Ecclesiastical Investment Funds

SHORT REPORT

Ecclesiastical

30 June 2014

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Management contact details

Authorised Corporate Director
The Authorised Corporate Director (ACD) is Ecclesiastical Investment Management Limited (EIM). The investments of Ecclesiastical Investment Funds (EIF) are managed by the ACD. The ACD has prepared financial statements that comply with the Statement of Recommended Practice for Financial Statements of Authorised Funds issued by the Investment Management Association in October 2010.

Constitution
EIF is an Open-Ended Investment Company (OEIC). It has variable capital and was incorporated with limited liability under the Open-Ended Investment Companies Regulations 2001 (OEIC Regulations) in Great Britain under registered number IC 00037. It is authorised and regulated by the Financial Conduct Authority. EIF is an 'umbrella' company and comprises six authorised investment securities sub-funds.

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Authorised and regulated by the Financial Conduct Authority

Directors of Ecclesiastical Investment Management Limited
M Hews, BSc, FIA (Chairman)
SJ Round
RW Hepworth

Ultimate Parent Company of the ACD
Allchurches Trust Limited
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Depositary
BNY Mellon Trust and Depositary (UK) Limited
The Bank of New York Mellon Centre,
160 Queen Victoria Street,
London EC4V 4LA

Authorised and regulated by the Financial Conduct Authority

Registrar
Northern Trust Global Services Limited
50 Bank Street, Canary Wharf,
London E14 5NT

Auditor
Deloitte LLP
2 New Street Square,
London EC4A 3BZ

This Short Report is for the period from 1 January 2014 to 30 June 2014. Included in the Report by the Authorised Corporate Director (ACD), you will find information on the performance of the sub-funds and the Funds' prospects, as well as information on the performance record and major holdings of each sub-fund.

The ACD will send a copy of the interim and annual Short Report to any shareholder whose name appears on the share register at the relevant accounting reference date or interim accounting reference date as permitted by the Financial Conduct Authority regulations.

Full copies of the interim and annual Long Reports will be available free of charge on request from the ACD and to download from www.ecclesiastical.com/longreport.

Copies of all reports to shareholders will be available for inspection by the general public at the ACD's offices.

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Report of the Authorised Corporate Director – Investment Environment

Market participants had hoped that 2014 would bring a strong and broad-based acceleration in global economic growth, prompting asset returns that were driven more by fundamentals than by the unconventional economic policies deployed by the world's major central banks. However, thus far these hopes have been disappointed by economic activity in the US, Eurozone, China and many emerging market countries, which all fell short of expectations and instigated yet another year of downward growth revisions at both a country and global level.

Geopolitical tensions were also at the forefront of concern following Russia's annexation of Crimea and their incursions into eastern Ukraine, which sparked significant volatility in the asset markets of both countries and others that would be negatively impacted by economic sanctions against Russia. Developments in the Middle East also provoked unease amongst investors, as the conflict in Syria spilled over into Iraq with the emergence of the jihadist militant group ISIS, raising concerns over a possible disruption in the crude oil supply and driving oil prices higher, thus creating headwinds for oil importing nations.

Consequently, global investment markets were somewhat mixed over the course of the opening six months of the year and remain supported by the ongoing accommodative monetary policy measures deployed by central banks. Equity bourses across developed economies broadly outperformed their counterparts in emerging markets with a number of indices attaining new all-time highs. Simultaneously, global government bond yields broadly declined, which defied the widely held consensus that yield curves would come under pressure as US and UK central banks moved towards tightening monetary policy.

UK

Over the course of the first half of 2014, the FTSE All-Share Index fell by 0.3%, as the marginal 0.3% gain posted by the FTSE Small Cap Index was more than offset by the 0.1% and 1.3% declines posted by the FTSE 100 Index and FTSE 250 Mid-Cap Index respectively.

In contrast to the fortunes of the UK equity market, domestic economic data continued to improve and to the surprise of many, the UK economy appears to be achieving escape velocity. The recovery has for the most part been led by growth in household spending, with consumer confidence supported by a rallying housing market, stronger domestic currency, improving credit conditions and low interest rates. However, more recent growth data showed that the domestic recovery was looking better balanced and more sustainable as manufacturing, business investment and construction outpaced growth in the wider economy. Unemployment also continued to move in the right direction, with the UK unemployment rate now at a five and half year low of 6.6% (6.8% at the end of 2013). This strong backdrop was sufficient enough to prompt policymakers at the Bank of England (BoE) to suggest that interest rates may rise sooner than the market had anticipated, provoking a sharp rise in market interest rates and the value of sterling. However, consensus expectations for the first interest rate hike by the Bank remain no sooner than in 2015, as a result of ongoing benign inflation.

