fee and any fixed expenses charged to revenue expressed as a percentage of the average daily net asset values over the period.

# Portfolio statement

As at 31 January 2012

| Investment   | Holding   | Market value<br>£'000 | Total net<br>assets % |
|--|-----------|-----------------------|-----------------------|
| <b>Fixed interest - 24.8% (21.3%)</b>                          |           |                       |                       |
| <b>Corporate bonds - 18.3% (12.4%)</b>                         |           |                       |                       |
| <b>Non-convertible - 18.3%</b>                                 |           |                       |                       |
| Bank Nederlandse Gemeenten 5.375% 2021                         | 889,000   | 1,024                 | 0.6                   |
| Bank of Scotland 9.375% 2021                                   | 1,750,000 | 1,704                 | 1.1                   |
| Centrica 5.875% 2012   | 1,000,000 | 1,030                 | 0.7                   |
| Citigroup 5.125% 2018  | 2,000,000 | 1,851                 | 1.2                   |
| EDF 5.875% 2031  | 1,000,000 | 1,080                 | 0.7                   |
| France Telecom 8% 2017   | 1,000,000 | 1,261                 | 0.8                   |
| France Telecom 5.625% 2034                                     | 750,000   | 810                   | 0.5                   |
| General Electric Capital 6.75% 2018                            | 1,000,000 | 1,154                 | 0.7                   |
| General Electric Capital 6.25% 2020                            | 1,691,000 | 1,898                 | 1.2                   |
| GlaxoSmithKline Capital 5.25% 2033                             | 1,500,000 | 1,788                 | 1.1                   |
| National Westminster Bank 6.5% 2021                            | 1,200,000 | 1,032                 | 0.7                   |
| Procter & Gamble 6.25% 2030                                    | 1,597,000 | 2,119                 | 1.3                   |
| Prudential 6.88% 2033  | 1,400,000 | 1,679                 | 1.1                   |
| Reseau Ferre de France 5.25% 2028                              | 2,145,000 | 2,390                 | 1.5                   |
| SLM Student Loan Trust 5.15% 2015                              | 1,539,000 | 1,307                 | 0.8                   |
| United Parcel 5.5% 2031  | 2,000,000 | 2,441                 | 1.5                   |
| Wal-Mart Stores 4.75% 2013                                     | 1,500,000 | 1,556                 | 1.0                   |
| Wal-Mart Stores 5.75% 2030                                     | 1,317,000 | 1,650                 | 1.0                   |
| Wal-Mart Stores 5.25% 2035                                     | 1,100,000 | 1,305                 | 0.8                   |
| <b>Government bonds - 6.5% (8.9%)</b>                          |           |                       |                       |
| <b>International authority - 4.2%</b>                          |           |                       |                       |
| European Investment Bank 6.25% 2014                            | 2,500,000 | 2,738                 | 1.7                   |
| European Investment Bank 5.625% 2032                           | 560,000   | 699                   | 0.5                   |
| International Bank Corporation 5.375% 2028                     | 2,043,000 | 2,675                 | 1.7                   |
| International Bank for Reconstruction & Development 5.75% 2032 | 400,000   | 546                   | 0.3                   |
| <b>Sovereign debt - 2.3%</b>                                   |           |                       |                       |
| Italy 6% 2028  | 1,500,000 | 1,246                 | 0.8                   |
| KfW International Finance 3.25% 2014                           | 1,000,000 | 1,046                 | 0.6                   |
| Treasury 8% 2013   | 1,300,000 | 1,462                 | 0.9                   |
| <b>UK equities - 72.3% (74.7%)</b>                             |           |                       |                       |
| <b>Financials - 16.1% (17.0%)</b>                              |           |                       |                       |
| <b>Banks - 6.7%</b>  |           |                       |                       |
| Barclays   | 1,120,475 | 2,395                 | 1.5                   |
| HSBC   | 1,409,624 | 7,508                 | 4.7                   |
| Lloyds Banking Group   | 2,183,028 | 675                   | 0.4                   |
| Standard Chartered   | 14,115    | 217                   | 0.1                   |
| <b>Equity Investment Instruments - 1.5%</b>                    |           |                       |                       |
| Brookwell Preference 'D'                                       | 5,085     | 3                     | -                     |
| JPMorgan Income & Growth Investment Trust (Income)^            | 3,405,927 | 2,452                 | 1.5                   |
| <b>General financial - 0.9%</b>                                |           |                       |                       |
| City of London Investment Group                                | 11,732    | 41                    | -                     |
| GlobeOp Financial Services                                     | 19,332    | 68                    | -                     |
| H&T Group  | 6,639     | 23                    | -                     |
| Hargreaves Lansdown  | 121,915   | 506                   | 0.3                   |
| International Personal Finance                                 | 13,505    | 26                    | -                     |
| Provident Financial  | 102,391   | 979                   | 0.6                   |
| <b>Life insurance - 3.6%</b>                                   |           |                       |                       |
| Aviva  | 490,915   | 1,725                 | 1.1                   |
| Legal & General Group  | 1,219,579 | 1,407                 | 0.9                   |
| Prudential   | 208,066   | 1,465                 | 0.9                   |
| Resolution   | 389,668   | 1,054                 | 0.7                   |
| <b>Nonlife insurance - 1.4%</b>                                |           |                       |                       |
| Beazley Group  | 196,425   | 276                   | 0.2                   |
| Catlin Group   | 78,622    | 320                   | 0.2                   |
| Lancashire Holdings  | 214,693   | 1,484                 | 0.9                   |
| Novae Group  | 24,700    | 86                    | 0.1                   |
| <b>Real estate - 2.0%</b>                                      |           |                       |                       |
| Capital & Counties Properties                                  | 308,433   | 574                   | 0.4                   |
| Capital & Regional   | 141,400   | 44                    | -                     |
| CLS  | 14,196    | 85                    | 0.1                   |
| Derwent London   | 42,450    | 708                   | 0.5                   |
| Development Securities   | 47,410    | 69                    | -                     |
| Hammerson  | 318,935   | 1,215                 | 0.8                   |
| LSL Property Services  | 30,480    | 73                    | 0.1                   |
| Quintain Estates & Development                                 | 224,265   | 89                    | 0.1                   |
| St Modwen Properties   | 34,111    | 42                    | -                     |
| Unite Group  | 20,329    | 36                    | -                     |

| Investment   | Holding   | Market value<br>£'000 | Total net<br>assets % |
|--|-----------|-----------------------|-----------------------|
| <b>Oil &amp; gas - 14.2% (13.7%)</b>                     |           |                       |                       |
| <b>Oil &amp; gas producers - 13.3%</b>                   |           |                       |                       |
| Bahamas Petroleum  | 137,053   | 10                    | -                     |
| BG Group   | 131,256   | 1,859                 | 1.2                   |
| Bowleven   | 24,000    | 19                    | -                     |
| BP   | 1,501,186 | 7,072                 | 4.5                   |
| Cove Energy  | 102,274   | 138                   | 0.1                   |
| Exillon Energy   | 21,200    | 53                    | -                     |
| Nautical Petroleum                                       | 35,236    | 116                   | 0.1                   |
| Oilex  | 97,226    | 13                    | -                     |
| Royal Dutch Shell 'B'                                    | 471,862   | 10,983                | 6.9                   |
| Tullow Oil   | 59,820    | 817                   | 0.5                   |
| <b>Oil equipment, services &amp; distribution - 0.9%</b> |           |                       |                       |
| Cape   | 30,752    | 117                   | 0.1                   |
| Kentz Group  | 42,818    | 187                   | 0.1                   |
| Petrofac   | 78,857    | 1,151                 | 0.7                   |
| <b>Consumer goods - 9.0% (6.7%)</b>                      |           |                       |                       |
| <b>Automobiles &amp; parts - 1.1%</b>                    |           |                       |                       |
| GKN  | 832,197   | 1,746                 | 1.1                   |
| <b>Beverages - 1.2%</b>                                  |           |                       |                       |
| Diageo   | 68,290    | 961                   | 0.6                   |
| SABMiller  | 40,302    | 977                   | 0.6                   |
| <b>Food producers - 1.4%</b>                             |           |                       |                       |
| Anglo-Eastern Plantations                                | 8,393     | 59                    | -                     |
| Asian Plantations  | 14,573    | 36                    | -                     |
| Dairy Crest Group  | 146,580   | 460                   | 0.3                   |
| Devro  | 19,646    | 51                    | -                     |
| Hilton Food Group  | 28,817    | 74                    | 0.1                   |
| MP Evans Group   | 5,261     | 23                    | -                     |
| Unilever   | 78,718    | 1,615                 | 1.0                   |
| <b>Household goods - 0.7%</b>                            |           |                       |                       |
| Bellway  | 71,955    | 527                   | 0.3                   |
| Berkeley Group 'B'                                       | 17,446    | 219                   | 0.1                   |
| Bovis Homes Group  | 45,918    | 202                   | 0.1                   |
| Taylor Wimpey  | 805,505   | 342                   | 0.2                   |
| <b>Personal goods - 0.2%</b>                             |           |                       |                       |
| Burberry Group   | 25,842    | 346                   | 0.2                   |
| Mulberry Group   | 1,815     | 33                    | -                     |
| <b>Tobacco - 4.4%</b>                                    |           |                       |                       |
| British American Tobacco                                 | 176,860   | 5,217                 | 3.3                   |
| Imperial Tobacco Group                                   | 74,924    | 1,703                 | 1.1                   |
| <b>Basic materials - 8.0% (10.9%)</b>                    |           |                       |                       |
| <b>Chemicals - 0.5%</b>                                  |           |                       |                       |
| Carclo   | 26,280    | 83                    | 0.1                   |
| Elementis  | 340,817   | 511                   | 0.3                   |
| Yule Catto & Co  | 55,772    | 109                   | 0.1                   |
| <b>Industrial metals - 0.6%</b>                          |           |                       |                       |
| Ferrexpo   | 264,137   | 902                   | 0.6                   |
| International Ferro Metals                               | 215,395   | 42                    | -                     |
| <b>Mining - 6.9%</b>                                     |           |                       |                       |
| Anglo American   | 74,816    | 1,992                 | 1.3                   |
| Anglo Pacific Group                                      | 10,671    | 31                    | -                     |
| Avocet Mining  | 24,000    | 55                    | -                     |
| BHP Billiton   | 212,908   | 4,614                 | 2.9                   |
| Eurasian Natural Resources                               | 34,256    | 236                   | 0.1                   |
| Gemfields Resources                                      | 117,800   | 26                    | -                     |
| Rio Tinto  | 90,134    | 3,462                 | 2.2                   |
| Xstrata  | 53,658    | 584                   | 0.4                   |
| <b>Health care - 6.4% (6.0%)</b>                         |           |                       |                       |
| <b>Health care equipment &amp; services - 0.0%</b>       |           |                       |                       |
| Immunodiagnostic Systems                                 | 2,548     | 9                     | -                     |
| <b>Pharmaceuticals &amp; biotechnology - 6.4%</b>        |           |                       |                       |
| Abcam  | 16,613    | 56                    | -                     |
| AstraZeneca  | 124,392   | 3,800                 | 2.4                   |
| GlaxoSmithKline  | 397,174   | 5,640                 | 3.5                   |
| Shire  | 32,515    | 685                   | 0.4                   |
| Vectura Group  | 131,730   | 76                    | 0.1                   |

# Portfolio statement – continued

As at 31 January 2012

| Investment   | Holding   | Market value<br>£'000 | Total net<br>assets % |
|--|-----------|-----------------------|-----------------------|
| <b>Telecommunications – 5.9% (6.0%)</b>              |           |                       |                       |
| <b>Fixed line telecommunications – 1.6%</b>          |           |                       |                       |
| Alternative Networks                                 | 14,574    | 42                    | -                     |
| BT Group   | 794,383   | 1,626                 | 1.0                   |
| KCOM Group   | 414,203   | 294                   | 0.2                   |
| Talk Talk Telecom                                    | 220,363   | 269                   | 0.2                   |
| Telecom Plus   | 48,620    | 331                   | 0.2                   |
| <b>Mobile telecommunications – 4.3%</b>              |           |                       |                       |
| Monitise   | 67,100    | 19                    | -                     |
| Vodafone Group                                       | 3,950,718 | 6,819                 | 4.3                   |
| <b>Industrials – 5.8% (6.3%)</b>                     |           |                       |                       |
| <b>Aerospace &amp; Defense – 1.0%</b>                |           |                       |                       |
| Avon Rubber  | 23,491    | 75                    | 0.1                   |
| BAE Systems  | 45,289    | 142                   | 0.1                   |
| Rolls Royce Group                                    | 121,966   | 898                   | 0.6                   |
| Senior   | 65,613    | 118                   | 0.1                   |
| UMECO  | 23,314    | 84                    | 0.1                   |
| <b>Construction &amp; materials – 0.3%</b>           |           |                       |                       |
| Costain  | 23,726    | 47                    | -                     |
| Galliford Try  | 48,476    | 230                   | 0.1                   |
| Kier Group   | 20,994    | 280                   | 0.2                   |
| Low & Bonar  | 26,027    | 14                    | -                     |
| Morgan Sindall                                       | 9,170     | 61                    | -                     |
| <b>Electronics &amp; electrical equipment – 1.3%</b> |           |                       |                       |
| Andor Technology                                     | 4,000     | 23                    | -                     |
| Dialight   | 16,176    | 124                   | 0.1                   |
| E2V Technologies                                     | 84,700    | 99                    | 0.1                   |
| Morgan Crucible                                      | 280,912   | 884                   | 0.6                   |
| Oxford Instruments                                   | 11,874    | 109                   | 0.1                   |
| Spectris   | 21,737    | 330                   | 0.2                   |
| TT electronics                                       | 59,658    | 100                   | 0.1                   |
| Volex Group  | 34,218    | 83                    | 0.1                   |
| XP Power   | 100       | 1                     | -                     |
| <b>General industrials – 0.7%</b>                    |           |                       |                       |
| RPC Group  | 211,612   | 809                   | 0.5                   |
| Smith (DS)   | 162,197   | 375                   | 0.2                   |
| <b>Industrial engineering – 0.6%</b>                 |           |                       |                       |
| Bodycote International                               | 7,763     | 24                    | -                     |
| Fenner   | 26,715    | 120                   | 0.1                   |
| Hill & Smith   | 6,143     | 18                    | -                     |
| IMI  |           |                       |                       |
| Renold   | 145,171   | 42                    | -                     |
| Severfield-Rowen                                     | 36,430    | 71                    | -                     |
| Weir Group   | 35,333    | 687                   | 0.5                   |
| <b>Industrial transportation – 0.0%</b>              |           |                       |                       |
| Clarkson   | 5,865     | 68                    | -                     |
| Goldenport   | 13,894    | 8                     | -                     |
| <b>Support services – 1.9%</b>                       |           |                       |                       |
| ACAL   | 6,450     | 11                    | -                     |
| Ashtead Group  | 25,939    | 61                    | -                     |
| Atkins (WS)  | 60,028    | 421                   | 0.3                   |
| Berendsen  | 42,730    | 193                   | 0.1                   |
| Brammer  | 61,865    | 155                   | 0.1                   |
| De La Rue  | 34,732    | 333                   | 0.2                   |
| Diploma  | 33,048    | 128                   | 0.1                   |
| Fiberweb   | 81,383    | 44                    | -                     |
| Hargreaves Services                                  | 7,066     | 82                    | 0.1                   |
| Harvey Nash Group                                    | 51,217    | 30                    | -                     |
| Hogg Robinson Group                                  | 130,823   | 82                    | 0.1                   |
| Howden Joinery Group                                 | 19,911    | 21                    | -                     |
| Hyder Consulting                                     | 39,614    | 159                   | 0.1                   |
| Interserve   | 129,622   | 385                   | 0.2                   |
| John Menzies   | 22,830    | 129                   | 0.1                   |
| Lonrho   | 511,200   | 54                    | -                     |
| Mitie Group  | 290,709   | 740                   | 0.5                   |
| Nature Group   | 27,800    | 16                    | -                     |
| Robert Walters                                       | 9,788     | 19                    | -                     |
| Shaft Sinkers  | 19,141    | 7                     | -                     |
| St Ives  | 56,605    | 46                    | -                     |
| Staffline Group                                      | 11,600    | 23                    | -                     |
| Tribal Group   | 78,081    | 49                    | -                     |
| WSP Group  | 21,326    | 52                    | -                     |

| Investment  | Holding   | Market value<br>£'000 | Total net<br>assets % |
|---|-----------|-----------------------|-----------------------|
| <b>Consumer services – 4.1% (5.9%)</b>            |           |                       |                       |
| <b>Food &amp; drug retailers – 0.6%</b>           |           |                       |                       |
| Morrison (Wm.) Supermarkets                       | 276,379   | 785                   | 0.5                   |
| Tesco   | 54,971    | 175                   | 0.1                   |
| <b>General retailers – 2.0%</b>                   |           |                       |                       |
| Next  | 72,939    | 1,901                 | 1.2                   |
| Sports Direct International                       | 262,019   | 624                   | 0.4                   |
| WH Smith  | 115,029   | 632                   | 0.4                   |
| <b>Media – 0.9%</b>                               |           |                       |                       |
| British Sky Broadcasting Group                    | 68,429    | 468                   | 0.3                   |
| Chime Communications                              | 32,734    | 71                    | 0.1                   |
| Creston   | 41,816    | 20                    | -                     |
| Entertainment One                                 | 49,692    | 98                    | 0.1                   |
| ITE Group   | 16,477    | 34                    | -                     |
| Mood Media  | 13,500    | 22                    | -                     |
| Rightmove Group                                   | 52,696    | 673                   | 0.4                   |
| Tarsus Group                                      | 32,674    | 44                    | -                     |
| Trinity Mirror                                    | 116,663   | 54                    | -                     |
| <b>Travel &amp; leisure – 0.6%</b>                |           |                       |                       |
| Cupid   | 9,809     | 21                    | -                     |
| Fuller Smith & Turner 'A'                         | 12,766    | 91                    | 0.1                   |
| Spirit Pub  | 30,218    | 15                    | -                     |
| Sportingbet                                       | 110,353   | 43                    | -                     |
| William Hill                                      | 336,746   | 756                   | 0.5                   |
| <b>Utilities – 1.9% (0.9%)</b>                    |           |                       |                       |
| <b>Electricity – 1.0%</b>                         |           |                       |                       |
| Drax Group  | 292,777   | 1,555                 | 1.0                   |
| OPG Power Venture                                 | 40,120    | 15                    | -                     |
| <b>Gas, water &amp; multiutilities – 0.9%</b>     |           |                       |                       |
| National Grid                                     | 153,667   | 963                   | 0.6                   |
| United Utilities Group                            | 75,419    | 452                   | 0.3                   |
| <b>Technology – 0.9% (1.3%)</b>                   |           |                       |                       |
| <b>Software &amp; computer services – 0.9%</b>    |           |                       |                       |
| Advanced Computer Software                        | 47,767    | 24                    | -                     |
| Anite   | 156,114   | 153                   | 0.1                   |
| AVEVA Group                                       | 1,557     | 25                    | -                     |
| Computacenter                                     | 164,281   | 643                   | 0.4                   |
| Innovation Group                                  | 382,400   | 75                    | 0.1                   |
| K3 Business Technology Group                      | 9,454     | 15                    | -                     |
| Micro Focus International                         | 77,488    | 333                   | 0.2                   |
| NCC Group   | 14,479    | 127                   | 0.1                   |
| <b>Technology hardware &amp; equipment – 0.0%</b> |           |                       |                       |
| Telit Communications                              | 41,624    | 18                    | -                     |
| Wolfson Microelectronics                          | 22,748    | 36                    | -                     |
| <b>Liquidity funds – 2.7% (0.0%)</b>              |           |                       |                       |
| JPM Sterling Liquidity 'X' (Income)^              | 4,246,856 | 4,247                 | 2.7                   |
| <b>Investment assets</b>                          |           | <b>158,947</b>        | <b>99.8</b>           |
| <b>Net other assets</b>                           |           | <b>335</b>            | <b>0.2</b>            |
| <b>Net assets</b>                                 |           | <b>159,282</b>        | <b>100.0</b>          |

Unless otherwise stated the above securities are admitted to official stock exchange listings or trade on a regulated market.

The comparative percentage figures in brackets are at 31 January 2011.

^ Deemed to be investment in related parties of the ACD

## Portfolio statement – continued

As at 31 January 2012

| Portfolio credit ratings | Market value<br>£'000 |
|--------------------------|-----------------------|
| AAA                      | 11,497                |
| AA+                      | 2,390                 |
| AA                       | 7,563                 |
| AA-                      | 4,560                 |
| A+                       | 2,868                 |
| A                        | 1,679                 |
| A-                       | 4,347                 |
| BBB+                     | 1,851                 |
| BBB-                     | 2,736                 |
| <b>Total bonds</b>       | <b>39,491</b>         |
| Equities                 | 115,209               |
| Liquidity funds          | 4,247                 |
| <b>Investment assets</b> | <b>158,947</b>        |



## Portfolio movements

For the year ending 31 January 2012

|  | £'000         |  | £'000           |
|--|---------------|--|-----------------|
| <b>Total of all purchases for the year (Note 10)</b> | <b>63,123</b> | <b>Total of all sales for the year (Note 10)</b> | <b>69,658</b>   |
| <b>Major purchases</b>                               | <b>Cost</b>   | <b>Major sales</b>                               | <b>Proceeds</b> |
| JPM Sterling Liquidity 'X' (Income)^                 | 14,017        | JPM Sterling Liquidity 'X' (Income)^             | 9,770           |
| Hammerson  | 2,194         | British American Tobacco                         | 2,045           |
| Prudential 6.88% 2033                                | 1,677         | Treasury 8% 2021                                 | 2,036           |
| Drax Group   | 1,550         | Treasury 4.75% 2038                              | 1,873           |
| Imperial Tobacco Group                               | 1,514         | Vodafone Group                                   | 1,724           |
| Prudential   | 1,514         | Ashmore Group                                    | 1,663           |
| Next   | 1,448         | AstraZeneca                                      | 1,615           |
| British American Tobacco                             | 1,313         | Rio Tinto  | 1,585           |
| Resolution   | 1,262         | Royal Dutch Shell 'B'                            | 1,507           |
| Wal-Mart Stores 5.25% 2035                           | 1,252         | Lloyds Banking Group                             | 1,416           |
| GKN  | 1,065         | ITV  | 1,395           |
| Derwent London                                       | 1,040         | IMI  | 1,233           |
| HSBC   | 1,015         | BP   | 1,194           |
| ITV  | 938           | Next   | 1,147           |
| National Grid  | 911           | BHP Billiton                                     | 1,025           |
| Diageo   | 844           | Electrocomponents                                | 981             |
| BP   | 835           | Tullett Prebon                                   | 966             |
| Rolls Royce Group                                    | 827           | Amlin  | 931             |
| Morrison (Wm.) Supermarkets                          | 822           | Anglo American                                   | 908             |
| France Telecom 5.625% 2034                           | 819           | Investec   | 897             |

^ Deemed to be investment in related parties of the ACD

# Financial statements

## Statement of total return

For the year ending 31 January

|   | 2012           | 2011          |
|---|----------------|---------------|
| £'000   | £'000          | £'000         |
| Income  |                |               |
| Net capital (losses)/gains (Note 1)   | (3,842)        | 20,511        |
| Revenue (Note 2)  | 6,852          | 6,895         |
| Expenses (Note 3)   | (2,713)        | (2,981)       |
| Net revenue before taxation   | 4,139          | 3,914         |
| Taxation (Note 4)   | (1)            | (4)           |
| Net revenue after taxation  | 4,138          | 3,910         |
| <b>Total return before distributions</b>  | <b>296</b>     | <b>24,421</b> |
| Finance costs:  |                |               |
| Distributions (Note 5)  | (6,283)        | (6,219)       |
| <b>Change in net assets attributable to shareholders from investment activities</b> | <b>(5,987)</b> | <b>18,202</b> |

## Balance sheet

As at 31 January

|  | 2012           | 2011           |
|--|----------------|----------------|
| £'000  | £'000          | £'000          |
| <b>ASSETS</b>                                  |                |                |
| Investment assets                              | 158,947        | 169,634        |
| Debtors (Note 7)                               | 1,301          | 1,742          |
| Cash and bank balances (Note 8)                | 47             | 6,496          |
| <b>Total other assets</b>                      | <b>1,348</b>   | <b>8,238</b>   |
| <b>Total assets</b>                            | <b>160,295</b> | <b>177,872</b> |
| <b>LIABILITIES</b>                             |                |                |
| Creditors (Note 9)                             | (498)          | (613)          |
| Bank overdraft                                 | -              | (3)            |
| Distribution payable on income shares          | (515)          | (510)          |
| <b>Total liabilities</b>                       | <b>(1,013)</b> | <b>(1,126)</b> |
| <b>Net assets attributable to shareholders</b> | <b>159,282</b> | <b>176,746</b> |

## Statement of change in net assets attributable to shareholders

For the year ending 31 January

|   | 2012           | 2011           |
|---|----------------|----------------|
| £'000   | £'000          | £'000          |
| <b>Opening net assets attributable to shareholders</b>  | <b>176,746</b> | <b>175,641</b> |
| Amounts receivable on issue of shares   | 192            | 325            |
| Amounts payable on cancellation of shares   | (15,381)       | (21,039)       |
|   | (15,189)       | (20,714)       |
| <b>Change in net assets attributable to shareholders from investment activities (see above)</b> | <b>(5,987)</b> | <b>18,202</b>  |
| Retained distributions on accumulation shares   | 3,716          | 3,623          |
| Stamp duty reserve tax  | (8)            | (9)            |
| Unclaimed distributions   | 4              | 3              |
| <b>Closing net assets attributable to shareholders</b>  | <b>159,282</b> | <b>176,746</b> |

The notes to these financial statements are shown on pages 297 to 298.

# Notes to the financial statements for the year ending 31 January 2012

## 1. Net capital (losses)/gains

|                            | 2012<br>£'000  | 2011<br>£'000 |
|----------------------------|----------------|---------------|
| Currency gains/(losses)    | 1              | (12)          |
| Custodian handling charges | (13)           | (16)          |
| Derivative contracts       | -              | (14)          |
| Non-derivative securities  | (3,830)        | 20,553        |
| Net capital (losses)/gains | <u>(3,842)</u> | <u>20,511</u> |

## 2. Revenue

|   | 2012<br>£'000 | 2011<br>£'000 |
|---|---------------|---------------|
| Franked income from UK equity investments | 4,480         | 4,380         |
| Income from overseas equity investments   | 343           | 371           |
| Interest on bank and term deposits        | 72            | 8             |
| Interest on fixed-interest securities     | 1,890         | 2,066         |
| Option income                             | -             | 15            |
| Property income distributions             | 50            | 8             |
| Stock dividends                           | 9             | 13            |
| Stocklending income*                      | 7             | 11            |
| Underwriting commission                   | 1             | 23            |
| Total revenue                             | <u>6,852</u>  | <u>6,895</u>  |

\* Stocklending income is disclosed net of fees. See note 11.

## 3. Expenses

|  | 2012<br>£'000 | 2011<br>£'000 |
|--|---------------|---------------|
| <b>Payable to the ACD or associate of the ACD:</b> |               |               |
| ACD fee  | 2,502         | 2,676         |
| Fixed expenses                                     | 287           | 305           |
|  | <u>2,789</u>  | <u>2,981</u>  |
| <b>Payable to third parties:</b>                   |               |               |
| VAT recovered*                                     | (76)          | -             |
| Total expenses                                     | <u>2,713</u>  | <u>2,981</u>  |

\* VAT recovered includes amounts arising as a result of changes to the policy of HM Revenue & Customs ("HMRC") concerning VAT exemption for the management of authorised collective investment schemes (UK Law, items 9 and 10 of group 5, Schedule 9, to the VAT Act 1994) where these services have historically been treated as subject to VAT in the UK. These changes are in accordance with the Business Brief 07/06 (item 3) from HMRC in light of the European Court of Justice judgment in case C-196/04, Abbey National and Inscape Investment Fund.

## 4. Taxation

|  | 2012<br>£'000 | 2011<br>£'000 |
|--|---------------|---------------|
| <b>a) Analysis of charge in the year</b> |               |               |
| Overseas tax suffered                    | 1             | 4             |
| Current year tax charge (Note 4b)        | <u>1</u>      | <u>4</u>      |

### b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an Open-Ended Investment Company (OEIC) (20%). The differences are explained below.

|   |              |              |
|---|--------------|--------------|
| Net revenue before taxation               | 4,139        | 3,914        |
| Corporation tax at 20%                    | <u>828</u>   | <u>783</u>   |
| Effects of:                               |              |              |
| Dividends not subject to corporation tax  | (967)        | (953)        |
| Excess expenses for which no relief taken | 139          | 170          |
| Overseas tax suffered                     | 1            | 4            |
|   | <u>(827)</u> | <u>(779)</u> |
| Current year tax charge (Note 4a)         | <u>1</u>     | <u>4</u>     |

No deferred tax asset has been recognised in the financial statements. At the year end date, the fund had a deferred tax asset of £308,749 (31.01.11: £170,077) in relation to £1,543,744 (31.01.11: £850,386) of excess management expenses which would only be utilised to reduce the tax charge if the fund had an excess of unfranked income over expenses in a future period. There is no excess of unfranked income expected in the future.

## 5. Finance costs

### Distributions

The distributions take account of amounts receivable on the issue of shares and amounts payable on the cancellation of shares and comprise:

|  | 2012<br>£'000 | 2011<br>£'000 |
|--|---------------|---------------|
| First interim dividend distribution            | 1,960         | 1,941         |
| Second interim dividend distribution           | 1,315         | 1,461         |
| Third interim dividend distribution            | 1,620         | 1,429         |
| Final dividend distribution                    | 1,297         | 1,265         |
| Add: Amounts payable on cancellation of shares | 92            | 125           |
| Deduct: Amounts receivable on issue of shares  | (1)           | (2)           |
| Total finance costs                            | <u>6,283</u>  | <u>6,219</u>  |

Details of the distribution per share are set out on pages 299 to 300.

## 6. Movement between net revenue after taxation and distributions

|  | 2012<br>£'000 | 2011<br>£'000 |
|--|---------------|---------------|
| Net revenue after taxation                         | 4,138         | 3,910         |
| Add: ACD fee (net of tax relief) paid from capital | 2,140         | 2,311         |
| Add: Undistributed revenue brought forward         | 9             | 7             |
| Deduct: Undistributed revenue carried forward      | (4)           | (9)           |
|  | <u>6,283</u>  | <u>6,219</u>  |

## 7. Debtors

|                             | 2012<br>£'000 | 2011<br>£'000 |
|-----------------------------|---------------|---------------|
| Accrued income              | 1,147         | 988           |
| Corporation tax recoverable | 3             | 55            |
| Overseas tax recoverable    | 3             | 7             |
| Sales awaiting settlement   | 148           | 692           |
| Total debtors               | <u>1,301</u>  | <u>1,742</u>  |

## Notes to the financial statements – continued

### 8. Cash and bank balances

|                        | 2012  | 2011  |
|------------------------|-------|-------|
|                        | £'000 | £'000 |
| Cash and bank balances | 47    | 6,496 |

### 9. Creditors

|                                     | 2012  | 2011  |
|-------------------------------------|-------|-------|
|                                     | £'000 | £'000 |
| Accrued expenses                    | 227   | 258   |
| Due to the ACD for shares cancelled | 269   | 317   |
| Purchases awaiting settlement       | 2     | 38    |
| Total creditors                     | 498   | 613   |

### 10. Portfolio transaction costs

|  | 2012   | 2011   |
|--|--------|--------|
|  | £'000  | £'000  |
| Analysis of total purchase costs           |        |        |
| Purchases in year before transaction costs | 62,824 | 59,490 |
| Commissions                                | 90     | 135    |
| Taxes                                      | 209    | 251    |
| Total purchase costs                       | 299    | 386    |
| Gross purchases total                      | 63,123 | 59,876 |

#### Analysis of total sale costs

|                                      |        |        |
|--------------------------------------|--------|--------|
| Gross sales before transaction costs | 69,759 | 79,060 |
| Commissions                          | (101)  | (166)  |
| Total sale costs                     | (101)  | (166)  |
| Total sales net of transaction costs | 69,658 | 78,894 |

### 11. Related party transactions

JPMorgan Funds Limited, as Authorised Corporate Director (“ACD”), is a related party, and acts as principal in respect of all transactions of shares in the Company. The aggregate monies received through issue, and paid on cancellation, are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

The balance due to the ACD and their associates at the year end date in respect of related party transactions was £496,173 (31.01.11: £575,016). Details of related party transactions are given under note 13 on page 389.

Investments considered to be related parties have been identified in the portfolio statement on pages 292 to 294 and the revenue from these investments was £156,499 (31.01.11: £34,059).

Some of the dealing transactions for the fund are carried out through associates of the ACD. Such transactions are carried out on an arm's length basis. The commissions paid to these companies over the year were £12 (31.01.11: £11,092). Commission was paid to the associated company JPMorgan Securities Ltd.

The gross stocklending income received was £7,900 (31.01.11: £13,336), with fees deducted of £1,385 (31.01.11: £2,334).

The following party held a material interest in the fund at the year end date:

– FNZ (UK) Nominees Limited 27.10% (31.01.11: 26.43%)

### 12. Stocklending

As at 31 January 2012 the aggregate value of securities on loan was £17,689 (31.01.11: £2,640,196). The Depositary held £19,263 (31.01.11: £2,891,708) of collateral assets on behalf of the fund in respect thereof. The nature of the collateral was 100.0% bonds.

### 13. Financial instruments

#### Currency exposures

At the year end date, the majority of the fund's financial assets and liabilities are denominated in Sterling. As a result, the fund has no material exposure to currency movements.

#### Interest rate risk

The tables below detail the interest rate profile of the fund's assets and liabilities as at the year end.

|                 | Total assets<br>£'000 | Floating rate<br>financial<br>assets<br>£'000 | Fixed rate<br>financial<br>assets<br>£'000 | Financial assets<br>not<br>carrying<br>any<br>interest<br>£'000 |
|-----------------|-----------------------|---|--|---|
| <b>31.01.12</b> |                       |   |  |   |
| UK Sterling     | 160,288               | 4,290   | 39,491                                     | 116,507   |
| Swiss Franc     | 5                     | 2   | -  | 3   |
| Euro            | 1                     | 1   | -  | -   |
| US Dollar       | 1                     | 1   | -  | -   |
| <b>31.01.11</b> |                       |   |  |   |
| UK Sterling     | 177,818               | 6,448   | 37,689                                     | 133,681   |
| Euro            | 42                    | 42  | -  | -   |
| Swiss Franc     | 6                     | 6   | -  | -   |
| US Dollar       | 6                     | -   | -  | 6   |

The floating rate financial assets are bank balances that bear interest at rates based on LIBOR or its overseas equivalent.

|                 | Total liabilities<br>£'000 | Floating rate<br>financial<br>liabilities<br>£'000 | Financial liabilities<br>not carrying<br>any interest<br>£'000 |
|-----------------|----------------------------|--|--|
| <b>31.01.12</b> |                            |  |  |
| UK Sterling     | 1,013                      | -  | 1,013  |
| <b>31.01.11</b> |                            |  |  |
| UK Sterling     | 1,123                      | -  | 1,123  |
| US Dollar       | 3                          | 3  | -  |

|                 | Weighted average<br>interest rate | Fixed rate financial assets<br>Weighted average<br>period for<br>which rate is<br>fixed (years) |
|-----------------|-----------------------------------|---|
| <b>31.01.12</b> |                                   |   |
| UK Sterling     | 4.0%                              | 12.8  |
| <b>31.01.11</b> |                                   |   |
| UK Sterling     | 4.6%                              | 13.4  |

For consideration of other risks including liquidity, pricing and credit risk, please refer to the notes to the aggregated financial statements, pages 389 to 390.

### 14. Share classes

The fund currently has one share class: Class A shares. The Authorised Corporate Director's (ACD) fee and fixed expenses charge are shown below.

|                 |                  |                         |
|-----------------|------------------|-------------------------|
| Class A shares: | ACD fee<br>1.50% | Fixed expenses<br>0.18% |
|-----------------|------------------|-------------------------|

The net asset value, the net asset value per share and the number of shares are shown on page 291.

## Distribution table

### Final distribution in pence per share

Group 1 – Shares purchased prior to 1 November 2011

Group 2 – Shares purchased 1 November 2011 to 31 January 2012

|                                    | Gross revenue | Tax at 10% | Net revenue | Equalisation | Distribution payable 30.04.12 | Distribution paid 30.04.11 |
|------------------------------------|---------------|------------|-------------|--------------|-------------------------------|----------------------------|
| <b>A-Class Accumulation Shares</b> |               |            |             |              |                               |                            |
| Group 1                            | 0.911111      | 0.091111   | 0.820000    | -            | 0.820000                      | 0.720000                   |
| Group 2                            | 0.229130      | 0.022913   | 0.206217    | 0.613783     | 0.820000                      | 0.720000                   |
| <b>A-Class Income Shares</b>       |               |            |             |              |                               |                            |
| Group 1                            | 0.611111      | 0.061111   | 0.550000    | -            | 0.550000                      | 0.500000                   |
| Group 2                            | 0.196606      | 0.019661   | 0.176945    | 0.373055     | 0.550000                      | 0.500000                   |

### Third interim distribution in pence per share

Group 1 – Shares purchased prior to 1 August 2011

Group 2 – Shares purchased 1 August 2011 to 31 October 2011

|                                    | Gross revenue | Tax at 10% | Net revenue | Equalisation | Distribution paid 31.01.12 | Distribution paid 31.01.11 |
|------------------------------------|---------------|------------|-------------|--------------|----------------------------|----------------------------|
| <b>A-Class Accumulation Shares</b> |               |            |             |              |                            |                            |
| Group 1                            | 1.111111      | 0.111111   | 1.000000    | -            | 1.000000                   | 0.790000                   |
| Group 2                            | 0.434900      | 0.043490   | 0.391410    | 0.608590     | 1.000000                   | 0.790000                   |
| <b>A-Class Income Shares</b>       |               |            |             |              |                            |                            |
| Group 1                            | 0.744444      | 0.074444   | 0.670000    | -            | 0.670000                   | 0.550000                   |
| Group 2                            | 0.322126      | 0.032213   | 0.289913    | 0.380087     | 0.670000                   | 0.550000                   |

### Second interim distribution in pence per share

Group 1 – Shares purchased prior to 1 May 2011

Group 2 – Shares purchased 1 May 2011 to 31 July 2011

|                                    | Gross revenue | Tax at 10% | Net revenue | Equalisation | Distribution paid 31.10.11 | Distribution paid 31.10.10 |
|------------------------------------|---------------|------------|-------------|--------------|----------------------------|----------------------------|
| <b>A-Class Accumulation Shares</b> |               |            |             |              |                            |                            |
| Group 1                            | 0.877778      | 0.087778   | 0.790000    | -            | 0.790000                   | 0.780000                   |
| Group 2                            | 0.222420      | 0.022242   | 0.200178    | 0.589822     | 0.790000                   | 0.780000                   |
| <b>A-Class Income Shares</b>       |               |            |             |              |                            |                            |
| Group 1                            | 0.600000      | 0.060000   | 0.540000    | -            | 0.540000                   | 0.550000                   |
| Group 2                            | 0.216377      | 0.021638   | 0.194739    | 0.345261     | 0.540000                   | 0.550000                   |

## Distribution table – continued

### First interim distribution in pence per share

Group 1 – Shares purchased prior to 1 February 2011

Group 2 – Shares purchased 1 February 2011 to 30 April 2011

|                                    | Gross<br>revenue | Tax<br>at 10% | Net<br>revenue | Equalisation | Distribution<br>paid<br>31.07.11 | Distribution<br>paid<br>31.07.10 |
|------------------------------------|------------------|---------------|----------------|--------------|----------------------------------|----------------------------------|
| <b>A-Class Accumulation Shares</b> |                  |               |                |              |                                  |                                  |
| Group 1                            | 1.266667         | 0.126667      | 1.140000       | -            | 1.140000                         | 1.000000                         |
| Group 2                            | 0.657568         | 0.065757      | 0.591811       | 0.548189     | 1.140000                         | 1.000000                         |
| <b>A-Class Income Shares</b>       |                  |               |                |              |                                  |                                  |
| Group 1                            | 0.877778         | 0.087778      | 0.790000       | -            | 0.790000                         | 0.720000                         |
| Group 2                            | 0.363029         | 0.036303      | 0.326726       | 0.463274     | 0.790000                         | 0.720000                         |

Equalisation applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of revenue included in the purchase price of all group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

# JPM UK Equity Fund

## (Formerly JPM Premier Equity Growth Fund)

### Important information

#### Change of Depositary

As part of an internal re-structuring, The Royal Bank of Scotland plc has transferred its Trustee and Depositary Services business from The Royal Bank of Scotland plc to National Westminster Bank plc and consequently National Westminster Bank plc has been appointed as Depositary of the Fund with effect from 15 October 2011.

As Depositary, National Westminster Bank plc will have the same duties and responsibilities as The Royal Bank of Scotland plc and this change will have no impact on the way the Fund operates.

#### Changes to the investment objective and policy and fund name

In May 2011, the Authorised Corporate Director informed shareholders that the investment objective and policy of the Fund would be amended to the below which came into effect on 1 August 2011 and the name of the Fund was also changed from the JPM Premier Equity Growth Fund to the JPM UK Equity Fund.

#### Investment objective and policy<sup>A</sup>

To provide long-term capital growth by investing primarily in equity and equity linked securities of UK companies.

Other instruments as permitted in the stated investment and borrowing powers of the Company including, but not limited to, fixed interest securities, cash and cash equivalents may be held on an ancillary basis, as appropriate.

#### Risk profile

This equity based Fund is designed for investors looking for broad market exposure (which may include smaller companies) predominantly to a single developed stock market.

Equity investment is subject to specific risks relating to the performance of the individual companies held and the market's perception of their performance. Equities are also subject to systematic risks such as general economic conditions, inflation, interest rates, foreign exchange rates and industry sector risks. In general terms, equities tend to be more volatile than bonds.

Funds that invest predominantly in a single market, asset class or sector may be subject to greater volatility than those funds with a more diversified portfolio.

#### Fund review

UK share prices have struggled to gain traction over the review period, constrained by weak domestic and global economic data, and worries over the eurozone sovereign debt crisis.

The Fund, which invests in stocks with strong growth and/or value characteristics, produced a negative return and underperformed its benchmark. Positive contributions to relative returns came from an underweight position in the banks sector, and stock selection in household goods & home construction and general retailers. An overweight position in financial services detracted, as did stock selection in support services and an underweight position in pharmaceuticals.

At the stock level, positive contributors to relative returns included an underweight position in Lloyds Banking Group, which was hurt by concerns over regulation and sovereign debt, and by worries over management. An overweight position in Persimmon was also beneficial as the homebuilder said it would report full-year profits at the top end of analysts' expectations. Stock-level detractors included an underweight position in drugmaker GlaxoSmithKline, which was sought by investors for its defensive qualities in a volatile year. An overweight position in International Personal Finance also detracted as the loans provider suffered from concerns over the risk of contagion from problems in developed Europe to its eastern European markets. However, relative returns were boosted by an overweight position in Sports Direct as the leisurewear retailer's better-than-expected trading update led to higher 2011 earnings estimates.

#### Fund outlook

The UK economy remains weak, but momentum has improved, supported by a stabilisation of the eurozone crisis and better growth in the US. An improving economic backdrop would be supportive for UK corporate earnings, which in turn would be positive for the stock market - particularly with valuations looking attractive relative to history and compared to bonds.

#### 12 month performance as at 31 January

|   | 2012         | 2011         | 2010         | 2009          | 2008          |
|---|--------------|--------------|--------------|---------------|---------------|
| <b>JPM UK Equity Growth A-Class Acc</b> | <b>-3.9%</b> | <b>19.2%</b> | <b>24.9%</b> | <b>-31.8%</b> | <b>-15.4%</b> |
| Benchmark Index                         | -0.3%        | 18.1%        | 33.2%        | -27.8%        | -3.6%         |

#### Fund statistics

|                 |   |
|-----------------|---|
| Fund size       | £235.4m                                 |
| Benchmark Index | FTSE All-Share Index (Total Return Net) |
| Fund charges    | Initial 4.25%, Annual 1.50%             |

#### Top ten holdings (excluding Liquidity funds) %

|  |     |
|--|-----|
| Royal Dutch Shell 'B'                                    | 8.4 |
| BP   | 5.3 |
| GlaxoSmithKline  | 4.4 |
| HSBC   | 2.9 |
| JPM UK Smaller Companies 'I' (Accumulation) <sup>^</sup> | 2.9 |
| Vodafone Group   | 2.7 |
| AstraZeneca  | 2.5 |
| British American Tobacco                                 | 1.8 |
| Imperial Tobacco Group                                   | 1.7 |
| Rio Tinto  | 1.6 |

<sup>^</sup> Deemed to be investment in related parties of the ACD

You should remember that past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. For specific risks, please read the Simplified Prospectus.

All performance returns are calculated using the quoted price of the accumulation shares. Performance returns are in Sterling.

Source: J.P. Morgan.

<sup>A</sup> On 01/08/11 the investment objective and policy of the Fund was changed.

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## Sector breakdown

|                               | %    |
|-------------------------------|------|
| Oil & gas                     | 17.3 |
| Financials                    | 15.9 |
| Consumer services             | 13.0 |
| Industrials                   | 12.3 |
| Consumer goods                | 11.2 |
| Health care                   | 8.2  |
| Basic materials               | 6.1  |
| Telecommunications            | 4.7  |
| Utilities                     | 3.9  |
| Equity investment instruments | 2.9  |
| Technology                    | 2.4  |
| Liquidity funds               | 1.8  |
| Futures                       | 0.0  |
| Net other assets              | 0.3  |

## Highest/lowest share price and distribution record

| Calendar year                            | Highest share price | Lowest share price | Distribution per share (net) |
|--|---------------------|--------------------|------------------------------|
| <b>A-Class Accumulation Shares</b>       |                     |                    |                              |
| 2007                                     | 393.3p              | 332.0p             | 4.52p                        |
| 2008                                     | 364.2p              | 193.6p             | 6.24p                        |
| 2009                                     | 280.2p              | 186.2p             | 6.79p                        |
| 2010                                     | 322.6p              | 255.0p             | 5.19p                        |
| 2011                                     | 335.3p              | 265.9p             | 4.66p                        |
| 2012 <sup>a</sup>                        | 308.9p              | 299.4p             | 5.62p                        |
| <b>A-Class Income Shares<sup>c</sup></b> |                     |                    |                              |
| 2007                                     | 50.80p              | 42.73p             | 0.00p                        |
| 2008                                     | 46.67p              | 24.81p             | 0.17p                        |
| 2009                                     | 34.76p              | 23.10p             | 0.89p                        |
| 2010                                     | 39.24p              | 31.03p             | 0.65p                        |
| 2011                                     | 40.20p              | 31.87p             | 0.56p                        |
| 2012 <sup>b</sup>                        | 37.03p              | 35.90p             | 0.67p                        |

<sup>a</sup> To 31 January 2012.

<sup>c</sup> A-Class Income Shares were launched on 2 January 2007.

## Portfolio turnover rate

|          |        |
|----------|--------|
| 31.01.11 | 326.9% |
| 31.01.12 | 147.7% |

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the period.

## Net asset values and Total expense ratios

| Date                               | Net asset value per share class<br>£'000 | Number of shares | Net asset value per share | Total expense ratio |
|------------------------------------|--|------------------|---------------------------|---------------------|
| <b>A-Class Accumulation Shares</b> |  |                  |                           |                     |
| 31.01.10                           | 264,112                                  | 99,063,456       | 266.6p                    | 1.67%               |
| 31.01.11                           | 268,569                                  | 84,510,540       | 317.8p                    | 1.67%               |
| 31.01.12                           | 235,100                                  | 76,997,542       | 305.3p                    | 1.67%               |
| <b>A-Class Income Shares</b>       |  |                  |                           |                     |
| 31.01.10                           | 1,079                                    | 3,325,508        | 32.43p                    | 1.66%               |
| 31.01.11                           | 485                                      | 1,272,150        | 38.10p                    | 1.68%               |
| 31.01.12                           | 341                                      | 949,751          | 35.93p                    | 1.68%               |

The net asset value and the net asset value per income share are shown ex-dividend.

The total expense ratio (TER) takes into account the ACD fee and any fixed expenses charged to revenue expressed as a percentage of the average daily net asset values over the period.



# Portfolio statement

As at 31 January 2012

| Investment   | Holding   | Market value<br>£'000 | Total net<br>assets % |
|--|-----------|-----------------------|-----------------------|
| <b>Oil &amp; gas - 17.3% (15.2%)</b>                     |           |                       |                       |
| <b>Oil &amp; gas producers - 15.7%</b>                   |           |                       |                       |
| BG Group   | 254,200   | 3,599                 | 1.5                   |
| BP   | 2,646,429 | 12,467                | 5.3                   |
| Royal Dutch Shell 'B'                                    | 851,797   | 19,826                | 8.4                   |
| Tullow Oil   | 89,072    | 1,217                 | 0.5                   |
| <b>Oil equipment, services &amp; distribution - 1.6%</b> |           |                       |                       |
| AMEC   | 55,469    | 561                   | 0.2                   |
| Cape   | 92,000    | 350                   | 0.1                   |
| Hunting  | 62,900    | 505                   | 0.2                   |
| Kentz Group  | 106,000   | 464                   | 0.2                   |
| Lamprell   | 292,358   | 863                   | 0.4                   |
| Petrofac   | 45,100    | 658                   | 0.3                   |
| Wood Group (John)  | 86,350    | 569                   | 0.2                   |
| <b>Financials - 15.9% (22.3%)</b>                        |           |                       |                       |
| <b>Banks - 5.2%</b>                                      |           |                       |                       |
| Barclays   | 1,076,174 | 2,300                 | 1.0                   |
| HSBC   | 1,297,324 | 6,910                 | 2.9                   |
| Standard Chartered                                       | 192,330   | 2,963                 | 1.3                   |
| <b>General financial - 2.9%</b>                          |           |                       |                       |
| Aberdeen Asset Management                                | 331,992   | 792                   | 0.3                   |
| Brewin Dolphin   | 321,000   | 490                   | 0.2                   |
| Close Brothers Group                                     | 64,986    | 440                   | 0.2                   |
| F&C Asset Management                                     | 768,000   | 495                   | 0.2                   |
| IG Group   | 112,201   | 531                   | 0.2                   |
| Intermediate Capital Group                               | 176,538   | 488                   | 0.2                   |
| London Stock Exchange Group                              | 109,364   | 950                   | 0.4                   |
| Paragon Group of Companies                               | 489,654   | 885                   | 0.4                   |
| Provident Financial                                      | 93,841    | 898                   | 0.4                   |
| Rathbone Brothers  | 43,037    | 479                   | 0.2                   |
| Tullett Prebon   | 119,900   | 356                   | 0.2                   |
| <b>Life insurance - 4.1%</b>                             |           |                       |                       |
| Aviva  | 316,715   | 1,113                 | 0.5                   |
| Legal & General Group                                    | 794,221   | 917                   | 0.4                   |
| Old Mutual   | 722,725   | 1,062                 | 0.5                   |
| Prudential   | 457,800   | 3,223                 | 1.4                   |
| Resolution   | 250,672   | 678                   | 0.3                   |
| St James's Place   | 280,328   | 980                   | 0.4                   |
| Standard Life  | 695,604   | 1,522                 | 0.6                   |
| <b>Nonlife insurance - 1.7%</b>                          |           |                       |                       |
| Amlin  | 133,250   | 461                   | 0.2                   |
| Beazley Group  | 757,000   | 1,065                 | 0.5                   |
| Catlin Group   | 121,000   | 492                   | 0.2                   |
| Hiscox   | 119,930   | 461                   | 0.2                   |
| Jardine Lloyd Thompson                                   | 64,586    | 447                   | 0.2                   |
| Lancashire Holdings                                      | 130,561   | 902                   | 0.4                   |
| <b>Real estate - 2.0%</b>                                |           |                       |                       |
| Capital & Counties Properties                            | 277,640   | 517                   | 0.2                   |
| Derwent London   | 33,317    | 555                   | 0.2                   |
| Great Portland Estates                                   | 134,428   | 483                   | 0.2                   |
| Hammerson  | 139,126   | 530                   | 0.2                   |
| Hansteen   | 587,308   | 429                   | 0.2                   |
| Land Securities  | 220,806   | 1,495                 | 0.6                   |
| Savills  | 116,276   | 392                   | 0.2                   |
| Shaftesbury  | 107,106   | 537                   | 0.2                   |
| Unite Group  | 41,685    | 74                    | -                     |
| <b>Consumer services - 13.0% (10.0%)</b>                 |           |                       |                       |
| <b>Food &amp; drug retailers - 2.2%</b>                  |           |                       |                       |
| Booker Group   | 675,400   | 485                   | 0.2                   |
| Morrison (Wm.) Supermarkets                              | 601,391   | 1,707                 | 0.7                   |
| Sainsbury (J)  | 293,000   | 847                   | 0.4                   |
| Tesco  | 635,669   | 2,028                 | 0.9                   |
| <b>General retailers - 3.3%</b>                          |           |                       |                       |
| ASOS   | 22,082    | 382                   | 0.2                   |
| Debenhams  | 677,000   | 455                   | 0.2                   |
| Dignity  | 47,709    | 378                   | 0.2                   |
| Inchcape   | 294,742   | 1,011                 | 0.4                   |
| Kingfisher   | 638,492   | 1,612                 | 0.7                   |
| Marks & Spencer  | 264,100   | 858                   | 0.4                   |
| Next   | 51,000    | 1,329                 | 0.6                   |
| Sports Direct International                              | 183,380   | 437                   | 0.2                   |
| WH Smith   | 165,022   | 908                   | 0.4                   |

| Investment   | Holding   | Market value<br>£'000 | Total net<br>assets % |
|--|-----------|-----------------------|-----------------------|
| <b>Media - 3.4%</b>                                  |           |                       |                       |
| British Sky Broadcasting Group                       | 136,500   | 934                   | 0.4                   |
| Daily Mail & General Trust 'A'                       | 105,151   | 457                   | 0.2                   |
| Euromoney Institutional Investor                     | 60,228    | 412                   | 0.2                   |
| Informa  | 155,000   | 601                   | 0.3                   |
| ITV  | 1,598,400 | 1,199                 | 0.5                   |
| Moneysupermarket.Com Group                           | 407,244   | 472                   | 0.2                   |
| Pearson  | 86,235    | 1,010                 | 0.4                   |
| Reed Elsevier  | 147,000   | 774                   | 0.3                   |
| Rightmove Group                                      | 39,677    | 507                   | 0.2                   |
| United Business Media                                | 118,552   | 643                   | 0.3                   |
| WPP  | 131,977   | 977                   | 0.4                   |
| <b>Travel &amp; leisure - 4.1%</b>                   |           |                       |                       |
| Compass Group  | 183,100   | 1,077                 | 0.5                   |
| Easyjet  | 199,965   | 908                   | 0.4                   |
| FirstGroup   | 142,650   | 444                   | 0.2                   |
| Go-Ahead Group                                       | 60,288    | 769                   | 0.3                   |
| Greene King  | 204,192   | 1,009                 | 0.4                   |
| Ladbroke's   | 364,000   | 518                   | 0.2                   |
| Marston's  | 454,548   | 439                   | 0.2                   |
| Mitchells & Butlers                                  | 168,668   | 433                   | 0.2                   |
| National Express Group                               | 192,300   | 419                   | 0.2                   |
| Rank Group   | 305,478   | 394                   | 0.2                   |
| Stagecoach Group                                     | 273,310   | 763                   | 0.3                   |
| TUI Travel   | 254,849   | 483                   | 0.2                   |
| Wetherspoon (J.D.)                                   | 86,922    | 351                   | 0.1                   |
| Whitbread  | 35,850    | 589                   | 0.3                   |
| William Hill   | 434,434   | 976                   | 0.4                   |
| <b>Industrials - 12.3% (11.1%)</b>                   |           |                       |                       |
| <b>Aerospace &amp; defence - 2.2%</b>                |           |                       |                       |
| BAE Systems  | 331,241   | 1,037                 | 0.4                   |
| Meggitt  | 316,429   | 1,140                 | 0.5                   |
| QinetiQ Group  | 589,433   | 768                   | 0.3                   |
| Rolls Royce Group                                    | 180,290   | 1,327                 | 0.6                   |
| Senior   | 252,005   | 455                   | 0.2                   |
| Ultra Electronics Holdings                           | 26,859    | 409                   | 0.2                   |
| <b>Construction &amp; materials - 0.2%</b>           |           |                       |                       |
| Kier Group   | 30,329    | 405                   | 0.2                   |
| <b>Electronics &amp; electrical equipment - 0.6%</b> |           |                       |                       |
| Halma  | 147,239   | 516                   | 0.2                   |
| Morgan Crucible                                      | 164,479   | 518                   | 0.2                   |
| Spectris   | 35,650    | 542                   | 0.2                   |
| <b>General industrials - 1.5%</b>                    |           |                       |                       |
| Rexam  | 165,100   | 621                   | 0.3                   |
| RPC Group  | 250,736   | 958                   | 0.4                   |
| Smith (DS)   | 470,556   | 1,087                 | 0.5                   |
| Smiths Group   | 63,566    | 610                   | 0.3                   |
| <b>Industrial engineering - 1.7%</b>                 |           |                       |                       |
| Bodycote International                               | 167,000   | 519                   | 0.2                   |
| Fenner   | 110,490   | 495                   | 0.2                   |
| IMI  | 70,962    | 606                   | 0.3                   |
| Melrose  | 291,530   | 1,084                 | 0.5                   |
| Rotork   | 24,612    | 464                   | 0.2                   |
| Weir Group   | 34,715    | 675                   | 0.3                   |
| <b>Industrial transportation - 0.2%</b>              |           |                       |                       |
| BBA Aviation   | 239,555   | 447                   | 0.2                   |
| <b>Support services - 5.9%</b>                       |           |                       |                       |
| Aggreko  | 39,289    | 818                   | 0.3                   |
| Ashtead Group  | 226,150   | 529                   | 0.2                   |
| Atkins (WS)  | 60,396    | 423                   | 0.2                   |
| Babcock International Group                          | 81,586    | 596                   | 0.3                   |
| Berendsen  | 202,500   | 916                   | 0.4                   |
| Bunzl  | 75,387    | 646                   | 0.3                   |
| Capita Group   | 97,557    | 604                   | 0.3                   |
| Carillion  | 146,281   | 453                   | 0.2                   |
| De La Rue  | 53,165    | 510                   | 0.2                   |
| Experian   | 115,076   | 984                   | 0.4                   |
| Filtrona   | 132,929   | 505                   | 0.2                   |
| G4S  | 457,084   | 1,237                 | 0.5                   |
| Howden Joinery Group                                 | 783,216   | 831                   | 0.4                   |
| Interserve   | 268,894   | 799                   | 0.3                   |
| Intertek Group                                       | 32,050    | 670                   | 0.3                   |
| Mitie Group  | 365,553   | 930                   | 0.4                   |
| Northgate  | 77,145    | 174                   | -                     |
| Regus  | 471,076   | 451                   | 0.2                   |
| RPS Group  | 164,004   | 337                   | 0.1                   |
| Shanks Group   | 392,162   | 385                   | 0.2                   |
| Travis Perkins                                       | 63,000    | 551                   | 0.2                   |
| Wolseley   | 36,604    | 813                   | 0.3                   |

## Portfolio statement – continued

As at 31 January 2012

| Investment   | Holding   | Market value<br>£'000 | Total net<br>assets % |
|--|-----------|-----------------------|-----------------------|
| <b>Consumer goods – 11.2% (6.8%)</b>               |           |                       |                       |
| <b>Automobiles &amp; parts – 0.6%</b>              |           |                       |                       |
| GKN  | 651,002   | 1,366                 | 0.6                   |
| <b>Beverages – 2.3%</b>                            |           |                       |                       |
| Barr A.G.  | 35,715    | 440                   | 0.2                   |
| Diageo   | 191,450   | 2,694                 | 1.1                   |
| SABMiller  | 96,950    | 2,350                 | 1.0                   |
| <b>Food producers – 1.8%</b>                       |           |                       |                       |
| Associated British Foods                           | 63,500    | 728                   | 0.3                   |
| Dairy Crest Group                                  | 112,000   | 352                   | 0.1                   |
| Devro  | 176,356   | 459                   | 0.2                   |
| Tate & Lyle  | 94,041    | 620                   | 0.3                   |
| Unilever   | 106,400   | 2,182                 | 0.9                   |
| <b>Household goods – 2.7%</b>                      |           |                       |                       |
| Barratt Development                                | 1,024,415 | 1,110                 | 0.5                   |
| Bellway  | 133,547   | 978                   | 0.4                   |
| Berkeley Group 'B'                                 | 42,327    | 531                   | 0.2                   |
| Bovis Homes Group                                  | 203,382   | 896                   | 0.4                   |
| Persimmon  | 205,684   | 1,072                 | 0.5                   |
| Redrow   | 330,450   | 402                   | 0.2                   |
| Taylor Wimpey                                      | 2,652,985 | 1,127                 | 0.5                   |
| <b>Personal goods – 0.3%</b>                       |           |                       |                       |
| Burberry Group                                     | 61,350    | 823                   | 0.3                   |
| <b>Tobacco – 3.5%</b>                              |           |                       |                       |
| British American Tobacco                           | 144,000   | 4,248                 | 1.8                   |
| Imperial Tobacco Group                             | 170,940   | 3,885                 | 1.7                   |
| <b>Health care – 8.2% (4.1%)</b>                   |           |                       |                       |
| <b>Health care equipment &amp; services – 0.2%</b> |           |                       |                       |
| Synergy Health                                     | 51,966    | 444                   | 0.2                   |
| <b>Pharmaceuticals &amp; biotechnology – 8.0%</b>  |           |                       |                       |
| Abcam  | 114,287   | 383                   | 0.2                   |
| AstraZeneca  | 193,635   | 5,916                 | 2.5                   |
| BTG  | 153,000   | 510                   | 0.2                   |
| Genus  | 47,133    | 484                   | 0.2                   |
| GlaxoSmithKline                                    | 737,500   | 10,472                | 4.4                   |
| Shire  | 54,250    | 1,142                 | 0.5                   |
| <b>Basic materials – 6.1% (14.7%)</b>              |           |                       |                       |
| <b>Chemicals – 1.1%</b>                            |           |                       |                       |
| Croda International                                | 32,964    | 638                   | 0.3                   |
| Elementis  | 618,303   | 927                   | 0.4                   |
| Johnson Matthey                                    | 25,180    | 513                   | 0.2                   |
| Yule Catto & Co                                    | 241,371   | 473                   | 0.2                   |
| <b>Industrials metals &amp; mining – 0.3%</b>      |           |                       |                       |
| Evraz  | 162,694   | 729                   | 0.3                   |
| <b>Mining – 4.7%</b>                               |           |                       |                       |
| African Barrick Gold                               | 84,726    | 431                   | 0.2                   |
| BHP Billiton                                       | 159,434   | 3,455                 | 1.5                   |
| Fresnillo  | 41,607    | 734                   | 0.3                   |
| Gem Diamonds                                       | 191,336   | 401                   | 0.2                   |
| Kenmare Resources                                  | 1,011,550 | 485                   | 0.2                   |
| Petropavlovsk                                      | 131,625   | 1,000                 | 0.4                   |
| Randgold Resources                                 | 10,698    | 779                   | 0.3                   |
| Rio Tinto  | 99,802    | 3,835                 | 1.6                   |
| <b>Telecommunications – 4.7% (6.9%)</b>            |           |                       |                       |
| <b>Fixed line communications – 2.0%</b>            |           |                       |                       |
| BT Group   | 1,434,400 | 2,936                 | 1.2                   |
| Cable & Wireless Communications                    | 1,462,500 | 606                   | 0.3                   |
| Talk Talk Telecom                                  | 625,159   | 763                   | 0.3                   |
| Telecom Plus                                       | 61,005    | 415                   | 0.2                   |
| <b>Mobile telecommunications – 2.7%</b>            |           |                       |                       |
| Vodafone Group                                     | 3,698,520 | 6,384                 | 2.7                   |
| <b>Utilities – 3.9% (1.7%)</b>                     |           |                       |                       |
| <b>Electricity – 1.2%</b>                          |           |                       |                       |
| Drax Group   | 186,672   | 991                   | 0.4                   |
| International Power                                | 224,229   | 747                   | 0.3                   |
| Scottish & Southern Energy                         | 91,806    | 1,131                 | 0.5                   |
| <b>Gas, water &amp; multiutilities – 2.7%</b>      |           |                       |                       |
| Centrica   | 471,005   | 1,395                 | 0.6                   |
| National Grid                                      | 586,468   | 3,674                 | 1.6                   |
| Pennon Group                                       | 81,098    | 564                   | 0.2                   |
| United Utilities Group                             | 111,009   | 665                   | 0.3                   |

| Investment   | Holding   | Market value<br>£'000 | Total net<br>assets % |
|--|-----------|-----------------------|-----------------------|
| <b>Equity investment instruments – 2.9% (3.0%)</b> |           |                       |                       |
| JPM UK Smaller Companies 'I' (Accumulation)^       | 1,679,883 | 6,844                 | 2.9                   |
| <b>Technology – 2.4% (2.5%)</b>                    |           |                       |                       |
| <b>Software &amp; computer services – 1.5%</b>     |           |                       |                       |
| AVEVA Group  | 27,437    | 436                   | 0.2                   |
| Blinkx   | 325,000   | 220                   | -                     |
| Computacenter                                      | 208,508   | 816                   | 0.3                   |
| Micro Focus International                          | 203,052   | 872                   | 0.4                   |
| Sage Group   | 160,810   | 472                   | 0.2                   |
| SDL  | 67,279    | 442                   | 0.2                   |
| Telecity Group                                     | 84,521    | 548                   | 0.2                   |
| <b>Technology hardware &amp; equipment – 0.9%</b>  |           |                       |                       |
| ARM Holdings                                       | 158,957   | 990                   | 0.4                   |
| Imagination Technologies Group                     | 92,300    | 533                   | 0.2                   |
| Laird Group  | 376,025   | 619                   | 0.3                   |
| <b>Futures – 0.0% (0.0%)</b>                       |           |                       |                       |
| FTSE 100 Index Futures Mar 2012                    | 70        | 116                   | -                     |
| <b>Liquidity funds – 1.8% (0.0%)</b>               |           |                       |                       |
| JPM Sterling Liquidity 'X' (Income)^               | 4,211,976 | 4,212                 | 1.8                   |
| <b>Investment assets</b>                           |           | <b>234,636</b>        | <b>99.7</b>           |
| <b>Net other assets</b>                            |           | <b>805</b>            | <b>0.3</b>            |
| <b>Net assets</b>                                  |           | <b>235,441</b>        | <b>100.0</b>          |

Unless otherwise stated the above securities are admitted to official stock exchange listings or trade on a regulated market.

The comparative percentage figures in brackets are at 31 January 2011.

^ Deemed to be investment in related parties of the ACD

## Portfolio movements

For the year ending 31 January 2012

|  | £'000          |  | £'000           |
|--|----------------|--|-----------------|
| <b>Total of all purchases for the year (Note 10)</b> | <b>190,035</b> | <b>Total of all sales for the year (Note 10)</b> | <b>204,727</b>  |
| <b>Major purchases</b>                               | <b>Cost</b>    | <b>Major sales</b>                               | <b>Proceeds</b> |
| JPM Sterling Liquidity 'X' (Income)^                 | 11,362         | HSBC   | 15,842          |
| GlaxoSmithKline                                      | 9,674          | British American Tobacco                         | 9,469           |
| HSBC   | 7,062          | Vodafone Group                                   | 8,471           |
| BP   | 6,279          | JPM Sterling Liquidity 'X' (Income)^             | 7,150           |
| British American Tobacco                             | 4,753          | Anglo American                                   | 6,010           |
| Standard Chartered                                   | 3,788          | GlaxoSmithKline                                  | 5,370           |
| Imperial Tobacco Group                               | 3,757          | Rio Tinto  | 5,032           |
| National Grid  | 3,656          | Xstrata  | 4,782           |
| AstraZeneca  | 2,849          | BHP Billiton                                     | 4,539           |
| Scottish & Southern Energy                           | 2,601          | Royal Dutch Shell 'B'                            | 3,566           |
| Tesco  | 2,536          | Lloyds Banking Group                             | 3,410           |
| Unilever   | 2,349          | WPP  | 1,828           |
| Diageo   | 2,324          | Man Group  | 1,805           |
| WPP  | 2,078          | Royal Bank of Scotland Group                     | 1,766           |
| Morrison (Wm.) Supermarkets                          | 1,974          | Reckitt Benckinser Group                         | 1,643           |
| Land Securities                                      | 1,860          | Land Securities                                  | 1,570           |
| Reckitt Benckinser Group                             | 1,599          | Centrica   | 1,512           |
| ITV  | 1,586          | RSA Insurance Group                              | 1,465           |
| Centrica   | 1,557          | Antofagasta                                      | 1,440           |
| Sainsbury (J)  | 1,521          | Scottish & Southern Energy                       | 1,430           |

^ Deemed to be investment in related parties of the ACD

## Financial statements

### Statement of total return

For the year ending 31 January

|   | 2012            | 2011          |
|---|-----------------|---------------|
| £'000   | £'000           | £'000         |
| Income  |                 |               |
| Net capital (losses)/gains (Note 1)   | (14,944)        | 42,967        |
| Revenue (Note 2)  | 8,484           | 8,952         |
| Expenses (Note 3)   | (3,908)         | (4,511)       |
| Net revenue before taxation   | 4,576           | 4,441         |
| Taxation (Note 4)   | (6)             | (6)           |
| Net revenue after taxation  | 4,570           | 4,435         |
| <b>Total return before distributions</b>  | <b>(10,374)</b> | <b>47,402</b> |
| Finance costs:<br>Distributions (Note 5)  | (4,572)         | (4,441)       |
| <b>Change in net assets attributable to shareholders from investment activities</b> | <b>(14,946)</b> | <b>42,961</b> |

### Statement of change in net assets attributable to shareholders

For the year ending 31 January

|  | 2012           | 2011           |
|--|----------------|----------------|
| £'000  | £'000          | £'000          |
| <b>Opening net assets attributable to shareholders</b>                                   | <b>269,054</b> | <b>265,191</b> |
| Amounts receivable on issue of shares  | 2,909          | 3,024          |
| Amounts payable on cancellation of shares  | (25,878)       | (46,025)       |
|  | (22,969)       | (43,001)       |
| Change in net assets attributable to shareholders from investment activities (see above) | (14,946)       | 42,961         |
| Retained distributions on accumulation shares  | 4,327          | 3,938          |
| Stamp duty reserve tax   | (25)           | (35)           |
| <b>Closing net assets attributable to shareholders</b>                                   | <b>235,441</b> | <b>269,054</b> |

### Balance sheet

As at 31 January

|  | 2012           | 2011           |
|--|----------------|----------------|
| £'000  | £'000          | £'000          |
| <b>ASSETS</b>                                  |                |                |
| Investment assets                              | 234,636        | 264,455        |
| Debtors (Note 7)                               | 610            | 473            |
| Cash and bank balances (Note 8)                | 804            | 5,351          |
| <b>Total other assets</b>                      | <b>1,414</b>   | <b>5,824</b>   |
| <b>Total assets</b>                            | <b>236,050</b> | <b>270,279</b> |
| <b>LIABILITIES</b>                             |                |                |
| Investment liabilities                         | -              | (94)           |
| Creditors (Note 9)                             | (602)          | (1,124)        |
| Distribution payable on income shares          | (7)            | (7)            |
| <b>Total other liabilities</b>                 | <b>(609)</b>   | <b>(1,131)</b> |
| <b>Total liabilities</b>                       | <b>(609)</b>   | <b>(1,225)</b> |
| <b>Net assets attributable to shareholders</b> | <b>235,441</b> | <b>269,054</b> |

The notes to these financial statements are shown on pages 307 to 308.

# Notes to the financial statements for the year ending 31 January 2012

## 1. Net capital (losses)/gains

|                            | 2012            | 2011          |
|----------------------------|-----------------|---------------|
|                            | £'000           | £'000         |
| Currency losses            | -               | (10)          |
| Custodian handling charges | (14)            | (19)          |
| Derivative contracts       | 253             | 1,229         |
| Non-derivative securities  | (15,183)        | 41,767        |
| Net capital (losses)/gains | <u>(14,944)</u> | <u>42,967</u> |

## 2. Revenue

|   | 2012         | 2011         |
|---|--------------|--------------|
|   | £'000        | £'000        |
| Distributions from authorised ICVCs                               | 111          | 49           |
| Franked income from UK equity investments                         | 7,422        | 8,451        |
| Income from overseas equity investments                           | 431          | 231          |
| Interest on amounts held with futures clearing houses and brokers | 1            | 1            |
| Interest on bank and term deposits                                | 197          | 17           |
| Interest on fixed-interest securities                             | 14           | -            |
| Management fee rebates  | 35           | 100          |
| Property income distributions                                     | 178          | 18           |
| Stock dividends   | 45           | -            |
| Stocklending income*  | 17           | 10           |
| Underwriting commission   | 33           | 75           |
| Total revenue   | <u>8,484</u> | <u>8,952</u> |

\* Stocklending income is disclosed net of fees. See note 11.

## 3. Expenses

|  | 2012         | 2011         |
|--|--------------|--------------|
|  | £'000        | £'000        |
| <b>Payable to the ACD or associate of the ACD:</b> |              |              |
| ACD fee  | 3,718        | 4,045        |
| Fixed expenses                                     | 432          | 466          |
|  | <u>4,150</u> | <u>4,511</u> |
| <b>Payable to third parties:</b>                   |              |              |
| VAT recovered*                                     | (242)        | -            |
| Total expenses                                     | <u>3,908</u> | <u>4,511</u> |

\* VAT recovered includes amounts arising as a result of changes to the policy of HM Revenue & Customs (HMRC) concerning VAT exemption for the management of authorised collective investment schemes (UK Law, items 9 and 10 of group 5, Schedule 9 to the VAT Act 1994) where these services have historically been treated as subject to VAT in the UK. These changes are in accordance with the Business Brief 07/06 (item 3) from HMRC in light of the European Court of Justice judgement in case C-196/04, Abbey National and Inscape Investment Fund.

## 4. Taxation

|  | 2012     | 2011     |
|--|----------|----------|
|  | £'000    | £'000    |
| <b>a) Analysis of charge in the year</b> |          |          |
| Overseas tax suffered                    | 6        | 6        |
| Current year tax charge (Note 4b)        | <u>6</u> | <u>6</u> |

### b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an Open-Ended Investment Company (OEIC) (20%). The differences are explained below.

|   |              |              |
|---|--------------|--------------|
| Net revenue before taxation               | 4,576        | 4,441        |
| Corporation tax at 20%                    | <u>915</u>   | <u>888</u>   |
| Effects of:                               |              |              |
| Dividends not subject to corporation tax  | (1,603)      | (1,745)      |
| Excess expenses for which no relief taken | 688          | 857          |
| Overseas tax suffered                     | 6            | 6            |
|   | <u>(909)</u> | <u>(882)</u> |
| Current year tax charge (Note 4a)         | <u>6</u>     | <u>6</u>     |

No deferred tax asset has been recognised in the financial statements. At the year end date, the fund had a deferred tax asset of £19,385,929 (31.01.11: £18,698,160) in relation to £96,929,644 (31.01.11: £93,490,801) of excess management expenses which would only be utilised to reduce the tax charge if the fund had an excess of unfranked income over expenses in a future period. There is no excess of unfranked income expected in the future.

## 5. Finance costs

### Distributions

The distributions take account of amounts receivable on the issue of shares and amounts payable on the cancellation of shares and comprise:

|  | 2012         | 2011         |
|--|--------------|--------------|
|  | £'000        | £'000        |
| Final dividend distribution                    | 4,334        | 3,945        |
| Add: Amounts payable on cancellation of shares | 268          | 537          |
| Deduct: Amounts receivable on issue of shares  | (30)         | (41)         |
| Total finance costs                            | <u>4,572</u> | <u>4,441</u> |

Details of the distribution per share are set out on page 309.

## 6. Movement between net revenue after taxation and distributions

|   | 2012         | 2011         |
|---|--------------|--------------|
|   | £'000        | £'000        |
| Net revenue after taxation                    | 4,570        | 4,435        |
| Add: Undistributed revenue brought forward    | 4            | 10           |
| Deduct: Undistributed revenue carried forward | (2)          | (4)          |
|   | <u>4,572</u> | <u>4,441</u> |

## Notes to the financial statements – continued

### 7. Debtors

|                                     | 2012  | 2011  |
|-------------------------------------|-------|-------|
|                                     | £'000 | £'000 |
| Accrued income                      | 600   | 460   |
| Due from the ACD for shares created | -     | 1     |
| Overseas tax recoverable            | 10    | 12    |
| Total debtors                       | 610   | 473   |

### 8. Cash and bank balances

|   | 2012  | 2011  |
|---|-------|-------|
|   | £'000 | £'000 |
| Amounts held at futures clearing houses and brokers | 205   | 243   |
| Cash and bank balances                              | 599   | 5,108 |
| Total cash and bank balances                        | 804   | 5,351 |

### 9. Creditors

|                                     | 2012  | 2011  |
|-------------------------------------|-------|-------|
|                                     | £'000 | £'000 |
| Accrued expenses                    | 334   | 393   |
| Due to the ACD for shares cancelled | 268   | 453   |
| Purchases awaiting settlement       | -     | 278   |
| Total creditors                     | 602   | 1,124 |

### 10. Portfolio transaction costs

|  | 2012    | 2011    |
|--|---------|---------|
|  | £'000   | £'000   |
| Analysis of total purchase costs           |         |         |
| Purchases in year before transaction costs | 188,994 | 561,449 |
| Commissions                                | 221     | 347     |
| Taxes                                      | 820     | 1,233   |
| Total purchase costs                       | 1,041   | 1,580   |
| Gross purchases total                      | 190,035 | 563,029 |
| Analysis of total sale costs               |         |         |
| Gross sales before transaction costs       | 204,966 | 362,612 |
| Commissions                                | (238)   | (408)   |
| Taxes                                      | (1)     | (1)     |
| Total sale costs                           | (239)   | (409)   |
| Total sales net of transaction costs       | 204,727 | 362,203 |

### 11. Related party transactions

JPMorgan Funds Limited, as Authorised Corporate Director ("ACD"), is a related party, and acts as principal in respect of all transactions of shares in the Company. The aggregate monies received through issue, and paid on cancellation, are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

The balance due to the ACD and their associates at the year end date in respect of related party transactions was £602,401 (31.01.11: £844,992). Details of related party transactions are given under note 13 on page 389.

Investments considered to be related parties have been identified in the portfolio statement on pages 303 to 304 and the revenue from these investments was £125,301 (31.01.11: £49,293).

Some of the dealing transactions for the fund are carried out through associates of the ACD. Such transactions are carried out on an arm's length basis. The commissions paid to these companies over the year were £68,056 (31.01.11: £27,122). Commission was paid to the associated company JPMorgan Securities Ltd.

The gross stocklending income received was £20,648 (31.01.11: £12,562), with fees deducted of £3,613 (31.01.11: £2,198).

The following parties held a material interest in the fund at the year end date:

- J.P. Morgan Nominees Ltd 25.72% (31.01.11: 22.65%)
- FNZ (UK) Nominees Limited 14.91% (31.01.11: 14.63%)

### 12. Financial instruments

#### Currency exposures

At the year end date, the majority of the fund's financial assets and liabilities were denominated in Sterling. As a result, the fund has no material exposure to currency movements.

#### Interest rate risk

At the year end date, 2.1% (31.01.11: 2.0%) of the fund's net assets by value were interest bearing.

For consideration of other risks including liquidity, pricing and credit risk, please refer to the notes to the aggregated financial statements, pages 389 to 390.

### 13. Share classes

The fund currently has only one share class; Class A shares. The Authorised Corporate Director's (ACD) fee and fixed expenses charge are shown below.

| Class A shares: | ACD fee | Fixed expenses |
|-----------------|---------|----------------|
|                 | 1.50%   | 0.18%          |

The net asset value, the net asset value per share and the number of shares are shown on page 302.

### 14. Derivatives

The fund enters into derivative transactions in the form of futures for the purpose of efficient portfolio management. The commitment approach has been used to calculate the global exposure.

Further information on the derivative risks can be found in the notes to the aggregated financial statements on page 390.

# Distribution table

## Final distribution in pence per share

Group 1 – Shares purchased prior to 1 February 2011

Group 2 – Shares purchased 1 February 2011 to 31 January 2012

|                                    | Gross<br>revenue | Tax<br>at 10% | Net<br>revenue | Equalisation | Distribution<br>payable<br>30.04.12 | Distribution<br>paid<br>30.04.11 |
|------------------------------------|------------------|---------------|----------------|--------------|-------------------------------------|----------------------------------|
| <b>A-Class Accumulation Shares</b> |                  |               |                |              |                                     |                                  |
| Group 1                            | 6.244444         | 0.624444      | 5.620000       | -            | 5.620000                            | 4.660000                         |
| Group 2                            | 2.640267         | 0.264027      | 2.376240       | 3.243760     | 5.620000                            | 4.660000                         |
| <b>A-Class Income Shares</b>       |                  |               |                |              |                                     |                                  |
| Group 1                            | 0.744444         | 0.074444      | 0.670000       | -            | 0.670000                            | 0.560000                         |
| Group 2                            | 0.319118         | 0.031912      | 0.287206       | 0.382794     | 0.670000                            | 0.560000                         |

Equalisation applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of revenue included in the purchase price of all group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

# JPM UK Focus Fund

## Important information

### Change of Depositary

As part of an internal re-structuring, The Royal Bank of Scotland plc has transferred its Trustee and Depositary Services business from The Royal Bank of Scotland plc to National Westminster Bank plc and consequently National Westminster Bank plc has been appointed as Depositary of the Fund with effect from 15 October 2011.

As Depositary, National Westminster Bank plc will have the same duties and responsibilities as The Royal Bank of Scotland plc and this change will have no impact on the way the Fund operates.

### Investment objective and policy

To provide long-term capital growth by investing in a portfolio primarily of UK Securities.

### Risk profile

This equity based Fund uses a disciplined investment process for selecting stocks and a robust portfolio construction methodology. This may include exposure to smaller companies.

Equity investment is subject to specific risks relating to the performance of the individual companies held and the market's perception of their performance. Equities are also subject to systematic risks such as general economic conditions, inflation, interest rates, foreign exchange rates and industry sector risks. In general terms, equities tend to be more volatile than bonds.

This Fund is aggressively managed, which may result in higher volatility of the Fund's performance and bigger differences between the performance of the Fund and its benchmark when compared to core funds.

Funds that invest predominantly in a single market, asset class or sector may be subject to greater volatility than those funds with a more diversified portfolio.

### Fund review

The Fund focuses on three drivers of share price performance: intrinsic value, quality and catalyst. Over the review period, this approach led to the Fund underperforming its benchmark. This was largely driven by our focus on stocks with attractive intrinsic valuations, as macroeconomic and political concerns dominated investor decision making. The biggest positive contributors to relative returns were overweight exposure to healthcare and stock selection and an overweight position in chemicals. The biggest detractors were stock selection and underweight exposure to consumer non durables, and stock selection in transport services and technology.

At the stock level, the Fund gained from an overweight position in Filtrona, a plastics and fibre company, which rose after reporting strong sales growth and as investors reacted positively to the appointment of a well regarded new chief executive. An overweight holding in Brammer was also positive as the technical distributor reported strong sales trends, including the addition of further new key accounts. The biggest stock level detractor was an overweight holding in Robert Walters, a recruitment company, which was hit by worries over the impact of economic weakness on staffing demand. An overweight holding in International Personal Finance was also detrimental as currency movements led to downgrades for the alternative credit provider.

## Fund outlook

The UK economy remains weak, but momentum has improved, supported by a stabilisation of the eurozone crisis and better growth in the US. An improving economic backdrop would be supportive for UK corporate earnings, which in turn would be positive for the stock market - particularly with valuations looking attractive relative to history and compared to bonds.

## 12 month performance as at 31 January

|                          | 2012  | 2011  | 2010  | 2009   | 2008   |
|--------------------------|-------|-------|-------|--------|--------|
| <b>JPM UK Focus</b>      |       |       |       |        |        |
| A-Class Acc              | -4.9% | 16.7% | 37.8% | -26.8% | -13.6% |
| <b>JPM UK Focus</b>      |       |       |       |        |        |
| C-Class Acc <sup>a</sup> | -4.1% | -     | -     | -      | -      |
| Benchmark Index          | -0.3% | 18.1% | 33.2% | -27.8% | -3.6%  |

## Fund statistics

|                 |   |
|-----------------|---|
| Fund size       | £53.4m                                  |
| Benchmark Index | FTSE All-Share Index (Total Return Net) |
| Fund charges    |   |
| A-Class         | Initial 4.25%, Annual 1.50%             |
| C-Class         | Initial Nil, Annual 0.75%               |

## Top ten holdings

|                          | %   |
|--------------------------|-----|
| Royal Dutch Shell        | 8.7 |
| BP                       | 5.3 |
| GlaxoSmithKline          | 4.6 |
| Vodafone Group           | 4.3 |
| Rio Tinto                | 4.0 |
| HSBC                     | 3.7 |
| BG Group                 | 3.4 |
| British American Tobacco | 2.5 |
| Shire                    | 2.5 |
| Imperial Tobacco Group   | 2.3 |

## Sector breakdown

|                               | %    |
|-------------------------------|------|
| Oil & gas                     | 21.7 |
| Financials                    | 14.2 |
| Consumer services             | 12.6 |
| Basic materials               | 11.2 |
| Industrials                   | 10.6 |
| Consumer goods                | 9.6  |
| Health care                   | 9.2  |
| Telecommunications            | 6.0  |
| Technology                    | 2.0  |
| Equity investment instruments | 1.5  |
| Utilities                     | 0.9  |
| Futures                       | 0.0  |
| Net other assets              | 0.5  |

You should remember that past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. For specific risks, please read the Simplified Prospectus.

All performance returns are calculated using the quoted price of the accumulation shares. Performance returns are in Sterling.

<sup>a</sup>C-Class Accumulation Shares were launched on 15 November 2010.

Source: J.P. Morgan.

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## Highest/lowest share price and distribution record

| Calendar year                                  | Highest share price | Lowest share price | Distribution per share (net) |
|--|---------------------|--------------------|------------------------------|
| <b>A-Class Accumulation Shares</b>             |                     |                    |                              |
| 2007   | 59.82p              | 51.42p             | 0.66p                        |
| 2008   | 54.36p              | 30.34p             | 1.06p                        |
| 2009   | 49.36p              | 29.99p             | 1.04p                        |
| 2010   | 56.04p              | 44.06p             | 0.70p                        |
| 2011   | 58.23p              | 45.14p             | 0.59p                        |
| 2012 <sup>b</sup>                              | 53.47p              | 50.98p             | 0.29p                        |
| <b>A-Class Income Shares</b>                   |                     |                    |                              |
| 2007   | 58.44p              | 49.31p             | 0.00p                        |
| 2008   | 52.14p              | 28.63p             | 0.69p                        |
| 2009   | 45.33p              | 27.99p             | 0.97p                        |
| 2010   | 50.74p              | 40.30p             | 0.63p                        |
| 2011   | 52.66p              | 40.43p             | 0.54p                        |
| 2012 <sup>b</sup>                              | 47.90p              | 45.66p             | 0.26p                        |
| <b>C-Class Accumulation Shares<sup>c</sup></b> |                     |                    |                              |
| 2010   | 104.2p              | 96.19p             | -                            |
| 2011   | 108.6p              | 84.50p             | 1.44p                        |
| 2012 <sup>b</sup>                              | 100.3p              | 95.61p             | 0.92p                        |

<sup>b</sup> To 31 January 2012.

<sup>c</sup> C-Class Accumulation Shares were launched on 15 November 2010.

## Portfolio turnover rate

|          |       |
|----------|-------|
| 31.01.11 | 18.1% |
| 31.01.12 | 12.0% |

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the period.

## Net asset values and Total expense ratios

| Date                               | Net asset value per share class £'000 | Number of shares | Net asset value per share | Total expense ratio |
|------------------------------------|---------------------------------------|------------------|---------------------------|---------------------|
| <b>A-Class Accumulation Shares</b> |                                       |                  |                           |                     |
| 31.01.10                           | 39,887                                | 84,008,210       | 47.48p                    | 1.67%               |
| 31.01.11                           | 52,837                                | 95,328,107       | 55.43p                    | 1.67%               |
| 31.01.12                           | 49,723                                | 94,362,224       | 52.69p                    | 1.68%               |
| <b>A-Class Income Shares</b>       |                                       |                  |                           |                     |
| 31.01.10                           | 47                                    | 107,788          | 43.42p                    | 1.68%               |
| 31.01.11                           | 54                                    | 107,667          | 50.12p                    | 1.68%               |
| 31.01.12                           | 57                                    | 120,998          | 46.94p                    | 1.68%               |
| <b>C-Class Accumulation Shares</b> |                                       |                  |                           |                     |
| 31.01.11                           | 3,003                                 | 2,910,000        | 103.2p                    | 0.87%               |
| 31.01.12                           | 3,638                                 | 3,678,796        | 98.89p                    | 0.87%               |

The net asset value and the net asset value per income share are shown ex-dividend.

The total expense ratio (TER) takes into account the ACD fee and any fixed expenses charged to revenue expressed as a percentage of the average daily net asset values over the period.

# Portfolio statement

As at 31 January 2012

| Investment  | Holding   | Market value<br>£'000 | Total net<br>assets % |
|---|-----------|-----------------------|-----------------------|
| <b>Oil &amp; gas - 21.7% (21.0%)</b>                    |           |                       |                       |
| <b>Oil &amp; gas producers - 19.6%</b>                  |           |                       |                       |
| Afren   | 489,434   | 585                   | 1.1                   |
| BG Group  | 128,483   | 1,819                 | 3.4                   |
| BP  | 605,581   | 2,853                 | 5.3                   |
| Enquest   | 28,984    | 31                    | 0.1                   |
| Royal Dutch Shell 'A'                                   | 113,662   | 2,565                 | 4.8                   |
| Royal Dutch Shell 'B'                                   | 88,728    | 2,065                 | 3.9                   |
| Salamander Energy                                       | 171,042   | 386                   | 0.7                   |
| Valiant Petroleum*                                      | 36,213    | 152                   | 0.3                   |
| <b>Oil equipment, services &amp; distribution- 2.1%</b> |           |                       |                       |
| Lamprell  | 210,281   | 621                   | 1.2                   |
| Petrofac  | 32,645    | 476                   | 0.9                   |
| <b>Financials - 14.2% (17.0%)</b>                       |           |                       |                       |
| <b>Banks - 7.7%</b>                                     |           |                       |                       |
| Barclays  | 418,350   | 894                   | 1.7                   |
| HSBC  | 367,623   | 1,958                 | 3.7                   |
| Lloyds Banking Group                                    | 1,691,887 | 523                   | 1.0                   |
| Standard Chartered                                      | 46,932    | 723                   | 1.3                   |
| <b>General financial - 2.2%</b>                         |           |                       |                       |
| International Personal Finance                          | 212,854   | 405                   | 0.7                   |
| Intrum Justitia   | 29,065    | 294                   | 0.6                   |
| Provident Financial                                     | 48,158    | 461                   | 0.9                   |
| <b>Life insurance - 2.5%</b>                            |           |                       |                       |
| Prudential  | 119,218   | 839                   | 1.6                   |
| Resolution  | 182,788   | 494                   | 0.9                   |
| <b>Nonlife insurance - 0.6%</b>                         |           |                       |                       |
| Admiral Group   | 9,887     | 92                    | 0.2                   |
| Beazley Group   | 169,542   | 239                   | 0.4                   |
| <b>Real estate - 1.2%</b>                               |           |                       |                       |
| LSL Property Services                                   | 264,415   | 635                   | 1.2                   |
| <b>Consumer services - 12.6% (11.9%)</b>                |           |                       |                       |
| <b>Food &amp; drug retailers - 1.0%</b>                 |           |                       |                       |
| Tesco   | 160,304   | 511                   | 1.0                   |
| <b>General retailers - 2.0%</b>                         |           |                       |                       |
| Bygghmax  | 47,679    | 161                   | 0.3                   |
| D'leteren   | 6,400     | 206                   | 0.4                   |
| Inchcape  | 88,127    | 302                   | 0.6                   |
| Kingfisher  | 159,296   | 402                   | 0.7                   |
| <b>Media - 4.2%</b>                                     |           |                       |                       |
| Informa   | 198,427   | 769                   | 1.4                   |
| ITV   | 891,095   | 668                   | 1.3                   |
| Pearson   | 20,463    | 240                   | 0.4                   |
| United Business Media                                   | 111,439   | 605                   | 1.1                   |
| <b>Travel &amp; leisure - 5.4%</b>                      |           |                       |                       |
| Betfair Group   | 41,294    | 360                   | 0.7                   |
| Compass Group   | 58,244    | 342                   | 0.6                   |
| Domino's Pizza  | 129,240   | 596                   | 1.1                   |
| Go-Ahead Group  | 13,546    | 173                   | 0.3                   |
| Intercontinental Hotels Group                           | 55,808    | 727                   | 1.4                   |
| Playtech  | 240,900   | 715                   | 1.3                   |
| <b>Basic materials - 11.2% (10.6%)</b>                  |           |                       |                       |
| <b>Chemicals - 2.2%</b>                                 |           |                       |                       |
| Arkema  | 13,402    | 698                   | 1.3                   |
| Bayer   | 10,921    | 486                   | 0.9                   |
| <b>Mining - 9.0%</b>                                    |           |                       |                       |
| Glencore International                                  | 185,227   | 770                   | 1.4                   |
| International Ferro Metals                              | 704,762   | 138                   | 0.2                   |
| Petropavlovsk   | 80,929    | 615                   | 1.2                   |
| Rio Tinto   | 55,838    | 2,146                 | 4.0                   |
| Xstrata   | 108,995   | 1,185                 | 2.2                   |

| Investment   | Holding   | Market value<br>£'000 | Total net<br>assets % |
|--|-----------|-----------------------|-----------------------|
| <b>Industrials - 10.6% (10.5%)</b>                 |           |                       |                       |
| <b>General industrials - 0.6%</b>                  |           |                       |                       |
| Cookson Group                                      | 58,956    | 341                   | 0.6                   |
| <b>Industrial engineering - 1.0%</b>               |           |                       |                       |
| Bodycote International                             | 91,968    | 286                   | 0.5                   |
| IMI  | 31,876    | 272                   | 0.5                   |
| <b>Support services - 9.0%</b>                     |           |                       |                       |
| Brammer  | 441,303   | 1,103                 | 2.1                   |
| Electrocomponents                                  | 138,221   | 292                   | 0.5                   |
| Filtrona   | 198,349   | 753                   | 1.4                   |
| Howden Joinery Group                               | 437,004   | 464                   | 0.9                   |
| Premier Farnell                                    | 112,359   | 233                   | 0.4                   |
| Rentokil Initial                                   | 354,317   | 265                   | 0.5                   |
| Robert Walters                                     | 224,817   | 438                   | 0.8                   |
| SIG  | 543,466   | 536                   | 1.0                   |
| Travis Perkins                                     | 83,884    | 734                   | 1.4                   |
| <b>Consumer goods - 9.6% (10.1%)</b>               |           |                       |                       |
| <b>Automobiles &amp; parts - 0.5%</b>              |           |                       |                       |
| Nokian Renkaa                                      | 12,519    | 287                   | 0.5                   |
| <b>Food producers - 1.9%</b>                       |           |                       |                       |
| Premier Foods                                      | 1,173,512 | 144                   | 0.3                   |
| Unilever   | 41,855    | 858                   | 1.6                   |
| <b>Household goods - 1.9%</b>                      |           |                       |                       |
| Persimmon  | 115,319   | 601                   | 1.1                   |
| Redrow   | 145,324   | 177                   | 0.3                   |
| Taylor Wimpey                                      | 570,131   | 242                   | 0.5                   |
| <b>Leisure goods - 0.4%</b>                        |           |                       |                       |
| Phillips Electronics                               | 14,805    | 190                   | 0.4                   |
| <b>Personal goods - 0.1%</b>                       |           |                       |                       |
| Pandora  | 3,820     | 32                    | 0.1                   |
| <b>Tobacco - 4.8%</b>                              |           |                       |                       |
| British American Tobacco                           | 45,671    | 1,347                 | 2.5                   |
| Imperial Tobacco Group                             | 54,242    | 1,233                 | 2.3                   |
| <b>Health care - 9.2% (7.8%)</b>                   |           |                       |                       |
| <b>Pharmaceuticals &amp; biotechnology - 9.2%</b>  |           |                       |                       |
| AstraZeneca  | 33,389    | 1,020                 | 1.9                   |
| GlaxoSmithKline                                    | 171,517   | 2,436                 | 4.6                   |
| Shire  | 63,343    | 1,334                 | 2.5                   |
| Thrombogenics                                      | 6,690     | 98                    | 0.2                   |
| <b>Telecommunications - 6.0% (5.7%)</b>            |           |                       |                       |
| <b>Fixed line telecommunications - 1.7%</b>        |           |                       |                       |
| BT Group   | 386,122   | 790                   | 1.5                   |
| Cable & Wireless Communications                    | 145,117   | 60                    | 0.1                   |
| Cable & Wireless Worldwide                         | 145,117   | 30                    | 0.1                   |
| <b>Mobile telecommunications - 4.3%</b>            |           |                       |                       |
| Vodafone Group                                     | 1,332,561 | 2,300                 | 4.3                   |
| <b>Technology - 2.0% (2.1%)</b>                    |           |                       |                       |
| <b>Software &amp; computer services - 2.0%</b>     |           |                       |                       |
| Atos Origin  | 12,605    | 405                   | 0.8                   |
| Computacenter                                      | 167,856   | 657                   | 1.2                   |
| <b>Equity investment instruments - 1.5% (1.4%)</b> |           |                       |                       |
| Burford Capital                                    | 665,054   | 811                   | 1.5                   |
| <b>Utilities - 0.9% (0.9%)</b>                     |           |                       |                       |
| <b>Gas, water &amp; multiutilities - 0.9%</b>      |           |                       |                       |
| Centrica   | 160,425   | 475                   | 0.9                   |
| <b>Futures - 0.0% (0.0%)</b>                       |           |                       |                       |
| FTSE 100 Index Futures Mar 2012                    |           | 8                     | -                     |
| <b>Investment assets</b>                           |           | <b>53,177</b>         | <b>99.5</b>           |
| <b>Net other assets</b>                            |           | <b>241</b>            | <b>0.5</b>            |
| <b>Net assets</b>                                  |           | <b>53,418</b>         | <b>100.0</b>          |

Unless otherwise stated the above securities are admitted to official stock exchange listings or trade on a regulated market.

The comparative percentage figures in brackets are at 31 January 2011.

\* Listed on Alternative Investment Market (AIM)

## Portfolio movements

For the year ending 31 January 2012

|  | £'000        |  | £'000           |
|--|--------------|--|-----------------|
| <b>Total of all purchases for the year (Note 10)</b> | <b>6,172</b> | <b>Total of all sales for the year (Note 10)</b> | <b>4,791</b>    |
| <b>Purchases</b>                                     | <b>Cost</b>  | <b>Sales</b>                                     | <b>Proceeds</b> |
| JPM Sterling Liquidity 'X' (Income)^                 | 1,601        | JPM Sterling Liquidity 'X' (Income)^             | 1,601           |
| Glencore International                               | 982          | Howden Joinery Group                             | 632             |
| Playtech   | 765          | Unilever   | 512             |
| Barclays   | 533          | HSBC   | 507             |
| Travis Perkins                                       | 524          | GKN  | 315             |
| SIG  | 506          | Man Group  | 288             |
| Provident Financial                                  | 503          | Axis-Shield                                      | 248             |
| Persimmon  | 330          | Henderson Group                                  | 242             |
| Bodycote International                               | 255          | KBC Groep  | 154             |
| Lamprell   | 113          | Marine Harvest                                   | 132             |
| Inchcape   | 53           | Wavin  | 80              |
| CSM  | 7            | Tullet Prebon                                    | 33              |
|  |              | CSM  | 19              |
|  |              | Sevan Marine                                     | 16              |
|  |              | Southern Cross Healthcare Group                  | 12              |

^ Deemed to be investment in related parties of the ACD

## Financial statements

### Statement of total return

For the year ending 31 January

|   | £'000 | 2012<br>£'000  | £'000 | 2011<br>£'000 |
|---|-------|----------------|-------|---------------|
| Income  |       |                |       |               |
| Net capital (losses)/gains (Note 1)   |       | (3,758)        |       | 8,249         |
| Revenue (Note 2)  | 1,784 |                | 1,338 |               |
| Expenses (Note 3)   | (886) |                | (833) |               |
| Net revenue before taxation   | 898   |                | 505   |               |
| Taxation (Note 4)   | (25)  |                | (19)  |               |
| Net revenue after taxation  |       | 873            |       | 486           |
| <b>Total return before distributions</b>  |       | <b>(2,885)</b> |       | <b>8,735</b>  |
| Finance costs:  |       |                |       |               |
| Distributions (Note 5)  |       | (877)          |       | (482)         |
| <b>Change in net assets attributable to shareholders from investment activities</b> |       | <b>(3,762)</b> |       | <b>8,253</b>  |

### Balance sheet

As at 31 January

|  | £'000 | 2012<br>£'000 | £'000 | 2011<br>£'000 |
|--|-------|---------------|-------|---------------|
| <b>ASSETS</b>                                  |       |               |       |               |
| Investment assets                              |       | 53,177        |       | 55,346        |
| Debtors (Note 7)                               | 164   |               | 107   |               |
| Cash and bank balances (Note 8)                | 150   |               | 523   |               |
| <b>Total other assets</b>                      |       | <b>314</b>    |       | <b>630</b>    |
| <b>Total assets</b>                            |       | <b>53,491</b> |       | <b>55,976</b> |
| <b>LIABILITIES</b>                             |       |               |       |               |
| Creditors (Note 9)                             | (73)  |               | (82)  |               |
| <b>Total liabilities</b>                       |       | <b>(73)</b>   |       | <b>(82)</b>   |
| <b>Net assets attributable to shareholders</b> |       | <b>53,418</b> |       | <b>55,894</b> |

The notes to these financial statements are shown on pages 315 to 316.

### Statement of change in net assets attributable to shareholders

For the year ending 31 January

|   | £'000   | 2012<br>£'000  | £'000   | 2011<br>£'000 |
|---|---------|----------------|---------|---------------|
| <b>Opening net assets attributable to shareholders</b>  |         | <b>55,894</b>  |         | <b>39,934</b> |
| Amounts receivable on issue of shares   | 2,396   |                | 14,334  |               |
| Amounts payable on cancellation of shares   | (1,979) |                | (7,216) |               |
|   |         | 417            |         | 7,118         |
| <b>Change in net assets attributable to shareholders from investment activities (see above)</b> |         | <b>(3,762)</b> |         | <b>8,253</b>  |
| Retained distributions on accumulation shares   |         | 870            |         | 589           |
| Stamp duty reserve tax  |         | (1)            |         | -             |
| <b>Closing net assets attributable to shareholders</b>  |         | <b>53,418</b>  |         | <b>55,894</b> |

# Notes to the financial statements for the year ending 31 January 2012

## 1. Net capital (losses)/gains

|                            | 2012<br>£'000  | 2011<br>£'000 |
|----------------------------|----------------|---------------|
| Currency gains/(losses)    | 3              | (5)           |
| Custodian handling charges | -              | (2)           |
| Derivative contracts       | (203)          | 584           |
| Non-derivative securities  | (3,558)        | 7,672         |
| Net capital (losses)/gains | <u>(3,758)</u> | <u>8,249</u>  |

## 2. Revenue

|   | 2012<br>£'000 | 2011<br>£'000 |
|---|---------------|---------------|
| Franked income from UK equity investments | 1,343         | 1,056         |
| Income from overseas equity investments   | 417           | 262           |
| Interest on bank and term deposits        | 3             | 7             |
| Interest on fixed-interest securities     | 1             | -             |
| Stock dividends                           | 7             | -             |
| Stocklending income*                      | 13            | 8             |
| Underwriting commission                   | -             | 5             |
| Total revenue                             | <u>1,784</u>  | <u>1,338</u>  |

\* Stocklending income is disclosed net of fees. See note 11.

## 3. Expenses

|   | 2012<br>£'000 | 2011<br>£'000 |
|---|---------------|---------------|
| Payable to the ACD or associate of the ACD: |               |               |
| ACD fee                                     | 790           | 745           |
| Fixed expenses                              | 96            | 88            |
| Total expenses                              | <u>886</u>    | <u>833</u>    |

## 4. Taxation

|  | 2012<br>£'000 | 2011<br>£'000 |
|--|---------------|---------------|
| <b>a) Analysis of charge in the year</b> |               |               |
| Overseas tax provision                   | -             | (4)           |
| Overseas tax suffered                    | 25            | 23            |
| Current year tax charge (Note 4b)        | <u>25</u>     | <u>19</u>     |

### b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an Open-Ended Investment Company (OEIC) (20%). The differences are explained below.

|                             |            |            |
|-----------------------------|------------|------------|
| Net revenue before taxation | 898        | 505        |
| Corporation tax at 20%      | <u>180</u> | <u>101</u> |

### Effects of:

|   |              |             |
|---|--------------|-------------|
| Dividends not subject to corporation tax  | (345)        | (254)       |
| Excess expenses for which no relief taken | 165          | 153         |
| Overseas tax provision                    | -            | (4)         |
| Overseas tax suffered                     | 25           | 23          |
|   | <u>(155)</u> | <u>(82)</u> |
| Current year tax charge (Note 4a)         | <u>25</u>    | <u>19</u>   |

No deferred tax asset has been recognised in the financial statements. At the year end date, the fund had a deferred tax asset of £701,284 (31.01.11: £535,825) in relation to £3,506,422 (31.01.11: £2,679,123) of excess management expenses which would only be utilised to reduce the tax charge if the fund had an excess of unfranked income over expenses in a future period. There is no excess of unfranked income expected in the future.

## 5. Finance costs

### Distributions

The distributions take account of amounts receivable on the issue of shares and amounts payable on the cancellation of shares and comprise:

|  | 2012<br>£'000 | 2011<br>£'000 |
|--|---------------|---------------|
| Interim dividend distribution                  | 563           | 531           |
| Final dividend distribution                    | 308           | 59            |
| Add: Amounts payable on cancellation of shares | 18            | 11            |
| Deduct: Amounts receivable on issue of shares  | (12)          | (119)         |
| Total finance costs                            | <u>877</u>    | <u>482</u>    |

Details of the distribution per share are set out on page 317.