Within the UK equity market there was a noticeable rotation from growth to value sectors as investors moved away from those names that outperformed in 2013 and into sectors that underperformed during the same period. Areas of the market that performed strongly last year on the back of a buoyant outlook for the UK economy, namely the house builders and retailers, came under pressure in the first half of the year as the market brought forward expectations of a rise in UK interest rates. Consequently, attention shifted from the domestic cyclical exposure found within the FTSE 250, towards the more diversified, overseas earnings sources within the FTSE 100. The oil and gas and healthcare sectors were amongst the best performers with the latter also benefiting from heightened corporate takeover activity.

The FTSE Government All-Stocks Index increased by 1.4% over the six-month period in capital terms, as declining inflation across the developed world pushed out the timing and reduced the scale of any anticipated rise in base rates. A combination of a reduction in the yield premium of corporate bonds over government bonds and the inherent yield pick-up led the former to outperform the latter with credit spreads falling to their lowest level since the credit crisis.

Europe

The FTSE World Europe (excluding UK) Index delivered a return of 4.4% in local currency terms over the period, but weakness in the Euro decreased returns for sterling investors to 0.4%. Equities were supported by expectations that the European Central Bank (ECB) would initiate measures to ease monetary policy further to fend off the spectre of deflation and stimulate growth in what remains a disjointed regional economic recovery. Accordingly, in early June policymakers announced a range of measures that included a reduction in the benchmark interest rate from 0.25% to 0.15%, introducing a negative deposit rate and announcing a set of targeted long-term refinancing operations (TLTROs), which are designed to provide affordable loans to non-financial corporates. The ECB also added that outright quantitative easing would be considered should inflation remain at ultra-low levels (0.5% at the end of June).

At a national level, the peripheral nations delivered the strongest returns over the period. Italian stocks led the gains, boosted by a change of government that announced plans for a programme of tax cuts and labour market reforms in an attempt to boost the nation's economic growth. The equity market in Spain also performed strongly, buoyed by an improvement in the rate of economic growth that was driven primarily by higher public spending. Conversely, despite still accounting for the lion's share of growth within the region, leading indicators for the German economy have slowed in recent months, weighing on the domestic equity market which lagged the overall region over the period.

US

The Dow Jones Industrial Average Index rose by 1.5% over the six month period and the more broadly based S&P 500 Index performed even better with a gain of 6.1%, although the strength of sterling reduced returns for UK investors to a loss of 1.7% and a gain of 2.7% for the respective indices.

The US economy concluded 2013 on a weaker footing than original estimates had indicated, with final quarter growth revised downward from 3.2% to 2.6% on an annualised basis, while a number of economic indicators disappointed in the early stages of the New Year. The weakness was broadly attributed to the unusually harsh winter weather endured by many parts of the country, but as a result, consensus growth expectations for 2014 have fallen from 2.9% to 2.5% and with progress in the employment market stalling in recent months and government spending constrained that even appears to be a stretch. The period also saw the Federal Reserve begin the reduction in the pace of its quantitative easing programme by $10 billion per month. Although the market took the long-anticipated reduction in monetary stimulus in its stride, new chair Janet Yellen managed to generate a great deal of confusion about when interest rates could be expected to rise, prompting heightened volatility in the US Treasury market.

Asia (excluding Japan)

Equity markets across the region broadly delivered robust performance over the period, as the strong gains registered in South Asian markets more than offset the weakness in North Asia. The former reacted positively to domestic developments led by equity returns in Thailand, where a military coup was interpreted by investors as a sign of stability and clarity amidst a political impasse that had threatened to derail the economy. Conversely, North Asian equity markets ended the period in negative territory, despite rallying in the second quarter. Mounting concerns surrounding the slowing Chinese economy significantly impacted indices in China and Hong Kong in the opening months of the year as manufacturing, export, and industrial production data all came in softer than expected, which combined with China's first domestic corporate bond default in recent history, left investors somewhat unnerved. In the later stages of the period, sentiment surrounding the North Asia region was boosted by the unveiling of additional stimulus measures by Chinese policymakers.

Japan

Investors shied away from Japanese stocks following the blistering run they enjoyed over the course of 2013 as doubts grew about the potential success of Prime Minister Shinzo Abe's grand plan to reignite the economy. The Nikkei 225 Index decreased by 6.8% over the six month period (in sterling terms) and the Japanese equity market continued to have a strong correlation with the yen, which unlike in the preceding year had a detrimental impact on returns. As the Federal Reserve initiated its exit from quantitative easing, the expectation of an associated increase in global financing costs sent shock waves through the currency markets of emerging economies. Unnerved investors subsequently sought out perceived safe-haven assets, resulting in an appreciation in the yen, which negatively impacted Japanese equities.

The economic picture is difficult to read due to the distorting impact of a recent hike in the domestic consumption tax from 5% to 8%, yet business and household sentiment have held up in recent months. Longer term, the government has yet to deliver supply-side reform that addresses the nation's declining labour supply and productivity, thus raising questions over the sustainability of recent economic growth.