## 6. Movement between net revenue after taxation and distributions

|   | 2012<br>£'000 | 2011<br>£'000 |
|---|---------------|---------------|
| Net revenue after taxation                    | 873           | 486           |
| Add: Undistributed revenue brought forward    | 8             | 4             |
| Deduct: Undistributed revenue carried forward | (4)           | (8)           |
|   | <u>877</u>    | <u>482</u>    |

## 7. Debtors

|                                     | 2012<br>£'000 | 2011<br>£'000 |
|-------------------------------------|---------------|---------------|
| Accrued income                      | 148           | 89            |
| Due from the ACD for shares created | -             | 5             |
| Overseas tax recoverable            | 16            | 13            |
| Total debtors                       | <u>164</u>    | <u>107</u>    |

## Notes to the financial statements – continued

### 8. Cash and bank balances

|   | 2012<br>£'000 | 2011<br>£'000 |
|---|---------------|---------------|
| Amounts held at futures clearing houses and brokers | 11            | -             |
| Cash and bank balances                              | 139           | 523           |
| Total cash and bank balances                        | 150           | 523           |

### 9. Creditors

|                  | 2012<br>£'000 | 2011<br>£'000 |
|------------------|---------------|---------------|
| Accrued expenses | 73            | 82            |
| Total creditors  | 73            | 82            |

### 10. Portfolio transaction costs

|  | 2012<br>£'000 | 2011<br>£'000 |
|--|---------------|---------------|
| Analysis of total purchase costs           |               |               |
| Purchases in year before transaction costs | 6,166         | 20,007        |
| Commissions                                | 6             | 14            |
| Taxes                                      | -             | 96            |
| Total purchase costs                       | 6             | 110           |
| Gross purchases total                      | 6,172         | 20,117        |
| Analysis of total sale costs               |               |               |
| Gross sales before transaction costs       | 4,797         | 10,672        |
| Commissions                                | (6)           | (11)          |
| Taxes                                      | -             | -             |
| Total sale costs                           | (6)           | (11)          |
| Total sales net of transaction costs       | 4,791         | 10,661        |

### 11. Related party transactions

JPMorgan Funds Limited, as Authorised Corporate Director (“ACD”), is a related party, and acts as principal in respect of all transactions of shares in the Company. The aggregate monies received through issue, and paid on cancellation, are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

The balance due to the ACD and their associates at the year end date in respect of related party transactions was £72,954 (31.01.11: £77,243). Details of related party transactions are given under note 13 on page 389.

Investments considered to be related parties have been identified in the portfolio statement on page 312 and the revenue from these investments was £1,400 (31.01.11: £nil).

The gross stocklending income received was £16,352 (31.01.11: £9,627), with fees deducted of £2,862 (31.01.11: £1,685).

The following parties held a material interest in the fund at the year end date:

- S&P Pensions Ltd 67.14% (31.01.11: 67.50%)
- Chase Nominees Ltd 14.06% (31.01.11: nil)

### 12. Financial instruments

#### Currency exposures

A proportion of the net assets of the fund are denominated in currencies other than sterling, with the effect that the Balance sheet and total return can be affected by currency movements.

| Currency        | Net foreign currency assets |                                |                                    |
|-----------------|-----------------------------|--------------------------------|------------------------------------|
|                 | Total<br>£'000              | Monetary<br>exposures<br>£'000 | Non-monetary<br>exposures<br>£'000 |
| <b>31.01.12</b> |                             |                                |                                    |
| Euro            | 2,397                       | 27                             | 2,370                              |
| Swedish Krona   | 455                         | -                              | 455                                |
| Danish Krone    | 33                          | 1                              | 32                                 |
| Norwegian Krone | 10                          | 10                             | -                                  |
| US Dollar       | 5                           | 5                              | -                                  |
| Swiss Franc     | 1                           | 1                              | -                                  |
| <b>31.01.11</b> |                             |                                |                                    |
| Euro            | 3,028                       | 3                              | 3,025                              |
| Swedish Krona   | 550                         | -                              | 550                                |
| Norwegian Krone | 468                         | 13                             | 455                                |
| Danish Krone    | 151                         | -                              | 151                                |
| US Dollar       | 1                           | 1                              | -                                  |

#### Interest rate risk

At the year end date, 0.3% (31.01.11: 0.9%) of the fund's net assets by value were interest bearing.

For consideration of other risks including liquidity, pricing and credit risk, please refer to the notes to the aggregated financial statements, pages 389 to 390.

### 13. Share classes

The fund currently has two share classes; Class A shares and Class C shares. The Authorised Corporate Director's (ACD) fee and fixed expenses charge are shown below.

|                 | ACD fee | Fixed expenses |
|-----------------|---------|----------------|
| Class A shares: | 1.50%   | 0.18%          |
| Class C shares: | 0.75%   | 0.12%          |

The net asset value of each share class, the net asset value per share and the number of shares in each class are shown on page 311. All classes have the same rights on winding up.

### 14. Derivatives

The fund enters into derivative transactions in the form of futures for the purpose of efficient portfolio management. The commitment approach has been used to calculate the global exposure.

Further information on the derivative risks can be found in the notes to the aggregated financial statements on page 390.

# Distribution table

## Final distribution in pence per share

Group 1 – Shares purchased prior to 1 August 2011

Group 2 – Shares purchased 1 August 2011 to 31 January 2012

|                                    | Gross revenue | Tax at 10% | Net revenue | Equalisation | Distribution payable 30.04.12 | Distribution paid 30.04.11 |
|------------------------------------|---------------|------------|-------------|--------------|-------------------------------|----------------------------|
| <b>A-Class Accumulation Shares</b> |               |            |             |              |                               |                            |
| Group 1                            | 0.322222      | 0.032222   | 0.290000    | -            | 0.290000                      | 0.060000                   |
| Group 2                            | 0.162272      | 0.016227   | 0.146045    | 0.143955     | 0.290000                      | 0.060000                   |
| <b>A-Class Income Shares</b>       |               |            |             |              |                               |                            |
| Group 1                            | 0.288889      | 0.028889   | 0.260000    | -            | 0.260000                      | 0.060000                   |
| Group 2                            | 0.201637      | 0.020164   | 0.181473    | 0.078527     | 0.260000                      | 0.060000                   |
| <b>C-Class Accumulation Shares</b> |               |            |             |              |                               |                            |
| Group 1                            | 1.022222      | 0.102222   | 0.920000    | -            | 0.920000                      | 0.040000                   |
| Group 2                            | 0.100460      | 0.010046   | 0.090414    | 0.829586     | 0.920000                      | 0.040000                   |

## Interim distribution in pence per share

Group 1 – Shares purchased prior to 1 February 2011

Group 2 – Shares purchased 1 February 2011 to 31 July 2011

|                                    | Gross revenue | Tax at 10% | Net revenue | Equalisation | Distribution paid 31.10.11 | Distribution paid 31.10.10 |
|------------------------------------|---------------|------------|-------------|--------------|----------------------------|----------------------------|
| <b>A-Class Accumulation Shares</b> |               |            |             |              |                            |                            |
| Group 1                            | 0.588889      | 0.058889   | 0.530000    | -            | 0.530000                   | 0.490000                   |
| Group 2                            | 0.468003      | 0.046800   | 0.421203    | 0.108797     | 0.530000                   | 0.490000                   |
| <b>A-Class Income Shares</b>       |               |            |             |              |                            |                            |
| Group 1                            | 0.533333      | 0.053333   | 0.480000    | -            | 0.480000                   | 0.440000                   |
| Group 2                            | 0.457856      | 0.045786   | 0.412070    | 0.067930     | 0.480000                   | 0.440000                   |
| <b>C-Class Accumulation Shares</b> |               |            |             |              |                            |                            |
| Group 1                            | 1.555556      | 0.155556   | 1.400000    | -            | 1.400000                   | 0.000000                   |
| Group 2                            | 0.993598      | 0.099360   | 0.894238    | 0.505762     | 1.400000                   | 0.000000                   |

Equalisation applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of revenue included in the purchase price of all group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

# JPM UK Higher Income Fund

(Formerly JPM Premier Equity Income Fund)

## Important information

### Change of Depositary

As part of an internal re-structuring, The Royal Bank of Scotland plc has transferred its Trustee and Depositary Services business from The Royal Bank of Scotland plc to National Westminster Bank plc and consequently National Westminster Bank plc has been appointed as Depositary of the Fund with effect from 15 October 2011.

As Depositary, National Westminster Bank plc will have the same duties and responsibilities as The Royal Bank of Scotland plc and this change will have no impact on the way the Fund operates.

### Changes to the investment objective and policy and fund name

In May 2011, the Authorised Corporate Director informed shareholders that the investment objective and policy of the Fund would be amended to the below which came into effect on 1 August 2011 and the name of the Fund was also changed from the JPM Premier Equity Income Fund to the JPM UK Higher Income Fund.

### Investment objective and policy<sup>A</sup>

To provide income and prospects of capital growth by investing primarily in equity and equity-linked securities of UK companies. The Fund aims to provide a higher income yield than the yield on the FTSE™ All-Share Index.

Other instruments as permitted in the stated investment and borrowing powers of the Company including, but not limited to, fixed interest securities, cash and cash equivalents may be held on an ancillary basis, as appropriate.

### Risk profile

This equity based Fund is designed for investors looking for income from a broad market exposure (which may include smaller companies) predominantly to a single developed stock market.

Equity investment is subject to specific risks relating to the performance of the individual companies held and the market's perception of their performance. Equities are also subject to systematic risks such as general economic conditions, inflation, interest rates, foreign exchange rates and industry sector risks. In general terms, equities tend to be more volatile than bonds.

Funds that invest predominantly in a single market, asset class or sector may be subject to greater volatility than those funds with a more diversified portfolio.

This Fund charges the fees of the ACD against capital, which will increase the amount of income available for distribution to Shareholders, but may constrain capital growth. It may also have tax implications for certain investors.

## Fund review

UK share prices struggled to gain traction over the review period, constrained by weak domestic and global economic data, and worries over the eurozone sovereign debt crisis.

The Fund, which invests in stocks with a sustainably high dividend yield, delivered a small negative return, in line with its benchmark. Positive contributions to relative returns came from stock selection and an underweight position in the banks sector, and stock selection in travel & leisure and oil & gas producers. An overweight position in financial services detracted, as did stock selection in technology.

At the stock level, the biggest positive contributor to relative returns was an underweight position in Lloyds Banking Group, which was hurt by concerns over regulation and sovereign debt, and by worries over management. Not holding Thomas Cook was also beneficial as the UK travel agent's finances came under pressure from declining passenger numbers and rising costs. Stock-level detractors included an overweight position in loans provider International Personal Finance, which suffered from concerns over the risk of contagion to its eastern European markets. Not holding Autonomy also detracted from relative returns after Hewlett Packard bought the software company for GBP 7.1 billion. However, relative returns were boosted by an overweight position in oil explorer Royal Dutch Shell, which delivered strong earnings as higher oil prices boosted revenues.

## Fund outlook

The UK economy remains weak, but momentum has improved in early 2012, supported by a stabilisation of the eurozone crisis and better growth in the US. An improving economic backdrop would be supportive for UK corporate earnings, which in turn would be positive for the stock market - particularly with valuations looking attractive relative to history and compared to bonds.

## 12 month performance as at 31 January

|   | 2012         | 2011         | 2010         | 2009          | 2008          |
|---|--------------|--------------|--------------|---------------|---------------|
| <b>JPM UK Higher Income A-Class Acc</b> | <b>-0.2%</b> | <b>18.3%</b> | <b>28.1%</b> | <b>-26.7%</b> | <b>-15.1%</b> |
| Benchmark Index                         | -0.3%        | 18.1%        | 33.2%        | -27.8%        | -3.6%         |

## Fund statistics

|                 |   |
|-----------------|---|
| Fund size       | £272.1m                                 |
| Benchmark Index | FTSE All-Share Index (Total Return Net) |
| Fund charges    | Initial 4.25%, Annual 1.50%             |

You should remember that past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. For specific risks, please read the Simplified Prospectus.

All performance returns are calculated using the quoted price of the accumulation shares. Performance returns are in Sterling.

Source: J.P. Morgan.

<sup>A</sup> On 01/08/11 the investment objective and policy of the Fund was changed.

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## Top ten holdings

|                          | %   |
|--------------------------|-----|
| Royal Dutch Shell 'B'    | 8.3 |
| HSBC                     | 5.5 |
| BP                       | 5.2 |
| Vodafone Group           | 5.1 |
| GlaxoSmithKline          | 4.3 |
| British American Tobacco | 3.5 |
| Rio Tinto                | 3.3 |
| BHP Billiton             | 2.8 |
| AstraZeneca              | 2.4 |
| Standard Chartered       | 2.3 |

## Sector breakdown

|                       | %     |
|-----------------------|-------|
| Financials            | 20.8  |
| Oil & gas             | 14.5  |
| Consumer services     | 12.6  |
| Consumer goods        | 12.2  |
| Industrials           | 11.5  |
| Basic materials       | 8.3   |
| Telecommunications    | 7.1   |
| Health care           | 6.8   |
| Utilities             | 5.0   |
| Technology            | 1.1   |
| Liquidity funds       | 0.7   |
| Net other liabilities | (0.6) |

## Portfolio turnover rate

|          |        |
|----------|--------|
| 31.01.11 | 147.7% |
| 31.01.12 | 69.0%  |

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the period.

## Net asset values and Total expense ratios

| Date                               | Net asset value per share class<br>£'000 | Number of shares | Net asset value per share | Total expense ratio |
|------------------------------------|--|------------------|---------------------------|---------------------|
| <b>A-Class Accumulation Shares</b> |  |                  |                           |                     |
| 31.01.10                           | 158,205                                  | 29,514,376       | 536.0p                    | 1.67%               |
| 31.01.11                           | 170,898                                  | 26,954,941       | 634.0p                    | 1.67%               |
| 31.01.12                           | 155,271                                  | 24,521,746       | 633.2p                    | 1.68%               |
| <b>A-Class Income Shares</b>       |  |                  |                           |                     |
| 31.01.10                           | 125,124                                  | 32,370,904       | 386.5p                    | 1.67%               |
| 31.01.11                           | 131,420                                  | 29,695,547       | 442.6p                    | 1.67%               |
| 31.01.12                           | 116,876                                  | 27,512,678       | 424.8p                    | 1.68%               |

The net asset value and the net asset value per income share are shown ex-dividend.

The total expense ratio (TER) takes into account the ACD fee and any fixed expenses charged to revenue expressed as a percentage of the average daily net asset values over the period.

## Highest/lowest share price and distribution record

| Calendar year                      | Highest share price | Lowest share price | Distribution per share (net) |
|------------------------------------|---------------------|--------------------|------------------------------|
| <b>A-Class Accumulation Shares</b> |                     |                    |                              |
| 2007                               | 717.1p              | 613.6p             | 22.05p                       |
| 2008                               | 647.9p              | 377.8p             | 24.58p                       |
| 2009                               | 559.2p              | 356.7p             | 23.45p                       |
| 2010                               | 644.9p              | 512.9p             | 18.88p                       |
| 2011                               | 674.3p              | 552.4p             | 21.88p                       |
| 2012 <sup>a</sup>                  | 640.8p              | 622.7p             | 11.36p                       |
| <b>A-Class Income Shares</b>       |                     |                    |                              |
| 2007                               | 598.8p              | 494.7p             | 18.19p                       |
| 2008                               | 522.3p              | 291.4p             | 19.64p                       |
| 2009                               | 409.1p              | 268.1p             | 17.91p                       |
| 2010                               | 456.0p              | 369.9p             | 13.64p                       |
| 2011                               | 470.7p              | 377.4p             | 15.35p                       |
| 2012 <sup>a</sup>                  | 437.7p              | 425.4p             | 7.76p                        |

<sup>a</sup> To 31 January 2012.

# Portfolio statement

As at 31 January 2012

| Investment   | Holding   | Market value<br>£'000 | Total net<br>assets % |
|--|-----------|-----------------------|-----------------------|
| <b>Financials – 20.8% (23.9%)</b>                        |           |                       |                       |
| <b>Banks – 9.4%</b>                                      |           |                       |                       |
| Barclays   | 2,099,599 | 4,488                 | 1.6                   |
| HSBC   | 2,799,639 | 14,911                | 5.5                   |
| Standard Chartered                                       | 397,534   | 6,124                 | 2.3                   |
| <b>Financial services – 0.7%</b>                         |           |                       |                       |
| City of London Investment Group                          | 27,535    | 96                    | -                     |
| IG Group   | 155,702   | 736                   | 0.3                   |
| Jupiter Fund Management                                  | 235,677   | 527                   | 0.2                   |
| Provident Financial                                      | 61,402    | 587                   | 0.2                   |
| <b>General financial – 2.9%</b>                          |           |                       |                       |
| Aberdeen Asset Management                                | 349,815   | 834                   | 0.3                   |
| Ashmore Group  | 160,000   | 589                   | 0.2                   |
| Brewin Dolphin   | 300,000   | 458                   | 0.2                   |
| Brookwell Preference                                     | 11,213    | 6                     | -                     |
| F&C Asset Management                                     | 670,000   | 432                   | 0.2                   |
| GlobeOp Financial Services                               | 45,388    | 160                   | 0.1                   |
| H&T Group  | 15,681    | 53                    | -                     |
| Hargreaves Lansdown                                      | 126,664   | 526                   | 0.2                   |
| Intermediate Capital Group                               | 254,209   | 703                   | 0.3                   |
| International Personal Finance                           | 31,536    | 60                    | -                     |
| Investec   | 206,000   | 780                   | 0.3                   |
| London Stock Exchange Group                              | 84,201    | 732                   | 0.3                   |
| Rathbone Brothers  | 379,96    | 423                   | 0.2                   |
| Schroders  | 67,106    | 982                   | 0.4                   |
| Tullett Prebon   | 164,371   | 487                   | 0.2                   |
| <b>Life insurance – 4.2%</b>                             |           |                       |                       |
| Aviva  | 552,112   | 1,940                 | 0.7                   |
| Legal & General Group                                    | 1,335,914 | 1,542                 | 0.6                   |
| Old Mutual   | 1,142,104 | 1,679                 | 0.6                   |
| Phoenix Group  | 105,416   | 605                   | 0.2                   |
| Prudential   | 460,470   | 3,242                 | 1.2                   |
| Resolution   | 394,723   | 1,067                 | 0.4                   |
| Standard Life  | 580,480   | 1,270                 | 0.5                   |
| <b>Nonlife insurance – 1.3%</b>                          |           |                       |                       |
| Amlin  | 190,000   | 657                   | 0.2                   |
| Beazley Group  | 413,771   | 582                   | 0.2                   |
| Catlin Group   | 165,729   | 675                   | 0.2                   |
| Hiscox   | 170,704   | 656                   | 0.2                   |
| Jardine Lloyd Thompson                                   | 88,479    | 612                   | 0.2                   |
| Lancashire Holdings                                      | 79,717    | 551                   | 0.2                   |
| Novae Group  | 58,200    | 203                   | 0.1                   |
| <b>Real estate – 2.3%</b>                                |           |                       |                       |
| Big Yellow Group   | 209,914   | 584                   | 0.2                   |
| British Land   | 232,680   | 1,138                 | 0.4                   |
| Capital & Regional                                       | 335,100   | 105                   | -                     |
| CLS  | 33,305    | 200                   | 0.1                   |
| Development Securities                                   | 111,700   | 163                   | 0.1                   |
| Hammerson  | 226,954   | 864                   | 0.3                   |
| Hansteen   | 689,271   | 504                   | 0.2                   |
| Kentz Group  | 49,691    | 218                   | 0.1                   |
| Land Securities  | 186,911   | 1,265                 | 0.5                   |
| LSL Property Services                                    | 72,528    | 174                   | 0.1                   |
| Quintain Estates & Development                           | 528,458   | 209                   | 0.1                   |
| Savills  | 173,381   | 584                   | 0.2                   |
| St Modwen Properties                                     | 79,983    | 99                    | -                     |
| Unite Group  | 47,788    | 85                    | -                     |
| <b>Oil &amp; gas – 14.5% (13.5%)</b>                     |           |                       |                       |
| <b>Oil &amp; gas producers – 13.6%</b>                   |           |                       |                       |
| Bahamas Petroleum  | 322,039   | 24                    | -                     |
| Bowleven*  | 55,900    | 45                    | -                     |
| BP   | 2,995,010 | 14,109                | 5.2                   |
| Exillon Energy   | 49,900    | 124                   | -                     |
| Nautical Petroleum                                       | 83,263    | 275                   | 0.1                   |
| Oilex  | 229,238   | 30                    | -                     |
| Royal Dutch Shell 'B'                                    | 969,671   | 22,569                | 8.3                   |
| <b>Oil equipment, services &amp; distribution – 0.9%</b> |           |                       |                       |
| AMEC   | 98,708    | 999                   | 0.4                   |
| Cape   | 192,378   | 732                   | 0.3                   |
| Lamprell   | 199,040   | 588                   | 0.2                   |

| Investment                               | Holding   | Market value<br>£'000 | Total net<br>assets % |
|--|-----------|-----------------------|-----------------------|
| <b>Consumer services – 12.6% (12.4%)</b> |           |                       |                       |
| <b>Food &amp; drug retails – 2.9%</b>    |           |                       |                       |
| Greggs                                   | 92,868    | 474                   | 0.2                   |
| Morrison (Wm.) Supermarkets              | 534,811   | 1,518                 | 0.6                   |
| Sainsbury (J)                            | 432,238   | 1,250                 | 0.5                   |
| Tesco                                    | 1,343,943 | 4,288                 | 1.6                   |
| <b>General retailers – 2.2%</b>          |           |                       |                       |
| Brown (N.) Group                         | 206,907   | 478                   | 0.2                   |
| Debenhams                                | 902,409   | 606                   | 0.2                   |
| Inchcape                                 | 187,061   | 642                   | 0.2                   |
| Kingfisher                               | 533,114   | 1,346                 | 0.5                   |
| Marks & Spencer                          | 379,737   | 1,233                 | 0.5                   |
| Mulberry Group                           | 4,308     | 78                    | -                     |
| Next                                     | 42,081    | 1,097                 | 0.4                   |
| WH Smith                                 | 105,554   | 581                   | 0.2                   |
| <b>Media – 4.1%</b>                      |           |                       |                       |
| British Sky Broadcasting Group           | 258,673   | 1,769                 | 0.7                   |
| Chime Communications                     | 76,603    | 165                   | 0.1                   |
| Creston                                  | 98,481    | 47                    | -                     |
| Daily Mail & General Trust 'A'           | 137,994   | 600                   | 0.2                   |
| Entertainment One                        | 116,858   | 230                   | 0.1                   |
| Euro money Institutional Investor        | 68,722    | 470                   | 0.2                   |
| Informa                                  | 213,946   | 829                   | 0.3                   |
| ITE Group                                | 277,214   | 567                   | 0.2                   |
| Moneysupermarket.Com Group               | 440,882   | 511                   | 0.2                   |
| Mood Media                               | 28,800    | 47                    | -                     |
| Pearson                                  | 167,285   | 1,959                 | 0.7                   |
| Reed Elsevier                            | 270,352   | 1,423                 | 0.5                   |
| Tarsus Group                             | 76,999    | 104                   | -                     |
| Trinity Mirror                           | 276,327   | 128                   | -                     |
| United Business Media                    | 110,000   | 597                   | 0.2                   |
| WPP                                      | 261,778   | 1,938                 | 0.7                   |
| <b>Travel &amp; leisure – 3.4%</b>       |           |                       |                       |
| Compass Group                            | 366,809   | 2,157                 | 0.8                   |
| Cupid                                    | 23,300    | 50                    | -                     |
| FirstGroup                               | 202,027   | 629                   | 0.2                   |
| Fuller Smith & Turner 'A'                | 30,238    | 215                   | 0.1                   |
| Go-Ahead Group                           | 39,853    | 509                   | 0.2                   |
| Greene King                              | 126,152   | 623                   | 0.2                   |
| Ladbroke's                               | 443,409   | 631                   | 0.2                   |
| Marston's                                | 561,768   | 543                   | 0.2                   |
| National Express Group                   | 273,355   | 595                   | 0.2                   |
| Restaurant Group                         | 168,243   | 494                   | 0.2                   |
| Spirit Pub                               | 71,425    | 36                    | -                     |
| Sportingbet                              | 259,148   | 102                   | -                     |
| Stagecoach Group                         | 255,725   | 714                   | 0.3                   |
| Wetherspoon (J.D.)                       | 115,000   | 465                   | 0.2                   |
| Whitbread                                | 49,691    | 817                   | 0.3                   |
| William Hill                             | 318,766   | 716                   | 0.3                   |
| <b>Consumer goods – 12.2% (10.8%)</b>    |           |                       |                       |
| <b>Automobiles &amp; parts – 0.4%</b>    |           |                       |                       |
| GKN                                      | 479,582   | 1,006                 | 0.4                   |
| <b>Beverages – 2.2%</b>                  |           |                       |                       |
| Diageo                                   | 423,694   | 5,961                 | 2.2                   |
| <b>Food producers – 2.7%</b>             |           |                       |                       |
| Anglo-Eastern Plantations                | 18,846    | 132                   | -                     |
| Asian Plantations                        | 31,530    | 77                    | -                     |
| Cranswick                                | 65,000    | 505                   | 0.2                   |
| Dairy Crest Group                        | 143,521   | 451                   | 0.2                   |
| Devro                                    | 216,695   | 564                   | 0.2                   |
| Hilton Food Group                        | 67,907    | 175                   | 0.1                   |
| MP Evans Group*                          | 12,182    | 53                    | -                     |
| Tate & Lyle                              | 133,176   | 878                   | 0.3                   |
| Unilever                                 | 224,640   | 4,607                 | 1.7                   |
| <b>Household goods – 1.9%</b>            |           |                       |                       |
| Berkeley Group 'B'                       | 55,176    | 692                   | 0.3                   |
| Reckitt Benckiser Group                  | 125,983   | 4,227                 | 1.6                   |
| <b>Tobacco – 5.0%</b>                    |           |                       |                       |
| British American Tobacco                 | 319,507   | 9,425                 | 3.5                   |
| Imperial Tobacco Group                   | 177,088   | 4,025                 | 1.5                   |

# Portfolio statement – continued

As at 31 January 2012

| Investment   | Holding   | Market value<br>£'000 | Total net<br>assets % |
|--|-----------|-----------------------|-----------------------|
| <b>Industrials – 11.5% (12.5%)</b>                   |           |                       |                       |
| <b>Aerospace &amp; defence – 1.6%</b>                |           |                       |                       |
| Avon Rubber  | 55,184    | 177                   | 0.1                   |
| BAE Systems  | 654,528   | 2,049                 | 0.8                   |
| Chemring Group                                       | 133,069   | 507                   | 0.2                   |
| Cobham   | 413,371   | 754                   | 0.3                   |
| Senior   | 152,691   | 276                   | 0.1                   |
| UMECO  | 49,746    | 179                   | 0.1                   |
| <b>Construction &amp; materials – 1.3%</b>           |           |                       |                       |
| Balfour Beatty                                       | 240,000   | 659                   | 0.2                   |
| Costain  | 56,444    | 111                   | -                     |
| CRH  | 138,000   | 1,744                 | 0.6                   |
| Galliford Try  | 116,075   | 552                   | 0.2                   |
| Hill & Smith   | 13,254    | 39                    | -                     |
| Kier Group   | 37,164    | 497                   | 0.2                   |
| Low & Bonar  | 56,423    | 30                    | -                     |
| Morgan Sindall                                       | 21,396    | 143                   | 0.1                   |
| <b>Electronics &amp; electrical equipment – 1.3%</b> |           |                       |                       |
| Andor Technology                                     | 9,600     | 55                    | -                     |
| Dialight   | 37,871    | 291                   | 0.1                   |
| Domino Printing Sciences                             | 95,093    | 567                   | 0.2                   |
| E2V Technologies                                     | 199,400   | 233                   | 0.1                   |
| Halma  | 164,806   | 577                   | 0.2                   |
| Morgan Crucible                                      | 212,146   | 668                   | 0.2                   |
| Oxford Instruments                                   | 279,366   | 256                   | 0.1                   |
| Renishaw   | 48,282    | 657                   | 0.2                   |
| TT electronics                                       | 138,907   | 232                   | 0.1                   |
| Volex Group  | 80,572    | 195                   | 0.1                   |
| XP Power   | 8,500     | 81                    | -                     |
| <b>General industrials – 1.6%</b>                    |           |                       |                       |
| Cookson Group  | 122,512   | 708                   | 0.3                   |
| Rexam  | 265,316   | 999                   | 0.4                   |
| RPC Group  | 227,607   | 870                   | 0.3                   |
| Smith (DS)   | 284,523   | 658                   | 0.2                   |
| Smiths Group   | 108,539   | 1,041                 | 0.4                   |
| <b>Industrial engineering – 1.0%</b>                 |           |                       |                       |
| Bodycote International                               | 192,481   | 598                   | 0.2                   |
| Fenner   | 62,829    | 281                   | 0.1                   |
| Hamworthy  | -         | -                     | -                     |
| IMI  | 95,190    | 813                   | 0.3                   |
| Melrose  | 187,172   | 696                   | 0.3                   |
| Renold   | 327,408   | 95                    | -                     |
| Severfield-Rowen                                     | 85,306    | 165                   | 0.1                   |
| <b>Industrial transportation – 0.5%</b>              |           |                       |                       |
| BBA Aviation   | 327,527   | 611                   | 0.2                   |
| Clarkson   | 13,960    | 161                   | 0.1                   |
| Goldenport   | 30,109    | 18                    | -                     |
| Stobart Group  | 370,000   | 462                   | 0.2                   |
| <b>Support services – 4.2%</b>                       |           |                       |                       |
| ACAL   | 15,579    | 27                    | -                     |
| Ashtead Group  | 60,967    | 143                   | 0.1                   |
| Atkins (WS)  | 87,528    | 613                   | 0.2                   |
| Babcock International Group                          | 112,272   | 820                   | 0.3                   |
| Berendsen  | 125,675   | 568                   | 0.2                   |
| Brammer  | 146,511   | 366                   | 0.1                   |
| Bunzl  | 104,194   | 892                   | 0.3                   |
| Capita Group   | 160,538   | 995                   | 0.4                   |
| Carillion  | 210,811   | 653                   | 0.2                   |
| De La Rue  | 62,914    | 604                   | 0.2                   |
| Diploma  | 221,510   | 861                   | 0.3                   |
| Fiberweb   | 179,473   | 97                    | -                     |
| G4S  | 396,479   | 1,073                 | 0.4                   |
| Hargreaves Services*                                 | 16,741    | 194                   | 0.1                   |
| Harvey Nash Group                                    | 120,910   | 70                    | -                     |
| Hogg Robinson Group                                  | 308,621   | 194                   | 0.1                   |
| Howden Joinery Group                                 | 47,304    | 50                    | -                     |
| Hyder Consulting                                     | 93,312    | 373                   | 0.1                   |
| Interserve   | 249,627   | 742                   | 0.3                   |
| John Menzies   | 53,560    | 303                   | 0.1                   |
| Lonrho   | 1,197,400 | 126                   | -                     |
| Mitie Group  | 225,922   | 575                   | 0.2                   |
| Nature Group   | 64,600    | 37                    | -                     |
| Paypoint   | 75,000    | 412                   | 0.2                   |
| Robert Walters                                       | 23,138    | 45                    | -                     |
| RPS Group  | 229,000   | 471                   | 0.2                   |
| Shaft Sinks  | 44,996    | 17                    | -                     |
| Shanks Group   | 458,234   | 450                   | 0.2                   |
| St Ives  | 133,467   | 109                   | -                     |
| Staffline Group                                      | 27,200    | 54                    | -                     |
| Tribal Group   | 187,958   | 118                   | -                     |
| WSP Group  | 50,407    | 123                   | -                     |

| Investment   | Holding   | Market value<br>£'000 | Total net<br>assets % |
|--|-----------|-----------------------|-----------------------|
| <b>Basic materials – 8.3% (8.8%)</b>               |           |                       |                       |
| <b>Chemicals – 0.3%</b>                            |           |                       |                       |
| Carclo   | 61,546    | 194                   | 0.1                   |
| Elementis  | 164,260   | 246                   | 0.1                   |
| Yule Catto & Co                                    | 130,935   | 257                   | 0.1                   |
| <b>Forestry &amp; paper – 0.3%</b>                 |           |                       |                       |
| Mondi  | 155,458   | 791                   | 0.3                   |
| <b>Industrial metals – 0.0%</b>                    |           |                       |                       |
| International Ferro Metals                         | 508,550   | 99                    | -                     |
| <b>Mining – 7.7%</b>                               |           |                       |                       |
| Anglo Pacific Group                                | 191,339   | 562                   | 0.2                   |
| Antofagasta  | 99,381    | 1,298                 | 0.5                   |
| Avocet Mining                                      | 56,300    | 129                   | -                     |
| BHP Billiton                                       | 347,841   | 7,538                 | 2.8                   |
| Cove Energy*                                       | 239,358   | 324                   | 0.1                   |
| Eurasian Natural Resources                         | 129,052   | 888                   | 0.3                   |
| Gemfields Resources                                | 278,000   | 61                    | -                     |
| New World Resources 'A'                            | 98,385    | 448                   | 0.2                   |
| Rio Tinto  | 234,903   | 9,026                 | 3.3                   |
| Vedanta Resources                                  | 64,254    | 775                   | 0.3                   |
| <b>Telecommunications – 7.1% (6.7%)</b>            |           |                       |                       |
| <b>Fixed line telecommunications – 2.0%</b>        |           |                       |                       |
| Alternative Networks                               | 34,465    | 100                   | -                     |
| BT Group   | 1,432,822 | 2,933                 | 1.1                   |
| Cable & Wireless Communications                    | 1,350,000 | 559                   | 0.2                   |
| KCOM Group   | 975,329   | 692                   | 0.3                   |
| Talk Talk Telecom                                  | 432,170   | 528                   | 0.2                   |
| Telecom Plus                                       | 67,495    | 459                   | 0.2                   |
| <b>Mobile telecommunications – 5.1%</b>            |           |                       |                       |
| Monitise   | 158,400   | 44                    | -                     |
| Vodafone Group                                     | 8,026,659 | 13,854                | 5.1                   |
| <b>Health care – 6.8% (6.0%)</b>                   |           |                       |                       |
| <b>Health care equipment &amp; services – 0.0%</b> |           |                       |                       |
| Immunodiagnostic Systems                           | 5,944     | 22                    | -                     |
| <b>Pharmaceuticals &amp; biotechnology – 6.8%</b>  |           |                       |                       |
| Abcam  | 38,918    | 130                   | -                     |
| AstraZeneca  | 217,232   | 6,636                 | 2.4                   |
| GlaxoSmithKline                                    | 814,558   | 11,567                | 4.3                   |
| Vectura Group                                      | 292,181   | 170                   | 0.1                   |
| <b>Utilities – 5.0% (4.0%)</b>                     |           |                       |                       |
| <b>Electricity – 1.5%</b>                          |           |                       |                       |
| Drax Group   | 143,158   | 760                   | 0.3                   |
| International Power                                | 358,465   | 1,194                 | 0.4                   |
| OPG Power Venture                                  | 94,383    | 36                    | -                     |
| Scottish & Southern Energy                         | 180,141   | 2,219                 | 0.8                   |
| <b>Gas, water &amp; multiutilities – 3.5%</b>      |           |                       |                       |
| Centrica   | 956,618   | 2,833                 | 1.0                   |
| National Grid                                      | 619,708   | 3,882                 | 1.4                   |
| Pennon Group                                       | 115,104   | 801                   | 0.3                   |
| Severn Trent                                       | 63,331    | 964                   | 0.4                   |
| United Utilities Group                             | 170,813   | 1,024                 | 0.4                   |
| <b>Technology – 1.1% (1.6%)</b>                    |           |                       |                       |
| <b>Software &amp; computer services – 1.1%</b>     |           |                       |                       |
| Advanced Computer Software                         | 111,666   | 56                    | -                     |
| Anite  | 365,472   | 359                   | 0.1                   |
| AVEVA Group  | 4,236     | 67                    | -                     |
| Computacenter                                      | 139,923   | 548                   | 0.2                   |
| Innovation Group                                   | 901,700   | 178                   | 0.1                   |
| K3 Business Technology Group                       | 22,595    | 37                    | -                     |
| Micro Focus International                          | 142,460   | 612                   | 0.2                   |
| NCC Group  | 34,153    | 299                   | 0.1                   |
| Sage Group   | 343,319   | 1,009                 | 0.4                   |
| <b>Technology hardware &amp; equipment – 0.0%</b>  |           |                       |                       |
| Telit Communications                               | 90,235    | 40                    | -                     |
| Wolfson Microelectronics                           | 52,901    | 83                    | -                     |

## Portfolio statement – continued

As at 31 January 2012

| Investment                           | Holding   | Market value<br>£'000 | Total net<br>assets % |
|--------------------------------------|-----------|-----------------------|-----------------------|
| <b>Liquidity funds – 0.7% (0.0%)</b> |           |                       |                       |
| JPM Sterling Liquidity 'X' (Income)^ | 1,766,871 | 1,767                 | 0.7                   |
| <b>Investment assets</b>             |           | <b>273,689</b>        | <b>100.6</b>          |
| <b>Net other liabilities</b>         |           | <b>(1,542)</b>        | <b>(0.6)</b>          |
| <b>Net assets</b>                    |           | <b>272,147</b>        | <b>100.0</b>          |

Unless otherwise stated the above securities are admitted to official stock exchange listings or trade on a regulated market.

The comparative percentage figures in brackets are at 31 January 2011.

\* Listed on Alternative Investment Market (AIM)

^ Deemed to be investment in related parties of the ACD

## Portfolio movements

For the year ending 31 January 2012

|  | £'000         |  | £'000           |
|--|---------------|--|-----------------|
| <b>Total of all purchases for the year (Note 10)</b> | <b>99,105</b> | <b>Total of all sales for the year (Note 10)</b> | <b>120,428</b>  |
| <b>Major purchases</b>                               | <b>Cost</b>   | <b>Major sales</b>                               | <b>Proceeds</b> |
| JPM Sterling Liquidity 'X' (Income)^                 | 8,707         | JPM Sterling Liquidity 'X' (Income)^             | 6,940           |
| Anglo American                                       | 7,238         | Anglo American                                   | 5,336           |
| Unilever   | 4,527         | SABMiller  | 4,593           |
| Imperial Tobacco Group                               | 3,757         | Unilever   | 4,336           |
| Scottish & Southern Energy                           | 2,353         | Rolls Royce Group                                | 2,776           |
| British Sky Broadcasting Group                       | 1,930         | Royal Dutch Shell 'B'                            | 1,881           |
| BAE Systems  | 1,814         | Experian   | 1,816           |
| CRH  | 1,784         | Vodafone Group                                   | 1,768           |
| Antofagasta  | 1,432         | Man Group  | 1,728           |
| Amlin  | 1,420         | HSBC   | 1,610           |
| Capita Group   | 1,285         | Amlin  | 1,313           |
| Carnival   | 1,278         | Inmarsat   | 1,263           |
| Reed Elsevier  | 1,247         | Smiths Group                                     | 1,196           |
| Standard Life  | 1,147         | RSA Insurance Group                              | 1,175           |
| AMEC   | 1,132         | International Power                              | 1,173           |
| Smiths Group   | 1,049         | GlaxoSmithKline                                  | 1,160           |
| Next   | 1,024         | Intercontinental Hotels Group                    | 1,157           |
| Jupiter Fund Management                              | 982           | Associated British Foods                         | 1,145           |
| International Power                                  | 922           | Standard Life                                    | 1,139           |
| Interserve   | 863           | Johnson Matthey                                  | 1,132           |

^ Deemed to be investment in related parties of the ACD

## Financial statements

### Statement of total return

For the year ending 31 January

|   | 2012            | 2011          |
|---|-----------------|---------------|
| £'000   | £'000           | £'000         |
| <b>Income</b>   |                 |               |
| Net capital (losses)/gains (Note 1)   | (7,800)         | 43,898        |
| Revenue (Note 2)  | 11,778          | 10,286        |
| Expenses (Note 3)   | (4,545)         | (4,957)       |
| Net revenue before taxation   | 7,233           | 5,329         |
| Taxation (Note 4)   | 1               | (8)           |
| Net revenue after taxation  | 7,234           | 5,321         |
| <b>Total return before distributions</b>  | <b>(566)</b>    | <b>49,219</b> |
| Finance costs:<br>Distributions (Note 5)  | (11,490)        | (9,764)       |
| <b>Change in net assets attributable to shareholders from investment activities</b> | <b>(12,056)</b> | <b>39,455</b> |

### Balance sheet

As at 31 January

|  | 2012           | 2011           |
|--|----------------|----------------|
| £'000  | £'000          | £'000          |
| <b>ASSETS</b>                                  |                |                |
| Investment assets                              | 273,689        | 302,797        |
| Debtors (Note 7)                               | 1,135          | 878            |
| Cash and bank balances (Note 8)                | 132            | 1,264          |
| <b>Total other assets</b>                      | <b>1,267</b>   | <b>2,142</b>   |
| <b>Total assets</b>                            | <b>274,956</b> | <b>304,939</b> |
| <b>LIABILITIES</b>                             |                |                |
| Creditors (Note 9)                             | (674)          | (914)          |
| Bank overdraft                                 | -              | (8)            |
| Distribution payable on income shares          | (2,135)        | (1,699)        |
| <b>Total liabilities</b>                       | <b>(2,809)</b> | <b>(2,621)</b> |
| <b>Net assets attributable to shareholders</b> | <b>272,147</b> | <b>302,318</b> |

### Statement of change in net assets attributable to shareholders

For the year ending 31 January

|  | 2012           | 2011           |
|--|----------------|----------------|
| £'000  | £'000          | £'000          |
| <b>Opening net assets attributable to shareholders</b>                                   | <b>302,318</b> | <b>283,329</b> |
| Amounts receivable on issue of shares  | 411            | 142            |
| Amounts payable on cancellation of shares  | (24,973)       | (26,012)       |
|  | (24,562)       | (25,870)       |
| Change in net assets attributable to shareholders from investment activities (see above) | (12,056)       | 39,455         |
| Retained distributions on accumulation shares  | 6,327          | 5,322          |
| Stamp duty reserve tax   | (11)           | (12)           |
| Unclaimed distributions  | 131            | 94             |
| <b>Closing net assets attributable to shareholders</b>                                   | <b>272,147</b> | <b>302,318</b> |

The notes to these financial statements are shown on pages 325 to 326.

# Notes to the financial statements for the year ending 31 January 2012

## 1. Net capital (losses)/gains

|                            | 2012<br>£'000  | 2011<br>£'000 |
|----------------------------|----------------|---------------|
| Currency (losses)/gains    | (1)            | 1             |
| Custodian handling charges | (14)           | (19)          |
| Derivative contracts       | -              | (29)          |
| Non-derivative securities  | (7,785)        | 43,945        |
| Net capital (losses)/gains | <u>(7,800)</u> | <u>43,898</u> |

## 2. Revenue

|   | 2012<br>£'000 | 2011<br>£'000 |
|---|---------------|---------------|
| Franked income from UK equity investments | 10,906        | 9,677         |
| Income from overseas equity investments   | 446           | 447           |
| Interest on bank and term deposits        | 166           | 8             |
| Interest on fixed interest securities     | 8             | -             |
| Option income                             | -             | 33            |
| Property income distributions             | 175           | 29            |
| Stock dividends                           | 66            | 29            |
| Stocklending income*                      | 9             | 15            |
| Underwriting commission                   | 2             | 48            |
| Total revenue                             | <u>11,778</u> | <u>10,286</u> |

\* Stocklending income is disclosed net of fees. See note 11.

## 3. Expenses

|  | 2012<br>£'000 | 2011<br>£'000 |
|--|---------------|---------------|
| <b>Payable to the ACD or associate of the ACD:</b> |               |               |
| ACD fee  | 4,255         | 4,443         |
| Fixed expenses                                     | 496           | 514           |
|  | <u>4,751</u>  | <u>4,957</u>  |
| <b>Payable to third parties:</b>                   |               |               |
| VAT recovered*                                     | (206)         | -             |
| Total expenses                                     | <u>4,545</u>  | <u>4,957</u>  |

\* VAT recovered includes amounts arising as a result of changes to the policy of HM Revenue & Customs ("HMRC") concerning VAT exemption for the management of authorised collective investment schemes (UK Law, items 9 and 10 of group 5, Schedule 9, to the VAT Act 1994) where these services have historically been treated as subject to VAT in the UK. These changes are in accordance with the Business Brief 07/06 (item 3) from HMRC in light of the European Court of Justice judgment in case C-196/04, Abbey National and Inscape Investment Fund.

## 4. Taxation

|  | 2012<br>£'000 | 2011<br>£'000 |
|--|---------------|---------------|
| <b>a) Analysis of charge in the year</b> |               |               |
| Overseas tax suffered                    | (1)           | 8             |
| Current year tax charge (Note 4b)        | <u>(1)</u>    | <u>8</u>      |

### b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an Open-Ended Investment Company (OEIC) (20%). The differences are explained below.

|   |                |                |
|---|----------------|----------------|
| Net revenue before taxation               | 7,233          | 5,329          |
| Corporation tax at 20%                    | <u>1,447</u>   | <u>1,066</u>   |
| Effects of:                               |                |                |
| Dividends not subject to corporation tax  | (2,284)        | (2,031)        |
| Excess expenses for which no relief taken | 837            | 965            |
| Overseas tax suffered                     | <u>(1)</u>     | <u>8</u>       |
|   | <u>(1,448)</u> | <u>(1,058)</u> |
| Current year tax charge (Note 4a)         | <u>(1)</u>     | <u>8</u>       |

No deferred tax asset has been recognised in the financial statements. At the year end date, the fund had a deferred tax asset of £24,708,244 (31.01.11: £23,871,321) in relation to £123,541,222 (31.01.11: £119,356,604) of excess management expenses which would only be utilised to reduce the tax charge if the fund had an excess of unfranked income over expenses in a future period. There is no excess of unfranked income expected in the future.

## 5. Finance costs

### Distributions

The distributions take account of amounts receivable on the issue of shares and amounts payable on the cancellation of shares and comprise:

|  | 2012<br>£'000 | 2011<br>£'000 |
|--|---------------|---------------|
| Interim dividend distribution                  | 6,270         | 5,624         |
| Final dividend distribution                    | 4,920         | 3,877         |
| Add: Amounts payable on cancellation of shares | 304           | 265           |
| Deduct: Amounts receivable on issue of shares  | (4)           | (2)           |
| Total finance costs                            | <u>11,490</u> | <u>9,764</u>  |

Details of the distribution per share are set out on page 327.

## 6. Movement between net revenue after taxation and distributions

|  | 2012<br>£'000 | 2011<br>£'000 |
|--|---------------|---------------|
| Net revenue after taxation                         | 7,234         | 5,321         |
| Add: ACD fee (net of tax relief) paid from capital | 4,255         | 4,443         |
| Add: Undistributed revenue brought forward         | 2             | 2             |
| Deduct: Undistributed revenue carried forward      | (1)           | (2)           |
|  | <u>11,490</u> | <u>9,764</u>  |

## Notes to the financial statements – continued

### 7. Debtors

|                                     | 2012         | 2011       |
|-------------------------------------|--------------|------------|
|                                     | £'000        | £'000      |
| Accrued income                      | 1,002        | 620        |
| Due from the ACD for shares created | -            | 26         |
| Overseas tax recoverable            | 4            | 17         |
| Property income tax recoverable     | 1            | -          |
| Sales awaiting settlement           | 128          | 215        |
| <b>Total debtors</b>                | <b>1,135</b> | <b>878</b> |

### 8. Cash and bank balances

|                        | 2012  | 2011  |
|------------------------|-------|-------|
|                        | £'000 | £'000 |
| Cash and bank balances | 132   | 1,264 |

### 9. Creditors

|                                     | 2012       | 2011       |
|-------------------------------------|------------|------------|
|                                     | £'000      | £'000      |
| Accrued expenses                    | 390        | 443        |
| Due to the ACD for shares cancelled | 279        | 378        |
| Purchases awaiting settlement       | 5          | 93         |
| <b>Total creditors</b>              | <b>674</b> | <b>914</b> |

### 10. Portfolio transaction costs

|   | 2012           | 2011           |
|---|----------------|----------------|
|   | £'000          | £'000          |
| Analysis of total purchase costs            |                |                |
| Purchases in year before transaction costs  | 98,483         | 246,134        |
| Commissions                                 | 194            | 537            |
| Taxes                                       | 428            | 918            |
| <b>Total purchase costs</b>                 | <b>622</b>     | <b>1,455</b>   |
| <b>Gross purchases total</b>                | <b>99,105</b>  | <b>247,589</b> |
| Analysis of total sale costs                |                |                |
| Gross sales before transaction costs        | 120,651        | 217,117        |
| Commissions                                 | (222)          | (600)          |
| Taxes                                       | (1)            | (1)            |
| <b>Total sale costs</b>                     | <b>(223)</b>   | <b>(601)</b>   |
| <b>Total sales net of transaction costs</b> | <b>120,428</b> | <b>216,516</b> |

### 11. Related party transactions

JPMorgan Funds Limited, as Authorised Corporate Director ("ACD"), is a related party, and acts as principal in respect of all transactions of shares in the Company. The aggregate monies received through issue, and paid on cancellation, are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

The balance due to the ACD and their associates at the year end date in respect of related party transactions was £669,036 (31.01.11: £795,353). Details of related party transactions are given under note 13 on page 389.

Investments considered to be related parties have been identified in the portfolio statement on page 320 to 322 and the revenue from these investments was £8,475 (31.01.11: £nil).

Some of the dealing transactions for the fund are carried out through associates of the ACD. Such transactions are carried out on an arm's length basis. The commissions paid to these companies over the year were £102,694 (31.01.11: £9,945). Commission was paid to the associated company JPMorgan Securities Ltd.

The gross stocklending income received was £10,367 (31.01.11: £17,749), with fees deducted of £1,814 (31.01.11: £3,106).

The following party held a material interest in the fund at the year end date:  
- FNZ (UK) Nominees Ltd 20.68% (31.01.11: 20.05%)

### 12. Stocklending

As at 31 January 2012 the aggregate value of securities on loan was £43,067 (31.01.11: £1,364,979). The Depository held £46,898 (31.01.11: £1,536,379) of collateral assets on behalf of the fund in respect thereof. The nature of the collateral was 100.0% bonds.

### 13. Financial instruments

#### Currency exposures

The fund's financial assets and liabilities are all denominated in Sterling. As a result, the fund has no exposure to currency movements.

#### Interest rate risk

At the year end date, 0.7% (31.01.11: 0.4%) of the fund's net assets by value were interest bearing.

For consideration of other risks including liquidity, pricing and credit risk, please refer to the notes to the aggregated financial statements, pages 389 to 390.

### 14. Share classes

The fund currently has one share class: Class A shares. The Authorised Corporate Director's (ACD) fee and fixed expenses charge are shown below.

|                 | ACD fee | Fixed expenses |
|-----------------|---------|----------------|
| Class A shares: | 1.50%   | 0.18%          |

The net asset value, the net asset value per share and the number of shares are shown on page 319.

### 15. Derivatives

The fund enters into derivative transactions in the form of options for the purpose of efficient portfolio management. The commitment approach has been used to calculate the global exposure.

Further information on the derivative risks can be found in the notes to the aggregated financial statements on page 390.



## Distribution table

### Final distribution in pence per share

Group 1 – Shares purchased prior to 1 August 2011

Group 2 – Shares purchased 1 August 2011 to 31 January 2012

|                                    | Gross revenue | Tax at 10% | Net revenue | Equalisation | Distribution payable 30.04.12 | Distribution paid 30.04.11 |
|------------------------------------|---------------|------------|-------------|--------------|-------------------------------|----------------------------|
| <b>A-Class Accumulation Shares</b> |               |            |             |              |                               |                            |
| Group 1                            | 12.622222     | 1.262222   | 11.360000   | -            | 11.360000                     | 8.080000                   |
| Group 2                            | 4.272082      | 0.427208   | 3.844874    | 7.515126     | 11.360000                     | 8.080000                   |
| <b>A-Class Income Shares</b>       |               |            |             |              |                               |                            |
| Group 1                            | 8.622222      | 0.862222   | 7.760000    | -            | 7.760000                      | 5.720000                   |
| Group 2                            | 2.365221      | 0.236522   | 2.128699    | 5.631301     | 7.760000                      | 5.720000                   |

### Interim distribution in pence per share

Group 1 – Shares purchased prior to prior to 1 February 2011

Group 2 – Shares purchased 1 February 2011 to 31 July 2011

|                                    | Gross revenue | Tax at 10% | Net revenue | Equalisation | Distribution paid 31.10.11 | Distribution paid 31.10.10 |
|------------------------------------|---------------|------------|-------------|--------------|----------------------------|----------------------------|
| <b>A-Class Accumulation Shares</b> |               |            |             |              |                            |                            |
| Group 1                            | 15.333333     | 1.533333   | 13.800000   | -            | 13.800000                  | 11.120000                  |
| Group 2                            | 8.558270      | 0.855827   | 7.702443    | 6.097557     | 13.800000                  | 11.120000                  |
| <b>A-Class Income Shares</b>       |               |            |             |              |                            |                            |
| Group 1                            | 10.700000     | 1.070000   | 9.630000    | -            | 9.630000                   | 8.010000                   |
| Group 2                            | 0.000000      | 0.000000   | 0.000000    | 9.630000     | 9.630000                   | 8.010000                   |

Equalisation applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of revenue included in the purchase price of all group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

# JPM UK Managed Equity Fund

## Important information

### Change of Depositary

As part of an internal re-structuring, The Royal Bank of Scotland plc has transferred its Trustee and Depositary Services business from The Royal Bank of Scotland plc to National Westminster Bank plc and consequently National Westminster Bank plc has been appointed as Depositary of the Fund with effect from 15 October 2011.

As Depositary, National Westminster Bank plc will have the same duties and responsibilities as The Royal Bank of Scotland plc and this change will have no impact on the way the Fund operates.

### Change of investment policy

The investment policy was amended on 1 February 2011 to clarify that any future use of derivatives for investment purposes may change the risk profile of the Fund as follows:

“To provide long term capital growth by investing primarily in large capitalisation UK companies.

Derivatives may be used for the purpose of efficient portfolio management, including hedging, where appropriate. Shareholders will receive at least 60 days' notice of any intention to use derivatives within the Fund for investment purposes, which may change the risk profile of the Fund. Please refer to section 11.14 of the full Prospectus for Risk Warnings on derivatives. The Fund may hold non-equity investments from time to time as appropriate.”

For the avoidance of doubt, this is not a notice that the Fund will use derivatives for investment purposes; such notice would be subject to at least 60 days notice to shareholders.

## Risk profile

Equity investment is subject to specific risks relating to the performance of the individual companies held and the market's perception of their performance. Equities are also subject to systematic risks such as general economic conditions, inflation, interest rates, foreign exchange rates and industry sector risks. In general terms, equities tend to be more volatile than bonds.

Funds that invest predominantly in a single market, asset class or sector may be subject to greater volatility than those funds with a more diversified portfolio.

## Fund review

UK share prices have struggled to gain traction over the last 12 months, constrained by weak domestic and global economic data, and worries over the eurozone sovereign debt crisis.

Against this backdrop, the Fund produced negative returns and underperformed its benchmark. Positive contributors to relative returns included stock selection in the oil & gas producers and general industries sectors, and an underweight position in banks. Underweight positions in tobacco and beverages detracted.

At the stock level, the Fund benefited from an overweight position in oil explorer Royal Dutch Shell, which delivered strong earnings as higher oil prices boosted revenues. An underweight position in Lloyds Banking Group was also beneficial in relative terms as the lender was hurt by concerns over regulation and sovereign debt, and by worries over management after the new CEO took medical leave. Stock-level detractors included an underweight position in British American Tobacco, which benefited from its defensive earnings profile against an uncertain global backdrop. An underweight position in SABMiller also detracted as the brewing and bottling company benefited from demand growth in emerging markets. However, relative returns were boosted by an underweight position in food retailer Tesco, which issued a profit warning at the end of the period citing a slump in UK sales and the need to invest in its staff, stores and online business.

## Fund outlook

The UK economy remains weak, but momentum has improved in early 2012, supported by a stabilisation of the eurozone crisis and better growth in the US. An improving economic backdrop would be supportive for UK corporate earnings, which in turn would be positive for the stock market - particularly with valuations looking attractive, relative to history and compared to bonds.

## 12 month performance as at 31 January

|  | 2012         | 2011         | 2010         | 2009          |
|--|--------------|--------------|--------------|---------------|
| <b>JPM UK Managed Equity A-Class Acc</b> | <b>-2.4%</b> | <b>16.9%</b> | <b>26.7%</b> | <b>-25.6%</b> |
| Benchmark Index                          | 0.4%         | 16.8%        | 30.4%        | -26.3%        |

## Fund statistics

|                 |                                   |
|-----------------|-----------------------------------|
| Fund size       | £251.2m                           |
| Benchmark Index | FTSE 100 Index (Total Return Net) |
| Fund charges    | Initial 4.25%, Annual 1.50%       |

## Top ten holdings

|                          | %   |
|--------------------------|-----|
| Royal Dutch Shell 'B'    | 9.4 |
| BP                       | 8.0 |
| HSBC                     | 7.2 |
| Vodafone Group           | 5.8 |
| GlaxoSmithKline          | 5.5 |
| Rio Tinto                | 4.6 |
| British American Tobacco | 4.3 |
| BHP Billiton             | 4.0 |
| AstraZeneca              | 3.9 |
| Prudential               | 3.1 |

You should remember that past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. For specific risks, please read the Simplified Prospectus.

All performance returns are calculated using the quoted price of the accumulation shares. Performance returns are in Sterling.

Source: J.P. Morgan.

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The JPMorgan UK Managed Equity Fund, an authorised unit trust, was converted into a new sub-fund of JPMorgan Fund ICVC, an umbrella open-ended investment company, on 1 August 2008.

## Sector breakdown

|                    | %    |
|--------------------|------|
| Oil & gas          | 21.8 |
| Financials         | 19.3 |
| Consumer goods     | 14.5 |
| Basic materials    | 12.0 |
| Health care        | 10.4 |
| Telecommunications | 8.0  |
| Consumer services  | 6.8  |
| Industrials        | 3.9  |
| Utilities          | 2.2  |
| Technology         | 0.6  |
| Liquidity funds    | 0.4  |
| Net other assets   | 0.1  |

## Highest/lowest share price and distribution record

| Calendar year                      | Highest share price | Lowest share price | Distribution per share (net) |
|------------------------------------|---------------------|--------------------|------------------------------|
| <b>A-Class Accumulation Shares</b> |                     |                    |                              |
| 2008                               | 50.00p              | 30.40p             | 0.39p                        |
| 2009                               | 44.44p              | 28.53p             | 1.05p                        |
| 2010                               | 50.33p              | 40.13p             | 0.83p                        |
| 2011                               | 51.58p              | 41.32p             | 0.89p                        |
| 2012 <sup>A</sup>                  | 48.96p              | 47.45p             | 0.17p                        |
| <b>A-Class Income Shares</b>       |                     |                    |                              |
| 2008                               | 45.50p              | 29.98p             | 0.37p                        |
| 2009                               | 42.09p              | 27.72p             | 1.02p                        |
| 2010                               | 46.82p              | 37.64p             | 0.78p                        |
| 2011                               | 47.92p              | 37.99p             | 0.82p                        |
| 2012 <sup>A</sup>                  | 44.73p              | 43.36p             | 0.16p                        |

<sup>A</sup> To 31 January 2012.

## Portfolio turnover rate

|          |       |
|----------|-------|
| 31.01.11 | 87.0% |
| 31.01.12 | 96.5% |

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the period.

## Net asset values and Total expense ratios

| Date                               | Net asset value per share class<br>£'000 | Number of shares | Net asset value per share | Total expense ratio |
|------------------------------------|--|------------------|---------------------------|---------------------|
| <b>A-Class Accumulation Shares</b> |  |                  |                           |                     |
| 31.01.10                           | 236,475                                  | 558,678,541      | 42.33p                    | 1.67%               |
| 31.01.11                           | 251,733                                  | 508,709,882      | 49.48p                    | 1.68%               |
| 31.01.12                           | 226,644                                  | 469,282,408      | 48.30p                    | 1.68%               |
| <b>A-Class Income Shares</b>       |  |                  |                           |                     |
| 31.01.10                           | 26,788                                   | 66,995,044       | 39.98p                    | 1.68%               |
| 31.01.11                           | 28,383                                   | 61,724,241       | 45.98p                    | 1.68%               |
| 31.01.12                           | 24,526                                   | 55,778,914       | 43.97p                    | 1.68%               |

The net asset value and the net asset value per income share are shown ex-dividend.

The total expense ratio (TER) takes into account the ACD fee and any fixed expenses charged to revenue expressed as a percentage of the average daily net asset values over the period.

# Portfolio statement

As at 31 January 2012

| Investment   | Holding   | Market value<br>£'000 | Total net<br>assets % |
|--|-----------|-----------------------|-----------------------|
| <b>Oil &amp; gas - 21.8% (21.9%)</b>                     |           |                       |                       |
| <b>Oil &amp; gas producers - 21.2%</b>                   |           |                       |                       |
| BG Group   | 530,424   | 7,511                 | 3.0                   |
| BP   | 4,259,126 | 20,065                | 8.0                   |
| Royal Dutch Shell 'B'                                    | 1,019,536 | 23,730                | 9.4                   |
| Tullow Oil   | 153,399   | 2,095                 | 0.8                   |
| <b>Oil equipment, services &amp; distribution - 0.6%</b> |           |                       |                       |
| Kentz Group  | 149,695   | 655                   | 0.3                   |
| Petrofac   | 53,426    | 779                   | 0.3                   |
| <b>Financials - 19.3% (20.5%)</b>                        |           |                       |                       |
| <b>Banks - 11.0%</b>                                     |           |                       |                       |
| Barclays   | 3,047,921 | 6,515                 | 2.6                   |
| HSBC   | 3,393,367 | 18,074                | 7.2                   |
| Lloyds Banking Group                                     | 5,663,552 | 1,750                 | 0.7                   |
| Standard Chartered                                       | 77,678    | 1,197                 | 0.5                   |
| <b>Financial services - 0.4%</b>                         |           |                       |                       |
| Provident Financial                                      | 117,365   | 1,123                 | 0.4                   |
| <b>Life insurance - 4.9%</b>                             |           |                       |                       |
| Aviva  | 83,583    | 294                   | 0.1                   |
| Legal & General Group                                    | 3,712,201 | 4,284                 | 1.7                   |
| Prudential   | 1,099,541 | 7,741                 | 3.1                   |
| <b>Nonlife insurance - 1.2%</b>                          |           |                       |                       |
| Beazley Group  | 523,153   | 736                   | 0.3                   |
| Catlin Group   | 310,021   | 1,262                 | 0.5                   |
| Lancashire Holdings                                      | 160,669   | 1,110                 | 0.4                   |
| <b>Real estate - 1.8%</b>                                |           |                       |                       |
| Capital & Counties Properties                            | 577,074   | 1,074                 | 0.4                   |
| Derwent London   | 71,383    | 1,190                 | 0.5                   |
| Grainger   | 419,958   | 406                   | 0.2                   |
| Hammerson  | 394,442   | 1,502                 | 0.6                   |
| Savills  | 109,151   | 368                   | 0.1                   |
| <b>Consumer goods - 14.5% (9.7%)</b>                     |           |                       |                       |
| <b>Automobiles &amp; parts - 1.8%</b>                    |           |                       |                       |
| GKN  | 2,129,505 | 4,468                 | 1.8                   |
| <b>Beverages - 2.3%</b>                                  |           |                       |                       |
| Diageo   | 409,770   | 5,765                 | 2.3                   |
| <b>Food producers - 2.3%</b>                             |           |                       |                       |
| Dairy Crest Group  | 127,397   | 400                   | 0.2                   |
| Tate & Lyle  | 161,858   | 1,067                 | 0.4                   |
| Unilever   | 211,134   | 4,330                 | 1.7                   |
| <b>Household goods - 1.1%</b>                            |           |                       |                       |
| Bellway  | 117,737   | 862                   | 0.3                   |
| Berkeley Group 'B'                                       | 99,623    | 1,250                 | 0.5                   |
| Taylor Wimpey  | 1,848,293 | 785                   | 0.3                   |
| <b>Personal goods - 0.8%</b>                             |           |                       |                       |
| Burberry Group   | 154,238   | 2,068                 | 0.8                   |
| <b>Tobacco - 6.2%</b>                                    |           |                       |                       |
| British American Tobacco                                 | 365,954   | 10,796                | 4.3                   |
| Imperial Tobacco Group                                   | 207,673   | 4,720                 | 1.9                   |
| <b>Basic materials - 12.0% (16.1%)</b>                   |           |                       |                       |
| <b>Mining - 12.0%</b>                                    |           |                       |                       |
| Anglo American   | 226,538   | 6,030                 | 2.4                   |
| BHP Billiton   | 461,179   | 9,994                 | 4.0                   |
| Ferrexpo   | 349,253   | 1,194                 | 0.5                   |
| Rio Tinto  | 301,188   | 11,573                | 4.6                   |
| Xstrata  | 123,972   | 1,348                 | 0.5                   |
| <b>Health care - 10.4% (9.1%)</b>                        |           |                       |                       |
| <b>Pharmaceuticals &amp; biotechnology - 10.4%</b>       |           |                       |                       |
| AstraZeneca  | 320,241   | 9,783                 | 3.9                   |
| GlaxoSmithKline  | 971,086   | 13,789                | 5.5                   |
| Shire  | 114,406   | 2,409                 | 1.0                   |
| <b>Telecommunications - 8.0% (7.9%)</b>                  |           |                       |                       |
| <b>Fixed line telecommunications - 2.2%</b>              |           |                       |                       |
| BT Group   | 2,191,973 | 4,487                 | 1.8                   |
| KCOM Group   | 312,809   | 222                   | 0.1                   |
| Telecom Plus   | 110,940   | 754                   | 0.3                   |
| <b>Mobile telecommunications - 5.8%</b>                  |           |                       |                       |
| Vodafone Group   | 8,477,498 | 14,632                | 5.8                   |

| Investment   | Holding   | Market value<br>£'000 | Total net<br>assets % |
|--|-----------|-----------------------|-----------------------|
| <b>Consumer services - 6.8% (7.2%)</b>               |           |                       |                       |
| <b>Food &amp; drug retails - 1.8%</b>                |           |                       |                       |
| Morrison (Wm.) Supermarkets                          | 1,362,686 | 3,869                 | 1.5                   |
| Tesco  | 237,074   | 756                   | 0.3                   |
| <b>General retailers - 2.8%</b>                      |           |                       |                       |
| Kingfisher   | 426,190   | 1,076                 | 0.4                   |
| Next   | 151,721   | 3,954                 | 1.6                   |
| Sports Direct International                          | 445,985   | 1,062                 | 0.4                   |
| WH Smith   | 177,764   | 978                   | 0.4                   |
| <b>Media - 1.2%</b>                                  |           |                       |                       |
| British Sky Broadcasting Group                       | 177,415   | 1,214                 | 0.5                   |
| ITV  | 687,372   | 516                   | 0.2                   |
| Rightmove Group                                      | 90,083    | 1,150                 | 0.5                   |
| <b>Travel &amp; leisure - 1.0%</b>                   |           |                       |                       |
| Ladbroke's   | 357,644   | 509                   | 0.2                   |
| Stagecoach Group                                     | 253,656   | 708                   | 0.3                   |
| William Hill   | 544,632   | 1,223                 | 0.5                   |
| <b>Industrials - 3.9% (4.6%)</b>                     |           |                       |                       |
| <b>Aerospace &amp; Defense - 0.4%</b>                |           |                       |                       |
| QinetiQ Group  | 379,028   | 494                   | 0.2                   |
| Rolls Royce Group                                    | 69,483    | 511                   | 0.2                   |
| <b>Construction &amp; materials - 0.4%</b>           |           |                       |                       |
| Galliford Try  | 143,949   | 684                   | 0.3                   |
| Kier Group   | 27,752    | 371                   | 0.1                   |
| <b>Electronics &amp; electrical equipment - 0.5%</b> |           |                       |                       |
| Spectris   | 84,375    | 1,283                 | 0.5                   |
| <b>General industrials - 0.5%</b>                    |           |                       |                       |
| RPC Group  | 351,092   | 1,342                 | 0.5                   |
| <b>Industrial engineering - 0.4%</b>                 |           |                       |                       |
| Bodycote International                               | 9,802     | 30                    | -                     |
| Weir Group   | 58,016    | 1,128                 | 0.4                   |
| <b>Support services - 1.7%</b>                       |           |                       |                       |
| Atkins (WS)  | 171,818   | 1,204                 | 0.5                   |
| Bunzl  | 152,421   | 1,305                 | 0.5                   |
| Filtrona   | 190,489   | 723                   | 0.3                   |
| Interserve   | 341,452   | 1,015                 | 0.4                   |
| <b>Utilities - 2.2% (1.5%)</b>                       |           |                       |                       |
| <b>Electricity - 0.5%</b>                            |           |                       |                       |
| Drax Group   | 243,324   | 1,292                 | 0.5                   |
| <b>Gas, water &amp; multiutilities - 1.7%</b>        |           |                       |                       |
| National Grid  | 273,589   | 1,714                 | 0.7                   |
| Pennon Group   | 171,873   | 1,195                 | 0.6                   |
| United Utilities Group                               | 148,427   | 890                   | 0.4                   |
| <b>Technology - 0.6% (1.1%)</b>                      |           |                       |                       |
| <b>Software &amp; computer services - 0.6%</b>       |           |                       |                       |
| Computacenter  | 180,263   | 706                   | 0.3                   |
| Micro Focus International                            | 174,596   | 750                   | 0.3                   |
| <b>Liquidity funds - 0.4% (0.0%)</b>                 |           |                       |                       |
| JPM Sterling Liquidity 'X' (Income)^                 | 1,005,171 | 1,005                 | 0.4                   |
| <b>Investment assets</b>                             |           | <b>250,844</b>        | <b>99.9</b>           |
| <b>Net other assets</b>                              |           | <b>326</b>            | <b>0.1</b>            |
| <b>Net assets</b>                                    |           | <b>251,170</b>        | <b>100.0</b>          |

Unless otherwise stated the above securities are admitted to official stock exchange listings or trade on a regulated market.

The comparative percentage figures in brackets are at 31 January 2011.

^Deemed to be investment in related parties of the ACD

## Portfolio movements

For the year ending 31 January 2012

|  | £'000          |  | £'000           |
|--|----------------|--|-----------------|
| <b>Total of all purchases for the year (Note 10)</b> | <b>128,272</b> | <b>Total of all sales for the year (Note 10)</b> | <b>144,188</b>  |
| <b>Major purchases</b>                               | <b>Cost</b>    | <b>Major sales</b>                               | <b>Proceeds</b> |
| JPM Sterling Liquidity 'X' (Income)^                 | 8,455          | Royal Dutch Shell 'B'                            | 7,715           |
| Prudential   | 7,910          | British American Tobacco                         | 7,592           |
| British American Tobacco                             | 5,822          | JPM Sterling Liquidity 'X' (Income)^             | 7,450           |
| Imperial Tobacco Group                               | 5,140          | Xstrata  | 6,451           |
| HSBC   | 4,389          | AstraZeneca                                      | 4,070           |
| Hammerson  | 4,211          | Lloyds Banking Group                             | 4,048           |
| Morrison (Wm.) Supermarkets                          | 4,184          | Vodafone Group                                   | 4,042           |
| GKN  | 3,775          | BHP Billiton                                     | 3,783           |
| Xstrata  | 3,716          | Next   | 3,708           |
| Next   | 3,331          | Petrofac   | 3,569           |
| Schroders  | 3,240          | Schroders  | 3,368           |
| BG Group   | 2,994          | Aviva  | 2,662           |
| BP   | 2,655          | Admiral Group                                    | 2,502           |
| Shire  | 2,424          | Ashmore Group                                    | 2,454           |
| ITV  | 2,268          | AMEC   | 2,391           |
| Tullow Oil   | 2,092          | ITV  | 2,376           |
| Lloyds Banking Group                                 | 2,064          | Unilever   | 2,061           |
| Pennon Group   | 1,908          | Hammerson  | 2,033           |
| Royal Dutch Shell 'B'                                | 1,650          | HSBC   | 1,873           |
| National Grid  | 1,627          | Northumbrian Water Group                         | 1,779           |

^ Deemed to be investment in related parties of the ACD

## Financial statements

### Statement of total return

For the year ending 31 January

|   | 2012            | 2011          |
|---|-----------------|---------------|
| £'000   | £'000           | £'000         |
| Income  |                 |               |
| Net capital (losses)/gains (Note 1)   | (12,201)        | 38,091        |
| Revenue (Note 2)  | 9,897           | 9,271         |
| Expenses (Note 3)   | (4,362)         | (4,608)       |
| Net revenue before taxation   | 5,535           | 4,663         |
| Taxation (Note 4)   | (10)            | (8)           |
| Net revenue after taxation  | 5,525           | 4,655         |
| <b>Total return before distributions</b>  | <b>(6,676)</b>  | <b>42,746</b> |
| Finance costs:<br>Distributions (Note 5)  | (5,494)         | (4,672)       |
| <b>Change in net assets attributable to shareholders from investment activities</b> | <b>(12,170)</b> | <b>38,074</b> |

### Balance sheet

As at 31 January

|  | 2012           | 2011           |
|--|----------------|----------------|
| £'000  | £'000          | £'000          |
| <b>ASSETS</b>                                  |                |                |
| Investment assets                              | 250,844        | 278,957        |
| Debtors (Note 7)                               | 1,016          | 7,842          |
| Cash and bank balances (Note 8)                | 17             | 1,243          |
| <b>Total other assets</b>                      | <b>1,033</b>   | <b>9,085</b>   |
| <b>Total assets</b>                            | <b>251,877</b> | <b>288,042</b> |
| <b>LIABILITIES</b>                             |                |                |
| Creditors (Note 9)                             | (618)          | (7,895)        |
| Distribution payable on income shares          | (89)           | (31)           |
| <b>Total liabilities</b>                       | <b>(707)</b>   | <b>(7,926)</b> |
| <b>Net assets attributable to shareholders</b> | <b>251,170</b> | <b>280,116</b> |

The notes to these financial statements are shown on pages 333 to 334.

### Statement of change in net assets attributable to shareholders

For the year ending 31 January

|   | 2012            | 2011           |
|---|-----------------|----------------|
| £'000   | £'000           | £'000          |
| <b>Opening net assets attributable to shareholders</b>  | <b>280,116</b>  | <b>263,263</b> |
| Amounts receivable on issue of shares   | 231             | 410            |
| Amounts payable on cancellation of shares   | (21,852)        | (25,733)       |
|   | (21,621)        | (25,323)       |
| <b>Change in net assets attributable to shareholders from investment activities (see above)</b> | <b>(12,170)</b> | <b>38,074</b>  |
| Retained distributions on accumulation shares   | 4,850           | 4,107          |
| Stamp duty reserve tax  | (5)             | (5)            |
| <b>Closing net assets attributable to shareholders</b>  | <b>251,170</b>  | <b>280,116</b> |

# Notes to the financial statements for the year ending 31 January 2012

## 1. Net capital (losses)/gains

|                            | 2012            | 2011          |
|----------------------------|-----------------|---------------|
|                            | £'000           | £'000         |
| Currency losses            | -               | (19)          |
| Custodian handling charges | (5)             | (4)           |
| Non-derivative securities  | (12,196)        | 38,114        |
| Net capital (losses)/gains | <u>(12,201)</u> | <u>38,091</u> |

## 2. Revenue

|   | 2012         | 2011         |
|---|--------------|--------------|
|   | £'000        | £'000        |
| Franked income from UK equity investments | 9,375        | 8,670        |
| Income from overseas equity investments   | 399          | 479          |
| Interest on bank and term deposits        | 3            | 6            |
| Interest on fixed-interest securities     | 6            | -            |
| Property income distributions             | 82           | 6            |
| Stock dividends                           | 13           | 47           |
| Stocklending income*                      | 19           | 14           |
| Underwriting commission                   | -            | 49           |
| Total revenue                             | <u>9,897</u> | <u>9,271</u> |

\* Stocklending income is disclosed net of fees. See note 11.

## 3. Expenses

|  | 2012         | 2011         |
|--|--------------|--------------|
|  | £'000        | £'000        |
| <b>Payable to the ACD or associate of the ACD:</b> |              |              |
| ACD fee  | 3,899        | 4,118        |
| Fixed expenses                                     | 463          | 490          |
| Total expenses                                     | <u>4,362</u> | <u>4,608</u> |

## 4. Taxation

|  | 2012      | 2011     |
|--|-----------|----------|
|  | £'000     | £'000    |
| <b>a) Analysis of charge in the year</b> |           |          |
| Overseas tax suffered                    | 10        | 8        |
| Current year tax charge (Note 4b)        | <u>10</u> | <u>8</u> |

### b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an Open-Ended Investment Company (OEIC) (20%). The differences are explained below.

|                             |              |            |
|-----------------------------|--------------|------------|
| Net revenue before taxation | 5,535        | 4,663      |
| Corporation tax at 20%      | <u>1,107</u> | <u>933</u> |

### Effects of:

|   |                |              |
|---|----------------|--------------|
| Dividends not subject to corporation tax  | (1,956)        | (1,743)      |
| Excess expenses for which no relief taken | 849            | 810          |
| Overseas tax suffered                     | 10             | 8            |
|   | <u>(1,097)</u> | <u>(925)</u> |
| Current year tax charge (Note 4a)         | <u>10</u>      | <u>8</u>     |

No deferred tax asset has been recognised in the financial statements. At the year end date, the fund had a deferred tax asset of £3,445,071 (31.01.11: £2,595,784) in relation to £17,225,353 (31.01.11: £12,978,921) of excess management expenses which would only be utilised to reduce the tax charge if the fund had an excess of unfranked income over expenses in a future period. There is no excess of unfranked income expected in the future.

## 5. Finance costs

### Distributions

The distributions take account of amounts receivable on the issue of shares and amounts payable on the cancellation of shares and comprise:

|  | 2012         | 2011         |
|--|--------------|--------------|
|  | £'000        | £'000        |
| First interim dividend distribution            | 2,106        | 1,999        |
| Second interim dividend distribution           | 811          | 1,078        |
| Third interim dividend distribution            | 1,590        | 1,157        |
| Final dividend distribution                    | 887          | 336          |
| Add: Amounts payable on cancellation of shares | 101          | 104          |
| Deduct: Amounts receivable on issue of shares  | (1)          | (2)          |
| Total finance costs                            | <u>5,494</u> | <u>4,672</u> |

Details of the distribution per share are set out on pages 335 to 336.

## 6. Movement between net revenue after taxation and distributions

|   | 2012         | 2011         |
|---|--------------|--------------|
|   | £'000        | £'000        |
| Net revenue after taxation                    | 5,525        | 4,655        |
| Add: Undistributed revenue brought forward    | 5            | 22           |
| Deduct: Undistributed revenue carried forward | (36)         | (5)          |
|   | <u>5,494</u> | <u>4,672</u> |

## 7. Debtors

|                                     | 2012         | 2011         |
|-------------------------------------|--------------|--------------|
|                                     | £'000        | £'000        |
| Accrued income                      | 848          | 429          |
| Due from the ACD for shares created | 1            | -            |
| Overseas tax recoverable            | 17           | 10           |
| Property income tax recoverable     | 19           | 1            |
| Sales awaiting settlement           | 131          | 7,402        |
| Total debtors                       | <u>1,016</u> | <u>7,842</u> |

## 8. Cash and bank balances

|                        | 2012      | 2011         |
|------------------------|-----------|--------------|
|                        | £'000     | £'000        |
| Cash and bank balances | <u>17</u> | <u>1,243</u> |

## 9. Creditors

|                                     | 2012       | 2011         |
|-------------------------------------|------------|--------------|
|                                     | £'000      | £'000        |
| Accrued expenses                    | 357        | 409          |
| Due to the ACD for shares cancelled | 257        | 476          |
| Purchases awaiting settlement       | 4          | 7,010        |
| Total creditors                     | <u>618</u> | <u>7,895</u> |

## Notes to the financial statements – continued

### 10. Portfolio transaction costs

|  | 2012<br>£'000 | 2011<br>£'000 |
|--|---------------|---------------|
| Analysis of total purchase costs           |               |               |
| Purchases in year before transaction costs | 127,506       | 120,088       |
| Commissions                                | 190           | 339           |
| Taxes                                      | 576           | 556           |
| Total purchase costs                       | 766           | 895           |
| Gross purchases total                      | 128,272       | 120,983       |
| Analysis of total sale costs               |               |               |
| Gross sales before transaction costs       | 144,396       | 142,775       |
| Commissions                                | (208)         | (384)         |
| Total sale costs                           | (208)         | (384)         |
| Total sales net of transaction costs       | 144,188       | 142,391       |

### 11. Related party transactions

JPMorgan Funds Limited, as Authorised Corporate Director (“ACD”), is a related party, and acts as principal in respect of all transactions of shares in the Company. The aggregate monies received through issue, and paid on cancellation, are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

The balance due to the ACD and their associates at the year end date in respect of related party transactions was £612,885 (31.01.11: £885,123). Details of related party transactions are given under note 13 on page 389.

Investments considered to be related parties have been identified in the portfolio statement on page 330 and the revenue from these investments was £6,336 (31.01.11: £nil).

Some of the dealing transactions for the fund are carried out through associates of the ACD. Such transactions are carried out on an arm's length basis. The commissions paid to these companies over the year were £54,504 (31.01.11: £4,150). Commission was paid to the associated company JPMorgan Securities Ltd.

The gross stocklending income received was £23,320 (31.01.11: £17,500), with fees deducted of £4,081 (31.01.11: £3,063).

The following party held a material interest in the fund at the year end date:

- FNZ (UK) Nominees Limited 56.84% (31.01.11: 56.77%)

### 12. Stocklending

As at 31 January 2011 the aggregate value of securities on loan was £36,039 (31.01.11: £1,653,559). The Depositary held £38,325 (31.01.11: £1,768,658) of collateral assets on behalf of the fund in respect thereof. The nature of the collateral was 100.0% bonds.

### 13. Financial instruments

#### Currency exposures

At the year end date, the majority of the fund's financial assets and liabilities are denominated in Sterling. As a result, the fund has no material exposure to currency movements.

#### Interest rate risk

At the year end date, 0.4% (31.01.11: 0.4%) of the fund's net assets by value were interest bearing.

For consideration of other risks including liquidity, pricing and credit risk, please refer to the notes to the aggregated financial statements, pages 389 to 390.

### 14. Share classes

The fund currently has one share class: Class A shares. The Authorised Corporate Director's (ACD) fee and fixed expenses charge are shown below.

|                 | ACD fee | Fixed expenses |
|-----------------|---------|----------------|
| Class A shares: | 1.50%   | 0.18%          |

The net asset value, the net asset value per share and the number of shares are shown on page 329.



## Distribution table

### Final distribution in pence per share

Group 1 – Shares purchased prior to 1 November 2011

Group 2 – Shares purchased 1 November 2011 to 31 January 2012

|                                    | Gross revenue | Tax at 10% | Net revenue | Equalisation | Distribution payable 30.04.12 | Distribution paid 30.04.11 |
|------------------------------------|---------------|------------|-------------|--------------|-------------------------------|----------------------------|
| <b>A-Class Accumulation Shares</b> |               |            |             |              |                               |                            |
| Group 1                            | 0.188889      | 0.018889   | 0.170000    | -            | 0.170000                      | 0.060000                   |
| Group 2                            | 0.000000      | 0.000000   | 0.000000    | 0.170000     | 0.170000                      | 0.060000                   |
| <b>A-Class Income Shares</b>       |               |            |             |              |                               |                            |
| Group 1                            | 0.177778      | 0.017778   | 0.160000    | -            | 0.160000                      | 0.050000                   |
| Group 2                            | 0.083159      | 0.008316   | 0.074843    | 0.085157     | 0.160000                      | 0.050000                   |

### Third interim distribution in pence per share

Group 1 – Shares purchased prior to 1 August 2011

Group 2 – Shares purchased 1 August 2011 to 31 October 2011

|                                    | Gross revenue | Tax at 10% | Net revenue | Equalisation | Distribution paid 31.01.12 | Distribution paid 31.01.11 |
|------------------------------------|---------------|------------|-------------|--------------|----------------------------|----------------------------|
| <b>A-Class Accumulation Shares</b> |               |            |             |              |                            |                            |
| Group 1                            | 0.333333      | 0.033333   | 0.300000    | -            | 0.300000                   | 0.200000                   |
| Group 2                            | 0.137331      | 0.013733   | 0.123598    | 0.176402     | 0.300000                   | 0.200000                   |
| <b>A-Class Income Shares</b>       |               |            |             |              |                            |                            |
| Group 1                            | 0.300000      | 0.030000   | 0.270000    | -            | 0.270000                   | 0.180000                   |
| Group 2                            | 0.108839      | 0.010884   | 0.097955    | 0.172045     | 0.270000                   | 0.180000                   |

### Second interim distribution in pence per share

Group 1 – Shares purchased prior to 1 May 2011

Group 2 – Shares purchased 1 May 2011 to 31 July 2011

|                                    | Gross revenue | Tax at 10% | Net revenue | Equalisation | Distribution paid 31.10.11 | Distribution paid 31.10.10 |
|------------------------------------|---------------|------------|-------------|--------------|----------------------------|----------------------------|
| <b>A-Class Accumulation Shares</b> |               |            |             |              |                            |                            |
| Group 1                            | 0.166667      | 0.016667   | 0.150000    | -            | 0.150000                   | 0.180000                   |
| Group 2                            | 0.046394      | 0.004639   | 0.041755    | 0.108245     | 0.150000                   | 0.180000                   |
| <b>A-Class Income Shares</b>       |               |            |             |              |                            |                            |
| Group 1                            | 0.155556      | 0.015556   | 0.140000    | -            | 0.140000                   | 0.180000                   |
| Group 2                            | 0.003981      | 0.000398   | 0.003583    | 0.136417     | 0.140000                   | 0.180000                   |

## Distribution table – continued

### First interim distribution in pence per share

Group 1 – Shares purchased prior to 1 February 2011

Group 2 – Shares purchased 1 February 2011 to 30 April 2011

|                                    | Gross<br>revenue | Tax<br>at 10% | Net<br>revenue | Equalisation | Distribution<br>paid<br>31.07.11 | Distribution<br>paid<br>31.07.10 |
|------------------------------------|------------------|---------------|----------------|--------------|----------------------------------|----------------------------------|
| <b>A-Class Accumulation Shares</b> |                  |               |                |              |                                  |                                  |
| Group 1                            | 0.422222         | 0.042222      | 0.380000       | -            | 0.380000                         | 0.330000                         |
| Group 2                            | 0.098211         | 0.009821      | 0.088390       | 0.291610     | 0.380000                         | 0.330000                         |
| <b>A-Class Income Shares</b>       |                  |               |                |              |                                  |                                  |
| Group 1                            | 0.400000         | 0.040000      | 0.360000       | -            | 0.360000                         | 0.310000                         |
| Group 2                            | 0.238844         | 0.023884      | 0.214960       | 0.145040     | 0.360000                         | 0.310000                         |

Equalisation applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of revenue included in the purchase price of all group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

# JPM UK Strategic Equity Income Fund

## Important information

### Change of Depositary

As part of an internal re-structuring, The Royal Bank of Scotland plc has transferred its Trustee and Depositary Services business from The Royal Bank of Scotland plc to National Westminster Bank plc and consequently National Westminster Bank plc has been appointed as Depositary of the Fund with effect from 15 October 2011.

As Depositary, National Westminster Bank plc will have the same duties and responsibilities as The Royal Bank of Scotland plc and this change will have no impact on the way the Fund operates.

### Investment objective and policy

To provide long-term capital growth and income through investment in a value style biased portfolio of UK companies.

### Risk profile

This equity based Fund invests in companies whose stock is believed to be undervalued (value stocks). This may include smaller companies.

Equity investment is subject to specific risks relating to the performance of the individual companies held and the market's perception of their performance. Equities are also subject to systematic risks such as general economic conditions, inflation, interest rates, foreign exchange rates and industry sector risks. In general terms, equities tend to be more volatile than bonds.

As value stocks tend to outperform at different times to growth stocks, investors should be prepared for periods of underperformance when value stocks are out of favour.

Funds that invest predominantly in a single market, asset class or sector may be subject to greater volatility than those funds with a more diversified portfolio.

This Fund charges the fees of the ACD against capital, which will increase the amount of income available for distribution to Shareholders, but may constrain capital growth. It may also have tax implications for certain investors.

### Fund review

UK share prices have struggled to gain traction over the review period, constrained by weak domestic and global economic data, and worries over the eurozone sovereign debt crisis.

The Fund invests in cheap stocks that are fundamentally sound. Over the review period this approach led to the Fund underperforming its benchmark. The Fund benefited most in relative terms from stock selection in the general retailers and household goods sectors, and underweight exposure to tobacco. The biggest detractor was an overweight position in financial services, while underweight exposure to beverages and pharmaceuticals, where we are finding few attractive income opportunities, was also detrimental.

At the stock level, the Fund gained from overweight exposure to Sports Direct, the sports retailer, which reported strong sales growth in its online business, and from overweight exposure to Persimmon, a homebuilder, which reported stronger margins and cash generation. Detractors included not holding Diageo and SABMiller, the beverage companies, which both benefited over the review period from their defensive earnings and their exposure to growing emerging market demand. An overweight position in Man Group, a hedge fund manager, was also detrimental as volatile markets led to earnings downgrades. However, the Fund's relative performance was boosted by overweight exposure to Tate & Lyle, the sugar company, which reported strong profits and improved margins, helped by easier commodity prices.

### Fund outlook

The UK economy remains weak, but momentum has improved in early 2012, supported by a stabilisation of the eurozone crisis and better growth in the US. An improving economic backdrop would be supportive for UK corporate earnings, which in turn would be positive for the stock market - particularly with valuations looking attractive relative to history and compared to bonds.

### 12 month performance as at 31 January

|                                       | 2012  | 2011  | 2010  | 2009   | 2008   |
|---------------------------------------|-------|-------|-------|--------|--------|
| <b>JPM UK Strategic Equity Income</b> |       |       |       |        |        |
| A-Class Acc                           | -3.7% | 21.1% | 35.2% | -31.4% | -11.9% |
| <b>JPM UK Strategic Equity Income</b> |       |       |       |        |        |
| I-Class Acc                           | -2.7% | 22.4% | 36.7% | -30.6% | -      |
| Benchmark Index                       | -0.3% | 18.1% | 33.2% | -27.8% | -3.6%  |

### Fund statistics

|                 |   |
|-----------------|---|
| Fund size       | £140.2m                                 |
| Benchmark Index | FTSE All-Share Index (Total Return Net) |
| Fund charges    |   |
| A-Class         | Initial 4.25%, Annual 1.50%             |
| I-Class         | Initial Nil, Annual 0.60%               |

### Top ten holdings (excluding Liquidity funds) %

|  |     |
|--|-----|
| Royal Dutch Shell 'B'                        | 8.6 |
| HSBC   | 5.8 |
| BP   | 5.5 |
| Vodafone Group                               | 5.4 |
| GlaxoSmithKline                              | 4.5 |
| Rio Tinto                                    | 3.2 |
| BHP Billiton                                 | 2.9 |
| JPM UK Smaller Companies 'I' (Accumulation)^ | 2.7 |
| AstraZeneca                                  | 2.7 |
| Standard Chartered                           | 2.5 |

^ Deemed to be investment in related parties of the ACD

You should remember that past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. For specific risks, please read the Simplified Prospectus.

All performance returns are calculated using the quoted price of the accumulation shares. Performance returns are in Sterling.

Source: J.P. Morgan.

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## Sector breakdown

|                              | %    |
|------------------------------|------|
| Financials                   | 22.4 |
| Oil & gas                    | 14.9 |
| Consumer services            | 14.3 |
| Industrials                  | 10.1 |
| Telecommunications           | 9.1  |
| Basic materials              | 7.9  |
| Health care                  | 7.2  |
| Utilities                    | 4.2  |
| Consumer goods               | 2.9  |
| Equity investment instrument | 2.7  |
| Liquidity funds              | 2.6  |
| Technology                   | 1.2  |
| Futures                      | 0.1  |
| Net other assets             | 0.4  |

## Portfolio turnover rate

|          |        |
|----------|--------|
| 31.01.11 | 152.8% |
| 31.01.12 | 115.4% |

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the period.

## Net asset values and Total expense ratios

| Date                               | Net asset value per share class<br>£'000 | Number of shares | Net asset value per share | Total expense ratio |
|------------------------------------|--|------------------|---------------------------|---------------------|
| <b>A-Class Accumulation Shares</b> |  |                  |                           |                     |
| 31.01.10                           | 163,852                                  | 185,862,552      | 88.16p                    | 1.67%               |
| 31.01.11                           | 153,052                                  | 143,299,635      | 106.8p                    | 1.68%               |
| 31.01.12                           | 123,176                                  | 119,761,097      | 102.9p                    | 1.68%               |
| <b>A-Class Income Shares</b>       |  |                  |                           |                     |
| 31.01.10                           | 6,811                                    | 9,717,157        | 70.09p                    | 1.68%               |
| 31.01.11                           | 7,143                                    | 8,654,436        | 82.53p                    | 1.68%               |
| 31.01.12                           | 5,606                                    | 7,321,103        | 76.57p                    | 1.68%               |
| <b>I-Class Accumulation Shares</b> |  |                  |                           |                     |
| 31.01.10                           | 6,285                                    | 6,688,114        | 93.98p                    | 0.60%               |
| 31.01.11                           | 5,485                                    | 4,765,498        | 115.1p                    | 0.60%               |
| 31.01.12                           | 4,825                                    | 4,307,561        | 112.0p                    | 0.60%               |
| <b>I-Class Income Shares</b>       |  |                  |                           |                     |
| 31.01.10                           | 6,844                                    | 7,985,710        | 85.71p                    | 0.60%               |
| 31.01.11                           | 7,665                                    | 7,525,245        | 101.9p                    | 0.60%               |
| 31.01.12                           | 6,588                                    | 6,907,625        | 95.37p                    | 0.60%               |

The net asset value and the net asset value per income share are shown ex-dividend.

The total expense ratio (TER) takes into account the ACD fee and any fixed expenses charged to revenue expressed as a percentage of the average daily net asset values over the period.

## Highest/lowest share price and distribution record

| Calendar year                                  | Highest share price | Lowest share price | Distribution per share (net) |
|--|---------------------|--------------------|------------------------------|
| <b>A-Class Accumulation Shares</b>             |                     |                    |                              |
| 2007   | 117.5p              | 101.1p             | 1.73p                        |
| 2008   | 107.7p              | 58.88p             | 4.34p                        |
| 2009   | 93.40p              | 56.14p             | 2.98p                        |
| 2010   | 108.0p              | 83.77p             | 2.97p                        |
| 2011   | 111.8p              | 88.80p             | 3.51p                        |
| 2012 <sup>A</sup>                              | 104.1p              | 99.78p             | 0.92p                        |
| <b>A-Class Income Shares</b>                   |                     |                    |                              |
| 2007   | 103.9p              | 88.60p             | 1.52p                        |
| 2008   | 94.32p              | 49.86p             | 3.76p                        |
| 2009   | 75.24p              | 46.42p             | 2.45p                        |
| 2010   | 83.84p              | 66.01p             | 2.35p                        |
| 2011   | 86.38p              | 67.32p             | 2.70p                        |
| 2012 <sup>A</sup>                              | 78.19p              | 74.95p             | 0.69p                        |
| <b>I-Class Accumulation Shares<sup>B</sup></b> |                     |                    |                              |
| 2008   | 112.7p              | 61.95p             | 4.04p                        |
| 2009   | 99.40p              | 59.30p             | 3.30p                        |
| 2010   | 116.2p              | 89.71p             | 3.30p                        |
| 2011   | 120.5p              | 96.39p             | 3.98p                        |
| 2012 <sup>A</sup>                              | 113.4p              | 108.6p             | 1.01p                        |
| <b>I-Class Income Shares<sup>B</sup></b>       |                     |                    |                              |
| 2008   | 110.9p              | 60.31p             | 3.99p                        |
| 2009   | 91.82p              | 56.32p             | 3.10p                        |
| 2010   | 103.4p              | 81.06p             | 3.00p                        |
| 2011   | 106.6p              | 83.63p             | 3.50p                        |
| 2012 <sup>A</sup>                              | 97.40p              | 93.31p             | 0.87p                        |

<sup>A</sup> To 31 January 2012.

<sup>B</sup> I-Class Accumulation and I-Class Income Shares were launched on 24 January 2008.

# Portfolio statement

As at 31 January 2012

| Investment   | Holding   | Market value<br>£'000 | Total net<br>assets % |
|--|-----------|-----------------------|-----------------------|
| <b>Financials – 22.4% (26.0%)</b>                        |           |                       |                       |
| <b>Banks – 10.2%</b>                                     |           |                       |                       |
| Barclays   | 1,265,330 | 2,705                 | 1.9                   |
| HSBC   | 1,527,509 | 8,136                 | 5.8                   |
| Standard Chartered                                       | 226,355   | 3,487                 | 2.5                   |
| <b>General financial – 3.4%</b>                          |           |                       |                       |
| Aberdeen Asset Management                                | 193,781   | 462                   | 0.3                   |
| Brewin Dolphin   | 384,333   | 587                   | 0.4                   |
| Close Brothers Group                                     | 73,062    | 495                   | 0.4                   |
| F&C Asset Management                                     | 904,026   | 583                   | 0.4                   |
| Intermediate Capital Group                               | 206,963   | 573                   | 0.4                   |
| London Stock Exchange Group                              | 65,532    | 570                   | 0.4                   |
| Paragon Group of Companies                               | 292,905   | 530                   | 0.4                   |
| Provident Financial                                      | 54,982    | 526                   | 0.4                   |
| Tullett Prebon   | 143,815   | 426                   | 0.3                   |
| <b>Life insurance – 5.6%</b>                             |           |                       |                       |
| Aviva  | 369,734   | 1,299                 | 0.9                   |
| Legal & General Group                                    | 916,262   | 1,057                 | 0.8                   |
| Old Mutual   | 866,877   | 1,274                 | 0.9                   |
| Prudential   | 284,124   | 2,000                 | 1.4                   |
| Resolution   | 295,755   | 800                   | 0.6                   |
| St James's Place   | 156,266   | 546                   | 0.4                   |
| Standard Life  | 412,311   | 902                   | 0.6                   |
| <b>Nonlife insurance – 2.1%</b>                          |           |                       |                       |
| Amlin  | 166,388   | 576                   | 0.4                   |
| Beazley Group  | 473,267   | 666                   | 0.5                   |
| Catlin Group   | 144,138   | 587                   | 0.4                   |
| Hiscox   | 143,850   | 553                   | 0.4                   |
| Lancashire Holdings                                      | 73,093    | 505                   | 0.4                   |
| <b>Real estate – 1.1%</b>                                |           |                       |                       |
| Hammerson  | 165,049   | 629                   | 0.4                   |
| Land Securities  | 129,852   | 879                   | 0.6                   |
| Unite Group  | 53,570    | 96                    | 0.1                   |
| <b>Oil &amp; gas – 14.9% (15.0%)</b>                     |           |                       |                       |
| <b>Oil &amp; gas producers – 14.1%</b>                   |           |                       |                       |
| BP   | 1,623,732 | 7,649                 | 5.5                   |
| Royal Dutch Shell 'B'                                    | 518,284   | 12,063                | 8.6                   |
| <b>Oil equipment, services &amp; distribution – 0.8%</b> |           |                       |                       |
| AMEC   | 64,561    | 653                   | 0.5                   |
| Lamprell   | 152,503   | 450                   | 0.3                   |
| <b>Consumer services – 14.3% (10.4%)</b>                 |           |                       |                       |
| <b>Food &amp; drug retailers – 3.1%</b>                  |           |                       |                       |
| Morrison (Wm.) Supermarkets                              | 355,873   | 1,010                 | 0.7                   |
| Sainsbury (J)  | 342,315   | 990                   | 0.7                   |
| Tesco  | 747,548   | 2,385                 | 1.7                   |
| <b>General retailers – 3.1%</b>                          |           |                       |                       |
| Debenhams  | 811,129   | 545                   | 0.4                   |
| Inchcape   | 191,304   | 656                   | 0.5                   |
| Kingfisher   | 368,574   | 930                   | 0.7                   |
| Marks & Spencer  | 307,844   | 1,000                 | 0.7                   |
| Next   | 28,695    | 748                   | 0.5                   |
| WH Smith   | 88,425    | 486                   | 0.3                   |
| <b>Media – 3.8%</b>                                      |           |                       |                       |
| Daily Mail & General Trust 'A'                           | 123,454   | 537                   | 0.4                   |
| EuroMoney Institutional Investor                         | 70,414    | 482                   | 0.3                   |
| Informa  | 177,882   | 689                   | 0.5                   |
| ITV  | 1,227,332 | 921                   | 0.7                   |
| Reed Elsevier  | 171,724   | 904                   | 0.6                   |
| United Business Media                                    | 139,712   | 758                   | 0.5                   |
| WPP  | 154,710   | 1,146                 | 0.8                   |
| <b>Travel &amp; leisure – 4.3%</b>                       |           |                       |                       |
| Easyjet  | 148,331   | 673                   | 0.5                   |
| FirstGroup   | 166,506   | 518                   | 0.4                   |
| Go-Ahead Group   | 36,057    | 460                   | 0.3                   |
| Greene King  | 112,986   | 558                   | 0.4                   |
| Ladbroke's   | 408,953   | 582                   | 0.4                   |
| Marston's  | 500,424   | 483                   | 0.3                   |
| Mitchells & Butlers                                      | 207,666   | 533                   | 0.4                   |
| National Express Group                                   | 230,601   | 502                   | 0.4                   |
| Stagecoach Group   | 200,364   | 559                   | 0.4                   |
| TUI Travel   | 304,560   | 577                   | 0.4                   |
| William Hill   | 257,284   | 578                   | 0.4                   |

| Investment   | Holding   | Market value<br>£'000 | Total net<br>assets % |
|--|-----------|-----------------------|-----------------------|
| <b>Industrials – 10.1% (9.4%)</b>                    |           |                       |                       |
| <b>Aerospace &amp; defence – 1.7%</b>                |           |                       |                       |
| BAE Systems  | 393,118   | 1,231                 | 0.9                   |
| Meggitt  | 184,364   | 665                   | 0.5                   |
| QinetiQ Group  | 363,141   | 473                   | 0.3                   |
| <b>Construction &amp; materials – 0.3%</b>           |           |                       |                       |
| Kier Group   | 35,476    | 474                   | 0.3                   |
| <b>Electronics &amp; electrical equipment – 0.4%</b> |           |                       |                       |
| Morgan Crucible                                      | 192,215   | 605                   | 0.4                   |
| <b>General industrials – 1.8%</b>                    |           |                       |                       |
| Rexam  | 197,968   | 745                   | 0.5                   |
| RPC Group  | 151,718   | 580                   | 0.4                   |
| Smith (DS)   | 256,769   | 593                   | 0.4                   |
| Smiths Group   | 74,737    | 717                   | 0.5                   |
| <b>Industrial engineering – 1.4%</b>                 |           |                       |                       |
| Bodycote International                               | 183,737   | 571                   | 0.4                   |
| IMI  | 83,642    | 714                   | 0.5                   |
| Melrose  | 173,943   | 647                   | 0.5                   |
| <b>Industrial transportation – 0.4%</b>              |           |                       |                       |
| BBA Aviation   | 278,729   | 520                   | 0.4                   |
| <b>Support services – 4.1%</b>                       |           |                       |                       |
| Atkins (WS)  | 71,357    | 500                   | 0.4                   |
| Berendsen  | 116,794   | 528                   | 0.4                   |
| Cape   | 109,524   | 417                   | 0.3                   |
| Carillion  | 163,643   | 507                   | 0.4                   |
| G4S  | 245,338   | 664                   | 0.5                   |
| Howden Joinery Group                                 | 470,227   | 499                   | 0.4                   |
| Interserve   | 149,222   | 444                   | 0.3                   |
| Mitie Group  | 214,219   | 545                   | 0.4                   |
| Northgate  | 97,021    | 219                   | 0.2                   |
| RPS Group  | 195,642   | 402                   | 0.3                   |
| Travis Perkins                                       | 73,310    | 642                   | 0.5                   |
| <b>Telecommunications – 9.1% (7.6%)</b>              |           |                       |                       |
| <b>Fixed line telecommunications – 1.8%</b>          |           |                       |                       |
| BT Group   | 870,469   | 1,782                 | 1.3                   |
| Cable & Wireless Communications                      | 1,714,243 | 710                   | 0.5                   |
| <b>Mobile telecommunications – 5.7%</b>              |           |                       |                       |
| Talk Talk Telecom                                    | 380,378   | 464                   | 0.3                   |
| Vodafone Group                                       | 4,367,782 | 7,539                 | 5.4                   |
| <b>Tobacco – 1.6%</b>                                |           |                       |                       |
| Imperial Tobacco Group                               | 101,285   | 2,302                 | 1.6                   |
| <b>Basic materials – 7.9% (15.2%)</b>                |           |                       |                       |
| <b>Chemicals – 0.8%</b>                              |           |                       |                       |
| Elementis  | 363,812   | 545                   | 0.4                   |
| Yule Catto & Co                                      | 289,514   | 568                   | 0.4                   |
| <b>Industrial metals &amp; mining – 0.6%</b>         |           |                       |                       |
| Evrax  | 190,602   | 854                   | 0.6                   |
| <b>Mining – 6.5%</b>                                 |           |                       |                       |
| BHP Billiton   | 187,997   | 4,074                 | 2.9                   |
| Petropavlovsk  | 77,492    | 589                   | 0.4                   |
| Rio Tinto  | 117,917   | 4,531                 | 3.2                   |
| <b>Health care – 7.2% (6.7%)</b>                     |           |                       |                       |
| <b>Pharmaceuticals &amp; biotechnology – 7.2%</b>    |           |                       |                       |
| AstraZeneca  | 124,796   | 3,813                 | 2.7                   |
| GlaxoSmithKline                                      | 442,645   | 6,286                 | 4.5                   |
| <b>Utilities – 4.2% (1.7%)</b>                       |           |                       |                       |
| <b>Electricity – 1.4%</b>                            |           |                       |                       |
| Drax Group   | 119,601   | 635                   | 0.5                   |
| Scottish & Southern Energy                           | 107,304   | 1,322                 | 0.9                   |
| <b>Gas, water &amp; multiutilities – 2.8%</b>        |           |                       |                       |
| Centrica   | 554,595   | 1,642                 | 1.2                   |
| National Grid  | 347,200   | 2,175                 | 1.6                   |
| <b>Consumer goods – 2.9% (6.6%)</b>                  |           |                       |                       |
| <b>Automobiles &amp; parts – 0.6%</b>                |           |                       |                       |
| GKN  | 388,622   | 815                   | 0.6                   |
| <b>Food producers – 0.3%</b>                         |           |                       |                       |
| Dairy Crest Group                                    | 133,816   | 420                   | 0.3                   |
| <b>Household goods – 2.0%</b>                        |           |                       |                       |
| Barratt Development                                  | 646,817   | 701                   | 0.5                   |
| Bellway  | 77,525    | 567                   | 0.4                   |
| Bovis Homes Group                                    | 107,903   | 475                   | 0.3                   |
| Persimmon  | 120,973   | 630                   | 0.4                   |
| Taylor Wimpey  | 1,476,600 | 627                   | 0.4                   |

## Portfolio statement – continued

As at 31 January 2012

| Investment   | Holding   | Market value<br>£'000 | Total net<br>assets % |
|--|-----------|-----------------------|-----------------------|
| <b>Equity investment instruments – 2.7% (0.0%)</b> |           |                       |                       |
| JPM UK Smaller Companies 'I' (Accumulation)^       | 944,088   | 3,846                 | 2.7                   |
| <b>Technology – 1.2% (1.3%)</b>                    |           |                       |                       |
| <b>Software &amp; computer services – 0.8%</b>     |           |                       |                       |
| Computacenter                                      | 132,700   | 519                   | 0.4                   |
| Micro Focus International                          | 134,077   | 576                   | 0.4                   |
| <b>Technology hardware &amp; equipment – 0.4%</b>  |           |                       |                       |
| Laird Group  | 333,032   | 548                   | 0.4                   |
| <b>Futures – 0.1% (0.0%)</b>                       |           |                       |                       |
| FTSE 100 Index Futures Mar 2012                    | 60        | 99                    | 0.1                   |
| <b>Liquidity funds – 2.6% (0.0%)</b>               |           |                       |                       |
| JPM Sterling Liquidity 'X' (Income)^               | 3,655,513 | 3,656                 | 2.6                   |
| <b>Investment assets</b>                           |           | <b>139,686</b>        | <b>99.6</b>           |
| <b>Net other assets</b>                            |           | <b>509</b>            | <b>0.4</b>            |
| <b>Net assets</b>                                  |           | <b>140,195</b>        | <b>100.0</b>          |

Unless otherwise stated the above securities are admitted to official stock exchange listings or trade on a regulated market.

The comparative percentage figures in brackets are at 31 January 2011.

^ Deemed to be investment in related parties of the ACD

## Portfolio movements

For the year ending 31 January 2012

|  | £'000         |  | £'000           |
|--|---------------|--|-----------------|
| <b>Total of all purchases for the year (Note 10)</b> | <b>91,034</b> | <b>Total of all sales for the year (Note 10)</b> | <b>114,675</b>  |
| <b>Major purchases</b>                               | <b>Cost</b>   | <b>Major sales</b>                               | <b>Proceeds</b> |
| JPM Sterling Liquidity 'X' (Income)^                 | 15,056        | JPM Sterling Liquidity 'X' (Income)^             | 11,400          |
| GlaxoSmithKline                                      | 5,801         | GlaxoSmithKline                                  | 6,902           |
| JPM UK Smaller Companies 'I' (Accumulation)^         | 4,398         | British American Tobacco                         | 6,285           |
| Standard Chartered                                   | 3,023         | Anglo American                                   | 3,693           |
| Tesco  | 2,878         | Royal Dutch Shell 'B'                            | 3,189           |
| WPP  | 2,302         | Xstrata  | 2,780           |
| Imperial Tobacco Group                               | 2,247         | Vodafone Group                                   | 2,336           |
| National Grid  | 2,233         | HSBC   | 2,222           |
| Centrica   | 1,930         | Rio Tinto  | 2,014           |
| Land Securities                                      | 1,915         | Lloyds Banking Group                             | 1,811           |
| Sainsbury (J)  | 1,818         | BP   | 1,785           |
| BAE Systems  | 1,501         | Land Securities                                  | 1,783           |
| ITV  | 1,429         | BHP Billiton                                     | 1,746           |
| Scottish & Southern Energy                           | 1,357         | Man Group  | 1,477           |
| Marks & Spencer                                      | 1,107         | Bunzl  | 1,413           |
| Antofagasta  | 1,035         | United Utilities Group                           | 1,192           |
| Wolseley   | 1,029         | AstraZeneca                                      | 1,161           |
| Morrison (Wm.) Supermarkets                          | 1,001         | Tate & Lyle                                      | 1,145           |
| Amlin  | 979           | Amlin  | 1,101           |
| Reed Elsevier  | 962           | Royal Bank of Scotland Group                     | 1,101           |

^ Deemed to be investment in related parties of the ACD

## Financial statements

### Statement of total return

For the year ending 31 January

|   | £'000   | 2012<br>£'000   | £'000   | 2011<br>£'000 |
|---|---------|-----------------|---------|---------------|
| Income  |         |                 |         |               |
| Net capital (losses)/gains (Note 1)   |         | (9,563)         |         | 31,675        |
| Revenue (Note 2)  | 6,000   |                 | 5,404   |               |
| Expenses (Note 3)   | (2,374) |                 | (2,762) |               |
| Finance costs: Interest (Note 5)  | -       |                 | (1)     |               |
| Net revenue before taxation   | 3,626   |                 | 2,641   |               |
| Taxation (Note 4)   | (7)     |                 | (6)     |               |
| Net revenue after taxation  |         | 3,619           |         | 2,635         |
| <b>Total return before distributions</b>  |         | <b>(5,944)</b>  |         | <b>34,310</b> |
| Finance costs:  |         |                 |         |               |
| Distributions (Note 5)  |         | (5,763)         |         | (5,122)       |
| <b>Change in net assets attributable to shareholders from investment activities</b> |         | <b>(11,707)</b> |         | <b>29,188</b> |

### Balance sheet

As at 31 January

|  | £'000 | 2012<br>£'000  | £'000 | 2011<br>£'000  |
|--|-------|----------------|-------|----------------|
| <b>ASSETS</b>                                  |       |                |       |                |
| Investment assets                              |       | 139,686        |       | 173,217        |
| Debtors (Note 7)                               | 536   |                | 325   |                |
| Cash and bank balances (Note 8)                | 361   |                | 310   |                |
| <b>Total other assets</b>                      |       | <b>897</b>     |       | <b>635</b>     |
| <b>Total assets</b>                            |       | <b>140,583</b> |       | <b>173,852</b> |
| <b>LIABILITIES</b>                             |       |                |       |                |
| Creditors (Note 9)                             | (277) |                | (432) |                |
| Distribution payable on income shares          | (111) |                | (75)  |                |
| <b>Total liabilities</b>                       |       | <b>(388)</b>   |       | <b>(507)</b>   |
| <b>Net assets attributable to shareholders</b> |       | <b>140,195</b> |       | <b>173,345</b> |

The notes to these financial statements are shown on pages 343 to 344.

### Statement of change in net assets attributable to shareholders

For the year ending 31 January

|   | £'000    | 2012<br>£'000   | £'000    | 2011<br>£'000  |
|---|----------|-----------------|----------|----------------|
| <b>Opening net assets attributable to shareholders</b>  |          | <b>173,345</b>  |          | <b>183,792</b> |
| Amounts receivable on issue of shares   | 3,721    |                 | 1,675    |                |
| Amounts payable on cancellation of shares   | (30,257) |                 | (45,787) |                |
|   |          | (26,536)        |          | (44,112)       |
| <b>Change in net assets attributable to shareholders from investment activities (see above)</b> |          | <b>(11,707)</b> |          | <b>29,188</b>  |
| Retained distributions on accumulation shares   |          | 5,114           |          | 4,491          |
| Stamp duty reserve tax  |          | (25)            |          | (18)           |
| Unclaimed distributions   |          | 4               |          | 4              |
| <b>Closing net assets attributable to shareholders</b>  |          | <b>140,195</b>  |          | <b>173,345</b> |



# Notes to the financial statements for the year ending 31 January 2012

## 1. Net capital (losses)/gains

|                            | 2012<br>£'000  | 2011<br>£'000 |
|----------------------------|----------------|---------------|
| Currency gains/(losses)    | 1              | (1)           |
| Custodian handling charges | (7)            | (7)           |
| Derivative contracts       | 290            | 192           |
| Non-derivative securities  | (9,847)        | 31,491        |
| Net capital (losses)/gains | <u>(9,563)</u> | <u>31,675</u> |

## 2. Revenue

|   | 2012<br>£'000 | 2011<br>£'000 |
|---|---------------|---------------|
| Distributions from authorised ICVCs       | 62            | -             |
| Franked income from UK equity investments | 5,454         | 5,023         |
| Income from overseas equity investments   | 278           | 307           |
| Interest on bank and term deposits        | 8             | 6             |
| Interest on fixed-interest securities     | 8             | -             |
| Management fee rebates                    | 15            | -             |
| Property income distributions             | 66            | 30            |
| Stock dividends                           | 83            | -             |
| Stocklending income*                      | 11            | 16            |
| Underwriting commission                   | 15            | 22            |
| Total revenue                             | <u>6,000</u>  | <u>5,404</u>  |

\* Stocklending income is disclosed net of fees. See note 11.

## 3. Expenses

|  | 2012<br>£'000 | 2011<br>£'000 |
|--|---------------|---------------|
| <b>Payable to the ACD or associate of the ACD:</b> |               |               |
| ACD fee  | 2,138         | 2,481         |
| Fixed expenses                                     | 241           | 281           |
|  | <u>2,379</u>  | <u>2,762</u>  |
| <b>Payable to third parties:</b>                   |               |               |
| VAT recovered*                                     | (5)           | -             |
| Total expenses                                     | <u>2,374</u>  | <u>2,762</u>  |

\* VAT recovered includes amounts arising as a result of changes to the policy of HM Revenue & Customs ("HMRC") concerning VAT exemption for the management of authorised collective investment schemes (UK Law, items 9 and 10 of group 5, Schedule 9, to the VAT Act 1994) where these services have historically been treated as subject to VAT in the UK. These changes are in accordance with the Business Brief 07/06 (item 3) from HMRC in light of the European Court of Justice judgment in case C-196/04, Abbey National and Inscape Investment Fund.

## 4. Taxation

|  | 2012<br>£'000 | 2011<br>£'000 |
|--|---------------|---------------|
| <b>a) Analysis of charge in the year</b> |               |               |
| Overseas tax suffered                    | 7             | 6             |
| Current year tax charge (Note 4b)        | <u>7</u>      | <u>6</u>      |

### b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an Open-Ended Investment Company (OEIC) (20%). The differences are explained below.

|   |              |              |
|---|--------------|--------------|
| Net revenue before taxation               | 3,626        | 2,641        |
| Corporation tax at 20%                    | <u>725</u>   | <u>528</u>   |
| Effects of:                               |              |              |
| Dividends not subject to corporation tax  | (1,175)      | (1,066)      |
| Excess expenses for which no relief taken | 450          | 538          |
| Overseas tax suffered                     | 7            | 6            |
|   | <u>(718)</u> | <u>(522)</u> |
| Current year tax charge (Note 4a)         | <u>7</u>     | <u>6</u>     |

No deferred tax asset has been recognised in the financial statements. At the year end date, the fund had a deferred tax asset of £3,078,359 (31.01.11: £2,628,089) in relation to £15,391,794 (31.01.11: £13,140,446) of excess management expenses which would only be utilised to reduce the tax charge if the fund had an excess of unfranked income over expenses in a future period. There is no excess of unfranked income expected in the future.

## 5. Finance costs

### Distributions

The distributions take account of amounts receivable on the issue of shares and amounts payable on the cancellation of shares and comprise:

|  | 2012<br>£'000 | 2011<br>£'000 |
|--|---------------|---------------|
| First interim dividend distribution            | 1,767         | 1,580         |
| Second interim dividend distribution           | 1,286         | 1,252         |
| Third interim dividend distribution            | 1,313         | 1,237         |
| Final dividend distribution                    | 1,256         | 849           |
| Add: Amounts payable on cancellation of shares | 160           | 213           |
| Deduct: Amounts receivable on issue of shares  | (19)          | (9)           |
| Net distributions for the year                 | <u>5,763</u>  | <u>5,122</u>  |

|                     |              |              |
|---------------------|--------------|--------------|
| Interest            | -            | 1            |
| Total finance costs | <u>5,763</u> | <u>5,123</u> |

Details of the distribution per share are set out on pages 345 to 346.

## 6. Movement between net revenue after taxation and distributions

|  | 2012<br>£'000 | 2011<br>£'000 |
|--|---------------|---------------|
| Net revenue after taxation                         | 3,619         | 2,635         |
| Add: ACD fee (net of tax relief) paid from capital | 2,138         | 2,481         |
| Add: Undistributed revenue brought forward         | 11            | 17            |
| Deduct: Undistributed revenue carried forward      | (5)           | (11)          |
|  | <u>5,763</u>  | <u>5,122</u>  |

## Notes to the financial statements – continued

### 7. Debtors

|                                     | 2012<br>£'000 | 2011<br>£'000 |
|-------------------------------------|---------------|---------------|
| Accrued income                      | 515           | 294           |
| Due from the ACD for shares created | 11            | 13            |
| Overseas tax recoverable            | 5             | 13            |
| Property income tax recoverable     | 5             | 5             |
| Total debtors                       | <u>536</u>    | <u>325</u>    |

### 8. Cash and bank balances

|   | 2012<br>£'000 | 2011<br>£'000 |
|---|---------------|---------------|
| Amounts held at futures clearing houses and brokers | 176           | -             |
| Cash and bank balances                              | <u>185</u>    | <u>310</u>    |
| Total cash and bank balances                        | <u>361</u>    | <u>310</u>    |

### 9. Creditors

|                                     | 2012<br>£'000 | 2011<br>£'000 |
|-------------------------------------|---------------|---------------|
| Accrued expenses                    | 187           | 244           |
| Due to the ACD for shares cancelled | <u>90</u>     | <u>188</u>    |
| Total creditors                     | <u>277</u>    | <u>432</u>    |

### 10. Portfolio transaction costs

|  | 2012<br>£'000  | 2011<br>£'000  |
|--|----------------|----------------|
| Analysis of total purchase costs           |                |                |
| Purchases in year before transaction costs | <u>90,638</u>  | <u>132,627</u> |
| Commissions                                | 76             | 193            |
| Taxes                                      | <u>320</u>     | <u>616</u>     |
| Total purchase costs                       | <u>396</u>     | <u>809</u>     |
| Gross purchases total                      | <u>91,034</u>  | <u>133,436</u> |
| Analysis of total sale costs               |                |                |
| Gross sales before transaction costs       | <u>114,784</u> | <u>174,167</u> |
| Commissions                                | (108)          | (251)          |
| Taxes                                      | <u>(1)</u>     | <u>(1)</u>     |
| Total sale costs                           | <u>(109)</u>   | <u>(252)</u>   |
| Total sales net of transaction costs       | <u>114,675</u> | <u>173,915</u> |

### 11. Related party transactions

JPMorgan Funds Limited, as Authorised Corporate Director ("ACD"), is a related party, and acts as principal in respect of all transactions of shares in the Company. The aggregate monies received through issue, and paid on cancellation, are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

The balance due to the ACD and their associates at the year end date in respect of related party transactions was £266,323 (31.01.11: £418,829). Details of related party transactions are given under note 13 on page 389.

Investments considered to be related parties have been identified in the portfolio statement on pages 339 to 340 and the revenue from these investments was £70,013 (31.01.11: £nil).

Some of the dealing transactions for the fund are carried out through associates of the ACD. Such transactions are carried out on an arm's length basis. The commissions paid to these companies over the year were £8,405 (31.01.11: £16,477). Commission was paid to the associated company JPMorgan Securities Ltd.

The gross stocklending income received was £13,540 (31.01.11: £18,974), with fees deducted of £2,369 (31.01.11: £3,320).

The following parties held a material interest in the fund at the year end date:

- S&P Pensions Ltd 35.62% (31.01.11: 27.20%)
- RBC Dexia Investor Services Bank 24.71% (31.01.11: 23.91%)

### 12. Financial instruments

#### Currency exposures

At the year end date, the majority of the fund's financial assets and liabilities are denominated in Sterling. As a result, the fund has no material exposure to currency movements.

#### Interest rate risk

At the year end date, 2.9% (31.01.11: 0.2%) of the fund's net assets by value were interest bearing.

For consideration of other risks including liquidity, pricing and credit risk, please refer to the notes to the aggregated financial statements, pages 389 to 390.

### 13. Share classes

The fund currently has two share class; Class A shares and Class I shares. The Authorised Corporate Director's (ACD) fee and fixed expenses charge are shown below.

|                 | ACD fee | Fixed expenses |
|-----------------|---------|----------------|
| Class A shares: | 1.50%   | 0.18%          |
| Class I shares: | 0.60%   | 0.00%          |

The net asset value of each share class, the net asset value per share and the number of shares in each class are shown on page 338. All classes have the same rights on winding up.

### 14. Derivatives

The fund enters into derivative transactions in the form of futures for the purpose of efficient portfolio management. The commitment approach has been used to calculate the global exposure.

Further information on the derivative risks can be found in the notes to the aggregated financial statements on page 390.

## Distribution table

### Final distribution in pence per share

Group 1 – Shares purchased prior to 1 November 2011

Group 2 – Shares purchased 1 November 2011 to 31 January 2012

|                                    | Gross revenue | Tax at 10% | Net revenue | Equalisation | Distribution payable 30.04.12 | Distribution paid 30.04.11 |
|------------------------------------|---------------|------------|-------------|--------------|-------------------------------|----------------------------|
| <b>A-Class Accumulation Shares</b> |               |            |             |              |                               |                            |
| Group 1                            | 1.022222      | 0.102222   | 0.920000    | -            | 0.920000                      | 0.520000                   |
| Group 2                            | 0.441417      | 0.044142   | 0.397275    | 0.522725     | 0.920000                      | 0.520000                   |
| <b>A-Class Income Shares</b>       |               |            |             |              |                               |                            |
| Group 1                            | 0.766667      | 0.076667   | 0.690000    | -            | 0.690000                      | 0.410000                   |
| Group 2                            | 0.294461      | 0.029446   | 0.265015    | 0.424985     | 0.690000                      | 0.410000                   |
| <b>I-Class Accumulation Shares</b> |               |            |             |              |                               |                            |
| Group 1                            | 1.122222      | 0.112222   | 1.010000    | -            | 1.010000                      | 0.590000                   |
| Group 2                            | 1.122222      | 0.112222   | 1.010000    | 0.000000     | 1.010000                      | 0.590000                   |
| <b>I-Class Income Shares</b>       |               |            |             |              |                               |                            |
| Group 1                            | 0.966667      | 0.096667   | 0.870000    | -            | 0.870000                      | 0.530000                   |
| Group 2                            | 0.966667      | 0.096667   | 0.870000    | 0.000000     | 0.870000                      | 0.530000                   |

### Third interim distribution in pence per share

Group 1 – Shares purchased prior to 1 August 2011

Group 2 – Shares purchased 1 August 2011 to 31 October 2011

|                                    | Gross revenue | Tax at 10% | Net revenue | Equalisation | Distribution paid 31.01.12 | Distribution paid 31.01.11 |
|------------------------------------|---------------|------------|-------------|--------------|----------------------------|----------------------------|
| <b>A-Class Accumulation Shares</b> |               |            |             |              |                            |                            |
| Group 1                            | 1.044444      | 0.104444   | 0.940000    | -            | 0.940000                   | 0.720000                   |
| Group 2                            | 0.405867      | 0.040587   | 0.365280    | 0.574720     | 0.940000                   | 0.720000                   |
| <b>A-Class Income Shares</b>       |               |            |             |              |                            |                            |
| Group 1                            | 0.788889      | 0.078889   | 0.710000    | -            | 0.710000                   | 0.560000                   |
| Group 2                            | 0.263918      | 0.026392   | 0.237526    | 0.472474     | 0.710000                   | 0.560000                   |
| <b>I-Class Accumulation Shares</b> |               |            |             |              |                            |                            |
| Group 1                            | 1.188889      | 0.118889   | 1.070000    | -            | 1.070000                   | 0.820000                   |
| Group 2                            | 1.188889      | 0.118889   | 1.070000    | 0.000000     | 1.070000                   | 0.820000                   |
| <b>I-Class Income Shares</b>       |               |            |             |              |                            |                            |
| Group 1                            | 1.033333      | 0.103333   | 0.930000    | -            | 0.930000                   | 0.740000                   |
| Group 2                            | 0.274303      | 0.027430   | 0.246873    | 0.683127     | 0.930000                   | 0.740000                   |

## Distribution table – continued

### Second interim distribution in pence per share

Group 1 – Shares purchased prior to 1 May 2011

Group 2 – Shares purchased 1 May 2011 to 31 July 2011

|                                    | Gross revenue | Tax at 10% | Net revenue | Equalisation | Distribution paid 31.10.11 | Distribution paid 31.10.10 |
|------------------------------------|---------------|------------|-------------|--------------|----------------------------|----------------------------|
| <b>A-Class Accumulation Shares</b> |               |            |             |              |                            |                            |
| Group 1                            | 0.988889      | 0.098889   | 0.890000    | -            | 0.890000                   | 0.710000                   |
| Group 2                            | 0.369863      | 0.036986   | 0.332877    | 0.557123     | 0.890000                   | 0.710000                   |
| <b>A-Class Income Shares</b>       |               |            |             |              |                            |                            |
| Group 1                            | 0.766667      | 0.076667   | 0.690000    | -            | 0.690000                   | 0.560000                   |
| Group 2                            | 0.501294      | 0.050129   | 0.451165    | 0.238835     | 0.690000                   | 0.560000                   |
| <b>I-Class Accumulation Shares</b> |               |            |             |              |                            |                            |
| Group 1                            | 1.133333      | 0.113333   | 1.020000    | -            | 1.020000                   | 0.810000                   |
| Group 2                            | 1.133333      | 0.113333   | 1.020000    | 0.000000     | 1.020000                   | 0.810000                   |
| <b>I-Class Income Shares</b>       |               |            |             |              |                            |                            |
| Group 1                            | 1.000000      | 0.100000   | 0.900000    | -            | 0.900000                   | 0.730000                   |
| Group 2                            | 1.000000      | 0.100000   | 0.900000    | 0.000000     | 0.900000                   | 0.730000                   |

### First interim distribution in pence per share

Group 1 – Shares purchased prior to 1 February 2011

Group 2 – Shares purchased 1 February 2011 to 30 April 2011

|                                    | Gross revenue | Tax at 10% | Net revenue | Equalisation | Distribution paid 31.07.11 | Distribution paid 31.07.10 |
|------------------------------------|---------------|------------|-------------|--------------|----------------------------|----------------------------|
| <b>A-Class Accumulation Shares</b> |               |            |             |              |                            |                            |
| Group 1                            | 1.288889      | 0.128889   | 1.160000    | -            | 1.160000                   | 0.880000                   |
| Group 2                            | 0.704481      | 0.070448   | 0.634033    | 0.525967     | 1.160000                   | 0.880000                   |
| <b>A-Class Income Shares</b>       |               |            |             |              |                            |                            |
| Group 1                            | 0.988889      | 0.098889   | 0.890000    | -            | 0.890000                   | 0.700000                   |
| Group 2                            | 0.500364      | 0.050036   | 0.450328    | 0.439672     | 0.890000                   | 0.700000                   |
| <b>I-Class Accumulation Shares</b> |               |            |             |              |                            |                            |
| Group 1                            | 1.444444      | 0.144444   | 1.300000    | -            | 1.300000                   | 0.980000                   |
| Group 2                            | 1.444444      | 0.144444   | 1.300000    | 0.000000     | 1.300000                   | 0.980000                   |
| <b>I-Class Income Shares</b>       |               |            |             |              |                            |                            |
| Group 1                            | 1.266667      | 0.126667   | 1.140000    | -            | 1.140000                   | 0.890000                   |
| Group 2                            | 1.266667      | 0.126667   | 1.140000    | 0.000000     | 1.140000                   | 0.890000                   |

Equalisation applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of revenue included in the purchase price of all group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

# JPM UK Strategic Growth Fund

## Important information

### Change of Depositary

As part of an internal re-structuring, The Royal Bank of Scotland plc has transferred its Trustee and Depositary Services business from The Royal Bank of Scotland plc to National Westminster Bank plc and consequently National Westminster Bank plc has been appointed as Depositary of the Fund with effect from 15 October 2011.

As Depositary, National Westminster Bank plc will have the same duties and responsibilities as The Royal Bank of Scotland plc and this change will have no impact on the way the Fund operates.

### Change of investment policy

The investment policy was amended on 1 February 2011 to clarify that any future use of derivatives for investment purposes may change the risk profile of the Fund as follows:

“To provide long-term capital growth through investment primarily in a growth style biased portfolio of UK companies.

Derivatives may be used for the purpose of Efficient Portfolio Management, including hedging, where appropriate (see section 11.14 of the full Prospectus for Risk Warnings on derivatives). Subject to at least 60 days’ notice to shareholders, the Fund may use derivatives for investment purposes which may change the risk profile of the Fund. The Fund may hold non-equity investments from time to time as appropriate.”

For the avoidance of doubt, this is not a notice that the Fund will use derivatives for investment purposes; such notice would be subject to at least 60 days notice to shareholders.

## Risk profile

This equity based Fund invests primarily in companies that are selected for their prospects of above average earnings growth. This may include smaller companies.

Equity investment is subject to specific risks relating to the performance of the individual companies held and the market’s perception of their performance. Equities are also subject to systematic risks such as general economic conditions, inflation, interest rates, foreign exchange rates and industry sector risks. In general terms, equities tend to be more volatile than bonds.

As growth stocks tend to outperform at different times to value stocks, investors should be prepared for periods of underperformance when growth stocks are out of favour.

Funds that invest predominantly in a single market, asset class or sector may be subject to greater volatility than those funds with a more diversified portfolio.

## Fund review

UK share prices have struggled to gain traction over the review period, constrained by weak domestic and global economic data, and worries over the eurozone sovereign debt crisis.

Against this backdrop, the Fund’s preference for stocks with strong growth characteristics resulted in it producing negative returns and underperforming its benchmark. The biggest positive contributor to relative returns was an underweight position in the banks sector. Stock selection and an underweight position in mining and stock selection in technology were also beneficial. Stock selection in support services was detrimental, as were underweight positions in pharmaceuticals and tobacco.

At the stock level, the Fund benefited in relative terms from an underweight position in Lloyds Banking Group, which was hurt by concerns over regulation and sovereign debt, and by worries over management. An underweight position in Xstrata was also beneficial as slowing global growth weighted on commodity prices. Stock-level detractors included an underweight position in drugmaker GlaxoSmithKline, which suffered earnings pressure but was sought by investors for its defensive qualities against an uncertain global backdrop. An underweight position in British American Tobacco also detracted as the tobacco company benefited from its defensive earnings profile, and was boosted by an ongoing share buyback programme. However, relative returns were boosted by exposure to Autonomy after Hewlett Packard bought the software company for GBP 7.1 billion.

## Fund outlook

The UK economy remains weak, but momentum has improved in early 2012, supported by a stabilisation of the eurozone crisis and better growth in the US. An improving economic backdrop would be supportive for UK corporate earnings, which in turn would be positive for the stock market – particularly with valuations looking attractive relative to history and compared to bonds.

## 12 month performance as at 31 January

|  | 2012         | 2011         | 2010         |
|--|--------------|--------------|--------------|
| <b>JPM UK Strategic Growth A-Class Acc</b> | <b>-4.1%</b> | <b>21.8%</b> | <b>19.1%</b> |
| Benchmark Index                            | -0.3%        | 18.1%        | 33.2%        |

## Fund statistics

|                 |  |
|-----------------|--|
| Fund size       | <b>£4.3m</b>                                   |
| Benchmark Index | <b>FTSE All-Share Index (Total Return Net)</b> |
| Fund charges    | <b>Initial 4.25%, Annual 1.50%</b>             |

You should remember that past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. For specific risks, please read the Simplified Prospectus.

All performance returns are calculated using the quoted price of the accumulation shares. Performance returns are in Sterling.

Source: J.P. Morgan.

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## Top ten holdings

|  | %   |
|--|-----|
| Royal Dutch Shell 'B'                        | 8.4 |
| BP   | 5.2 |
| GlaxoSmithKline                              | 4.5 |
| British American Tobacco                     | 3.7 |
| BG Group                                     | 3.2 |
| JPM UK Smaller Companies 'I' (Accumulation)^ | 2.8 |
| Diageo                                       | 2.4 |
| AstraZeneca                                  | 2.3 |
| SABMiller                                    | 2.1 |
| Unilever                                     | 1.9 |

^ Deemed to be investment in related parties of the ACD

## Sector breakdown

|                               | %    |
|-------------------------------|------|
| Oil & gas                     | 20.1 |
| Consumer goods                | 18.0 |
| Industrials                   | 14.9 |
| Consumer services             | 11.0 |
| Health care                   | 9.3  |
| Financials                    | 9.3  |
| Basic materials               | 4.2  |
| Technology                    | 4.0  |
| Utilities                     | 3.7  |
| Equity investment instruments | 2.8  |
| Telecommunications            | 2.0  |
| Net other assets              | 0.7  |

## Portfolio turnover rate

|          |        |
|----------|--------|
| 31.01.11 | 223.8% |
| 31.01.12 | 190.0% |

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the period.

## Net asset values and Total expense ratios

| Date                               | Net asset value per share class<br>£'000 | Number of shares | Net asset value per share | Total expense ratio |
|------------------------------------|--|------------------|---------------------------|---------------------|
| <b>A-Class Accumulation Shares</b> |  |                  |                           |                     |
| 31.01.10                           | 1,841                                    | 3,126,449        | 58.88p                    | 1.68%               |
| 31.01.11                           | 2,341                                    | 3,239,407        | 72.27p                    | 1.68%               |
| 31.01.12                           | 2,264                                    | 3,265,020        | 69.34p                    | 1.68%               |
| <b>A-Class Income Shares</b>       |  |                  |                           |                     |
| 31.01.10                           | 1,765                                    | 3,040,402        | 58.07p                    | 1.68%               |
| 31.01.11                           | 2,167                                    | 3,057,596        | 70.87p                    | 1.68%               |
| 31.01.12                           | 2,043                                    | 3,038,075        | 67.26p                    | 1.68%               |

The net asset value and the net asset value per income share are shown ex-dividend.

The total expense ratio (TER) takes into account the ACD fee and any fixed expenses charged to revenue expressed as a percentage of the average daily net asset values over the period.

## Highest/lowest share price and distribution record

| Calendar year                                  | Highest share price | Lowest share price | Distribution per share (net) |
|--|---------------------|--------------------|------------------------------|
| <b>A-Class Accumulation Shares<sup>A</sup></b> |                     |                    |                              |
| 2008   | 51.58p              | 49.70p             | -                            |
| 2009   | 62.55p              | 43.33p             | 0.00p                        |
| 2010   | 73.56p              | 57.65p             | 0.81p                        |
| 2011   | 77.25p              | 60.84p             | 0.42p                        |
| 2012 <sup>B</sup>                              | 70.14p              | 68.76p             | 0.77p                        |
| <b>A-Class Income Shares<sup>A</sup></b>       |                     |                    |                              |
| 2008   | 51.58p              | 49.70p             | -                            |
| 2009   | 62.55p              | 43.33p             | 0.00p                        |
| 2010   | 72.56p              | 56.86p             | 0.81p                        |
| 2011   | 75.76p              | 59.67p             | 0.41p                        |
| 2012 <sup>B</sup>                              | 68.78p              | 67.44p             | 0.75p                        |

<sup>A</sup> A-Class Accumulation and A-Class Income Shares were launched on 18 December 2008.

<sup>B</sup> To 31 January 2012.

# Portfolio statement

As at 31 January 2012

| Investment   | Holding | Market value<br>£'000 | Total net<br>assets % |
|--|---------|-----------------------|-----------------------|
| <b>Oil &amp; gas - 20.1% (15.0%)</b>                     |         |                       |                       |
| <b>Oil &amp; gas producers - 17.8%</b>                   |         |                       |                       |
| BG Group   | 9,610   | 136                   | 3.2                   |
| BP   | 47,310  | 223                   | 5.2                   |
| Royal Dutch Shell 'B'                                    | 15,457  | 360                   | 8.4                   |
| Tullow Oil   | 3,296   | 45                    | 1.0                   |
| <b>Oil equipment, services &amp; distribution - 2.3%</b> |         |                       |                       |
| Hunting  | 2,375   | 19                    | 0.4                   |
| Kentz Group  | 3,850   | 17                    | 0.4                   |
| Lamprell   | 6,140   | 18                    | 0.4                   |
| Petrofac   | 1,700   | 25                    | 0.6                   |
| Wood Group (John)  | 3,223   | 21                    | 0.5                   |
| <b>Consumer goods - 18.0% (7.5%)</b>                     |         |                       |                       |
| <b>Automobiles &amp; parts - 0.6%</b>                    |         |                       |                       |
| GKN  | 11,771  | 25                    | 0.6                   |
| <b>Beverages - 4.9%</b>                                  |         |                       |                       |
| Barr A.G.  | 1,323   | 16                    | 0.4                   |
| Diageo   | 7,237   | 102                   | 2.4                   |
| SABMiller  | 3,665   | 89                    | 2.1                   |
| <b>Food producers - 3.4%</b>                             |         |                       |                       |
| Associated British Foods                                 | 2,346   | 27                    | 0.6                   |
| Devro  | 6,433   | 17                    | 0.4                   |
| Tate & Lyle  | 3,473   | 23                    | 0.5                   |
| Unilever   | 4,029   | 83                    | 1.9                   |
| <b>Household goods - 3.0%</b>                            |         |                       |                       |
| Barratt Development                                      | 17,940  | 19                    | 0.5                   |
| Bellway  | 2,520   | 18                    | 0.4                   |
| Berkeley Group 'B'                                       | 1,522   | 19                    | 0.4                   |
| Bovis Homes Group  | 3,930   | 17                    | 0.4                   |
| Persimmon  | 3,985   | 21                    | 0.5                   |
| Redrow   | 12,302  | 15                    | 0.3                   |
| Taylor Wimpey  | 51,834  | 22                    | 0.5                   |
| <b>Personal goods - 0.7%</b>                             |         |                       |                       |
| Burberry Group   | 2,310   | 31                    | 0.7                   |
| <b>Tobacco - 5.4%</b>                                    |         |                       |                       |
| British American Tobacco                                 | 5,444   | 161                   | 3.7                   |
| Imperial Tobacco Group                                   | 3,192   | 73                    | 1.7                   |
| <b>Industrials - 14.9% (15.8%)</b>                       |         |                       |                       |
| <b>Aerospace &amp; defence - 2.8%</b>                    |         |                       |                       |
| Meggitt  | 5,658   | 20                    | 0.5                   |
| QinetiQ Group  | 11,286  | 15                    | 0.3                   |
| Rolls Royce Group  | 6,800   | 50                    | 1.2                   |
| Senior   | 9,060   | 16                    | 0.4                   |
| Ultra Electronics Holdings                               | 1,002   | 15                    | 0.4                   |
| <b>Electronics &amp; electrical equipment - 0.9%</b>     |         |                       |                       |
| Halma  | 5,436   | 19                    | 0.4                   |
| Spectris   | 1,331   | 20                    | 0.5                   |
| <b>General industrials - 0.9%</b>                        |         |                       |                       |
| RPC Group  | 4,691   | 18                    | 0.4                   |
| Smith (DS)   | 9,154   | 21                    | 0.5                   |
| <b>Industrial engineering - 1.8%</b>                     |         |                       |                       |
| Fenner   | 4,175   | 19                    | 0.4                   |
| Melrose  | 4,944   | 18                    | 0.4                   |
| Rotork   | 903     | 17                    | 0.4                   |
| Weir Group   | 1,273   | 25                    | 0.6                   |
| <b>Support services - 8.5%</b>                           |         |                       |                       |
| Aggreko  | 1,444   | 30                    | 0.7                   |
| Ashtead Group  | 8,550   | 20                    | 0.5                   |
| Babcock International Group                              | 3,007   | 22                    | 0.5                   |
| Berendsen  | 3,860   | 17                    | 0.4                   |
| Bunzl  | 2,725   | 23                    | 0.5                   |
| Capita Group   | 3,602   | 22                    | 0.5                   |
| De La Rue  | 1,963   | 19                    | 0.4                   |
| Experian   | 4,236   | 36                    | 0.8                   |
| Filtrona   | 4,812   | 18                    | 0.4                   |
| G4S  | 9,007   | 24                    | 0.6                   |
| Howden Joinery Group                                     | 14,436  | 15                    | 0.4                   |
| Interserve   | 5,201   | 15                    | 0.4                   |
| Intertek Group   | 1,219   | 25                    | 0.6                   |
| Mitie Group  | 6,902   | 18                    | 0.4                   |
| Regus  | 17,433  | 17                    | 0.4                   |
| Shanks Group   | 14,478  | 14                    | 0.3                   |
| Wolseley   | 1,359   | 30                    | 0.7                   |

| Investment   | Holding | Market value<br>£'000 | Total net<br>assets % |
|--|---------|-----------------------|-----------------------|
| <b>Consumer services - 11.0% (10.8%)</b>           |         |                       |                       |
| <b>Food &amp; drug retailers - 1.1%</b>            |         |                       |                       |
| Booker Group                                       | 25,530  | 18                    | 0.4                   |
| Morrison (Wm.) Supermarkets                        | 10,974  | 31                    | 0.7                   |
| <b>General retailers - 3.1%</b>                    |         |                       |                       |
| ASOS   | 826     | 14                    | 0.3                   |
| Dignity  | 1,776   | 14                    | 0.3                   |
| Inchcape   | 4,854   | 17                    | 0.4                   |
| Kingfisher   | 12,188  | 31                    | 0.7                   |
| Next   | 1,011   | 26                    | 0.6                   |
| Sports Direct International                        | 6,590   | 16                    | 0.4                   |
| WH Smith   | 3,254   | 18                    | 0.4                   |
| <b>Media - 2.9%</b>                                |         |                       |                       |
| British Sky Broadcasting Group                     | 5,041   | 34                    | 0.8                   |
| ITV  | 21,000  | 16                    | 0.4                   |
| Moneysupermarket.Com Group                         | 14,767  | 17                    | 0.4                   |
| Pearson  | 3,337   | 39                    | 0.9                   |
| Rightmove Group                                    | 1,475   | 19                    | 0.4                   |
| <b>Travel &amp; leisure - 3.9%</b>                 |         |                       |                       |
| Compass Group                                      | 6,920   | 41                    | 0.9                   |
| Easyjet  | 2,885   | 13                    | 0.3                   |
| Go-Ahead Group                                     | 1,129   | 14                    | 0.3                   |
| Greene King  | 3,976   | 20                    | 0.5                   |
| Rank Group   | 11,361  | 15                    | 0.3                   |
| Stagecoach Group                                   | 4,510   | 13                    | 0.3                   |
| Wetherspoon (J.D.)                                 | 3,209   | 13                    | 0.3                   |
| Whitbread  | 1,324   | 22                    | 0.5                   |
| William Hill                                       | 8,675   | 19                    | 0.5                   |
| <b>Health care - 9.3% (1.8%)</b>                   |         |                       |                       |
| <b>Health care equipment &amp; services - 0.4%</b> |         |                       |                       |
| Synergy Health                                     | 1,919   | 16                    | 0.4                   |
| <b>Pharmaceuticals &amp; biotechnology - 8.9%</b>  |         |                       |                       |
| Abcam  | 4,160   | 14                    | 0.3                   |
| AstraZeneca  | 3,275   | 100                   | 2.3                   |
| BTG  | 5,785   | 19                    | 0.4                   |
| Genus  | 1,708   | 18                    | 0.4                   |
| GlaxoSmithKline                                    | 13,661  | 194                   | 4.5                   |
| Shire  | 2,047   | 43                    | 1.0                   |
| <b>Financials - 9.3% (19.5%)</b>                   |         |                       |                       |
| <b>General financial - 2.5%</b>                    |         |                       |                       |
| Aberdeen Asset Management                          | 6,675   | 16                    | 0.4                   |
| IG Group   | 4,142   | 20                    | 0.5                   |
| London Stock Exchange Group                        | 2,042   | 18                    | 0.4                   |
| Paragon Group of Companies                         | 8,991   | 16                    | 0.4                   |
| Provident Financial                                | 1,740   | 17                    | 0.4                   |
| Rathbone Brothers                                  | 1,567   | 17                    | 0.4                   |
| <b>Nonlife insurance - 1.2%</b>                    |         |                       |                       |
| Beazley Group                                      | 13,177  | 19                    | 0.4                   |
| Jardine Lloyd Thompson                             | 2,335   | 16                    | 0.4                   |
| Lancashire Holdings                                | 2,514   | 17                    | 0.4                   |
| <b>Real estate - 3.2%</b>                          |         |                       |                       |
| Capital & Counties Properties                      | 10,485  | 20                    | 0.5                   |
| Derwent London                                     | 1,217   | 20                    | 0.5                   |
| Hansteen   | 21,434  | 16                    | 0.4                   |
| Great Portland Estates                             | 4,905   | 18                    | 0.4                   |
| Land Securities                                    | 4,155   | 28                    | 0.7                   |
| Savills  | 4,330   | 15                    | 0.3                   |
| Shaftesbury  | 3,846   | 19                    | 0.4                   |
| <b>Life insurance - 2.4%</b>                       |         |                       |                       |
| Prudential   | 8,218   | 58                    | 1.3                   |
| St James's Place                                   | 5,424   | 19                    | 0.4                   |
| Standard Life                                      | 12,988  | 28                    | 0.7                   |
| <b>Basic materials - 4.2% (15.3%)</b>              |         |                       |                       |
| <b>Chemicals - 1.4%</b>                            |         |                       |                       |
| Croda International                                | 1,224   | 24                    | 0.6                   |
| Elementis  | 11,090  | 17                    | 0.4                   |
| Johnson Matthey                                    | 950     | 19                    | 0.4                   |
| <b>Mining - 2.8%</b>                               |         |                       |                       |
| African Barrick Gold                               | 3,063   | 16                    | 0.4                   |
| Fresnillo  | 1,504   | 27                    | 0.6                   |
| Gem Diamonds                                       | 6,985   | 15                    | 0.3                   |
| Kenmare Resources                                  | 38,230  | 18                    | 0.4                   |
| Petropavlovsk                                      | 2,450   | 19                    | 0.4                   |
| Randgold Resources                                 | 397     | 29                    | 0.7                   |

## Portfolio statement – continued

As at 31 January 2012

| Investment   | Holding | Market value<br>£'000 | Total net<br>assets % |
|--|---------|-----------------------|-----------------------|
| <b>Technology – 4.0% (4.1%)</b>                    |         |                       |                       |
| <b>Software &amp; computer services – 2.6%</b>     |         |                       |                       |
| AVEVA Group  | 1,015   | 16                    | 0.4                   |
| Blinkx   | 11,437  | 8                     | 0.2                   |
| Computacenter                                      | 3,913   | 15                    | 0.4                   |
| Micro Focus International                          | 3,330   | 14                    | 0.3                   |
| Sage Group   | 6,070   | 18                    | 0.4                   |
| SDL  | 2,423   | 16                    | 0.4                   |
| Telecity Group                                     | 3,119   | 20                    | 0.5                   |
| <b>Technology hardware &amp; equipment – 1.4%</b>  |         |                       |                       |
| ARM Holdings                                       | 5,854   | 36                    | 0.8                   |
| Imagination Technologies Group                     | 3,490   | 20                    | 0.5                   |
| Laird Group  | 3,369   | 6                     | 0.1                   |
| <b>Utilities – 3.7% (2.2%)</b>                     |         |                       |                       |
| <b>Electricity – 0.4%</b>                          |         |                       |                       |
| Drax Group   | 3,162   | 17                    | 0.4                   |
| <b>Gas, water &amp; multiutilities – 3.3%</b>      |         |                       |                       |
| International Power                                | 8,278   | 27                    | 0.6                   |
| National Grid                                      | 11,032  | 69                    | 1.6                   |
| Pennon Group                                       | 2,994   | 21                    | 0.5                   |
| United Utilities Group                             | 4,098   | 25                    | 0.6                   |
| <b>Equity investment instruments – 2.8% (0.0%)</b> |         |                       |                       |
| JPM UK Smaller Companies 'I' (Accumulation)^       | 29,858  | 122                   | 2.8                   |
| <b>Telecommunications – 2.0% (6.4%)</b>            |         |                       |                       |
| <b>Fixed line telecommunications – 2.0%</b>        |         |                       |                       |
| BT Group   | 26,419  | 54                    | 1.3                   |
| Talk Talk Telecom                                  | 11,366  | 14                    | 0.3                   |
| Telecom Plus                                       | 2,240   | 15                    | 0.4                   |
| <b>Investment assets</b>                           |         | <b>4,278</b>          | <b>99.3</b>           |
| <b>Net other assets</b>                            |         | <b>29</b>             | <b>0.7</b>            |
| <b>Net assets</b>                                  |         | <b>4,307</b>          | <b>100.0</b>          |

Unless otherwise stated the above securities are admitted to official stock exchange listings or trade on a regulated market.

The comparative percentage figures in brackets are at 31 January 2011.

^ Deemed to be investment in related parties of the ACD.



## Portfolio movements

For the year ending 31 January 2012

|  | £'000        |  | £'000           |
|--|--------------|--|-----------------|
| <b>Total of all purchases for the year (Note 10)</b> | <b>4,331</b> | <b>Total of all sales for the year (Note 10)</b> | <b>4,254</b>    |
| <b>Major purchases</b>                               | <b>Cost</b>  | <b>Major sales</b>                               | <b>Proceeds</b> |
| HSBC   | 263          | HSBC   | 534             |
| BP   | 227          | Vodafone Group                                   | 236             |
| GlaxoSmithKline                                      | 171          | Rio Tinto  | 158             |
| British American Tobacco                             | 160          | British American Tobacco                         | 142             |
| JPM UK Smaller Companies 'I' (Accumulation)^         | 139          | BHP Billiton                                     | 123             |
| AstraZeneca  | 101          | Anglo American                                   | 111             |
| Unilever   | 85           | Xstrata  | 97              |
| Diageo   | 84           | Lloyds Banking Group                             | 70              |
| Imperial Tobacco Group                               | 68           | Reckitt Benckiser Group                          | 58              |
| National Grid  | 68           | Centrica   | 50              |
| Reckitt Benckiser Group                              | 57           | Scottish & Southern Energy                       | 46              |
| Scottish & Southern Energy                           | 49           | Standard Chartered                               | 45              |
| Standard Chartered                                   | 45           | Autonomy   | 41              |
| Xstrata  | 43           | Royal Dutch Shell 'B'                            | 34              |
| Morrison (Wm.) Supermarkets                          | 38           | WPP  | 34              |
| Jardine Lloyd Thompson                               | 38           | RPS Group  | 34              |
| Compass Group  | 37           | Royal Bank of Scotland Group                     | 30              |
| Old Mutual   | 37           | Legal & General Group                            | 29              |
| RPS Group  | 37           | Fresnillo  | 28              |
| Pearson  | 36           | Old Mutual                                       | 28              |

^ Deemed to be investment in related parties of the ACD

## Financial statements

### Statement of total return

For the year ending 31 January

|   | £'000 | 2012<br>£'000 | £'000 | 2011<br>£'000 |
|---|-------|---------------|-------|---------------|
| Income  |       |               |       |               |
| Net capital (losses)/gains (Note 1)   |       | (235)         |       | 801           |
| Revenue (Note 2)  | 122   |               | 95    |               |
| Expenses (Note 3)   | (74)  |               | (69)  |               |
| Net revenue before taxation   | 48    |               | 26    |               |
| Taxation (Note 4)   | -     |               | -     |               |
| Net revenue after taxation  |       | 48            |       | 26            |
| <b>Total return before distributions</b>  |       | <b>(187)</b>  |       | <b>827</b>    |
| Finance costs:<br>Distributions (Note 5)  |       | (48)          |       | (26)          |
| <b>Change in net assets attributable to shareholders from investment activities</b> |       | <b>(235)</b>  |       | <b>801</b>    |

### Statement of change in net assets attributable to shareholders

For the year ending 31 January

|  | £'000 | 2012<br>£'000 | £'000 | 2011<br>£'000 |
|--|-------|---------------|-------|---------------|
| <b>Opening net assets attributable to shareholders</b>                                   |       | <b>4,508</b>  |       | <b>3,606</b>  |
| Amounts receivable on issue of shares  | 101   |               | 90    |               |
| Amounts payable on cancellation of shares  | (92)  |               | (3)   |               |
|  |       | 9             |       | 87            |
| Change in net assets attributable to shareholders from investment activities (see above) |       | (235)         |       | 801           |
| Retained distributions on accumulation shares  |       | 25            |       | 14            |
| <b>Closing net assets attributable to shareholders</b>                                   |       | <b>4,307</b>  |       | <b>4,508</b>  |

### Balance sheet

As at 31 January

|  | £'000 | 2012<br>£'000 | £'000 | 2011<br>£'000 |
|--|-------|---------------|-------|---------------|
| <b>ASSETS</b>                                  |       |               |       |               |
| Investment assets                              |       | 4,278         |       | 4,435         |
| Debtors (Note 7)                               | 7     |               | 7     |               |
| Cash and bank balances (Note 8)                | 52    |               | 97    |               |
| <b>Total other assets</b>                      |       | <b>59</b>     |       | <b>104</b>    |
| <b>Total assets</b>                            |       | <b>4,337</b>  |       | <b>4,539</b>  |
| <b>LIABILITIES</b>                             |       |               |       |               |
| Investment liabilities                         |       | -             |       | (1)           |
| Creditors (Note 9)                             | (7)   |               | (17)  |               |
| Distribution payable on income shares          | (23)  |               | (13)  |               |
| <b>Total other liabilities</b>                 |       | <b>(30)</b>   |       | <b>(30)</b>   |
| <b>Total liabilities</b>                       |       | <b>(30)</b>   |       | <b>(31)</b>   |
| <b>Net assets attributable to shareholders</b> |       | <b>4,307</b>  |       | <b>4,508</b>  |

The notes to these financial statements are shown on pages 353 to 354.

# Notes to the financial statements for the year ending 31 January 2012

## 1. Net capital (losses)/gains

|                            | 2012         | 2011       |
|----------------------------|--------------|------------|
|                            | £'000        | £'000      |
| Currency losses            | -            | (1)        |
| Derivative contracts       | (2)          | 11         |
| Non-derivative securities  | (233)        | 791        |
| Net capital (losses)/gains | <u>(235)</u> | <u>801</u> |

## 2. Revenue

|   | 2012       | 2011      |
|---|------------|-----------|
|   | £'000      | £'000     |
| Distributions from authorised ICVCs       | 1          | -         |
| Franked income from UK equity investments | 107        | 85        |
| Income from overseas equity investments   | 7          | 4         |
| Management fee rebates                    | 1          | -         |
| Property income distributions             | 4          | 3         |
| Stock dividends                           | 1          | 3         |
| Underwriting commission                   | 1          | -         |
| Total revenue                             | <u>122</u> | <u>95</u> |

## 3. Expenses

|  | 2012      | 2011      |
|--|-----------|-----------|
|  | £'000     | £'000     |
| <b>Payable to the ACD or associate of the ACD:</b> |           |           |
| ACD fee  | 66        | 62        |
| Fixed expenses                                     | 8         | 7         |
| Total expenses                                     | <u>74</u> | <u>69</u> |

## 4. Taxation

|  | 2012     | 2011     |
|--|----------|----------|
|  | £'000    | £'000    |
| <b>a) Analysis of charge in the year</b> |          |          |
| Corporation tax at 20%                   | -        | -        |
| Current year tax charge (Note 4b)        | <u>-</u> | <u>-</u> |

### b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an Open-Ended Investment Company (OEIC) (20%). The differences are explained below.

|                             |           |          |
|-----------------------------|-----------|----------|
| Net revenue before taxation | 48        | 26       |
| Corporation tax at 20%      | <u>10</u> | <u>5</u> |

### Effects of:

|   |             |            |
|---|-------------|------------|
| Dividends not subject to corporation tax  | (23)        | (18)       |
| Excess expenses for which no relief taken | <u>13</u>   | <u>13</u>  |
|   | <u>(10)</u> | <u>(5)</u> |
| Current year tax charge (Note 4a)         | <u>-</u>    | <u>-</u>   |

No deferred tax asset has been recognised in the financial statements. At the year end date, the fund had a deferred tax asset of £37,482 (31.01.11: £23,884) in relation to £187,409 (31.01.11: £119,421) of excess management expenses which would only be utilised to reduce the tax charge if the fund had an excess of unfranked income over expenses in a future period. There is no excess of unfranked income expected in the future.

## 5. Finance costs

### Distributions

The distributions take account of amounts receivable on the issue of shares and amounts payable on the cancellation of shares and comprise:

|                             | 2012      | 2011      |
|-----------------------------|-----------|-----------|
|                             | £'000     | £'000     |
| Final dividend distribution | 48        | 26        |
| Total finance costs         | <u>48</u> | <u>26</u> |

Details of the distribution per share are set out on page 355.

## 6. Movement between net revenue after taxation and distributions

|                            | 2012      | 2011      |
|----------------------------|-----------|-----------|
|                            | £'000     | £'000     |
| Net revenue after taxation | 48        | 26        |
|                            | <u>48</u> | <u>26</u> |

## 7. Debtors

|                                 | 2012     | 2011     |
|---------------------------------|----------|----------|
|                                 | £'000    | £'000    |
| Accrued income                  | 7        | 6        |
| Property income tax recoverable | -        | 1        |
| Total debtors                   | <u>7</u> | <u>7</u> |

## 8. Cash and bank balances

|   | 2012      | 2011      |
|---|-----------|-----------|
|   | £'000     | £'000     |
| Amounts held at futures clearing houses and brokers | -         | 7         |
| Cash and bank balances                              | 52        | 90        |
| Total cash and bank balances                        | <u>52</u> | <u>97</u> |

## 9. Creditors

|                                     | 2012     | 2011      |
|-------------------------------------|----------|-----------|
|                                     | £'000    | £'000     |
| Accrued expenses                    | 6        | 7         |
| Due to the ACD for shares cancelled | 1        | 1         |
| Purchases awaiting settlement       | -        | 9         |
| Total creditors                     | <u>7</u> | <u>17</u> |

## Notes to the financial statements – continued

### 10. Portfolio transaction costs

|  | 2012<br>£'000 | 2011<br>£'000 |
|--|---------------|---------------|
| Analysis of total purchase costs           |               |               |
| Purchases in year before transaction costs | 4,306         | 4,636         |
| Commissions                                | 6             | 4             |
| Taxes                                      | 19            | 22            |
| Total purchase costs                       | 25            | 26            |
| Gross purchases total                      | 4,331         | 4,662         |
| Analysis of total sale costs               |               |               |
| Gross sales before transaction costs       | 4,260         | 4,608         |
| Commissions                                | (6)           | (4)           |
| Total sale costs                           | (6)           | (4)           |
| Total sales net of transaction costs       | 4,254         | 4,604         |

### 11. Related party transactions

JPMorgan Funds Limited, as Authorised Corporate Director ("ACD"), is a related party, and acts as principal in respect of all transactions of shares in the Company. The aggregate monies received through issue, and paid on cancellation, are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

The balance due to the ACD and their associates at the year end date in respect of related party transactions was £7,065 (31.01.11: £7,800). Details of related party transactions are given under note 13 on page 389.

Investments considered to be related parties have been identified in the portfolio statement on pages 349 to 350 and the revenue from these investments was £1,171 (31.01.11: £nil).

Some of the dealing transactions for the fund are carried out through associates of the ACD. Such transactions are carried out on an arm's length basis. The commissions paid to these companies over the year were £1,948 (31.01.11: £219). Commission was paid to the associated company JPMorgan Securities Ltd.

The following party held a material interest in the fund at the year end date:

- JPMorgan Investments Limited 95.18% (31.01.11: 95.26%)

### 12. Financial instruments

#### Currency exposures

The fund's financial assets and liabilities are all denominated in Sterling. As a result, the fund has no exposure to currency movements.

#### Interest rate risk

At the year end date, 1.2% (31.01.11: 2.1%) of the fund's net assets by value were interest bearing.

For consideration of other risks including liquidity, pricing and credit risk, please refer to the notes to the aggregated financial statements, pages 389 to 390.

### 13. Share classes

The fund currently has only one share class; Class A shares. The Authorised Corporate Director's (ACD) fee and fixed expenses charge are shown below.

|                 | ACD fee | Fixed expenses |
|-----------------|---------|----------------|
| Class A shares: | 1.50%   | 0.18%          |

The net asset value, the net asset value per share and the number of shares are shown on page 348.

### 14. Derivatives

The fund enters into derivative transactions in the form of futures for the purpose of efficient portfolio management. The commitment approach has been used to calculate the global exposure.

Further information on the derivative risks can be found in the notes to the aggregated financial statements on page 390.

# Distribution table

## Final distribution in pence per share

Group 1 – Shares purchased prior to 1 February 2011

Group 2 – Shares purchased 1 February 2011 to 31 January 2012

|                                    | Gross<br>revenue | Tax<br>at 10% | Net<br>revenue | Equalisation | Distribution<br>payable<br>30.04.12 | Distribution<br>paid<br>30.04.11 |
|------------------------------------|------------------|---------------|----------------|--------------|-------------------------------------|----------------------------------|
| <b>A-Class Accumulation Shares</b> |                  |               |                |              |                                     |                                  |
| Group 1                            | 0.855556         | 0.085556      | 0.770000       | -            | 0.770000                            | 0.420000                         |
| Group 2                            | 0.520279         | 0.052028      | 0.468251       | 0.301749     | 0.770000                            | 0.420000                         |
| <b>A-Class Income Shares</b>       |                  |               |                |              |                                     |                                  |
| Group 1                            | 0.833333         | 0.083333      | 0.750000       | -            | 0.750000                            | 0.410000                         |
| Group 2                            | 0.598109         | 0.059811      | 0.538298       | 0.211702     | 0.750000                            | 0.410000                         |

Equalisation applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of revenue included in the purchase price of all group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

# JPM US Equity Income Fund

## Important information

### Change of Depositary

As part of an internal re-structuring, The Royal Bank of Scotland plc has transferred its Trustee and Depositary Services business from The Royal Bank of Scotland plc to National Westminster Bank plc and consequently National Westminster Bank plc has been appointed as Depositary of the Fund with effect from 15 October 2011.

As Depositary, National Westminster Bank plc will have the same duties and responsibilities as The Royal Bank of Scotland plc and this change will have no impact on the way the Fund operates.

### Change of investment policy

The investment policy was amended on 1 February 2011 to clarify that any future use of derivatives for investment purposes may change the risk profile of the Fund as follows:

"To provide a portfolio designed to achieve income by investing primarily in US equities in any economic sector whilst participating in long term capital growth.

Derivatives may be used for the purpose of Efficient Portfolio Management, including hedging, where appropriate (see section 11.14 of the full Prospectus for Risk Warnings on derivatives). Subject to at least 60 days' notice to shareholders, the Fund may use derivatives for investment purposes which may change the risk profile of the Fund."

For the avoidance of doubt, this is not a notice that the Fund will use derivatives for investment purposes; such notice would be subject to at least 60 days notice to shareholders.

## Risk profile

This equity based Fund is designed for investors looking for a combination of regular income, US equity market exposure and the prospect of long-term capital growth.

Equity investment is subject to specific risks relating to the performance of the individual companies held and the market's perception of their performance. Equities are also subject to systematic risks such as general economic conditions, inflation, interest rates, foreign exchange rates and industry sector risks. In general terms, equities tend to be more volatile than bonds.

As the Fund is primarily focused on generating income, the Fund may deviate from its benchmark.

Funds that invest predominantly in a single market, asset class or sector may be subject to greater volatility than those funds with a more diversified portfolio.

For investors in Share Classes which are not hedged to Sterling, as the underlying assets of the Fund are denominated in a currency other than Sterling, they will therefore be exposed to the currency risk of fluctuations between Sterling and the currency denomination of the underlying assets.

Investors in the A GBP Hedged Share Class should be aware that any currency hedging process may not give a precise hedge. Where currency hedging is undertaken, whilst it may protect an investor in Hedged Shares against a decrease in the value of the currency being hedged, it may also prevent the investor from participating in an increase in the value of that currency.

This Fund charges the fees of the ACD against capital, which will increase the amount of income available for distribution to Shareholders, but may constrain capital growth. It may also have tax implications for certain investors.

## Fund review

The 12 months to 31 January 2012 will be marked as a period most equity investors are glad to see pass. Cultural revolutions, earthquakes and tsunamis, ratings downgrades of major economies and extraordinary political events dominated the investment landscape. However, a strong rally in January led the S&P 500 to finish the period in positive territory.

The Fund generated a strong positive return for the 12-month period and outperformed its benchmark. Our investment approach suited the market environment, as companies paying dividends outperformed non dividend payers. Within the portfolio, strong stock selection in the financial sector added the most value. On a stock specific basis, a lack of exposure to Bank of America, Citigroup and Goldman Sachs proved beneficial. Large banks continued to struggle in the face of industry/regulatory uncertainty. In addition, our stock and sector allocation in the consumer discretionary sector also proved beneficial. Overweight positions in apparel manufacturer VF and Limited Brands were among the top contributors in the sector as both stocks posted strong results.

## Fund outlook

Although markets have enjoyed a great start to 2012, we have to remind ourselves of the all too familiar tensions between healthy corporate fundamentals and the lengthy list of macro issues that markets currently face. It is a relief that European sovereign yields have retreated from troublesome highs. However, much work remains to be done. We believe that markets are priced in favour of those willing to take on risk. With a forward price/earnings multiple of 12.3x and an equity risk premium over the ten-year US Treasury of greater than 7%, almost twice the average for the past 25 years, there is a strong incentive to be patient through what may be volatile times ahead.

## 12 month performance as at 31 January

|  | 2012         | 2011         | 2010        |
|--|--------------|--------------|-------------|
| <b>JPM US Equity Income A-Class Acc</b>              | <b>11.0%</b> | <b>20.2%</b> | <b>8.0%</b> |
| <b>JPM US Equity Income B-Class Inc</b>              | <b>11.5%</b> | <b>20.8%</b> | -           |
| <b>JPM US Equity Income C-Class Inc</b>              | <b>11.9%</b> | <b>21.2%</b> | <b>8.2%</b> |
| Benchmark Index                                      | 5.5%         | 21.9%        | 19.4%       |
| <b>JPM US Equity Income A-Class Inc (GBP Hedged)</b> | <b>10.2%</b> | <b>19.9%</b> | -           |
| Hedged Benchmark Index                               | 3.3%         | 19.3%        | -           |

## Fund statistics

|                        |  |
|------------------------|--|
| Fund size              | £504.7m  |
| Benchmark Index        | S&P 500 Index (Total Return Net at 15% Tax)              |
| Hedged Benchmark Index | S&P 500 Index (Total Return Net at 15% Tax) (GBP Hedged) |
| Fund charges           |  |
| A-Class                | Initial 4.25%, Annual 1.50%                              |
| B-Class                | Initial Nil, Annual 1.00%                                |
| C-Class                | Initial Nil, Annual 0.75%                                |

You should remember that past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. For specific risks, please read the Simplified Prospectus.

All performance returns are calculated using the quoted price of the accumulation or income shares. Performance returns are in Sterling.  
Source: J.P. Morgan.

## Top ten holdings

|                        | %   |
|------------------------|-----|
| Pfizer                 | 3.1 |
| Merck & Co             | 2.8 |
| Wells Fargo            | 2.7 |
| ConocoPhillips         | 2.7 |
| Chevron                | 2.3 |
| T. Rowe Price          | 2.0 |
| Johnson & Johnson      | 2.0 |
| ExxonMobil             | 1.9 |
| Verizon Communications | 1.9 |
| PPG Industries         | 1.8 |

## Sector breakdown

|                            | %    |
|----------------------------|------|
| Financials                 | 21.3 |
| Consumer goods             | 12.9 |
| Health care                | 12.0 |
| Industrials                | 11.3 |
| Oil & gas                  | 9.2  |
| Consumer services          | 8.0  |
| Utilities                  | 7.5  |
| Technology                 | 6.4  |
| Telecommunications         | 4.4  |
| Basic materials            | 4.0  |
| Forward currency contracts | 0.1  |
| Net other assets           | 2.9  |

The forward exchange contracts are only entered into by the A-Class Income GBP Hedged shares.

## Highest/lowest share price and distribution record

| Calendar year                                       | Highest share price | Lowest share price | Distribution per share (net) |
|---|---------------------|--------------------|------------------------------|
| <b>A-Class Accumulation Shares<sup>A</sup></b>      |                     |                    |                              |
| 2008  | 53.75p              | 49.81p             | -                            |
| 2009  | 58.98p              | 42.99p             | 1.18p                        |
| 2010  | 70.31p              | 56.37p             | 1.66p                        |
| 2011  | 74.94p              | 60.09p             | 1.69p                        |
| 2012 <sup>B</sup>                                   | 77.14p              | 74.03p             | 0.48p                        |
| <b>A-Class Income Shares<sup>A</sup></b>            |                     |                    |                              |
| 2008  | 53.75p              | 49.81p             | -                            |
| 2009  | 57.70p              | 42.90p             | 1.15p                        |
| 2010  | 66.99p              | 55.04p             | 1.59p                        |
| 2011  | 69.68p              | 56.20p             | 1.60p                        |
| 2012 <sup>B</sup>                                   | 71.71p              | 68.84p             | 0.44p                        |
| <b>A-Class Income GBP Hedged Shares<sup>C</sup></b> |                     |                    |                              |
| 2010  | 65.35p              | 53.25p             | 1.15p                        |
| 2011  | 70.66p              | 58.45p             | 1.62p                        |
| 2012 <sup>B</sup>                                   | 70.57p              | 68.09p             | 0.44p                        |
| <b>B-Class Accumulation Shares<sup>D</sup></b>      |                     |                    |                              |
| 2011  | 104.8p              | 94.69p             | -                            |
| 2012 <sup>B</sup>                                   | 107.9p              | 103.5p             | 0.66p                        |
| <b>B-Class Income Shares<sup>E</sup></b>            |                     |                    |                              |
| 2009  | 112.3p              | 83.31p             | 2.12p                        |
| 2010  | 131.0p              | 107.2p             | 3.11p                        |
| 2011  | 137.0p              | 110.3p             | 3.18p                        |
| 2012 <sup>B</sup>                                   | 141.0p              | 135.3p             | 0.88p                        |
| <b>C-Class Accumulation Shares<sup>F</sup></b>      |                     |                    |                              |
| 2011  | 102.2p              | 81.67p             | 0.68p                        |
| 2012 <sup>B</sup>                                   | 105.2p              | 101.0p             | 0.66p                        |
| <b>C-Class Income Shares<sup>G</sup></b>            |                     |                    |                              |
| 2009  | 113.3p              | 83.86p             | 2.20p                        |
| 2010  | 132.6p              | 108.2p             | 3.17p                        |
| 2011  | 139.0p              | 111.7p             | 3.25p                        |
| 2012 <sup>B</sup>                                   | 143.1p              | 137.3p             | 0.90p                        |

<sup>A</sup> A-Class Accumulation and A-Class Income Shares were launched on 15 December 2008.

<sup>B</sup> To 31 January 2012.

<sup>C</sup> A-Class Income GBP Hedged Shares were launched on 1 February 2010.

<sup>D</sup> B-Class Accumulation Shares were launched on 31 October 2011.

<sup>E</sup> B-Class Income Shares were launched on 3 February 2009.

<sup>F</sup> C-Class Accumulation Shares were launched on 11 July 2011.

<sup>G</sup> C-Class Income Shares were launched on 15 January 2009.

## Portfolio turnover rate

|          |       |
|----------|-------|
| 31.01.11 | 54.5% |
| 31.01.12 | 72.2% |

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the period.

## Net asset values and Total expense ratios

| Date                                    | Net asset value per share class<br>£'000 | Number of shares | Net asset value per share | Total expense ratio |
|---|--|------------------|---------------------------|---------------------|
| <b>A-Class Accumulation Shares</b>      |  |                  |                           |                     |
| 31.01.10                                | 1,159                                    | 2,056,371        | 56.37p                    | 1.66%               |
| 31.01.11                                | 3,635                                    | 5,360,955        | 67.80p                    | 1.68%               |
| 31.01.12                                | 25,917                                   | 34,480,452       | 75.16p                    | 1.68%               |
| <b>A-Class Income Shares</b>            |  |                  |                           |                     |
| 31.01.10                                | 64,788                                   | 118,338,328      | 54.75p                    | 1.68%               |
| 31.01.11                                | 138,001                                  | 214,976,757      | 64.19p                    | 1.68%               |
| 31.01.12                                | 234,325                                  | 337,430,121      | 69.44p                    | 1.68%               |
| <b>A-Class Income GBP Hedged Shares</b> |  |                  |                           |                     |
| 31.01.11                                | 8,604                                    | 13,304,209       | 64.67p                    | 1.68%               |
| 31.01.12                                | 30,155                                   | 43,398,046       | 69.49p                    | 1.68%               |
| <b>B-Class Accumulation Shares</b>      |  |                  |                           |                     |
| 31.01.12                                | 325                                      | 308,621          | 105.2p                    | 1.15%               |
| <b>B-Class Income Shares</b>            |  |                  |                           |                     |
| 31.01.10                                | 1,761                                    | 1,651,280        | 106.7p                    | 1.15%               |
| 31.01.11                                | 4,103                                    | 3,265,884        | 125.7p                    | 1.15%               |
| 31.01.12                                | 10,929                                   | 8,000,199        | 136.6p                    | 1.15%               |
| <b>C-Class Accumulation Shares</b>      |  |                  |                           |                     |
| 31.01.12                                | 3,866                                    | 3,769,391        | 102.6p                    | 0.87%               |
| <b>C-Class Income Shares</b>            |  |                  |                           |                     |
| 31.01.10                                | 21,773                                   | 20,228,038       | 107.6p                    | 0.87%               |
| 31.01.11                                | 100,605                                  | 79,130,495       | 127.1p                    | 0.87%               |
| 31.01.12                                | 199,202                                  | 143,751,880      | 138.6p                    | 0.87%               |

The net asset value and the net asset value per income share are shown ex-dividend.

The total expense ratio (TER) takes into account the ACD fee and any fixed expenses charged to revenue over the financial year, expressed as a percentage of the average daily net asset values over the period.



# Portfolio statement

As at 31 January 2012

| Investment   | Holding   | Market value<br>£'000 | Total net<br>assets % |
|--|-----------|-----------------------|-----------------------|
| <b>Financials - 21.3% (22.2%)</b>                  |           |                       |                       |
| <b>Banks - 7.0%</b>                                |           |                       |                       |
| BB&T   | 216,550   | 3,730                 | 0.7                   |
| Cullen Frost Bankers                               | 79,440    | 2,792                 | 0.6                   |
| M&T Bank   | 129,750   | 6,567                 | 1.3                   |
| People's United Financial                          | 267,040   | 2,111                 | 0.4                   |
| US Bancorp Delaware                                | 377,820   | 6,703                 | 1.3                   |
| Wells Fargo  | 737,340   | 13,661                | 2.7                   |
| <b>General financial - 5.2%</b>                    |           |                       |                       |
| American Express                                   | 149,190   | 4,643                 | 0.9                   |
| BlackRock 'A'                                      | 62,570    | 7,262                 | 1.4                   |
| Northern Trust                                     | 177,860   | 4,660                 | 0.9                   |
| T. Rowe Price                                      | 273,500   | 10,090                | 2.0                   |
| <b>Life insurance - 1.4%</b>                       |           |                       |                       |
| Prudential Financial                               | 191,390   | 6,958                 | 1.4                   |
| <b>Nonlife insurance - 4.2%</b>                    |           |                       |                       |
| Chubb  | 87,920    | 3,725                 | 0.7                   |
| Cincinnati Financial                               | 153,820   | 3,183                 | 0.6                   |
| OneBeacon Insurance Group 'A'                      | 162,218   | 1,612                 | 0.3                   |
| The Travelers Companies                            | 142,260   | 5,236                 | 1.0                   |
| Validus  | 294,680   | 5,932                 | 1.2                   |
| XI Group   | 165,290   | 2,097                 | 0.4                   |
| <b>Real estate - 3.5%</b>                          |           |                       |                       |
| Agree Realty                                       | 103,740   | 1,642                 | 0.3                   |
| Alexandria Real Estate                             | 56,150    | 2,561                 | 0.5                   |
| National Health Investors                          | 152,790   | 4,684                 | 0.9                   |
| Public Storage                                     | 36,795    | 3,196                 | 0.6                   |
| Simon Property Group                               | 71,640    | 6,148                 | 1.2                   |
| <b>Consumer goods - 12.9% (12.1%)</b>              |           |                       |                       |
| <b>Automobiles &amp; parts - 1.0%</b>              |           |                       |                       |
| Gentex   | 118,240   | 2,255                 | 0.5                   |
| Genuine Parts                                      | 62,660    | 2,550                 | 0.5                   |
| <b>Beverages - 1.6%</b>                            |           |                       |                       |
| Coca-Cola  | 148,030   | 6,325                 | 1.3                   |
| Dr Pepper Snapple Group                            | 66,230    | 1,608                 | 0.3                   |
| <b>Food producers - 2.5%</b>                       |           |                       |                       |
| Hershey  | 104,230   | 4,073                 | 0.8                   |
| Kraft Foods 'A'                                    | 140,570   | 3,400                 | 0.7                   |
| Smucker (J.M.)                                     | 105,860   | 5,250                 | 1.0                   |
| <b>Household goods - 3.4%</b>                      |           |                       |                       |
| Procter & Gamble                                   | 154,290   | 6,178                 | 1.2                   |
| Snap-On  | 166,500   | 5,925                 | 1.2                   |
| Tupperware Brands                                  | 123,980   | 5,025                 | 1.0                   |
| <b>Leisure goods - 0.3%</b>                        |           |                       |                       |
| Pool   | 81,010    | 1,741                 | 0.3                   |
| <b>Personal goods - 1.3%</b>                       |           |                       |                       |
| Nike 'B'   | 39,600    | 2,593                 | 0.5                   |
| VF   | 49,950    | 4,144                 | 0.8                   |
| <b>Tobacco - 2.8%</b>                              |           |                       |                       |
| Lorillard  | 101,030   | 7,010                 | 1.4                   |
| Philip Morris International                        | 148,380   | 7,038                 | 1.4                   |
| <b>Health care - 12.0% (10.3%)</b>                 |           |                       |                       |
| <b>Health care equipment &amp; services - 3.3%</b> |           |                       |                       |
| Baxter International                               | 117,950   | 4,132                 | 0.8                   |
| Becton Dickinson & Co                              | 60,680    | 3,036                 | 0.6                   |
| Covidien   | 124,120   | 4,051                 | 0.8                   |
| Lincare  | 332,040   | 5,422                 | 1.1                   |
| <b>Pharmaceuticals &amp; biotechnology - 8.7%</b>  |           |                       |                       |
| Abbott Laboratories                                | 120,850   | 4,168                 | 0.8                   |
| Johnson & Johnson                                  | 237,510   | 9,884                 | 2.0                   |
| Merck & Co   | 581,940   | 14,336                | 2.8                   |
| Pfizer   | 1,145,163 | 15,639                | 3.1                   |

| Investment   | Holding | Market value<br>£'000 | Total net<br>assets % |
|--|---------|-----------------------|-----------------------|
| <b>Industrials - 11.3% (14.8%)</b>                       |         |                       |                       |
| <b>Aerospace &amp; defence - 1.1%</b>                    |         |                       |                       |
| United Technologies                                      | 117,610 | 5,782                 | 1.1                   |
| <b>Electronics &amp; electrical equipment - 1.9%</b>     |         |                       |                       |
| Emerson Electric   | 188,350 | 6,168                 | 1.2                   |
| Molex  | 201,450 | 3,362                 | 0.7                   |
| <b>General industrials - 2.8%</b>                        |         |                       |                       |
| 3M   | 117,400 | 6,497                 | 1.3                   |
| Greif 'A'  | 107,960 | 3,321                 | 0.7                   |
| Honeywell International                                  | 106,470 | 3,922                 | 0.8                   |
| <b>Industrial engineering - 1.0%</b>                     |         |                       |                       |
| Paccar   | 185,770 | 5,198                 | 1.0                   |
| <b>Industrial transportation - 1.8%</b>                  |         |                       |                       |
| Norfolk Southern   | 107,450 | 4,979                 | 1.0                   |
| Seaspan  | 101,205 | 994                   | 0.2                   |
| United Parcel Service 'B'                                | 63,710  | 3,071                 | 0.6                   |
| <b>Support services - 2.7%</b>                           |         |                       |                       |
| Accenture 'A'  | 126,720 | 4,581                 | 0.9                   |
| Automatic Data Processing                                | 148,430 | 5,161                 | 1.0                   |
| Republic Services  | 209,970 | 3,864                 | 0.8                   |
| <b>Oil &amp; gas - 9.2% (10.9%)</b>                      |         |                       |                       |
| <b>Oil &amp; gas producers - 7.8%</b>                    |         |                       |                       |
| Chevron  | 177,310 | 11,609                | 2.3                   |
| ConocoPhillips   | 311,490 | 13,561                | 2.7                   |
| ExxonMobil   | 178,360 | 9,657                 | 1.9                   |
| Occidental Petroleum                                     | 74,450  | 4,697                 | 0.9                   |
| <b>Oil equipment, services &amp; distribution - 1.4%</b> |         |                       |                       |
| Kinder Morgan Delaware                                   | 52,710  | 1,077                 | 0.2                   |
| Williams   | 338,450 | 6,151                 | 1.2                   |
| <b>Consumer services - 8.0% (10.4%)</b>                  |         |                       |                       |
| <b>General retailers - 3.1%</b>                          |         |                       |                       |
| Home Depot   | 299,060 | 8,479                 | 1.7                   |
| Limited Brands   | 152,330 | 3,956                 | 0.8                   |
| Tiffany & Co   | 41,640  | 1,670                 | 0.3                   |
| TJX Companies  | 34,390  | 1,468                 | 0.3                   |
| <b>Media - 2.1%</b>                                      |         |                       |                       |
| Time Warner  | 189,020 | 4,484                 | 0.9                   |
| Time Warner Cable  | 126,610 | 5,900                 | 1.2                   |
| <b>Travel &amp; leisure - 2.8%</b>                       |         |                       |                       |
| Cinemark   | 440,700 | 5,508                 | 1.1                   |
| McDonald's   | 73,140  | 4,572                 | 0.9                   |
| Yum Brands   | 96,050  | 3,873                 | 0.8                   |
| <b>Utilities - 7.5% (6.6%)</b>                           |         |                       |                       |
| <b>Electricity - 4.3%</b>                                |         |                       |                       |
| CMS Energy   | 433,500 | 5,986                 | 1.2                   |
| Nextera Energy   | 136,800 | 5,196                 | 1.0                   |
| Northeast Utilities                                      | 169,690 | 3,710                 | 0.7                   |
| Southern Company   | 240,570 | 6,860                 | 1.4                   |
| <b>Gas, water &amp; multiutilities - 3.2%</b>            |         |                       |                       |
| American Water Works                                     | 50,470  | 1,072                 | 0.2                   |
| ONEOK  | 110,730 | 5,864                 | 1.2                   |
| Sempra Energy  | 146,740 | 5,296                 | 1.1                   |
| Spectra Energy   | 164,830 | 3,312                 | 0.7                   |
| <b>Technology - 6.4% (3.2%)</b>                          |         |                       |                       |
| <b>Software &amp; computer services - 2.3%</b>           |         |                       |                       |
| IBM  | 27,825  | 3,392                 | 0.7                   |
| Microsoft  | 429,280 | 8,049                 | 1.6                   |
| <b>Technology hardware &amp; equipment - 4.1%</b>        |         |                       |                       |
| Analog Devices   | 224,440 | 5,552                 | 1.1                   |
| KLA-Tencor   | 167,210 | 5,406                 | 1.1                   |
| Linear Technology  | 169,370 | 3,566                 | 0.7                   |
| Xilinx   | 274,420 | 6,233                 | 1.2                   |
| <b>Telecommunications - 4.4% (4.2%)</b>                  |         |                       |                       |
| <b>Fixed line telecommunications - 4.4%</b>              |         |                       |                       |
| AT&T   | 412,890 | 7,668                 | 1.5                   |
| Varian Semiconductor Equipment                           | 204,820 | 4,794                 | 1.0                   |
| Verizon Communications                                   | 392,810 | 9,358                 | 1.9                   |

## Portfolio statement – continued

As at 31 January 2012

| Investment  | Holding | Market value<br>£'000 | Total net<br>assets % |
|---|---------|-----------------------|-----------------------|
| <b>Basic materials – 4.0% (4.4%)</b>                        |         |                       |                       |
| <b>Chemicals – 4.0%</b>                                     |         |                       |                       |
| Air Products & Chemicals                                    | 86,110  | 4,816                 | 1.0                   |
| Du Pont de Nemours  | 193,040 | 6,231                 | 1.2                   |
| PPG Industries  | 157,420 | 8,922                 | 1.8                   |
| <b>Forward currency contracts A-Class Income</b>            |         |                       |                       |
| <b>GBP Hedged shares – 0.1% (0.1%)</b>                      |         |                       |                       |
| Buy \$537,511 sell £349,108 dated 10/02/12                  |         | (9)                   | -                     |
| Buy \$312,784 sell £199,426 dated 09/03/12                  |         | (1)                   | -                     |
| Sell \$47,063,838 buy £30,212,179 dated 10/02/12            |         | 398                   | 0.1                   |
| Sell \$1,028,874 buy £656,815 dated 09/03/12                |         | 5                     | -                     |
| <b>Investment assets (including investment liabilities)</b> |         | <b>490,214</b>        | <b>97.1</b>           |
| <b>Net other assets</b>                                     |         | <b>14,505</b>         | <b>2.9</b>            |
| <b>Net assets</b>   |         | <b>504,719</b>        | <b>100.0</b>          |

Unless otherwise stated the above securities are admitted to official stock exchange listings or trade on a regulated market.

The comparative percentage figures in brackets are at 31 January 2011.

The forward exchange contracts are only entered into by the A-Class Income GBP Hedge shares.

## Portfolio movements

For the year ending 31 January 2012

|  | £'000          |  | £'000           |
|--|----------------|--|-----------------|
| <b>Total of all purchases for the year (Note 10)</b> | <b>360,086</b> | <b>Total of all sales for the year (Note 10)</b> | <b>160,168</b>  |
| <b>Major purchases</b>                               | <b>Cost</b>    | <b>Major sales</b>                               | <b>Proceeds</b> |
| Wells Fargo  | 7,549          | Darden Restaurants                               | 4,908           |
| ConocoPhillips                                       | 7,153          | IBM  | 4,515           |
| T. Rowe Price  | 6,347          | Equitable Resources                              | 4,377           |
| Prudential Financial                                 | 6,283          | Chevron  | 4,194           |
| Paccar   | 6,260          | Watsco 'A'                                       | 3,966           |
| Home Depot   | 5,965          | Becton Dickinson & Co                            | 3,804           |
| US Bancorp Delaware                                  | 5,932          | Regency Centers                                  | 3,752           |
| Pfizer   | 5,820          | Gap  | 3,718           |
| Chevron  | 5,699          | Philip Morris International                      | 3,647           |
| Xilinx   | 5,656          | Intel  | 3,522           |
| Merck & Co   | 5,618          | Illinois Tool Works                              | 3,517           |
| AT&T   | 5,610          | Metlife  | 3,443           |
| Lorillard  | 5,506          | Grainger (W.W.)                                  | 3,383           |
| Southern Company                                     | 5,386          | TJX Companies                                    | 3,345           |
| Simon Property Group                                 | 5,277          | McGraw-Hill                                      | 3,336           |
| Emerson Electric                                     | 5,263          | General Mills                                    | 3,201           |
| Analog Devices                                       | 5,245          | Wal-Mart Stores                                  | 3,154           |
| Johnson & Johnson                                    | 5,177          | Bank of New York Mellon                          | 3,029           |
| BlackRock 'A'  | 4,981          | Bemis  | 2,970           |
| PPG Industries                                       | 4,937          | Honeywell International                          | 2,698           |

# Financial statements

## Statement of total return

For the year ending 31 January

|   | 2012          | 2011          |
|---|---------------|---------------|
| £'000   | £'000         | £'000         |
| <b>Income</b>   |               |               |
| Net capital gains (Note 1)  | 36,905        | 25,136        |
| Revenue (Note 2)  | 11,396        | 5,419         |
| Expenses (Note 3)   | (4,957)       | (2,372)       |
| Net revenue before taxation   | 6,439         | 3,047         |
| Taxation (Note 4)   | (1,625)       | (751)         |
| Net revenue after taxation  | 4,814         | 2,296         |
| <b>Total return before distributions</b>  | <b>41,719</b> | <b>27,432</b> |
| Finance costs:<br>Distributions (Note 5)  | (9,180)       | (4,383)       |
| <b>Change in net assets attributable to shareholders from investment activities</b> | <b>32,539</b> | <b>23,049</b> |

## Statement of change in net assets attributable to shareholders

For the year ending 31 January

|  | 2012           | 2011           |
|--|----------------|----------------|
| £'000  | £'000          | £'000          |
| <b>Opening net assets attributable to shareholders</b>                                   | <b>254,948</b> | <b>89,481</b>  |
| Amounts receivable on issue of shares  | 250,191        | 148,502        |
| Amounts payable on cancellation of shares  | (33,312)       | (6,156)        |
|  | 216,879        | 142,346        |
| Change in net assets attributable to shareholders from investment activities (see above) | 32,539         | 23,049         |
| Retained distributions on accumulation shares  | 353            | 72             |
| <b>Closing net assets attributable to shareholders</b>                                   | <b>504,719</b> | <b>254,948</b> |

## Balance sheet

As at 31 January

|  | 2012           | 2011           |
|--|----------------|----------------|
| £'000  | £'000          | £'000          |
| <b>ASSETS</b>                                  |                |                |
| Investment assets                              | 490,224        | 253,026        |
| Debtors (Note 7)                               | 10,810         | 6,258          |
| Cash and bank balances (Note 8)                | 10,735         | 4,851          |
| <b>Total other assets</b>                      | <b>21,545</b>  | <b>11,109</b>  |
| <b>Total assets</b>                            | <b>511,769</b> | <b>264,135</b> |
| <b>LIABILITIES</b>                             |                |                |
| Investment liabilities                         | (10)           | (7)            |
| Creditors (Note 9)                             | (4,000)        | (7,560)        |
| Distribution payable on income shares          | (3,040)        | (1,620)        |
| <b>Total other liabilities</b>                 | <b>(7,040)</b> | <b>(9,180)</b> |
| <b>Total liabilities</b>                       | <b>(7,050)</b> | <b>(9,187)</b> |
| <b>Net assets attributable to shareholders</b> | <b>504,719</b> | <b>254,948</b> |

The notes to these financial statements are shown on pages 363 to 364.

# Notes to the financial statements for the year ending 31 January 2012

## 1. Net capital gains

|                            | 2012          | 2011          |
|----------------------------|---------------|---------------|
|                            | £'000         | £'000         |
| Currency gains/(losses)    | 270           | (246)         |
| Custodian handling charges | (3)           | (10)          |
| Forward currency contracts | (442)         | 104           |
| Non-derivative securities  | 37,080        | 25,288        |
| Net capital gains          | <u>36,905</u> | <u>25,136</u> |

The forward exchange contracts are only entered into by the A-Class Income GBP Hedged shares.

## 2. Revenue

|   | 2012          | 2011         |
|---|---------------|--------------|
|   | £'000         | £'000        |
| Income from overseas equity investments | 11,385        | 5,413        |
| Interest on bank and term deposits      | 11            | 4            |
| Stocklending income*                    | -             | 2            |
| Total revenue                           | <u>11,396</u> | <u>5,419</u> |

\* Stocklending income is disclosed net of fees. See note 11.

## 3. Expenses

|  | 2012         | 2011         |
|--|--------------|--------------|
|  | £'000        | £'000        |
| <b>Payable to the ACD or associate of the ACD:</b> |              |              |
| ACD fee  | 4,386        | 2,109        |
| Fixed expenses                                     | 571          | 263          |
| Total expenses                                     | <u>4,957</u> | <u>2,372</u> |

## 4. Taxation

|  | 2012         | 2011       |
|--|--------------|------------|
|  | £'000        | £'000      |
| <b>a) Analysis of charge in the year</b> |              |            |
| Overseas tax suffered                    | 1,625        | 751        |
| Current year tax charge (Note 4b)        | <u>1,625</u> | <u>751</u> |

### b) Factors affecting the tax charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK for an Open-Ended Investment Company (OEIC) (20%). The differences are explained below.

|                             |              |            |
|-----------------------------|--------------|------------|
| Net revenue before taxation | 6,439        | 3,047      |
| Corporation tax at 20%      | <u>1,288</u> | <u>609</u> |

### Effects of:

|   |              |            |
|---|--------------|------------|
| Dividends not subject to corporation tax  | (2,195)      | (1,033)    |
| Excess expenses for which no relief taken | 907          | 424        |
| Overseas tax suffered                     | 1,625        | 751        |
|   | <u>337</u>   | <u>142</u> |
| Current year tax charge (Note 4a)         | <u>1,625</u> | <u>751</u> |

No deferred tax asset has been recognised in the financial statements. At the year end date, the fund had a deferred tax asset of £1,407,056 (31.01.11: £500,348) in relation to £7,035,278 (31.01.11: £2,501,741) of excess management expenses which would only be utilised to reduce the tax charge if the fund had an excess of unfranked income over expenses in a future period. There is no excess of unfranked income expected in the future.

## 5. Finance costs

### Distributions

The distributions take account of amounts receivable on the issue of shares and amounts payable on the cancellation of shares and comprise:

|  | 2012         | 2011         |
|--|--------------|--------------|
|  | £'000        | £'000        |
| First interim dividend distribution            | 1,904        | 805          |
| Second interim dividend distribution           | 2,410        | 1,201        |
| Third interim dividend distribution            | 2,488        | 1,301        |
| Final dividend distribution                    | 3,232        | 1,643        |
| Add: Amounts payable on cancellation of shares | 119          | 35           |
| Deduct: Amounts receivable on issue of shares  | (973)        | (602)        |
| Total finance costs                            | <u>9,180</u> | <u>4,383</u> |

Details of the distribution per share are set out on pages 365 to 367.

## 6. Movement between net revenue after taxation and distributions

|  | 2012         | 2011         |
|--|--------------|--------------|
|  | £'000        | £'000        |
| Net revenue after taxation                         | 4,814        | 2,296        |
| Add: ACD fee (net of tax relief) paid from capital | 4,386        | 2,109        |
| Add: Undistributed revenue brought forward         | 24           | 2            |
| Deduct: Undistributed revenue carried forward      | (44)         | (24)         |
|  | <u>9,180</u> | <u>4,383</u> |

## 7. Debtors

|                                     | 2012          | 2011         |
|-------------------------------------|---------------|--------------|
|                                     | £'000         | £'000        |
| Accrued income                      | 430           | 253          |
| Due from the ACD for shares created | 7,695         | 3,542        |
| Overseas tax recoverable            | 24            | 1            |
| Sales awaiting settlement           | 2,661         | 2,462        |
| Total debtors                       | <u>10,810</u> | <u>6,258</u> |

## 8. Cash and bank balances

|                        | 2012          | 2011         |
|------------------------|---------------|--------------|
|                        | £'000         | £'000        |
| Cash and bank balances | <u>10,735</u> | <u>4,851</u> |

## 9. Creditors

|                                     | 2012         | 2011         |
|-------------------------------------|--------------|--------------|
|                                     | £'000        | £'000        |
| Accrued expenses                    | 552          | 288          |
| Due to the ACD for shares cancelled | 1,912        | 17           |
| Purchases awaiting settlement       | 1,536        | 7,255        |
| Total creditors                     | <u>4,000</u> | <u>7,560</u> |

## Notes to the financial statements – continued

### 10. Portfolio transaction costs

|  | 2012<br>£'000 | 2011<br>£'000 |
|--|---------------|---------------|
| Analysis of total purchase costs           |               |               |
| Purchases in year before transaction costs | 359,893       | 191,725       |
| Commissions                                | 193           | 114           |
| Total purchase costs                       | 360,086       | 191,839       |
| Analysis of total sale costs               |               |               |
| Gross sales before transaction costs       | 160,273       | 53,167        |
| Commissions                                | (102)         | (41)          |
| Taxes                                      | (3)           | (1)           |
| Total sale costs                           | (105)         | (42)          |
| Total sales net of transaction costs       | 160,168       | 53,125        |

### 11. Related party transactions

JPMorgan Funds Limited, as Authorised Corporate Director (“ACD”), is a related party, and acts as principal in respect of all transactions of shares in the Company. The aggregate monies received through issue, and paid on cancellation, are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

The balance due from the ACD and their associates at the year end date in respect of related party transactions was £5,230,535 (31.01.11: £3,236,373). Details of related party transactions are given under note 13 on page 389.

Some of the dealing transactions for the fund are carried out through associates of the ACD. Such transactions are carried out on an arm's length basis. The commissions paid to these companies over the year were £294,723 (31.01.11: £155,008). Commission was paid to the associated company JPMorgan Securities Ltd.

The gross stocklending income received was £105 (31.01.11: £2,949), with fees deducted of £18 (31.01.11: £516).

The following parties held a material interest in the fund at the year end date:

- Giltspur Nominees Limited 20.97% (31.01.11: 26.74%)
- Brewin Nominees Limited 14.07% (31.01.11: 16.03%)
- Chase Nominees Limited 11.55% (31.01.11: 13.89%)

### 12. Financial instruments

#### Currency exposures

A substantial proportion of the net assets of the fund are denominated in currencies other than sterling, with the effect that the Balance sheet and total return can be significantly affected by currency movements.

| Currency        | Total<br>£'000 | Net foreign currency assets               |                                |  |
|-----------------|----------------|---|--------------------------------|--|
|                 |                | Forward<br>exchange<br>contracts<br>£'000 | Monetary<br>exposures<br>£'000 | Non-<br>monetary<br>exposures<br>£'000 |
| <b>31.01.12</b> |                |   |                                |  |
| US Dollar       | 475,772        | (29,927)                                  | 15,878                         | 489,821                                |
| <b>31.01.11</b> |                |   |                                |  |
| US Dollar       | 247,742        | (8,193)                                   | 3,051                          | 252,884                                |

The forward exchange contracts are only entered into by the A-Class Income GBP Hedged shares.

#### Interest rate risk

At the year end date, 2.1% (31.01.11: 1.9%) of the fund's net assets by value were interest bearing.

For consideration of other risks including liquidity, pricing and credit risk, please refer to the notes to the aggregated financial statements, pages 389 to 390.

### 13. Share classes

The fund currently has three share classes; Class A shares, Class B shares and Class C shares. The Authorised Corporate Director's (ACD) fee and fixed expenses charge are shown below.

|                 | ACD fee | Fixed expenses |
|-----------------|---------|----------------|
| Class A shares: | 1.50%   | 0.18%          |
| Class B shares: | 1.00%   | 0.15%          |
| Class C shares: | 0.75%   | 0.12%          |

The net asset value of each share class, the net asset value per share and the number of shares in each class are shown on page 358. All classes have the same rights on winding up except for any foreign currency contracts, which would close on the wind-up date and any realised gains or losses would remain in the A-Class Income GBP Hedged share class.

### 14. Derivatives

The A-Class Income GBP Hedge share class enters into derivative transactions in the form of forward currency contracts. The share class may use derivatives for investment purposes or efficient portfolio management including hedging, where appropriate. The commitment approach has been used to calculate the global exposure.

Further information on the derivative risks can be found in the notes to the aggregated financial statements on page 390.

## Distribution table

### Final distribution in pence per share

Group 1 – Shares purchased prior to 1 November 2011

Group 2 – Shares purchased 1 November 2011 to 31 January 2012

|  | Gross<br>revenue | Tax<br>at 10% | Net<br>revenue | Equalisation | Distribution<br>payable<br>30.04.12 | Distribution<br>paid<br>30.04.11 |
|--|------------------|---------------|----------------|--------------|-------------------------------------|----------------------------------|
| <b>A-Class Accumulation Shares</b>     |                  |               |                |              |                                     |                                  |
| Group 1                                | 0.533333         | 0.053333      | 0.480000       | -            | 0.480000                            | 0.430000                         |
| Group 2                                | 0.176463         | 0.017646      | 0.158817       | 0.321183     | 0.480000                            | 0.430000                         |
| <b>A-Class Income Shares</b>           |                  |               |                |              |                                     |                                  |
| Group 1                                | 0.488889         | 0.048889      | 0.440000       | -            | 0.440000                            | 0.410000                         |
| Group 2                                | 0.129500         | 0.012950      | 0.116550       | 0.323450     | 0.440000                            | 0.410000                         |
| <b>A-Class Income GBP Hedge Shares</b> |                  |               |                |              |                                     |                                  |
| Group 1                                | 0.488889         | 0.048889      | 0.440000       | -            | 0.440000                            | 0.410000                         |
| Group 2                                | 0.095122         | 0.009512      | 0.085610       | 0.354390     | 0.440000                            | 0.410000                         |
| <b>B-Class Accumulation Shares</b>     |                  |               |                |              |                                     |                                  |
| Group 1                                | 0.733333         | 0.073333      | 0.660000       | -            | 0.660000                            | -                                |
| Group 2                                | 0.733333         | 0.073333      | 0.660000       | 0.000000     | 0.660000                            | -                                |
| <b>B-Class Income Shares</b>           |                  |               |                |              |                                     |                                  |
| Group 1                                | 0.977778         | 0.097778      | 0.880000       | -            | 0.880000                            | 0.820000                         |
| Group 2                                | 0.154484         | 0.015448      | 0.139036       | 0.740964     | 0.880000                            | 0.820000                         |
| <b>C-Class Accumulation Shares</b>     |                  |               |                |              |                                     |                                  |
| Group 1                                | 0.733333         | 0.073333      | 0.660000       | -            | 0.660000                            | -                                |
| Group 2                                | 0.009110         | 0.000911      | 0.008199       | 0.651801     | 0.660000                            | -                                |
| <b>C-Class Income Shares</b>           |                  |               |                |              |                                     |                                  |
| Group 1                                | 1.000000         | 0.100000      | 0.900000       | -            | 0.900000                            | 0.830000                         |
| Group 2                                | 0.178309         | 0.017831      | 0.160478       | 0.739522     | 0.900000                            | 0.830000                         |

## Distribution table – continued

### Third interim distribution in pence per share

Group 1 – Shares purchased prior to 1 August 2011

Group 2 – Shares purchased 1 August 2011 to 31 October 2011

|  | Gross<br>revenue | Tax<br>at 10% | Net<br>revenue | Equalisation | Distribution<br>paid<br>31.01.12 | Distribution<br>paid<br>31.01.11 |
|--|------------------|---------------|----------------|--------------|----------------------------------|----------------------------------|
| <b>A-Class Accumulation Shares</b>     |                  |               |                |              |                                  |                                  |
| Group 1                                | 0.466667         | 0.046667      | 0.420000       | -            | 0.420000                         | 0.400000                         |
| Group 2                                | 0.108089         | 0.010809      | 0.097280       | 0.322720     | 0.420000                         | 0.400000                         |
| <b>A-Class Income Shares</b>           |                  |               |                |              |                                  |                                  |
| Group 1                                | 0.433333         | 0.043333      | 0.390000       | -            | 0.390000                         | 0.380000                         |
| Group 2                                | 0.191973         | 0.019197      | 0.172776       | 0.217224     | 0.390000                         | 0.380000                         |
| <b>A-Class Income GBP Hedge Shares</b> |                  |               |                |              |                                  |                                  |
| Group 1                                | 0.444444         | 0.044444      | 0.400000       | -            | 0.400000                         | 0.370000                         |
| Group 2                                | 0.182852         | 0.018285      | 0.164567       | 0.235433     | 0.400000                         | 0.370000                         |
| <b>B-Class Accumulation Shares</b>     |                  |               |                |              |                                  |                                  |
| Group 1                                | 0.000000         | 0.000000      | 0.000000       | -            | 0.000000                         | -                                |
| Group 2                                | 0.000000         | 0.000000      | 0.000000       | 0.000000     | 0.000000                         | -                                |
| <b>B-Class Income Shares</b>           |                  |               |                |              |                                  |                                  |
| Group 1                                | 0.866667         | 0.086667      | 0.780000       | -            | 0.780000                         | 0.750000                         |
| Group 2                                | 0.377471         | 0.037747      | 0.339724       | 0.440276     | 0.780000                         | 0.750000                         |
| <b>C-Class Accumulation Shares</b>     |                  |               |                |              |                                  |                                  |
| Group 1                                | 0.677778         | 0.067778      | 0.610000       | -            | 0.610000                         | -                                |
| Group 2                                | 0.299692         | 0.029969      | 0.269723       | 0.340277     | 0.610000                         | -                                |
| <b>C-Class Income Shares</b>           |                  |               |                |              |                                  |                                  |
| Group 1                                | 0.888889         | 0.088889      | 0.800000       | -            | 0.800000                         | 0.770000                         |
| Group 2                                | 0.351461         | 0.035146      | 0.316315       | 0.483685     | 0.800000                         | 0.770000                         |



## Distribution table – continued

### Second interim distribution in pence per share

Group 1 – Shares purchased prior to 1 May 2011

Group 2 – Shares purchased 1 May 2011 to 31 July 2011

|  | Gross revenue | Tax at 10% | Net revenue | Equalisation | Distribution paid 31.10.11 | Distribution paid 31.10.10 |
|--|---------------|------------|-------------|--------------|----------------------------|----------------------------|
| <b>A-Class Accumulation Shares</b>     |               |            |             |              |                            |                            |
| Group 1                                | 0.488889      | 0.048889   | 0.440000    | -            | 0.440000                   | 0.410000                   |
| Group 2                                | 0.230184      | 0.023018   | 0.207166    | 0.232834     | 0.440000                   | 0.410000                   |
| <b>A-Class Income Shares</b>           |               |            |             |              |                            |                            |
| Group 1                                | 0.466667      | 0.046667   | 0.420000    | -            | 0.420000                   | 0.390000                   |
| Group 2                                | 0.201372      | 0.020137   | 0.181235    | 0.238765     | 0.420000                   | 0.390000                   |
| <b>A-Class Income GBP Hedge Shares</b> |               |            |             |              |                            |                            |
| Group 1                                | 0.477778      | 0.047778   | 0.430000    | -            | 0.430000                   | 0.370000                   |
| Group 2                                | 0.169252      | 0.016925   | 0.152327    | 0.277673     | 0.430000                   | 0.370000                   |
| <b>B-Class Income Shares</b>           |               |            |             |              |                            |                            |
| Group 1                                | 0.922222      | 0.092222   | 0.830000    | -            | 0.830000                   | 0.780000                   |
| Group 2                                | 0.216013      | 0.021601   | 0.194412    | 0.635588     | 0.830000                   | 0.780000                   |
| <b>C-Class Accumulation Shares</b>     |               |            |             |              |                            |                            |
| Group 1                                | 0.077778      | 0.007778   | 0.070000    | -            | 0.070000                   | -                          |
| Group 2                                | 0.065278      | 0.006528   | 0.058750    | 0.011250     | 0.070000                   | -                          |
| <b>C-Class Income Shares</b>           |               |            |             |              |                            |                            |
| Group 1                                | 0.944444      | 0.094444   | 0.850000    | -            | 0.850000                   | 0.800000                   |
| Group 2                                | 0.489467      | 0.048947   | 0.440520    | 0.409480     | 0.850000                   | 0.800000                   |

### First interim distribution in pence per share

Group 1 – Shares purchased prior to 1 February 2011

Group 2 – Shares purchased 1 February 2011 to 30 April 2011

|  | Gross revenue | Tax at 10% | Net revenue | Equalisation | Distribution paid 31.07.11 | Distribution paid 31.07.10 |
|--|---------------|------------|-------------|--------------|----------------------------|----------------------------|
| <b>A-Class Accumulation Shares</b>     |               |            |             |              |                            |                            |
| Group 1                                | 0.444444      | 0.044444   | 0.400000    | -            | 0.400000                   | 0.400000                   |
| Group 2                                | 0.314772      | 0.031477   | 0.283295    | 0.116705     | 0.400000                   | 0.400000                   |
| <b>A-Class Income Shares</b>           |               |            |             |              |                            |                            |
| Group 1                                | 0.422222      | 0.042222   | 0.380000    | -            | 0.380000                   | 0.390000                   |
| Group 2                                | 0.178123      | 0.017812   | 0.160311    | 0.219689     | 0.380000                   | 0.390000                   |
| <b>A-Class Income GBP Hedge Shares</b> |               |            |             |              |                            |                            |
| Group 1                                | 0.422222      | 0.042222   | 0.380000    | -            | 0.380000                   | 0.370000                   |
| Group 2                                | 0.270456      | 0.027046   | 0.243410    | 0.136590     | 0.380000                   | 0.370000                   |
| <b>B-Class Income Shares</b>           |               |            |             |              |                            |                            |
| Group 1                                | 0.833333      | 0.083333   | 0.750000    | -            | 0.750000                   | 0.760000                   |
| Group 2                                | 0.384372      | 0.038437   | 0.345935    | 0.404065     | 0.750000                   | 0.760000                   |
| <b>C-Class Income Shares</b>           |               |            |             |              |                            |                            |
| Group 1                                | 0.855556      | 0.085556   | 0.770000    | -            | 0.770000                   | 0.780000                   |
| Group 2                                | 0.391264      | 0.039126   | 0.352138    | 0.417862     | 0.770000                   | 0.780000                   |

Equalisation applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of revenue included in the purchase price of all group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

# JPM US Fund

## Important information

### Change of Depositary

As part of an internal re-structuring, The Royal Bank of Scotland plc has transferred its Trustee and Depositary Services business from The Royal Bank of Scotland plc to National Westminster Bank plc and consequently National Westminster Bank plc has been appointed as Depositary of the Fund with effect from 15 October 2011.

As Depositary, National Westminster Bank plc will have the same duties and responsibilities as The Royal Bank of Scotland plc and this change will have no impact on the way the Fund operates.

### Investment objective and policy

To provide capital growth over the long term by investing primarily through a portfolio invested in the shares of US companies.

### Risk profile

This equity based Fund is designed for investors looking for broad market exposure, primarily to a single developed stock market.

Equity investment is subject to specific risks relating to the performance of the individual companies held and the market's perception of their performance. Equities are also subject to systematic risks such as general economic conditions, inflation, interest rates, foreign exchange rates and industry sector risks. In general terms, equities tend to be more volatile than bonds.

Funds that invest predominantly in a single market, asset class or sector may be subject to greater volatility than those funds with a more diversified portfolio.

The underlying assets of the Fund are denominated in a currency other than Sterling and are not hedged back to Sterling. Investors will therefore be exposed to the currency risk of fluctuations between Sterling and the currency denomination of the underlying assets.

### Fund review

The 12 months to 31 January 2012 will be marked as a period most equity investors are glad to see pass. Cultural revolutions, earthquakes and tsunamis, ratings downgrades of major economies and extraordinary political events dominated the investment landscape. However, a strong rally in January led the S&P 500 to finish the period in positive territory.

The Fund lagged its benchmark for the trailing 12-month period. Overall, the alpha model was a positive contributor to performance, while our sector selection detracted the most from performance. The most significant detractors from sector selection were our overweight position in financials, which was the worst performing sector in the index, and our underweight in the defensive utilities sector, which was among the best performing sectors in the index. Our exposure to Citigroup, Xerox and Ameriprise Financial proved disappointing as they generated a negative return for the period. Meanwhile, stock selection in the healthcare and information technology sectors helped performance. Individual stock holdings that added value included Herbalife and Biogen Idec proved beneficial.

## Fund outlook

Although markets have enjoyed a great start to 2012, we have to remind ourselves of the all too familiar tensions between healthy corporate fundamentals and the lengthy list of macro issues that markets currently face. It is a relief that European sovereign yields have retreated from troublesome highs. However, much work remains to be done. We believe that markets are priced in favour of those willing to take on risk. With a forward price/earnings multiple of 12.3x and an equity risk premium over the ten-year US Treasury of greater than 7%, almost twice the average for the past 25 years, there is a strong incentive to be patient through what may be volatile times ahead.

## 12 month performance as at 31 January

|                 | 2012 | 2011  | 2010  | 2009   | 2008  |
|-----------------|------|-------|-------|--------|-------|
| <b>JPM US</b>   |      |       |       |        |       |
| A-Class Acc     | 4.7% | 19.1% | 14.6% | -9.7%  | -8.3% |
| <b>JPM US</b>   |      |       |       |        |       |
| I-Class Acc     | 5.8% | 20.0% | 15.9% | -8.7%  | -7.4% |
| <b>JPM US</b>   |      |       |       |        |       |
| X-Class Inc     | 6.4% | 21.0% | 17.0% | -8.2%  | -8.7% |
| Benchmark Index | 5.5% | 21.9% | 19.4% | -15.7% | -4.1% |

## Fund statistics

|                 |   |
|-----------------|---|
| Fund size       | £175.2m                                     |
| Benchmark Index | S&P 500 Index (Total Return Net at 15% Tax) |
| Fund charges    |   |
| A-Class         | Initial 4.25%, Annual 1.50%                 |
| I-Class         | Initial Nil, Annual 0.60%                   |
| X-Class         | On application <sup>A</sup>                 |

## Top ten holdings

|                    | %   |
|--------------------|-----|
| Apple              | 5.4 |
| ExxonMobil         | 4.0 |
| Pfizer             | 3.2 |
| IBM                | 3.0 |
| Microsoft          | 2.9 |
| General Dynamics   | 2.1 |
| Citigroup          | 1.9 |
| Amgen              | 1.9 |
| Wells Fargo        | 1.8 |
| Tyco International | 1.8 |

You should remember that past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. For specific risks, please read the Simplified Prospectus.

All performance returns are calculated using the quoted price of the accumulation or income shares. Performance returns are in Sterling.

Source: J.P. Morgan.

<sup>A</sup> As agreed from time to time between the ACD and the relevant JPMorgan Chase & Co. entity.

## Sector breakdown

|                    | %    |
|--------------------|------|
| Technology         | 17.8 |
| Financials         | 14.7 |
| Oil & gas          | 11.6 |
| Consumer services  | 11.3 |
| Health care        | 11.2 |
| Consumer goods     | 10.6 |
| Industrials        | 10.3 |
| Basic materials    | 3.6  |
| Utilities          | 3.3  |
| Telecommunications | 3.1  |
| Futures            | 0.0  |
| Net other assets   | 2.5  |

## Highest/lowest share price and distribution record

| Calendar year                                  | Highest share price | Lowest share price | Distribution per share (net) |
|--|---------------------|--------------------|------------------------------|
| <b>A-Class Accumulation Shares</b>             |                     |                    |                              |
| 2007   | 386.7p              | 326.7p             | 0.12p                        |
| 2008   | 358.7p              | 254.0p             | 0.00p                        |
| 2009   | 364.9p              | 248.4p             | 1.61p                        |
| 2010   | 417.0p              | 336.5p             | 0.33p                        |
| 2011   | 444.1p              | 346.6p             | 0.00p                        |
| 2012 <sup>b</sup>                              | 435.9p              | 409.4p             | 0.00p                        |
| <b>A-Class Income Shares<sup>c</sup></b>       |                     |                    |                              |
| 2007   | 52.31p              | 45.64p             | -                            |
| 2008   | 50.10p              | 35.48p             | 0.00p                        |
| 2009   | 50.65p              | 34.46p             | 0.26p                        |
| 2010   | 57.80p              | 46.64p             | 0.07p                        |
| 2011   | 61.55p              | 48.05p             | 0.00p                        |
| 2012 <sup>b</sup>                              | 60.42p              | 56.74p             | 0.00p                        |
| <b>I-Class Accumulation Shares<sup>d</sup></b> |                     |                    |                              |
| 2007   | 110.0p              | 93.37p             | 0.01p                        |
| 2008   | 102.6p              | 73.25p             | 1.03p                        |
| 2009   | 106.6p              | 71.92p             | 1.36p                        |
| 2010   | 122.7p              | 98.65p             | 0.74p                        |
| 2011   | 131.4p              | 102.7p             | 1.08p                        |
| 2012 <sup>b</sup>                              | 129.7p              | 121.8p             | 1.23p                        |
| <b>X-Class Income Shares<sup>d</sup></b>       |                     |                    |                              |
| 2007   | 106.4p              | 90.59p             | 0.00p                        |
| 2008   | 99.58p              | 70.70p             | 0.94p                        |
| 2009   | 101.9p              | 68.43p             | 1.64p                        |
| 2010   | 116.5p              | 93.51p             | 1.17p                        |
| 2011   | 123.4p              | 96.51p             | 1.59p                        |
| 2012 <sup>b</sup>                              | 122.2p              | 114.7p             | 1.77p                        |

<sup>b</sup> To 31 January 2011.

<sup>c</sup> A-Class Income Shares were launched on 1 September 2007.

<sup>d</sup> I-Class Accumulation and X-Class Income Shares were launched on 2 January 2007.

## Portfolio turnover rate

|          |        |
|----------|--------|
| 31.01.11 | 208.4% |
| 31.01.12 | 172.0% |

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the period.

## Net asset values and Total expense ratios

| Date                               | Net asset value per share class<br>£'000 | Number of shares | Net asset value per share | Total expense ratio |
|------------------------------------|--|------------------|---------------------------|---------------------|
| <b>A-Class Accumulation Shares</b> |  |                  |                           |                     |
| 31.01.10                           | 164,884                                  | 48,171,126       | 342.3p                    | 1.67%               |
| 31.01.11                           | 155,158                                  | 38,054,157       | 407.7p                    | 1.68%               |
| 31.01.12                           | 162,146                                  | 38,005,166       | 426.6p                    | 1.68%               |
| <b>A-Class Income Shares</b>       |  |                  |                           |                     |
| 31.01.10                           | 1,386                                    | 2,921,275        | 47.44p                    | 1.66%               |
| 31.01.11                           | 2,939                                    | 5,201,771        | 56.51p                    | 1.68%               |
| 31.01.12                           | 3,707                                    | 6,269,244        | 59.13p                    | 1.68%               |
| <b>I-Class Accumulation Shares</b> |  |                  |                           |                     |
| 31.01.10                           | 10,317                                   | 10,349,229       | 99.69p                    | 0.60%               |
| 31.01.11                           | 6,960                                    | 5,796,288        | 120.1p                    | 0.60%               |
| 31.01.12                           | 6,167                                    | 4,856,128        | 127.0p                    | 0.60%               |
| <b>X-Class Income Shares</b>       |  |                  |                           |                     |
| 31.01.10                           | 6,392                                    | 6,784,060        | 94.22p                    | 0.06%               |
| 31.01.11                           | 2,841                                    | 2,525,379        | 112.5p                    | 0.06%               |
| 31.01.12                           | 3,183                                    | 2,701,042        | 117.8p                    | 0.06%               |

The net asset value and the net asset value per income share are shown ex-dividend.

The total expense ratio (TER) takes into account the ACD fee and any fixed expenses charged to revenue expressed as a percentage of the average daily net asset values over the period.

# Portfolio statement

As at 31 January 2012

| Investment   | Holding | Market value<br>£'000 | Total net<br>assets % |
|--|---------|-----------------------|-----------------------|
| <b>Technology - 17.8% (17.8%)</b>                        |         |                       |                       |
| <b>Software &amp; computer services - 7.9%</b>           |         |                       |                       |
| Google 'A'   | 2,200   | 805                   | 0.5                   |
| IAC Interactive  | 48,800  | 1,334                 | 0.8                   |
| IBM  | 43,600  | 5,315                 | 3.0                   |
| Microsoft  | 274,800 | 5,152                 | 2.9                   |
| Symantec   | 118,400 | 1,277                 | 0.7                   |
| <b>Technology hardware &amp; equipment - 9.9%</b>        |         |                       |                       |
| Altera   | 37,300  | 939                   | 0.6                   |
| Apple  | 33,100  | 9,495                 | 5.4                   |
| Cisco Systems  | 97,800  | 1,211                 | 0.7                   |
| Dell   | 8,400   | 90                    | 0.1                   |
| Freescale Semiconductor Holdings                         | 38,500  | 389                   | 0.2                   |
| Qualcomm   | 53,600  | 1,990                 | 1.1                   |
| Sandisk  | 23,000  | 674                   | 0.4                   |
| Xerox  | 158,400 | 775                   | 0.4                   |
| Xilinx   | 81,000  | 1,840                 | 1.0                   |
| <b>Financials - 14.7% (18.7%)</b>                        |         |                       |                       |
| <b>Banks - 6.4%</b>                                      |         |                       |                       |
| Bank of America  | 348,450 | 1,558                 | 0.9                   |
| Citigroup  | 172,870 | 3,310                 | 1.9                   |
| Fifth Third Bancorp                                      | 150,700 | 1,239                 | 0.7                   |
| PNC Financial Services Group                             | 51,600  | 1,930                 | 1.1                   |
| Wells Fargo  | 169,500 | 3,141                 | 1.8                   |
| <b>General financial - 3.5%</b>                          |         |                       |                       |
| Ameriprise Financial                                     | 51,600  | 1,742                 | 1.0                   |
| Capital One Financial                                    | 109,000 | 3,095                 | 1.8                   |
| MasterCard   | 2,300   | 513                   | 0.3                   |
| SLM  | 68,900  | 653                   | 0.4                   |
| <b>Life insurance - 2.4%</b>                             |         |                       |                       |
| Assurant   | 24,800  | 617                   | 0.3                   |
| Metlife  | 78,200  | 1,767                 | 1.0                   |
| Protective Life  | 23,300  | 365                   | 0.2                   |
| Prudential Financial                                     | 45,400  | 1,650                 | 0.9                   |
| <b>Nonlife insurance - 1.7%</b>                          |         |                       |                       |
| ACE  | 23,400  | 1,022                 | 0.6                   |
| Allied World Assurance                                   | 37,000  | 1,430                 | 0.8                   |
| Reinsurance Group America                                | 12,900  | 457                   | 0.3                   |
| <b>Real estate - 0.7%</b>                                |         |                       |                       |
| Hospitality Properties                                   | 11,600  | 176                   | 0.1                   |
| Prologis   | 18,800  | 376                   | 0.2                   |
| Ventas   | 20,500  | 754                   | 0.4                   |
| <b>Oil &amp; gas - 11.6% (13.8%)</b>                     |         |                       |                       |
| <b>Oil &amp; gas producers - 9.9%</b>                    |         |                       |                       |
| Baker Hughes   | 53,700  | 1,681                 | 1.0                   |
| Chevron  | 44,600  | 2,920                 | 1.7                   |
| ConocoPhillips   | 29,700  | 1,293                 | 0.7                   |
| ExxonMobil   | 130,046 | 7,041                 | 4.0                   |
| Marathon Oil   | 103,100 | 2,021                 | 1.2                   |
| Occidental Petroleum                                     | 34,300  | 2,164                 | 1.2                   |
| Valero Energy  | 10,200  | 157                   | 0.1                   |
| <b>Oil equipment, services &amp; distribution - 1.7%</b> |         |                       |                       |
| Helmerich & Payne  | 18,000  | 688                   | 0.4                   |
| National Oilwell Varco                                   | 49,300  | 2,356                 | 1.3                   |

| Investment   | Holding | Market value<br>£'000 | Total net<br>assets % |
|--|---------|-----------------------|-----------------------|
| <b>Consumer services - 11.3% (11.2%)</b>           |         |                       |                       |
| <b>Food &amp; drug retailers - 0.9%</b>            |         |                       |                       |
| CVS Caremark                                       | 26,200  | 696                   | 0.4                   |
| Kroger   | 62,900  | 960                   | 0.5                   |
| <b>General retailers - 5.5%</b>                    |         |                       |                       |
| Amazon   | 8,300   | 1,010                 | 0.6                   |
| Apollo Group 'A'                                   | 9,900   | 334                   | 0.2                   |
| Autozone   | 5,000   | 1,102                 | 0.6                   |
| Dillards 'A'                                       | 15,800  | 451                   | 0.3                   |
| GameStop 'A'                                       | 83,100  | 1,250                 | 0.7                   |
| Macy's   | 99,050  | 2,152                 | 1.2                   |
| Service Corporation International                  | 49,500  | 348                   | 0.2                   |
| Wal-Mart Stores                                    | 75,000  | 2,912                 | 1.7                   |
| <b>Media - 2.6%</b>                                |         |                       |                       |
| CBS 'B'  | 61,800  | 1,122                 | 0.6                   |
| Dun & Bradstreet (Delaware)                        | 27,000  | 1,415                 | 0.8                   |
| Time Warner Cable                                  | 7,200   | 336                   | 0.2                   |
| Viacom 'B'   | 58,800  | 1,784                 | 1.0                   |
| <b>Travel &amp; leisure - 2.3%</b>                 |         |                       |                       |
| Alaska Air   | 18,400  | 869                   | 0.5                   |
| Brinker International                              | 75,300  | 1,258                 | 0.7                   |
| Carnival   | 27,100  | 517                   | 0.3                   |
| Wyndham Worldwide                                  | 54,300  | 1,375                 | 0.8                   |
| <b>Health care - 11.2% (10.8%)</b>                 |         |                       |                       |
| <b>Health care equipment &amp; services - 4.2%</b> |         |                       |                       |
| Baxter International                               | 31,500  | 1,104                 | 0.6                   |
| Cigna  | 25,500  | 718                   | 0.4                   |
| Covidien   | 91,000  | 2,970                 | 1.7                   |
| Humana   | 13,100  | 732                   | 0.4                   |
| United Health Group                                | 57,800  | 1,870                 | 1.1                   |
| <b>Pharmaceuticals &amp; biotechnology - 7.0%</b>  |         |                       |                       |
| Amgen  | 74,700  | 3,233                 | 1.9                   |
| Endo Pharmaceutical                                | 56,300  | 1,302                 | 0.7                   |
| Pfizer   | 413,400 | 5,646                 | 3.2                   |
| Vertex Pharmaceutical                              | 23,800  | 524                   | 0.3                   |
| Warner Chilcott                                    | 140,100 | 1,494                 | 0.9                   |
| <b>Consumer goods - 10.6% (8.1%)</b>               |         |                       |                       |
| <b>Automobiles &amp; parts - 1.2%</b>              |         |                       |                       |
| Ford Motors  | 228,500 | 1,780                 | 1.0                   |
| TRW Automotive                                     | 16,200  | 388                   | 0.2                   |
| <b>Beverages - 0.8%</b>                            |         |                       |                       |
| Constellation Brands 'A'                           | 101,200 | 1,332                 | 0.8                   |
| <b>Food producers - 3.8%</b>                       |         |                       |                       |
| Campbell Soup                                      | 60,200  | 1,203                 | 0.7                   |
| ConAgra Foods                                      | 69,500  | 1,171                 | 0.7                   |
| Monsanto   | 26,500  | 1,381                 | 0.8                   |
| Ralcorp  | 6,100   | 340                   | 0.2                   |
| Smithfield Foods                                   | 80,100  | 1,155                 | 0.7                   |
| Tyson Foods 'A'                                    | 98,000  | 1,163                 | 0.7                   |
| <b>Household goods - 0.8%</b>                      |         |                       |                       |
| Energizer  | 26,400  | 1,304                 | 0.7                   |
| Toll Brothers                                      | 11,500  | 161                   | 0.1                   |
| <b>Personal goods - 2.3%</b>                       |         |                       |                       |
| Kimberly-Clark                                     | 64,200  | 2,900                 | 1.6                   |
| VF   | 15,000  | 1,244                 | 0.7                   |
| <b>Tobacco - 1.7%</b>                              |         |                       |                       |
| Lorillard  | 10,500  | 729                   | 0.4                   |
| Philip Morris International                        | 47,500  | 2,253                 | 1.3                   |

## Portfolio statement – continued

As at 31 January 2012

| Investment   | Holding | Market value<br>£'000 | Total net<br>assets % |
|--|---------|-----------------------|-----------------------|
| <b>Industrials – 10.3% (9.7%)</b>                    |         |                       |                       |
| <b>Aerospace &amp; defence – 2.1%</b>                |         |                       |                       |
| General Dynamics                                     | 82,900  | 3,632                 | 2.1                   |
| <b>Electronics &amp; electrical equipment – 0.3%</b> |         |                       |                       |
| Vishay   | 68,000  | 528                   | 0.3                   |
| <b>General industrials – 3.5%</b>                    |         |                       |                       |
| Honeywell International                              | 79,300  | 2,921                 | 1.7                   |
| Tyco International                                   | 100,500 | 3,134                 | 1.8                   |
| <b>Industrial engineering – 3.1%</b>                 |         |                       |                       |
| Agco   | 41,600  | 1,362                 | 0.8                   |
| Caterpillar  | 27,500  | 1,924                 | 1.1                   |
| Joy Global   | 12,200  | 714                   | 0.4                   |
| Navistar International                               | 25,600  | 705                   | 0.4                   |
| Parker-Hannifin                                      | 15,300  | 790                   | 0.4                   |
| <b>Industrial transportation – 0.9%</b>              |         |                       |                       |
| Norfolk Southern                                     | 25,400  | 1,177                 | 0.7                   |
| Union Pacific  | 4,600   | 334                   | 0.2                   |
| <b>Support services – 0.4%</b>                       |         |                       |                       |
| Alliance Data System                                 | 10,600  | 738                   | 0.4                   |
| <b>Basic materials – 3.6% (4.2%)</b>                 |         |                       |                       |
| <b>Chemicals – 1.9%</b>                              |         |                       |                       |
| CF Industries  | 14,000  | 1,568                 | 0.9                   |
| LyondellBasell Industries                            | 26,600  | 715                   | 0.4                   |
| PPG Industries                                       | 19,600  | 1,111                 | 0.6                   |
| <b>Industrial metals – 1.4%</b>                      |         |                       |                       |
| Freeport-McMoRan Copper & Gold                       | 85,800  | 2,504                 | 1.4                   |
| <b>Mining – 0.3%</b>                                 |         |                       |                       |
| Newmont Mining                                       | 11,000  | 426                   | 0.3                   |
| <b>Utilities – 3.3% (1.5%)</b>                       |         |                       |                       |
| <b>Electricity – 1.7%</b>                            |         |                       |                       |
| American Electric Power                              | 47,900  | 1,197                 | 0.7                   |
| Nextera Energy                                       | 26,100  | 991                   | 0.6                   |
| PPL  | 42,600  | 745                   | 0.4                   |
| <b>Gas, water &amp; multiutilities – 1.6%</b>        |         |                       |                       |
| Sempra Energy  | 77,200  | 2,786                 | 1.6                   |
| <b>Telecommunications – 3.1% (2.3%)</b>              |         |                       |                       |
| <b>Fixed line telecommunications – 3.1%</b>          |         |                       |                       |
| AT&T   | 52,500  | 975                   | 0.6                   |
| CenturyLink  | 111,835 | 2,618                 | 1.5                   |
| Verizon Communications                               | 74,400  | 1,772                 | 1.0                   |
| <b>Futures – 0.0% (0.0%)</b>                         |         |                       |                       |
| S&P 500 E-Mini Futures Mar 2012                      |         | 2                     | -                     |
| <b>Investment assets</b>                             |         | <b>170,759</b>        | <b>97.5</b>           |
| <b>Net other assets</b>                              |         | <b>4,444</b>          | <b>2.5</b>            |
| <b>Net assets</b>                                    |         | <b>175,203</b>        | <b>100.0</b>          |

Unless otherwise stated the above securities are admitted to official stock exchange listings or trade on a regulated market.

The comparative percentage figures in brackets are at 31 January 2011.

## Portfolio movements

For the year ending 31 January 2012

|  | £'000          |  | £'000           |
|--|----------------|--|-----------------|
| <b>Total of all purchases for the year (Note 10)</b> | <b>166,166</b> | <b>Total of all sales for the year (Note 10)</b> | <b>168,310</b>  |
| <b>Major purchases</b>                               | <b>Cost</b>    | <b>Major sales</b>                               | <b>Proceeds</b> |
| Philip Morris International                          | 4,677          | ExxonMobil                                       | 4,582           |
| Occidental Petroleum                                 | 3,885          | Chevron  | 4,247           |
| Baker Hughes   | 3,607          | National Oilwell Varco                           | 3,583           |
| ExxonMobil   | 3,157          | Occidental Petroleum                             | 3,522           |
| Marathon Oil   | 3,133          | Microsoft  | 3,336           |
| Citigroup  | 3,097          | Discover Financial Services                      | 2,998           |
| Covidien   | 2,983          | Qualcomm   | 2,661           |
| Discover Financial Services                          | 2,969          | Philip Morris International                      | 2,656           |
| Sempra Energy  | 2,735          | Wal-Mart Stores                                  | 2,580           |
| Caterpillar  | 2,662          | Cummins  | 2,499           |
| General Dynamics                                     | 2,562          | IBM  | 2,442           |
| Pfizer   | 2,514          | Biogen Idec                                      | 2,425           |
| Freeport-McMoRan Copper & Gold                       | 2,419          | Lorillard  | 2,412           |
| Qualcomm   | 2,342          | Apache   | 2,392           |
| Halliburton  | 2,319          | Prudential Financial                             | 2,322           |
| Apple  | 2,282          | Herbalife  | 2,129           |
| Capital One Financial                                | 2,266          | United Health Group                              | 2,103           |
| Valero Energy  | 2,084          | Capital One Financial                            | 2,092           |
| Microsoft  | 2,048          | Viacom 'B'                                       | 2,026           |
| Kimberly-Clark                                       | 2,018          | Kinetic Concepts                                 | 1,976           |

# Financial statements

## Statement of total return

For the year ending 31 January

|   | 2012         | 2011          |
|---|--------------|---------------|
| £'000   | £'000        | £'000         |
| <b>Income</b>   |              |               |
| Net capital gains (Note 1)  | 8,694        | 28,699        |
| Revenue (Note 2)  | 3,004        | 3,257         |
| Expenses (Note 3)   | (2,572)      | (2,816)       |
| Net revenue before taxation   | 432          | 441           |
| Taxation (Note 4)   | (410)        | (458)         |
| Net revenue/(expense) after taxation  | 22           | (17)          |
| <b>Total return before distributions</b>  | <b>8,716</b> | <b>28,682</b> |
| Finance costs:  |              |               |
| Distributions (Note 5)  | (101)        | (149)         |
| <b>Change in net assets attributable to shareholders from investment activities</b> | <b>8,615</b> | <b>28,533</b> |

## Balance sheet

As at 31 January

|  | 2012           | 2011           |
|--|----------------|----------------|
| £'000  | £'000          | £'000          |
| <b>ASSETS</b>                                  |                |                |
| Investment assets                              | 170,759        | 164,699        |
| Debtors (Note 7)                               | 4,324          | 9,032          |
| Cash and bank balances (Note 8)                | 2,631          | 2,944          |
| <b>Total other assets</b>                      | <b>6,955</b>   | <b>11,976</b>  |
| <b>Total assets</b>                            | <b>177,714</b> | <b>176,675</b> |
| <b>LIABILITIES</b>                             |                |                |
| Investment liabilities                         | -              | (38)           |
| Creditors (Note 9)                             | (2,463)        | (8,699)        |
| Distribution payable on income shares          | (48)           | (40)           |
| <b>Total other liabilities</b>                 | <b>(2,511)</b> | <b>(8,739)</b> |
| <b>Total liabilities</b>                       | <b>(2,511)</b> | <b>(8,777)</b> |
| <b>Net assets attributable to shareholders</b> | <b>175,203</b> | <b>167,898</b> |

## Statement of change in net assets attributable to shareholders

For the year ending 31 January

|  | 2012           | 2011           |
|--|----------------|----------------|
| £'000  | £'000          | £'000          |
| <b>Opening net assets attributable to shareholders</b>                                   | <b>167,898</b> | <b>182,979</b> |
| Amounts receivable on issue of shares  | 30,871         | 26,542         |
| Amounts payable on cancellation of shares  | (32,241)       | (70,219)       |
|  | (1,370)        | (43,677)       |
| Change in net assets attributable to shareholders from investment activities (see above) | 8,615          | 28,533         |
| Retained distributions on accumulation shares  | 60             | 63             |
| <b>Closing net assets attributable to shareholders</b>                                   | <b>175,203</b> | <b>167,898</b> |

The notes to these financial statements are shown on pages 374 to 375.

# Notes to the financial statements for the year ending 31 January 2012

## 1. Net capital gains

|                            | 2012         | 2011          |
|----------------------------|--------------|---------------|
|                            | £'000        | £'000         |
| Currency gains/(losses)    | 37           | (30)          |
| Custodian handling charges | (2)          | (6)           |
| Derivative contracts       | 393          | 484           |
| Non-derivative securities  | 8,266        | 28,251        |
| Net capital gains          | <u>8,694</u> | <u>28,699</u> |

## 2. Revenue

|   | 2012         | 2011         |
|---|--------------|--------------|
|   | £'000        | £'000        |
| Income from overseas equity investments | 2,987        | 3,194        |
| Interest on bank and term deposits      | 15           | 62           |
| Stocklending income*                    | 2            | 1            |
| Total revenue                           | <u>3,004</u> | <u>3,257</u> |

\* Stocklending income is disclosed net of fees. See note 11.

## 3. Expenses

|  | 2012         | 2011         |
|--|--------------|--------------|
|  | £'000        | £'000        |
| <b>Payable to the ACD or associate of the ACD:</b> |              |              |
| ACD fee  | 2,314        | 2,523        |
| Fixed expenses                                     | 273          | 293          |
|  | <u>2,587</u> | <u>2,816</u> |
| <b>Payable to third parties:</b>                   |              |              |
| VAT recovered*                                     | (15)         | -            |
| Total expenses                                     | <u>2,572</u> | <u>2,816</u> |

\* VAT recovered includes amounts arising as a result of changes to the policy of HM Revenue & Customs ("HMRC") concerning VAT exemption for the management of authorised collective investment schemes (UK Law, items 9 and 10 of group 5, Schedule 9, to the VAT Act 1994) where these services have historically been treated as subject to VAT in the UK. These changes are in accordance with the Business Brief 07/06 (item 3) from HMRC in light of the European Court of Justice judgment in case C-196/04, Abbey National and Inscape Investment Fund.

## 4. Taxation

|  | 2012       | 2011       |
|--|------------|------------|
|  | £'000      | £'000      |
| <b>a) Analysis of charge in the year</b> |            |            |
| Overseas tax suffered                    | 410        | 458        |
| Current year tax charge (Note 4b)        | <u>410</u> | <u>458</u> |

### b) Factors affecting the tax charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK for an Open-Ended Investment Company (OEIC) (20%). The differences are explained below.

|   |            |            |
|---|------------|------------|
| Net revenue before taxation               | 432        | 441        |
| Corporation tax at 20%                    | <u>86</u>  | <u>88</u>  |
| Effects of:                               |            |            |
| Dividends not subject to corporation tax  | (581)      | (623)      |
| Excess expenses for which no relief taken | 495        | 535        |
| Overseas tax suffered                     | <u>410</u> | <u>458</u> |
|   | <u>324</u> | <u>370</u> |
| Current year tax charge (Note 4a)         | <u>410</u> | <u>458</u> |

No deferred tax asset has been recognised in the financial statements. At the year end date, the fund had a deferred tax asset of £1,187,237 (31.01.11: £692,472) in relation to £5,936,185 (31.01.11: £3,462,360) of excess management expenses which would only be utilised to reduce the tax charge if the fund had an excess of unfranked income over expenses in a future period. There is no excess of unfranked income expected in the future.

## 5. Finance costs

### Distributions

The distributions take account of amounts receivable on the issue of shares and amounts payable on the cancellation of shares and comprise:

|  | 2012       | 2011       |
|--|------------|------------|
|  | £'000      | £'000      |
| Final dividend distribution                    | 108        | 103        |
| Add: Amounts payable on cancellation of shares | 1          | 53         |
| Deduct: Amounts receivable on issue of shares  | (8)        | (7)        |
| Total finance costs                            | <u>101</u> | <u>149</u> |

Details of the distribution per share are set out on page 376.

## 6. Movement between net revenue/(expense) after taxation and distributions

|  | 2012       | 2011       |
|--|------------|------------|
|  | £'000      | £'000      |
| Net revenue/(expense) after taxation       | 22         | (17)       |
| Add: Net expense payable from capital      | 79         | 163        |
| Add: Undistributed revenue brought forward | -          | 3          |
|  | <u>101</u> | <u>149</u> |

## 7. Debtors

|                                     | 2012         | 2011         |
|-------------------------------------|--------------|--------------|
|                                     | £'000        | £'000        |
| Accrued income                      | 130          | 71           |
| Due from the ACD for shares created | 2,465        | 110          |
| Overseas tax recoverable            | 9            | 3            |
| Sales awaiting settlement           | 1,720        | 8,848        |
| Total debtors                       | <u>4,324</u> | <u>9,032</u> |



## Notes to the financial statements – continued

### 8. Cash and bank balances

|   | 2012<br>£'000 | 2011<br>£'000 |
|---|---------------|---------------|
| Amounts held at futures clearing houses and brokers | 109           | 388           |
| Cash and bank balances                              | 2,522         | 2,556         |
| Total cash and bank balances                        | <u>2,631</u>  | <u>2,944</u>  |

### 9. Creditors

|                                     | 2012<br>£'000 | 2011<br>£'000 |
|-------------------------------------|---------------|---------------|
| Accrued expenses                    | 238           | 231           |
| Due to the ACD for shares cancelled | 507           | 100           |
| Purchases awaiting settlement       | 1,718         | 8,368         |
| Total creditors                     | <u>2,463</u>  | <u>8,699</u>  |

### 10. Portfolio transaction costs

|  | 2012<br>£'000  | 2011<br>£'000  |
|--|----------------|----------------|
| Analysis of total purchase costs           |                |                |
| Purchases in year before transaction costs | <u>166,074</u> | <u>207,804</u> |
| Commissions                                | 92             | 160            |
| Total purchase costs                       | <u>92</u>      | <u>160</u>     |
| Gross purchases total                      | <u>166,166</u> | <u>207,964</u> |
| Analysis of total sale costs               |                |                |
| Gross sales before transaction costs       | <u>168,407</u> | <u>251,393</u> |
| Commissions                                | (94)           | (210)          |
| Taxes                                      | (3)            | (4)            |
| Total sale costs                           | <u>(97)</u>    | <u>(214)</u>   |
| Total sales net of transaction costs       | <u>168,310</u> | <u>251,179</u> |

### 11. Related party transactions

JPMorgan Funds Limited, as Authorised Corporate Director (“ACD”), is a related party, and acts as principal in respect of all transactions of shares in the Company. The aggregate monies received through issue, and paid on cancellation, are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

The balance due from the ACD and their associates at the year end date in respect of related party transactions was £1,719,729 (31.01.11: £221,175). Details of related party transactions are given under note 13 on page 389.

The gross stocklending income received was £1,862 (31.01.11: £805), with fees deducted of £326 (31.01.11: £141).

The following party held a material interest in the fund at the year end date:

– Scottish Equitable 14.91% (31.01.11: 16.03%)

### 12. Stocklending

As at 31 January 2012 the aggregate value of securities on loan was £459,454 (31.01.11: £nil). The Depository held £488,005 (31.01.11: £nil) of collateral assets on behalf of the fund in respect thereof. The nature of the collateral was 100.0% bonds.

### 13. Financial instruments

#### Currency exposures

A substantial proportion of the net assets of the fund are denominated in currencies other than sterling, with the effect that the Balance sheet and total return can be significantly affected by currency movements.

| Currency        | Net foreign currency assets |                                |                                    |
|-----------------|-----------------------------|--------------------------------|------------------------------------|
|                 | Total<br>£'000              | Monetary<br>exposures<br>£'000 | Non-monetary<br>exposures<br>£'000 |
| <b>31.01.12</b> |                             |                                |                                    |
| US Dollar       | 173,522                     | 2,763                          | 170,759                            |
| <b>31.01.11</b> |                             |                                |                                    |
| US Dollar       | 168,249                     | 3,588                          | 164,661                            |

#### Interest rate risk

At the year end date, 1.5% (31.01.11: 1.8%) of the fund's net assets by value were interest bearing.

For consideration of other risks including liquidity, pricing and credit risk, please refer to the notes to the aggregated financial statements, pages 389 to 390.

### 14. Share classes

The fund currently has three share classes; Class A shares, Class I shares and Class X shares. The Authorised Corporate Director's (ACD) fee and fixed expenses charge are shown below.

|                 | ACD fee | Fixed expenses |
|-----------------|---------|----------------|
| Class A shares: | 1.50%   | 0.18%          |
| Class I shares: | 0.60%   | 0.00%          |
| Class X shares: | 0.00%   | 0.06%          |

The X share class is designed to accommodate an alternative charging structure whereby the annual fee normally charged to the fund and then passed on in the share price is instead administratively levied and collected by the ACD from the shareholder or through the relevant JPMorgan Chase & Co entity.

The net asset value of each share class, the net asset value per share and the number of shares in each class are shown on page 369. All classes have the same rights on winding up.

### 15. Derivatives

The fund enters into derivative transactions in the form of futures for the purpose of efficient portfolio management. The commitment approach has been used to calculate the global exposure.

Further information on the derivative risks can be found in the notes to the aggregated financial statements on page 390.

# Distribution table

## Final distribution in pence per share

Group 1 – Shares purchased prior to 1 February 2011

Group 2 – Shares purchased 1 February 2011 to 31 January 2012

|                                    | Gross revenue | Tax at 10% | Net revenue | Equalisation | Distribution payable 30.04.12 | Distribution paid 30.04.11 |
|------------------------------------|---------------|------------|-------------|--------------|-------------------------------|----------------------------|
| <b>A-Class Accumulation Shares</b> |               |            |             |              |                               |                            |
| Group 1                            | 0.000000      | 0.000000   | 0.000000    | -            | 0.000000                      | 0.000000                   |
| Group 2                            | 0.000000      | 0.000000   | 0.000000    | 0.000000     | 0.000000                      | 0.000000                   |
| <b>A-Class Income Shares</b>       |               |            |             |              |                               |                            |
| Group 1                            | 0.000000      | 0.000000   | 0.000000    | -            | 0.000000                      | 0.000000                   |
| Group 2                            | 0.000000      | 0.000000   | 0.000000    | 0.000000     | 0.000000                      | 0.000000                   |
| <b>I-Class Accumulation Shares</b> |               |            |             |              |                               |                            |
| Group 1                            | 1.366667      | 0.136667   | 1.230000    | -            | 1.230000                      | 1.080000                   |
| Group 2                            | 0.294316      | 0.029432   | 0.264884    | 0.965116     | 1.230000                      | 1.080000                   |
| <b>X-Class Income Shares</b>       |               |            |             |              |                               |                            |
| Group 1                            | 1.966667      | 0.196667   | 1.770000    | -            | 1.770000                      | 1.590000                   |
| Group 2                            | 1.720069      | 0.172007   | 1.548062    | 0.221938     | 1.770000                      | 1.590000                   |

Equalisation applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of revenue included in the purchase price of all group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

# JPM US Select Fund

## Important information

### Change of Depositary

As part of an internal re-structuring, The Royal Bank of Scotland plc has transferred its Trustee and Depositary Services business from The Royal Bank of Scotland plc to National Westminster Bank plc and consequently National Westminster Bank plc has been appointed as Depositary of the Fund with effect from 15 October 2011.

As Depositary, National Westminster Bank plc will have the same duties and responsibilities as The Royal Bank of Scotland plc and this change will have no impact on the way the Fund operates.

### Investment objective and policy

To invest in a portfolio of North American securities. The current policy is to invest for capital growth without any distribution target.

### Risk profile

This equity based Fund is a core product designed to provide an exposure to US equities.

Equity investment is subject to specific risks relating to the performance of the individual companies held and the market's perception of their performance. Equities are also subject to systematic risks such as general economic conditions, inflation, interest rates, foreign exchange rates and industry sector risks. In general terms, equities tend to be more volatile than bonds.

Funds that invest predominantly in a single market, asset class or sector may be subject to greater volatility than those funds with a more diversified portfolio.

The underlying assets of the Fund are denominated in a currency other than Sterling and are not hedged back to Sterling. Investors will therefore be exposed to the currency risk of fluctuations between Sterling and the currency denomination of the underlying assets.

### Fund review

The 12 months to 31 January 2012 will be marked as a period most equity investors are glad to see pass. Cultural revolutions, earthquakes and tsunamis, ratings downgrades of major economies and extraordinary political events dominated the investment landscape. However, a strong rally in January led the S&P 500 to finish the period in positive territory.

The Fund lagged its benchmark for the trailing 12-month period as it proved to be a difficult time for large cap active managers, with record high stock correlations and narrow dispersions. In addition, investors' short-term focus on macro issues created an unfavorable environment for long-term fundamental stock pickers.

Underperformance for the year was really due to a lack of winners rather than outsized losers. The number of detracting sectors was broadbased, with only eight out of 21 sectors positively contributing to performance. Overall, our holdings in the banks & brokers and retail sectors proved disappointing, detracting the most from relative performance.

## Fund outlook

Although markets have enjoyed a great start to 2012, we have to remind ourselves of the all too familiar tensions between healthy corporate fundamentals and the lengthy list of macro issues that markets currently face. It is a relief that European sovereign yields have retreated from troublesome highs. However, much work remains to be done. We believe that markets are priced in favour of those willing to take on risk. With a forward price/earnings multiple of 12.3x and an equity risk premium over the ten-year US Treasury of greater than 7%, almost twice the average for the past 25 years, there is a strong incentive to be patient through what may be volatile times ahead.

## 12 month performance as at 31 January

|                                    | 2012 | 2011  | 2010  | 2009   | 2008  |
|------------------------------------|------|-------|-------|--------|-------|
| <b>JPM US Select A-Class Acc</b>   | 2.2% | 18.9% | 19.7% | -      | -     |
| <b>JPM US Select C-Class Acc</b>   | 3.0% | 19.8% | -     | -      | -     |
| <b>JPM US Select I-Class Acc</b>   | 3.3% | 19.9% | 21.0% | -7.8%  | -7.0% |
| <b>JPM US Select X-Class Inc</b>   | 3.9% | 20.7% | 21.6% | -7.4%  | -6.6% |
| <b>Benchmark Index<sup>A</sup></b> | 5.5% | 21.9% | 19.4% | -15.7% | -4.1% |

## Fund statistics

|                 |   |
|-----------------|---|
| Fund size       | £108.3m                                     |
| Benchmark Index | S&P 500 Index (Total Return Net at 15% Tax) |
| Fund charges    |   |
| A-Class         | Initial 4.25%, Annual 1.50%                 |
| C-Class         | Initial Nil, Annual 0.75%                   |
| I-Class         | Initial Nil, Annual 0.60%                   |
| X-Class         | On application <sup>A</sup>                 |

## Top ten holdings

|                      | %   |
|----------------------|-----|
| Apple                | 5.0 |
| Merck & Co           | 3.3 |
| Schlumberger         | 2.7 |
| Microsoft            | 2.5 |
| Wells Fargo          | 2.5 |
| ExxonMobil           | 2.4 |
| Occidental Petroleum | 2.3 |
| Time Warner          | 2.3 |
| Cisco Systems        | 2.1 |
| Procter & Gamble     | 1.8 |

You should remember that past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. For specific risks, please read the Simplified Prospectus.

All performance returns are calculated using the quoted price of the accumulation or income shares. Performance returns are in Sterling.

Source: J.P. Morgan.

<sup>A</sup> As agreed from time to time between the ACD and the relevant JPMorgan Chase & Co. entity.

## Sector breakdown

|                    | %    |
|--------------------|------|
| Technology         | 17.6 |
| Financials         | 14.1 |
| Oil & gas          | 13.1 |
| Health care        | 12.4 |
| Consumer services  | 12.3 |
| Consumer goods     | 11.8 |
| Industrials        | 9.6  |
| Basic materials    | 3.5  |
| Telecommunications | 2.5  |
| Utilities          | 2.5  |
| Futures            | 0.0  |
| Net other assets   | 0.6  |

## Highest/lowest share price and distribution record

| Calendar year                                  | Highest share price | Lowest share price | Distribution per share (net) |
|--|---------------------|--------------------|------------------------------|
| <b>A-Class Accumulation Shares<sup>®</sup></b> |                     |                    |                              |
| 2008   | 52.25p              | 38.08p             | -                            |
| 2009   | 56.71p              | 37.02p             | 0.19p                        |
| 2010   | 64.97p              | 53.23p             | 0.21p                        |
| 2011   | 66.50p              | 52.63p             | 0.00p                        |
| 2012 <sup>†</sup>                              | 66.28p              | 61.96p             | 0.02p                        |
| <b>A-Class Income Shares<sup>®</sup></b>       |                     |                    |                              |
| 2008   | 52.25p              | 38.08p             | -                            |
| 2009   | 56.38p              | 36.78p             | 0.19p                        |
| 2010   | 64.35p              | 52.72p             | 0.22p                        |
| 2011   | 65.87p              | 52.13p             | 0.00p                        |
| 2012 <sup>†</sup>                              | 65.65p              | 61.37p             | 0.02p                        |
| <b>C-Class Accumulation Shares<sup>®</sup></b> |                     |                    |                              |
| 2009   | 135.6p              | 101.1p             | -                            |
| 2010   | 156.5p              | 127.7p             | 0.98p                        |
| 2011   | 160.9p              | 127.5p             | 1.09p                        |
| 2012 <sup>†</sup>                              | 161.1p              | 150.5p             | 1.25p                        |
| <b>I-Class Accumulation Shares</b>             |                     |                    |                              |
| 2007   | 244.8p              | 212.4p             | 2.07p                        |
| 2008   | 229.7p              | 165.8p             | 2.42p                        |
| 2009   | 249.8p              | 161.6p             | 2.93p                        |
| 2010   | 288.5p              | 235.2p             | 2.42p                        |
| 2011   | 297.0p              | 235.4p             | 2.72p                        |
| 2012 <sup>†</sup>                              | 297.8p              | 278.2p             | 3.05p                        |
| <b>X-Class Income Shares</b>                   |                     |                    |                              |
| 2007   | 236.2p              | 205.4p             | 2.93p                        |
| 2008   | 222.3p              | 158.3p             | 3.29p                        |
| 2009   | 235.4p              | 151.8p             | 3.60p                        |
| 2010   | 269.4p              | 219.3p             | 3.01p                        |
| 2011   | 274.1p              | 217.4p             | 3.87p                        |
| 2012 <sup>†</sup>                              | 275.5p              | 257.4p             | 4.19p                        |

<sup>®</sup> A-Class Accumulation and A-Class Income Shares were launched on 28 April 2008.

<sup>†</sup> To 31 January 2012.

<sup>®</sup> C-Class Accumulation Shares were launched on 24 March 2009.

## Portfolio turnover rate

|          |        |
|----------|--------|
| 31.01.11 | 129.3% |
| 31.01.12 | 148.6% |

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the period.

## Net asset values and Total expense ratios

| Date                               | Net asset value per share class<br>£'000 | Number of shares | Net asset value per share | Total expense ratio |
|------------------------------------|--|------------------|---------------------------|---------------------|
| <b>A-Class Accumulation Shares</b> |  |                  |                           |                     |
| 31.01.10                           | 19,212                                   | 35,995,467       | 53.37p                    | 1.68%               |
| 31.01.11                           | 36,748                                   | 57,946,055       | 63.42p                    | 1.68%               |
| 31.01.12                           | 69,676                                   | 107,497,639      | 64.82p                    | 1.67%               |
| <b>A-Class Income Shares</b>       |  |                  |                           |                     |
| 31.01.10                           | 63                                       | 118,556          | 52.85p                    | 1.68%               |
| 31.01.11                           | 1,341                                    | 2,135,761        | 62.81p                    | 1.68%               |
| 31.01.12                           | 2,547                                    | 3,969,047        | 64.18p                    | 1.67%               |
| <b>C-Class Accumulation Shares</b> |  |                  |                           |                     |
| 31.01.10                           | 14,833                                   | 11,621,789       | 127.6p                    | 0.87%               |
| 31.01.11                           | 25,858                                   | 16,909,624       | 152.9p                    | 0.87%               |
| 31.01.12                           | 31,825                                   | 20,200,179       | 157.5p                    | 0.87%               |
| <b>I-Class Accumulation Shares</b> |  |                  |                           |                     |
| 31.01.10                           | 2,703                                    | 1,151,910        | 234.7p                    | 0.60%               |
| 31.01.11                           | 1,433                                    | 508,162          | 282.0p                    | 0.60%               |
| 31.01.12                           | 1,249                                    | 428,808          | 291.2p                    | 0.60%               |
| <b>X-Class Income Shares</b>       |  |                  |                           |                     |
| 31.01.10                           | 8,950                                    | 4,103,609        | 218.1p                    | 0.06%               |
| 31.01.11                           | 2,768                                    | 1,066,667        | 259.6p                    | 0.06%               |
| 31.01.12                           | 3,031                                    | 1,141,885        | 265.3p                    | 0.06%               |

The net asset value and the net asset value per income share are shown ex-dividend.

The total expense ratio (TER) takes into account the ACD fee and any fixed expenses charged to revenue expressed as a percentage of the average daily net asset values over the period.

# Portfolio statement

As at 31 January 2012

| Investment   | Holding | Market value<br>£'000 | Total net<br>assets % |
|--|---------|-----------------------|-----------------------|
| <b>Technology - 17.6% (19.7%)</b>                        |         |                       |                       |
| <b>Software &amp; computer services - 5.8%</b>           |         |                       |                       |
| Citrix Systems   | 2,780   | 115                   | 0.1                   |
| Cognizant Technology Solutions                           | 14,540  | 654                   | 0.6                   |
| Google 'A'   | 2,305   | 843                   | 0.8                   |
| Microsoft  | 143,994 | 2,700                 | 2.5                   |
| Oracle   | 110,117 | 1,994                 | 1.8                   |
| <b>Technology hardware &amp; equipment - 11.8%</b>       |         |                       |                       |
| Altera   | 25,270  | 636                   | 0.6                   |
| Apple  | 18,537  | 5,318                 | 5.0                   |
| Broadcom 'A'   | 4,790   | 105                   | 0.1                   |
| Cisco Systems  | 184,690 | 2,287                 | 2.1                   |
| EMC  | 29,710  | 484                   | 0.4                   |
| Freescale Semiconductor Holdings                         | 16,560  | 167                   | 0.2                   |
| Hewlett Packard  | 740     | 13                    | -                     |
| Juniper Networks   | 11,780  | 157                   | 0.1                   |
| Lam Research   | 28,937  | 778                   | 0.7                   |
| Network Appliance  | 10,340  | 245                   | 0.2                   |
| Novellus Systems   | 3,092   | 92                    | 0.1                   |
| Qualcomm   | 31,131  | 1,156                 | 1.1                   |
| Sandisk  | 4,910   | 144                   | 0.1                   |
| Texas Instruments  | 21,100  | 430                   | 0.4                   |
| Xilinx   | 33,122  | 752                   | 0.7                   |
| <b>Financials - 14.1% (14.8%)</b>                        |         |                       |                       |
| <b>Banks - 5.5%</b>                                      |         |                       |                       |
| Bank of America  | 187,660 | 839                   | 0.8                   |
| Citigroup  | 69,751  | 1,336                 | 1.2                   |
| Huntington Bancshares                                    | 11,230  | 40                    | -                     |
| Regions Financial  | 18,360  | 60                    | 0.1                   |
| SunTrust Banks   | 34,890  | 453                   | 0.4                   |
| US Bancorp Delaware                                      | 22,486  | 399                   | 0.4                   |
| Wells Fargo  | 143,516 | 2,659                 | 2.5                   |
| Zions Bancorporation                                     | 4,550   | 48                    | 0.1                   |
| <b>General financial - 5.0%</b>                          |         |                       |                       |
| American Express   | 4,590   | 143                   | 0.1                   |
| Ameriprise Financial                                     | 8,580   | 290                   | 0.3                   |
| Capital One Financial                                    | 17,000  | 483                   | 0.5                   |
| CME Group 'A'  | 3,460   | 526                   | 0.5                   |
| Goldman Sachs Group                                      | 17,544  | 1,220                 | 1.1                   |
| Intercontinental Exchange                                | 5,690   | 416                   | 0.4                   |
| Invesco  | 41,640  | 595                   | 0.5                   |
| MasterCard   | 2,620   | 584                   | 0.5                   |
| Morgan Stanley   | 60,400  | 696                   | 0.6                   |
| State Street   | 10,354  | 255                   | 0.2                   |
| TD AMERITRADE  | 34,986  | 356                   | 0.3                   |
| <b>Life insurance - 2.1%</b>                             |         |                       |                       |
| Metlife  | 56,320  | 1,273                 | 1.2                   |
| Prudential Financial                                     | 26,590  | 967                   | 0.9                   |
| <b>Nonlife insurance - 1.5%</b>                          |         |                       |                       |
| ACE  | 15,470  | 676                   | 0.6                   |
| Allstate   | 6,930   | 127                   | 0.1                   |
| Axis Capital   | 6,290   | 122                   | 0.1                   |
| Everest Re Group   | 2,220   | 119                   | 0.1                   |
| Hartford Financial Services Group                        | 2,450   | 27                    | -                     |
| RenaissanceRe  | 5,442   | 250                   | 0.2                   |
| XI Group   | 32,430  | 411                   | 0.4                   |
| <b>Oil &amp; gas - 13.1% (13.9%)</b>                     |         |                       |                       |
| <b>Oil &amp; gas producers - 8.6%</b>                    |         |                       |                       |
| Anadarko Petroleum                                       | 15,160  | 768                   | 0.7                   |
| Apache   | 4,144   | 259                   | 0.2                   |
| Chevron  | 17,880  | 1,171                 | 1.1                   |
| Devon Energy   | 8,458   | 346                   | 0.3                   |
| EOG Resources  | 13,080  | 873                   | 0.8                   |
| ExxonMobil   | 48,614  | 2,632                 | 2.4                   |
| Hess   | 4,450   | 155                   | 0.2                   |
| Marathon Petroleum Corporation                           | 12,300  | 292                   | 0.3                   |
| Occidental Petroleum                                     | 39,025  | 2,462                 | 2.3                   |
| Range Resources  | 2,400   | 88                    | 0.1                   |
| Southwestern Energy                                      | 10,770  | 218                   | 0.2                   |
| <b>Oil equipment, services &amp; distribution - 4.5%</b> |         |                       |                       |
| Baker Hughes   | 16,860  | 528                   | 0.5                   |
| Cameron International                                    | 4,850   | 164                   | 0.2                   |
| Halliburton  | 20,190  | 469                   | 0.4                   |
| Schlumberger   | 60,213  | 2,909                 | 2.7                   |
| Williams   | 40,620  | 738                   | 0.7                   |

| Investment   | Holding | Market value<br>£'000 | Total net<br>assets % |
|--|---------|-----------------------|-----------------------|
| <b>Health care - 12.4% (8.8%)</b>                  |         |                       |                       |
| <b>Health care equipment &amp; services - 4.1%</b> |         |                       |                       |
| Covidien   | 40,430  | 1,319                 | 1.2                   |
| Express Scripts 'A'                                | 18,170  | 589                   | 0.5                   |
| Humana   | 14,640  | 818                   | 0.8                   |
| United Health Group                                | 53,040  | 1,716                 | 1.6                   |
| <b>Pharmaceuticals &amp; biotechnology - 8.3%</b>  |         |                       |                       |
| Abbott Laboratories                                | 11,271  | 389                   | 0.4                   |
| Allergan   | 5,650   | 315                   | 0.3                   |
| Biogen Idec  | 14,300  | 1,056                 | 1.0                   |
| Global Industries                                  | 18,366  | 846                   | 0.8                   |
| Johnson & Johnson                                  | 21,460  | 893                   | 0.8                   |
| Merck & Co   | 146,821 | 3,617                 | 3.3                   |
| Pfizer   | 116,300 | 1,588                 | 1.5                   |
| Vertex Pharmaceutical                              | 11,150  | 245                   | 0.2                   |
| <b>Consumer services - 12.3% (12.3%)</b>           |         |                       |                       |
| <b>Food &amp; drug retailers - 2.0%</b>            |         |                       |                       |
| Cardinal Health                                    | 31,573  | 852                   | 0.8                   |
| CVS Caremark                                       | 31,293  | 831                   | 0.8                   |
| McKesson   | 8,880   | 443                   | 0.4                   |
| <b>General retailers - 3.6%</b>                    |         |                       |                       |
| Amazon   | 10,820  | 1,316                 | 1.2                   |
| Autozone   | 1,500   | 330                   | 0.3                   |
| Home Depot   | 26,890  | 762                   | 0.7                   |
| Kohl's   | 7,453   | 218                   | 0.2                   |
| Lowe's   | 29,380  | 499                   | 0.5                   |
| Target   | 18,310  | 584                   | 0.5                   |
| TJX Companies                                      | 4,990   | 213                   | 0.2                   |
| <b>Media - 4.9%</b>                                |         |                       |                       |
| CBS 'B'  | 44,740  | 812                   | 0.8                   |
| Comcast 'A'  | 77,020  | 1,286                 | 1.2                   |
| DirectTV   | 15,380  | 437                   | 0.4                   |
| Time Warner  | 105,568 | 2,504                 | 2.3                   |
| Time Warner Cable                                  | 5,170   | 241                   | 0.2                   |
| <b>Travel &amp; leisure - 1.8%</b>                 |         |                       |                       |
| Carnival   | 35,640  | 680                   | 0.6                   |
| Darden Restaurants                                 | 8,660   | 254                   | 0.2                   |
| Marriott International                             | 10,910  | 239                   | 0.2                   |
| Yum Brands   | 22,240  | 897                   | 0.8                   |
| <b>Consumer goods - 11.8% (9.5%)</b>               |         |                       |                       |
| <b>Automobiles &amp; parts - 3.1%</b>              |         |                       |                       |
| General Motors                                     | 109,730 | 1,685                 | 1.6                   |
| Johnson Controls                                   | 80,103  | 1,618                 | 1.5                   |
| <b>Beverages - 1.5%</b>                            |         |                       |                       |
| Coca-Cola  | 39,039  | 1,668                 | 1.5                   |
| <b>Food producers - 3.0%</b>                       |         |                       |                       |
| Campbell Soup                                      | 25,400  | 508                   | 0.5                   |
| General Mills                                      | 22,184  | 560                   | 0.5                   |
| Kraft Foods 'A'                                    | 65,260  | 1,578                 | 1.5                   |
| Monsanto   | 10,550  | 550                   | 0.5                   |
| <b>Household goods - 2.4%</b>                      |         |                       |                       |
| Dr Horton  | 23,360  | 208                   | 0.2                   |
| Lennar   | 7,800   | 109                   | 0.1                   |
| NVR  | 710     | 315                   | 0.3                   |
| Procter & Gamble                                   | 49,874  | 1,997                 | 1.8                   |
| <b>Personal goods - 1.3%</b>                       |         |                       |                       |
| Colgate-Palmolive                                  | 7,980   | 453                   | 0.4                   |
| Nike 'B'   | 8,800   | 576                   | 0.5                   |
| VF   | 5,390   | 447                   | 0.4                   |
| <b>Tobacco - 0.5%</b>                              |         |                       |                       |
| Philip Morris International                        | 12,530  | 594                   | 0.5                   |

## Portfolio statement – continued

As at 31 January 2012

| Investment   | Holding | Market value<br>£'000 | Total net<br>assets % |
|--|---------|-----------------------|-----------------------|
| <b>Industrials – 9.6% (9.3%)</b>                     |         |                       |                       |
| <b>Aerospace &amp; defence – 1.8%</b>                |         |                       |                       |
| United Technologies                                  | 39,603  | 1,947                 | 1.8                   |
| <b>Construction &amp; materials – 0.8%</b>           |         |                       |                       |
| Fluor  | 19,080  | 679                   | 0.6                   |
| Masco  | 32,370  | 251                   | 0.2                   |
| <b>Electronics &amp; electrical equipment – 1.4%</b> |         |                       |                       |
| Emerson Electric                                     | 45,200  | 1,480                 | 1.4                   |
| <b>General industrials – 2.6%</b>                    |         |                       |                       |
| General Electric                                     | 83,859  | 1,003                 | 0.9                   |
| Honeywell International                              | 31,890  | 1,175                 | 1.1                   |
| Tyco International                                   | 20,290  | 633                   | 0.6                   |
| <b>Industrial engineering – 1.2%</b>                 |         |                       |                       |
| Paccar   | 37,641  | 1,053                 | 1.0                   |
| SPX  | 5,140   | 228                   | 0.2                   |
| <b>Industrial transportation – 1.7%</b>              |         |                       |                       |
| CSX  | 20,330  | 292                   | 0.3                   |
| Norfolk Southern                                     | 33,393  | 1,547                 | 1.4                   |
| <b>Support services – 0.1%</b>                       |         |                       |                       |
| Genpact  | 5,730   | 53                    | 0.1                   |
| <b>Basic materials – 3.5% (4.5%)</b>                 |         |                       |                       |
| <b>Chemicals – 1.9%</b>                              |         |                       |                       |
| Air Products & Chemicals                             | 13,340  | 746                   | 0.7                   |
| Du Pont de Nemours                                   | 33,580  | 1,084                 | 1.0                   |
| Georgia Gulf Corporation                             | 10,833  | 238                   | 0.2                   |
| <b>Forestry &amp; paper – 0.2%</b>                   |         |                       |                       |
| International Paper                                  | 8,510   | 168                   | 0.2                   |
| <b>Mining – 1.4%</b>                                 |         |                       |                       |
| Freeport-McMoRan Copper & Gold                       | 51,446  | 1,502                 | 1.4                   |
| <b>Utilities – 2.5% (2.8%)</b>                       |         |                       |                       |
| <b>Electricity – 2.2%</b>                            |         |                       |                       |
| American Electric Power                              | 6,600   | 165                   | 0.2                   |
| Dominion Resources (Virginia)                        | 8,050   | 251                   | 0.2                   |
| DTE Energy   | 7,861   | 265                   | 0.2                   |
| Nextera Energy                                       | 18,814  | 715                   | 0.7                   |
| Northeast Utilities                                  | 15,120  | 331                   | 0.3                   |
| PG&E   | 14,200  | 363                   | 0.3                   |
| PPL  | 21,290  | 372                   | 0.3                   |
| <b>Gas, water &amp; multiutilities – 0.3%</b>        |         |                       |                       |
| AGL Resources  | 4,190   | 110                   | 0.1                   |
| Equitable Resources                                  | 4,630   | 146                   | 0.1                   |
| Sempra Energy  | 2,890   | 104                   | 0.1                   |
| <b>Telecommunications – 2.5% (3.1%)</b>              |         |                       |                       |
| <b>Fixed line telecommunications – 2.4%</b>          |         |                       |                       |
| AT&T   | 56,581  | 1,051                 | 1.0                   |
| Verizon Communications                               | 62,140  | 1,480                 | 1.4                   |
| <b>Mobile telecommunications – 0.1%</b>              |         |                       |                       |
| Sprint Nextel  | 43,860  | 60                    | 0.1                   |
| <b>Futures – 0.0% (0.0%)</b>                         |         |                       |                       |
| S&P 500 E-Mini Futures Mar 2012                      | 1       | 1                     | -                     |
| <b>Investment assets</b>                             |         | <b>107,660</b>        | <b>99.4</b>           |
| <b>Net other assets</b>                              |         | <b>668</b>            | <b>0.6</b>            |
| <b>Net assets</b>                                    |         | <b>108,328</b>        | <b>100.0</b>          |

Unless otherwise stated the above securities are admitted to official stock exchange listings or trade on a regulated market.

The comparative percentage figures in brackets are at 31 January 2011.

## Portfolio movements

For the year ending 31 January 2012

|  | £'000          |  | £'000           |
|--|----------------|--|-----------------|
| <b>Total of all purchases for the year (Note 10)</b> | <b>103,866</b> | <b>Total of all sales for the year (Note 10)</b> | <b>67,505</b>   |
| <b>Major purchases</b>                               | <b>Cost</b>    | <b>Major sales</b>                               | <b>Proceeds</b> |
| Schlumberger   | 2,937          | ExxonMobil                                       | 2,156           |
| Apple  | 2,277          | ConocoPhillips                                   | 1,633           |
| Occidental Petroleum                                 | 2,259          | Occidental Petroleum                             | 1,585           |
| Merck & Co   | 2,103          | Chevron  | 1,578           |
| ExxonMobil   | 2,041          | Abbott Laboratories                              | 1,542           |
| Freeport-McMoRan Copper & Gold                       | 1,909          | 3M   | 1,516           |
| General Motors                                       | 1,889          | Freeport-McMoRan Copper & Gold                   | 1,313           |
| Metlife  | 1,652          | PepsiCo  | 1,216           |
| Wells Fargo  | 1,566          | Hewlett Packard                                  | 1,154           |
| Johnson & Johnson                                    | 1,521          | Du Pont de Nemours                               | 1,124           |
| Emerson Electric                                     | 1,444          | Dow Chemical                                     | 1,120           |
| Kraft Foods 'A'                                      | 1,428          | IBM  | 1,098           |
| Lam Research   | 1,380          | EOG Resources                                    | 933             |
| Cisco Systems  | 1,359          | Philip Morris International                      | 899             |
| United Health Group                                  | 1,322          | Goldman Sachs Group                              | 840             |
| Oracle   | 1,321          | Apple  | 809             |
| Microsoft  | 1,279          | Carnival   | 785             |
| ConocoPhillips                                       | 1,231          | Procter & Gamble                                 | 754             |
| EOG Resources  | 1,212          | Broadcom 'A'                                     | 744             |
| Johnson Controls                                     | 1,204          | Bank of America                                  | 740             |

# Financial statements

## Statement of total return

For the year ending 31 January

|   | £'000   | 2012<br>£'000 | £'000 | 2011<br>£'000 |
|---|---------|---------------|-------|---------------|
| Income  |         |               |       |               |
| Net capital gains (Note 1)  |         | 3,930         |       | 9,176         |
| Revenue (Note 2)  | 1,686   |               | 1,076 |               |
| Expenses (Note 3)   | (1,124) |               | (685) |               |
| Net revenue before taxation   | 562     |               | 391   |               |
| Taxation (Note 4)   | (235)   |               | (150) |               |
| Net revenue after taxation  |         | 327           |       | 241           |
| <b>Total return before distributions</b>  |         | <b>4,257</b>  |       | <b>9,417</b>  |
| Finance costs:<br>Distributions (Note 5)  |         | (322)         |       | (254)         |
| <b>Change in net assets attributable to shareholders from investment activities</b> |         | <b>3,935</b>  |       | <b>9,163</b>  |

## Balance sheet

As at 31 January

|  | £'000   | 2012<br>£'000  | £'000 | 2011<br>£'000 |
|--|---------|----------------|-------|---------------|
| <b>ASSETS</b>                                  |         |                |       |               |
| Investment assets                              |         | 107,660        |       | 67,277        |
| Debtors (Note 7)                               | 1,462   |                | 1,067 |               |
| Cash and bank balances (Note 8)                | 526     |                | 686   |               |
| <b>Total other assets</b>                      |         | <b>1,988</b>   |       | <b>1,753</b>  |
| <b>Total assets</b>                            |         | <b>109,648</b> |       | <b>69,030</b> |
| <b>LIABILITIES</b>                             |         |                |       |               |
| Creditors (Note 9)                             | (1,271) |                | (841) |               |
| Distribution payable on income shares          | (49)    |                | (41)  |               |
| <b>Total liabilities</b>                       |         | <b>(1,320)</b> |       | <b>(882)</b>  |
| <b>Net assets attributable to shareholders</b> |         | <b>108,328</b> |       | <b>68,148</b> |

The notes to these financial statements are shown on pages 383 to 384.

## Statement of change in net assets attributable to shareholders

For the year ending 31 January

|  | £'000   | 2012<br>£'000  | £'000    | 2011<br>£'000 |
|--|---------|----------------|----------|---------------|
| <b>Opening net assets attributable to shareholders</b>                                   |         | <b>68,148</b>  |          | <b>45,761</b> |
| Amounts receivable on issue of shares  | 42,280  |                | 24,479   |               |
| Amounts payable on cancellation of shares  | (6,322) |                | (11,453) |               |
|  |         | 35,958         |          | 13,026        |
| Change in net assets attributable to shareholders from investment activities (see above) |         | 3,935          |          | 9,163         |
| Retained distributions on accumulation shares  |         | 287            |          | 198           |
| <b>Closing net assets attributable to shareholders</b>                                   |         | <b>108,328</b> |          | <b>68,148</b> |



# Notes to the financial statements for the year ending 31 January 2012

## 1. Net capital gains

|                            | 2012         | 2011         |
|----------------------------|--------------|--------------|
|                            | £'000        | £'000        |
| Currency (losses)/gains    | (26)         | 13           |
| Custodian handling charges | (8)          | (1)          |
| Derivative contracts       | (61)         | 7            |
| Non-derivative securities  | 4,025        | 9,157        |
| Net capital gains          | <u>3,930</u> | <u>9,176</u> |

## 2. Revenue

|   | 2012         | 2011         |
|---|--------------|--------------|
|   | £'000        | £'000        |
| Income from overseas equity investments | 1,684        | 1,069        |
| Interest on bank and term deposits      | 1            | 7            |
| Interest on fixed-interest securities   | 1            | -            |
| Total revenue                           | <u>1,686</u> | <u>1,076</u> |

## 3. Expenses

|  | 2012         | 2011       |
|--|--------------|------------|
|  | £'000        | £'000      |
| <b>Payable to the ACD or associate of the ACD:</b> |              |            |
| ACD fee  | 1,003        | 607        |
| Fixed expenses                                     | 121          | 78         |
| Total expenses                                     | <u>1,124</u> | <u>685</u> |

## 4. Taxation

|  | 2012       | 2011       |
|--|------------|------------|
|  | £'000      | £'000      |
| <b>a) Analysis of charge in the year</b> |            |            |
| Overseas tax suffered                    | 235        | 150        |
| Current year tax charge (Note 4b)        | <u>235</u> | <u>150</u> |

### b) Factors affecting the tax charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK for an Open-Ended Investment Company (OEIC) (20%). The differences are explained below.

|   |            |            |
|---|------------|------------|
| Net revenue before taxation               | 562        | 391        |
| Corporation tax at 20%                    | <u>112</u> | <u>78</u>  |
| Effects of:                               |            |            |
| Dividends not subject to corporation tax  | (336)      | (213)      |
| Excess expenses for which no relief taken | 224        | 135        |
| Overseas tax suffered                     | 235        | 150        |
|   | <u>123</u> | <u>72</u>  |
| Current year tax charge (Note 4a)         | <u>235</u> | <u>150</u> |

No deferred tax asset has been recognised in the financial statements. At the year end date, the fund had a deferred tax asset of £358,665 (31.01.11: £135,065) in relation to £1,793,327 (31.01.11: £675,325) of excess management expenses which would only be utilised to reduce the tax charge if the fund had an excess of unfranked income over expenses in a future period. There is no excess of unfranked income expected in the future.

## 5. Finance costs

### Distributions

The distributions take account of amounts receivable on the issue of shares and amounts payable on the cancellation of shares and comprise:

|  | 2012       | 2011       |
|--|------------|------------|
|  | £'000      | £'000      |
| Final dividend distribution                    | 336        | 239        |
| Add: Amounts payable on cancellation of shares | 31         | 65         |
| Deduct: Amounts receivable on issue of shares  | (45)       | (50)       |
| Total finance costs                            | <u>322</u> | <u>254</u> |

Details of the distribution per share are set out on page 385.

## 6. Movement between net revenue after taxation and distributions

|   | 2012       | 2011       |
|---|------------|------------|
|   | £'000      | £'000      |
| Net revenue after taxation                    | 327        | 241        |
| Add: Net expense payable from capital         | -          | 13         |
| Add: Undistributed revenue brought forward    | 1          | 1          |
| Deduct: Undistributed revenue carried forward | (6)        | (1)        |
|   | <u>322</u> | <u>254</u> |

## 7. Debtors

|                                     | 2012         | 2011         |
|-------------------------------------|--------------|--------------|
|                                     | £'000        | £'000        |
| Accrued income                      | 91           | 60           |
| Due from the ACD for shares created | 366          | 138          |
| Overseas tax recoverable            | 7            | 1            |
|                                     | <u>998</u>   | <u>868</u>   |
| Total debtors                       | <u>1,462</u> | <u>1,067</u> |

## 8. Cash and bank balances

|                        | 2012       | 2011       |
|------------------------|------------|------------|
|                        | £'000      | £'000      |
| Cash and bank balances | <u>526</u> | <u>686</u> |

## 9. Creditors

|                                     | 2012         | 2011       |
|-------------------------------------|--------------|------------|
|                                     | £'000        | £'000      |
| Accrued expenses                    | 125          | 75         |
| Due to the ACD for shares cancelled | 207          | 57         |
| Purchases awaiting settlement       | 939          | 709        |
| Total creditors                     | <u>1,271</u> | <u>841</u> |

## Notes to the financial statements – continued

### 10. Portfolio transaction costs

|  | 2012<br>£'000 | 2011<br>£'000 |
|--|---------------|---------------|
| Analysis of total purchase costs           |               |               |
| Purchases in year before transaction costs | 103,800       | 59,041        |
| Commissions                                | 66            | 41            |
| Total purchase costs                       | 66            | 41            |
| Gross purchases total                      | 103,866       | 59,082        |
| Analysis of total sale costs               |               |               |
| Gross sales before transaction costs       | 67,554        | 46,288        |
| Commissions                                | (48)          | (32)          |
| Taxes                                      | (1)           | (1)           |
| Total sale costs                           | (49)          | (33)          |
| Total sales net of transaction costs       | 67,505        | 46,255        |

### 11. Related party transactions

JPMorgan Funds Limited, as Authorised Corporate Director (“ACD”), is a related party, and acts as principal in respect of all transactions of shares in the Company. The aggregate monies received through issue, and paid on cancellation, are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

The balance due from the ACD and their associates at the year end date in respect of related party transactions was £34,099 (31.01.11: £6,245). Details of related party transactions are given under note 13 on page 389.

The following parties held a material interest in the fund at the year end date:

- R C Greig Nominees Ltd 20.30% (31.01.11: 21.72%)
- Zeban Nominees Ltd 17.70% (31.01.11: 25.45%)
- S&P Pensions Ltd 15.12% (31.01.11: 10.11%)

### 12. Financial instruments

#### Currency exposures

A substantial proportion of the net assets of the fund are denominated in currencies other than sterling, with the effect that the Balance sheet and total return can be significantly affected by currency movements.

| Currency        | Net foreign currency assets |                                |                                    |
|-----------------|-----------------------------|--------------------------------|------------------------------------|
|                 | Total<br>£'000              | Monetary<br>exposures<br>£'000 | Non-monetary<br>exposures<br>£'000 |
| <b>31.01.12</b> |                             |                                |                                    |
| US Dollar       | 108,373                     | 713                            | 107,660                            |
| <b>31.01.11</b> |                             |                                |                                    |
| US Dollar       | 68,183                      | 906                            | 67,277                             |

### Interest rate risk

The tables below detail the interest rate profile of the fund's assets and liabilities as at the year end.

| Currency        | Total<br>assets<br>£'000 | Floating<br>rate<br>financial<br>assets<br>£'000 | Fixed<br>rate<br>financial<br>assets<br>£'000 | Financial<br>assets<br>not<br>carrying<br>any<br>interest<br>£'000 |
|-----------------|--------------------------|--|---|--|
| <b>31.01.12</b> |                          |  |   |  |
| US Dollar       | 109,312                  | 526  | -   | 108,786  |
| UK Sterling     | 336                      | -  | -   | 336  |
| <b>31.01.11</b> |                          |  |   |  |
| US Dollar       | 68,892                   | 686  | -   | 68,206   |
| UK Sterling     | 138                      | -  | -   | 138  |

The floating rate financial assets are bank balances that bear interest at rates based on LIBOR or its overseas equivalent.

| Currency        | Total<br>liabilities<br>£'000 | Floating<br>rate<br>financial<br>liabilities<br>£'000 | Financial<br>liabilities<br>not carrying<br>any interest<br>£'000 |
|-----------------|-------------------------------|---|---|
| <b>31.01.12</b> |                               |   |   |
| US Dollar       | 939                           | -   | 939   |
| UK Sterling     | 381                           | -   | 381   |
| <b>31.01.11</b> |                               |   |   |
| US Dollar       | 709                           | -   | 709   |
| UK Sterling     | 173                           | -   | 173   |

For consideration of other risks including liquidity, pricing and credit risk, please refer to the notes to the aggregated financial statements, pages 389 to 390.

### 13. Share classes

The fund currently has four share classes; Class A shares, Class C shares, Class I shares and Class X shares. The Authorised Corporate Director's (ACD) fee and fixed expenses charge are shown below.

|                 | ACD fee | Fixed expenses |
|-----------------|---------|----------------|
| Class A shares: | 1.50%   | 0.18%          |
| Class C shares: | 0.75%   | 0.12%          |
| Class I shares: | 0.60%   | 0.00%          |
| Class X shares: | 0.00%   | 0.06%          |

The X share class is designed to accommodate an alternative charging structure whereby the annual fee normally charged to the fund and then passed on in the share price is instead administratively levied and collected by the ACD from the shareholder or through the relevant JPMorgan Chase & Co entity.

The net asset value of each share class, the net asset value per share and the number of shares in each class are shown on page 378. All classes have the same rights on winding up.

### 14. Derivatives

The fund enters into derivative transactions in the form of futures for the purpose of efficient portfolio management. The commitment approach has been used to calculate the global exposure.

Further information on the derivative risks can be found in the notes to the aggregated financial statements on page 390.

# Distribution table

## Final distribution in pence per share

Group 1 – Shares purchased prior to 1 February 2011

Group 2 – Shares purchased 1 February 2011 to 31 January 2012

|                                    | Gross revenue | Tax at 10% | Net revenue | Equalisation | Distribution payable 30.04.12 | Distribution paid 30.04.11 |
|------------------------------------|---------------|------------|-------------|--------------|-------------------------------|----------------------------|
| <b>A-Class Accumulation Shares</b> |               |            |             |              |                               |                            |
| Group 1                            | 0.022222      | 0.002222   | 0.020000    | -            | 0.020000                      | 0.000000                   |
| Group 2                            | 0.019972      | 0.001997   | 0.017975    | 0.002025     | 0.020000                      | 0.000000                   |
| <b>A-Class Income Shares</b>       |               |            |             |              |                               |                            |
| Group 1                            | 0.022222      | 0.002222   | 0.020000    | -            | 0.020000                      | 0.000000                   |
| Group 2                            | 0.022222      | 0.002222   | 0.020000    | 0.000000     | 0.020000                      | 0.000000                   |
| <b>C-Class Accumulation Shares</b> |               |            |             |              |                               |                            |
| Group 1                            | 1.388889      | 0.138889   | 1.250000    | -            | 1.250000                      | 1.090000                   |
| Group 2                            | 0.611043      | 0.061104   | 0.549939    | 0.700061     | 1.250000                      | 1.090000                   |
| <b>I-Class Accumulation Shares</b> |               |            |             |              |                               |                            |
| Group 1                            | 3.388889      | 0.338889   | 3.050000    | -            | 3.050000                      | 2.720000                   |
| Group 2                            | 1.429292      | 0.142929   | 1.286363    | 1.763637     | 3.050000                      | 2.720000                   |
| <b>X-Class Income Shares</b>       |               |            |             |              |                               |                            |
| Group 1                            | 4.655556      | 0.465556   | 4.190000    | -            | 4.190000                      | 3.870000                   |
| Group 2                            | 4.094547      | 0.409455   | 3.685092    | 0.504908     | 4.190000                      | 3.870000                   |

Equalisation applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of revenue included in the purchase price of all group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

# Aggregated Company financial statements

## Aggregated statement of total return

For the year ending 31 January

|   | 2012             | 2011             |
|---|------------------|------------------|
| £'000   | £'000            | £'000            |
| <b>Income</b>   |                  |                  |
| Net capital (losses)/gains (Note 3)   | (757,788)        | 1,689,127        |
| Revenue (Note 4)  | 223,112          | 190,023          |
| Expenses (Note 5)   | (128,735)        | (126,244)        |
| Performance fee (Note 5)  | (35)             | (76)             |
| Finance costs: Interest (Note 7)  | -                | (6)              |
| Net revenue before taxation   | 94,342           | 63,697           |
| Taxation (Note 6)   | (12,338)         | (8,662)          |
| Net revenue after taxation  | 82,004           | 55,035           |
| <b>Total return before distributions</b>  | <b>(675,784)</b> | <b>1,744,162</b> |
| Finance costs: Distributions (Note 7)   | (116,346)        | (94,592)         |
| <b>Change in net assets attributable to shareholders from investment activities</b> | <b>(792,130)</b> | <b>1,649,570</b> |

## Aggregated statement of change in net assets attributable to shareholders

For the year ending 31 January

|  | 2012             | 2011             |
|--|------------------|------------------|
| £'000  | £'000            | £'000            |
| <b>Opening net assets attributable to shareholders</b>                                   | <b>9,227,826</b> | <b>7,421,761</b> |
| Amounts receivable on issue of shares  | 1,359,613        | 1,757,039        |
| Amounts payable on cancellation of shares  | (1,293,149)      | (1,663,309)      |
|  | 66,464           | 93,730           |
| Change in net assets attributable to shareholders from investment activities (see above) | (792,130)        | 1,649,570        |
| Retained distributions on accumulation shares  | 74,876           | 63,497           |
| Stamp duty reserve tax   | (799)            | (857)            |
| Unclaimed distributions  | 159              | 125              |
| <b>Closing net assets attributable to shareholders</b>                                   | <b>8,576,396</b> | <b>9,227,826</b> |

## Aggregated balance sheet

As at 31 January

|  | 2012             | 2011             |
|--|------------------|------------------|
| £'000  | £'000            | £'000            |
| <b>ASSETS</b>                                  |                  |                  |
| Investment assets                              | 8,399,505        | 8,967,653        |
| Debtors (Note 9)                               | 101,266          | 100,884          |
| Cash and bank balances (Note 10)               | 223,335          | 340,062          |
| <b>Total other assets</b>                      | <b>334,601</b>   | <b>440,946</b>   |
| <b>Total assets</b>                            | <b>8,734,106</b> | <b>9,408,599</b> |
| <b>LIABILITIES</b>                             |                  |                  |
| Investment liabilities                         | (30,649)         | (30,356)         |
| Creditors (Note 11)                            | (114,913)        | (144,658)        |
| Bank overdraft                                 | (12)             | (372)            |
| Distribution payable on income shares          | (12,136)         | (5,387)          |
| <b>Total other liabilities</b>                 | <b>(127,061)</b> | <b>(150,417)</b> |
| <b>Total liabilities</b>                       | <b>(157,710)</b> | <b>(180,773)</b> |
| <b>Net assets attributable to shareholders</b> | <b>8,576,396</b> | <b>9,227,826</b> |

The notes to these financial statements are shown on pages 387 to 390.

This report has been prepared in accordance with the Financial Services Authority's Collective Investment Schemes Sourcebook and was approved by the Authorised Corporate Director on 4 May 2012.



**Mr R Thompson**  
Director  
JPMorgan Funds Limited  
4 May 2012



**Ms T McDowall**  
Director  
JPMorgan Funds Limited  
4 May 2012

# Notes to the Aggregated Company financial statements for the year ending 31 January 2012

## 1. Accounting policies

- (a) The financial statements have been prepared under the historical cost basis as modified by the revaluation of investments and in accordance with the Statement of Recommended Practice for Authorised Funds issued by the IMA in October 2010. The exception to this is Institutional Continental Europe and Highbridge Funds which are prepared on a break up basis. In applying the break up basis assets and liabilities continue to be stated at their fair values which materially equate to their residual values. All costs to the point of final termination have been provided for.
- (b) The aggregate accounts represent the sum of the individual sub-funds within the Company. Further analysis of the distribution and net asset position can be found within the financial statements of the individual sub-funds.
- (c) Revenue on debt securities is recognised on the effective interest rate basis which takes account of the amortisation of any discounts or premium arising on the purchase price, compared to the final maturity value, over the remaining life of the security. Future cash flows on all assets are considered when calculating revenue on an effective interest rate basis and where, in the ACD's view there is doubt as to the final maturity value, an estimate of the final redemption proceeds will be made in determining those cash flows. Accrued interest purchased or sold is excluded from the cost of the security and is dealt with as revenue.
- (d) Dividends on equities and other Collective Investment Schemes are recognised when the security goes ex-dividend. Accumulation distributions from shares held in other Collective Investment Schemes are reflected as revenue of the respective sub-fund, and equalisation on distributions received from other Collective Investment Schemes is deducted from the cost of the investment. Interest on deposits and other revenue is accounted for on an accruals basis. Underwriting commission is recognised when the issue takes place. Where the Fund is required to take up all of the shares underwritten, the commission received is treated as a deduction from the cost of the shares taken up. Where the Fund is required to take up a proportion of the shares underwritten, the same proportion of the commission received is treated as a deduction from the cost of the shares taken up and the balance is taken to revenue.
- (e) Dividends from US Real Estate Investment Trusts ("REITs") are initially recognised as revenue when the security goes ex-dividend. The US REIT companies issue information on the revenue/capital split of these dividends on an annual basis based on the calendar year. When this information is received, the relevant portion is then reallocated to capital.
- (f) Management fee rebates received from underlying funds are recognised as revenue or capital in the same way as the underlying investments account for their management fee, and form part of the distribution where the underlying fund pays its management fee from revenue.
- (g) Premiums received in respect of written call options, where the express purpose is to generate extra revenue, are accrued to the revenue account on a straight line basis over the life of the contract. All other premiums on written and bought options are treated as capital. In determining the accounting treatment for other derivatives, consideration is given to the instrument itself and the sub-fund's objectives for investment in derivative instruments. Income from Contracts for difference and interest paid on Credit default swaps are taken to revenue. All other gains/losses from derivatives are taken to capital.
- (h) Revenue from Stocklending is accounted for net of bank and agent fees and is recognised on an receipts basis.
- (i) The underlying circumstances behind special dividends are reviewed on a case by case basis in determining whether the amount is capital or revenue in nature. Any tax treatment thereon will follow the accounting treatment of the principal amount. Amounts recognised as revenue will form part of the fund's distribution.
- (j) Where Funds hold assets in other funds managed by an associate of the ACD then these funds are excluded from the calculation of the ACD fees paid. Management fee rebates received from underlying funds are recognised as revenue or capital in the same way as the underlying investments account for their management fee, and form part of the distribution where the underlying fund pays its management fee from revenue. Fixed expenses are also charged to revenue, however where the custody costs relating to the purchase and sale of investments meet certain criteria and are included within fixed expenses, these have been transferred to capital. Stamp duty reserve tax, transaction charges and expenses relating to the purchase and sale of investments are charged directly to the capital of the Fund. Taxation is computed by reference to the revenue after expenses attributable to each class.
- (k) Performance fees are calculated on a daily basis, and reflected in the net asset value per share on the following dealing day. If the benchmark is exceeded, the amount of excess is multiplied by the pre-determined performance fee rate (see relevant sub-fund for the rate). A performance fee will only be accrued when the net asset value per share class exceeds both the performance fee benchmark and high water mark. Below that level, no

performance fee is accrued. A Fund with a high water mark will not accrue a performance fee until any prior losses are recovered by subsequent returns. For sub-funds with a performance fee cap in place no additional fee can be accrued once the share class return exceeds the benchmark return by the level of the cap. The cap is a percentage limit and not a monetary limit.

- (l) The charge for taxation is based at the current rate on taxable revenue for the period less allowable expenses. UK dividend income is disclosed net of any related tax credit. Overseas dividends are disclosed gross of any foreign tax suffered, with the tax element being separately disclosed in the taxation note.
- (m) Deferred taxation is provided for on all timing differences that have originated but not reversed by the balance sheet date, other than those differences regarded as permanent. Any liability to deferred taxation is provided for at the average rate of taxation expected to apply. Deferred tax assets and liabilities are not discounted to reflect the time value of money.
- (n) The listed investments of the sub-funds and investments traded on regulated markets have been valued at market value at 12 noon on 31 January 2012. Market value is defined, by the SORP, as fair value which generally is the bid value of each security excluding any accrued interest in the case of floating or fixed rate securities. The valuation of unlisted investments are based on the ACD's assessment of their estimated realisable value. Suspended securities are valued initially at the suspended price but are subject to constant review by the Pricing committee on a regular basis. Exchange traded derivatives, including futures and options, are priced at the market value at 12 noon on 31 January 2012. Non-exchange traded derivatives, including swaps and contracts for difference, are valued using information provided by the relevant third party brokers and as a consequence are the close of business values on the prior business day, and are then translated to sterling using the exchange rate at 12 noon on 31 January 2012.
- (o) All transactions in foreign currencies are converted into sterling at the rates of exchange ruling at the date of such transactions. The unrealised asset or liability position of each forward foreign currency contract held at the year end is determined with reference to the spot currency rate and the expected interest rate return over the currency contract to settlement date. Foreign currency assets and liabilities at the end of the accounting period are translated at the exchange rate at 12 noon on 31 January 2012.
- (p) The sub-funds may apply a dilution adjustment, intended to cover certain dealing charges which could have a diluting effect on the performance of the sub-funds. This adjustment is at the discretion of the ACD. Where applied it is included within the dealing price available to shareholders and is not disclosed separately in the financial statements.

## 2. Distribution policies

- (a) The income available for distribution for each sub-fund is the total revenue earned by the sub-fund, less deductible expenses and taxation charged to revenue. When calculating revenue on an effective interest rate basis all future cash flows are considered, and where, in the ACD's view there is doubt as to the final maturity value, an estimate of the final redemption proceeds will be made in determining those cash flows. The impact of this will be to reduce the revenue recognised from debt securities, and therefore the revenue distributed, whilst preserving capital within the sub-fund. Accumulation distributions from shares held in other Collective Investment Schemes are reflected as revenue of the respective sub-fund and form part of the distribution. This income was distributed on 16 March 2012 for Institutional Asia Fund and Institutional Continental Europe Fund, and will be distributed on 30 April 2012 for all other sub-funds.
- (b) The sub-funds are not more than 60% invested in qualifying investments (as defined by SI2006/964) and where applicable will pay a dividend distribution apart from Cautious Total Return Fund, Global (ex-UK) Bond Fund, Global High Yield Bond Fund, Highbridge Statistical Market Neutral Fund, Sterling Corporate Bond Fund and Strategic Bond Fund which are more than 60% invested in qualifying investments (as defined by SI2006/964) and where applicable will pay an interest distribution.
- (c) The ordinary element of stocks received in lieu of cash dividends is recognised as revenue of the respective Fund, and forms part of the distribution. Any excess in value of shares received over the amount of cash forgone is reviewed on a case by case basis and treated appropriately as income or capital.
- (d) Revenue is allocated each day pro rata to the value of assets attributable to each class. The ACD's annual fee is charged to revenue of the respective share class except for the following funds, which initially recognise the ACD fee as revenue but transferred to capital for revenue distribution purposes - Balanced Total Return Fund, Global Equity Income Fund, Global High Yield Bond Fund, Multi-Asset Income Fund, UK Equity and Bond Income Fund, UK Higher Income Fund, UK Strategic Equity Income Fund and US Equity Income Fund.

# Notes to the Aggregated Company financial statements – continued

## 3. Net capital (losses)/gains

|                            | 2012      | 2011      |
|----------------------------|-----------|-----------|
|                            | £'000     | £'000     |
| Capital dividends          | -         | 2,417     |
| Currency gains             | 770       | 18,862    |
| Custodian handling charges | (231)     | (237)     |
| Derivative contracts       | (18,555)  | (1,863)   |
| Forward currency contracts | (9,999)   | (42,079)  |
| Non-derivative securities  | (729,773) | 1,712,027 |
| Net capital (losses)/gains | (757,788) | 1,689,127 |

## 4. Revenue

|   | 2012    | 2011    |
|---|---------|---------|
|   | £'000   | £'000   |
| Distributions from authorised ICVCs                               | 197     | 49      |
| Franked income from UK equity investments                         | 59,979  | 53,205  |
| Income from contracts for difference                              | (35)    | (13)    |
| Income from overseas equity investments                           | 113,877 | 92,019  |
| Interest distributions from Investment Trusts                     | 142     | 130     |
| Interest on amounts held with futures clearing houses and brokers | 113     | 108     |
| Interest on bank and term deposits                                | 1,346   | 862     |
| Interest on fixed-interest securities                             | 42,573  | 41,091  |
| Interest on derivatives   | (71)    | -       |
| Management fee rebates  | 90      | 129     |
| Option income   | 217     | 48      |
| Property income distributions                                     | 794     | 232     |
| Stock dividends   | 2,892   | 991     |
| Stocklending income   | 941     | 880     |
| Underwriting commission   | 57      | 292     |
| Total revenue   | 223,112 | 190,023 |

## 5. Expenses

|  | 2012    | 2011    |
|--|---------|---------|
|  | £'000   | £'000   |
| <b>Payable to the ACD or associate of the ACD:</b> |         |         |
| ACD fee  | 116,198 | 113,190 |
| Fixed expenses                                     | 13,539  | 13,054  |
| Performance fee                                    | 35      | 76      |
|  | 129,772 | 126,320 |
| <b>Payable to third parties:</b>                   |         |         |
| VAT recovered*                                     | (1,002) | -       |
| Total expenses                                     | 128,770 | 126,320 |

\* VAT recovered includes amounts arising as a result of changes to the policy of HM Revenue & Customs ("HMRC") concerning VAT exemption for the management of authorised collective investment schemes (UK Law, items 9 and 10 of group 5, Schedule 9, to the VAT Act 1994) where these services have historically been treated as subject to VAT in the UK. These changes are in accordance with the Business Brief 07/06 (item 3) from HMRC in light of the European Court of Justice judgment in case C-196/04, Abbey National and Inscape Investment Fund.

## 6. Taxation

|  | 2012   | 2011    |
|--|--------|---------|
|  | £'000  | £'000   |
| <b>a) Analysis of charge in the year</b> |        |         |
| Corporation tax at 20%                   | 412    | 322     |
| Double tax relief                        | (72)   | (107)   |
| Overseas tax provision                   | 309    | (1,496) |
| Overseas tax suffered                    | 11,687 | 9,860   |
| Prior year adjustments                   | 2      | 83      |
| Current year tax charge (Note 6b)        | 12,338 | 8,662   |

### b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an Open-Ended Investment Company (OEIC) (20%). The differences are explained below.

|  |          |          |
|--|----------|----------|
| Net revenue before taxation                                  | 94,342   | 63,697   |
| Corporation tax at 20%                                       | 18,872   | 12,739   |
| Effects of:  |          |          |
| Dividends not subject to corporation tax                     | (34,043) | (27,610) |
| Double tax relief  | (72)     | (107)    |
| Excess expenses for which no relief taken                    | 20,627   | 20,362   |
| Interest distributions for which no relief taken             | -        | (2,304)  |
| Interest distributions deductible for tax purposes           | (4,997)  | (2,823)  |
| Overseas tax provision                                       | 309      | (1,496)  |
| Overseas tax suffered  | 11,687   | 9,860    |
| Prior year adjustments                                       | 2        | 83       |
| Taxable gain on offshore funds                               | 1        | -        |
| Utilisation of excess interest distributions brought forward | (48)     | (42)     |
|  | (6,534)  | (4,077)  |
| Current year tax charge (Note 6a)                            | 12,338   | 8,662    |

No deferred tax asset has been recognised in the financial statements. At the year end date there is a deferred tax asset in relation to excess management expenses which would only be utilised to reduce the tax charge if the fund had an excess of unfranked income over expenses in a future period. The disclosures for the deferred tax assets are shown within each individual sub-fund.

## 7. Finance costs

### Distributions

The distributions take account of amounts receivable on the issue of shares and amounts payable on the cancellation of shares and comprise:

|  | 2012    | 2011    |
|--|---------|---------|
|  | £'000   | £'000   |
| First interim distribution                     | 16,538  | 15,434  |
| Second interim distribution                    | 24,925  | 22,629  |
| Third interim distribution                     | 17,015  | 12,963  |
| Final distribution                             | 56,930  | 40,502  |
| Final amount payable to shareholders           | -       | 3       |
| Add: Amounts payable on cancellation of shares | 6,009   | 6,098   |
| Deduct: Amounts receivable on issue of shares  | (5,071) | (3,037) |
| Net distributions for the year                 | 116,346 | 94,592  |
| Interest                                       | -       | 6       |
| Total finance costs                            | 116,346 | 94,598  |

# Notes to the Aggregated Company financial statements – continued

## 8. Movement between net revenue after taxation and distributions

|  | 2012           | 2011          |
|--|----------------|---------------|
|  | £'000          | £'000         |
| Net revenue after taxation                         | 82,004         | 55,035        |
| Add: ACD fee (net of tax relief) paid from capital | 16,619         | 14,639        |
| Add: Net expense payable from capital              | 17,871         | 24,797        |
| Add: Tax relief payable from capital               | 2              | -             |
| Add: Undistributed revenue brought forward         | 179            | 300           |
| Deduct: Undistributed revenue carried forward      | (329)          | (179)         |
|  | <u>116,346</u> | <u>94,592</u> |

## 9. Debtors

|  | 2012           | 2011           |
|--|----------------|----------------|
|  | £'000          | £'000          |
| Accrued income                               | 23,436         | 17,901         |
| Corporation tax recoverable                  | 3              | 57             |
| Due from brokers on contracts for difference | 192            | 84             |
| Due from the ACD for shares created          | 18,942         | 20,680         |
| Income tax recoverable                       | 54             | 26             |
| Overseas tax recoverable                     | 861            | 1,407          |
| Property income tax recoverable              | 41             | 9              |
| Sales awaiting settlement                    | 57,737         | 60,720         |
| Total debtors                                | <u>101,266</u> | <u>100,884</u> |

## 10. Cash and bank balances

|   | 2012           | 2011           |
|---|----------------|----------------|
|   | £'000          | £'000          |
| Amounts held at futures clearing houses and brokers | 48,681         | 38,632         |
| Cash and bank balances                              | 184,654        | 301,430        |
| Total cash and bank balances                        | <u>233,335</u> | <u>340,062</u> |

## 11. Creditors

|  | 2012           | 2011           |
|--|----------------|----------------|
|  | £'000          | £'000          |
| Accrued expenses                           | 10,568         | 12,260         |
| Capital deferred tax liability             | 5              | -              |
| Corporation tax payable                    | 175            | 217            |
| Deferred tax provision                     | 8              | 8              |
| Due to brokers on contracts for difference | 7              | 4              |
| Due to shareholders                        | -              | 3              |
| Due to the ACD for shares cancelled        | 31,845         | 7,655          |
| Income tax payable                         | 3,093          | 2,388          |
| Purchases awaiting settlement              | 69,212         | 122,123        |
| Total creditors                            | <u>114,913</u> | <u>144,658</u> |

## 12. Portfolio transaction costs

The disclosures for Portfolio transaction costs are shown within each individual sub-fund.

## 13. Related party transactions

JPMorgan Fund Limited, as Authorised Corporate Director (ACD), is a related party, and acts as principal in respect of all transactions of shares in the Company. The aggregate monies received through issue, and paid on cancellation, are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

ACD fees and fixed expenses paid to JPMorgan Funds Limited and their associates are shown in Note 5 and details of shares issued and cancelled by the ACD are shown in the Statement of change in net assets attributable to shareholders. The balance due to the ACD and their associates at the year end in respect of these transactions was £23,472,564 (31.01.11: £765,089 due from the ACD).

Investments considered to be related parties have been identified in the portfolio statement on each sub-fund and the revenue from these investments is disclosed in the respective sub-fund's account.

Material holdings in the sub-funds are disclosed in the respective sub-fund's account.

## 14. Financial instruments

In pursuing its investment objective as stated for each individual sub-fund, the Company holds a number of financial instruments. The Company's financial instruments, other than derivatives, comprise securities and other investments, cash balances, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for creations and payable for redemptions and debtors for accrued income.

The main risks arising from the Company's financial instruments and the ACD's policies for managing these risks are summarised below. These policies have been applied throughout the year.

### Market price risk

Market price risk is the risk that the value of the Company's investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises mainly from uncertainty about future prices of financial instruments the Company holds. It represents the potential loss the Company might suffer through holding market positions in the face of price movements. The Company's investment portfolio is exposed to market price fluctuations, which are monitored by the ACD in pursuance of the investment objective and policy as set out in the Prospectus.

Adherence to investment guidelines and to investment and borrowing powers set out in the Instrument of Incorporation and in the Financial Services Authority's Collective Investment Schemes Sourcebook mitigates the risk of excessive exposure to any particular type of security or issuer.

### Foreign currency risk

Foreign currency risk is the risk that the value of the Company's investment holdings will fluctuate as a result of changes in foreign currency exchange rates.

A proportion of some of the Company's investment portfolios are invested in overseas securities and the balance sheet can be affected by movements in foreign exchange rates. The ACD may seek to manage exposure to currency movements by using forward exchange contracts or by hedging the sterling value of investments that are priced in other currencies. Income received in other currencies is converted to sterling on the date of the transaction.

See the respective sub-fund for its foreign currency profile.

### Interest rate risk

Interest rate risk is the risk that the value of the Company's investment holdings will fluctuate as a result of changes in interest rates.

Some of the sub-funds may invest in fixed and floating rate securities. The income of the sub-fund may be affected by changes to interest rates relevant to particular securities or as a result of the ACD being unable to secure similar returns on the expiry of contracts or sale of securities. The value of fixed interest securities may be affected by interest rate movements or the expectation of such movements in the future. Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates.

See the respective sub-fund for its interest rate profile.

# Notes to the Aggregated Company financial statements – continued

## Liquidity risk

The Company's assets comprise mainly of readily realisable securities. If insufficient cash is available to finance shareholder redemptions then securities held by the Company may need to be sold.

The risk of low market liquidity, through reduced trading volumes, may affect the ability of the funds to trade financial instruments at values indicated by market data vendors. From time to time, liquidity may also be affected by stock specific or economic events.

To manage these risks the Investment Manager undertakes detailed research to select appropriate investment opportunities in line with the individual sub-fund's objective. All stocks are valued daily but those stocks identified as being less liquid are reviewed on a regular basis for pricing accuracy.

## Credit risk/Counterparty risk

Certain transactions in securities that the Company enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Company has fulfilled its responsibilities. The Company only buys and sells investments through brokers which have been approved by the ACD as an acceptable counterparty. In addition, limits are set to the exposure to any individual broker that may exist at any time and changes in brokers' financial ratings are reviewed.

In order to trade derivative instruments the ACD enters into an agreement with an approved counterparty. The ACD assesses the credit worthiness of the counterparty, however the sub-fund remains at risk that the counterparty will not settle its obligations under the contract. Any collateral due to or from the sub-fund under the terms of the contract may not be settled.

The sub-funds restrict their exposure to credit losses on derivative instruments by trading via an International Swap and Derivative Association (ISDA) Master Arrangements with each counterparty.

## Derivative risk

The company enters into derivative transactions in the form of currency forwards, futures, swaps, contracts for difference, and options for the purpose of efficient portfolio management. The JPM Balanced Total Return Fund, JPM Cautious Total Return Fund, JPM Global Equity Absolute Alpha Fund, JPM Highbridge Statistical Market Neutral Fund, JPM Multi-Asset Income Fund, JPM Strategic Bond Fund and JPM Sterling Corporate Bond Fund may also enter into derivatives for investment purposes. It is the ACD's intention that the use of derivatives for investment purposes will not materially change the risk profile of these sub-funds.

The sub-funds used the following derivative instruments in the year:

For sub-funds where an element of the investment portfolio is invested in overseas instruments, the Balance sheet can be affected by movements in exchange rates. The ACD may seek to manage exposure to currency movements by using currency forwards or by hedging the sterling value of investments that are priced in other currencies.

Futures provide exposure to underlying securities in an index and act as a more liquid alternative to direct investment. Futures provide an efficient tool to implement future interest and equity movement views, as well as curve selection. The decision to buy or sell futures will be made to benefit from any change in value of the futures (from the underlying capital value).

Swaps are used to express an opinion on the price direction of either a single security or a basket of securities. These instruments are used for capital gains purposes.

The basic rationale for using options is a method of implementing an opinion on the direction of either interest rates or a specific index. Although the ACD may either pay or receive an initial premium in the transaction, the economic impact of the option is influenced by exposure to market movements.

Where derivatives are used, such instruments are inherently volatile and those sub-funds could potentially be exposed to additional risk and costs should the market move against them. In aiming to reduce volatility the ACD utilises a risk management process. The sub-funds that make use of derivatives are required to measure and limit their global exposure arising from these contracts. Exposure is monitored to ensure the sub-fund's exposure is within the limits set out by the ACD, the scheme documents and the COLL Sourcebook. None of the sub-funds have exceeded the limits set during the year.

## Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.



# Statement of the Authorised Corporate Director

## Statement of the Authorised Corporate Director's responsibilities in relation to the financial statements of the scheme

The Rules of the Financial Services Authority's Collective Investment Schemes Sourcebook require the Authorised Corporate Director to prepare financial statements for each annual accounting period which give a true and fair view of the financial affairs of the company and of its income and expenditure for the period.

In preparing those financial statements the Authorised Corporate Director is required to:

- comply with the Prospectus and applicable accounting standards, subject to any material departures which are required to be disclosed and explained in the financial statements;

- comply with the Statement of Recommended Practice for Authorised Funds issued by the IMA in 2010;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in operation for the foreseeable future; and
- take reasonable steps for the prevention and detection of fraud, error and non-compliance with law or regulations.

The Authorised Corporate Director is required to keep proper accounting records and to manage the company in accordance with the regulations and the Prospectus.

The report has been prepared in accordance with the Financial Services Authority's Collective Investment Schemes Sourcebook. The shareholders of the ICVC are not liable for the debts of the ICVC.



**Mr R Thompson**  
Director  
JPMorgan Funds Limited  
4 May 2012



**Ms T McDowall**  
Director  
JPMorgan Funds Limited  
4 May 2012

# Report of the Depositary to the Shareholders for the year ending 31 January 2012 for the JPMorgan Fund ICVC ('the company')

The depositary is responsible for the safekeeping of all of the property of the company (other than tangible moveable property) which is entrusted to it and for the collection of revenue that arises from that property.

It is the duty of the depositary to take reasonable care to ensure that the company is managed in accordance with the Financial Services Authority's Collective Investment Schemes Sourcebook (COLL), as amended, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228), as amended ('the OEIC Regulations'), the company's Instrument of Incorporation and Prospectus, in relation to

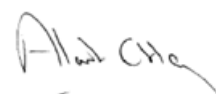
the pricing of, and dealings in, shares in the company; the application of revenue of the company; and the investment and borrowing powers applicable to the company.

Having carried out such procedures as we consider necessary to discharge our responsibilities as depositary of the company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the company, acting through the Authorised Corporate Director:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the company's shares and the application of the company's revenue in accordance with COLL

and, where applicable, the OEIC Regulations, the Instrument of Incorporation and Prospectus of the company, and

- (ii) has observed the investment and borrowing powers and restrictions applicable to the company.



National Westminster Bank plc  
London  
4 May 2012

# Independent Auditors' Report to the Members of JPMorgan Fund ICVC

We have audited the financial statements of JPMorgan Fund ICVC (the "Company") for the year ended 31 January 2012 which comprise the aggregated statement of total return, the aggregated statement of change in net assets attributable to shareholders, the aggregated balance sheet and related notes and for each of the Company's sub-funds, the statement of total return, the statement of change in net assets attributable to shareholders, the balance sheet, the related notes and the distribution table. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice 'Financial Statements of Authorised Funds' issued by the Investment Management Association (the "Statement of Recommended Practice for Authorised Funds").

## Respective responsibilities of director and auditors

As explained more fully in the Statement of the Authorised Corporate Director's Responsibilities, the Authorised Corporate Director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook as required by paragraph 67(2) of the Open-Ended Investment Companies Regulations 2001 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose

or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authorised Corporate Director; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report & Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Company and each of the sub-funds at 31 January 2012 and of the net revenue and the net capital gains and losses of the scheme property of the Company and each of the sub-funds for the year then ended; and
- have been properly prepared in accordance with the Statement of Recommended Practice for Authorised Funds, the Collective Investment Schemes sourcebook and the Instrument of Incorporation.

## Opinion on other matters prescribed by the Collective Investment Schemes sourcebook

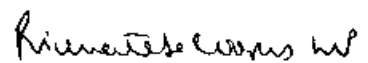
In our opinion:

- we have obtained all the information and explanations we consider necessary for the purposes of the audit; and
- the information given in the Authorised Corporate Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Collective Investment Schemes sourcebook requires us to report to you if, in our opinion:

- proper accounting records for the Company have not been kept; or
- the financial statements are not in agreement with the accounting records and returns.



PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Edinburgh  
4 May 2012

The maintenance and integrity of the J.P. Morgan Asset Management website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Who to contact

### Intermediaries

**0800 727 770**

### If you are an investor with us please call

**0800 20 40 20**

Lines are open 9.00am to 5.30pm Monday to Friday.

Telephone lines are recorded to ensure compliance with our legal and regulatory obligations and internal policies.

[www.jpmorganassetmanagement.co.uk](http://www.jpmorganassetmanagement.co.uk)