Outlook

The first half of 2014 provided reaffirmation that the global economy still has a long way to go before it reaches a state of recovery and just how reliant financial markets are on monetary stimulus. Within Europe, the region as a whole is beginning to emerge from its economic woes, albeit at a tepid pace still with persistently high unemployment, falling wages and weak demand weighing on growth. There are pockets of attractive value within the region but it is important to be selective and look for companies with sound fundamentals and attractive growth prospects. We remain cautious on the US equity market as valuations have reached elevated levels and profit margins are unsustainably high. As interest rates start to rise and wage growth returns, we see US margins reverting back to their historical average, which will in turn hurt US share prices. With regards to Asia, we are more positive on the long-term outlook, where we see a number of fundamentally strong economies more exposed to growing demand and catch-up potential. In addition, many Asian markets are currently trading on extremely attractive valuations.

Investment Objective and Policies

Fund Name and Investment Objectives	Investment Policy
Amity UK The Fund aims to achieve long-term capital appreciation and a reasonable level of income by investing principally in UK companies.	These Funds seek to invest in a portfolio of companies which make a positive contribution to society and the environment through sustainable and socially responsible practices. These Funds seek to avoid investment in certain areas such as companies which have a material involvement in alcohol, tobacco and weapon production, gambling and publication of violent or explicit materials.
Amity European To achieve long-term capital growth with a reasonable level of income primarily through a diversified portfolio of European companies.	
Amity International To achieve long-term capital growth with a reasonable level of income primarily through a diversified portfolio of International companies.	
Amity Sterling Bond The Fund aims to provide an attractive level of income.	The Amity Sterling Bond Fund seeks to invest in a highly diversified portfolio of Government and good quality fixed interest securities issued by companies which make a positive contribution to society and the environment through sustainable and socially responsible practices. The Fund seeks to avoid investment in certain areas such as companies which have a material involvement in alcohol, tobacco and weapon production, gambling and publication of violent or explicit materials.
Higher Income To provide an above average and growing level of income together with capital growth over the longer term.	The Manager will seek to achieve the investment objective by investing in a mix of equities, fixed interest securities and such other investments that the Manager considers suitable.
UK Equity Growth To achieve long-term capital growth with a reasonable level of income.	The UK Equity Growth Fund is designed to invest primarily in a range of UK incorporated and/or listed companies which the Manager believes offer good potential for long-term capital growth.

These Funds are marketable to all retail investors.

These Funds are managed in line with the requirements for inclusion in an ISA. The portfolio will consist primarily of transferable securities but the Manager may also invest in units in collective investment schemes, money-market instruments, derivatives and forward transactions, deposits, nil and partly paid securities, bonds, convertible bonds, cash and near cash as deemed economically appropriate to meet the Funds' objectives.

The Manager does not currently intend to use derivatives for any purpose other than the efficient portfolio management of the Funds, although it may, subject to obtaining and maintaining the requisite permissions from the FCA under the Financial Services and Markets Act 2000 and on giving not less than 60 days notice to shareholders in the Funds, use derivatives in pursuit of their investment objectives in the future. If derivatives are used for the purpose of meeting the investment objectives of the Funds it is not intended that the use of derivatives would cause the Net Asset Value of the Funds to have higher volatility or otherwise cause the existing risk profiles of the Funds to change.

Risks

- Most of the assets will be invested in the UK stock market so could be affected by any change in this market.
- Selecting stocks due to our ethical criteria means that the choice of stocks is limited to a sub set of the stock market and this could lead to greater volatility.

- The investment's value may be affected by changes in exchange rates.
- The entire market of European stocks and shares might decline thus affecting the prices and values of the assets.
- Selecting stocks due to our ethical criteria means that the choice of stocks is limited to a sub set of the stock market and this could lead to greater volatility.

- The investment's value may be affected by changes in exchange rates.
- The equity markets invested in might decline thus affecting the prices and values of the assets.
- Some of the investments may be in emerging markets, which can be more volatile and carry risks associated with changes in their economies and political status. Also they may not offer the same level of investor protection as would apply in more developed jurisdictions.
- Selecting stocks due to our ethical criteria means that the choice of stocks is limited to a sub set of the stock market and this could lead to greater volatility.

- The Fund holds a variety of different fixed interest securities including government and corporate bonds, preference shares and permanent interest bearing shares with a spread of durations. The Fund may invest in index or inflation linked bonds as well as conventional fixed interest instruments. Some of the bonds hold credit ratings however the Fund also invests in unrated bonds and other fixed interest instruments.
- The investment's value may be affected by changes in inflation and interest rates.
- An issuer of fixed interest stock may default, so causing a reduction in the capital value and income value of the Fund.
- The annual management charge is taken from capital not income so the capital value of the Fund could be reduced over time.
- Selecting stocks due to our ethical criteria means that the choice of stocks is limited to a sub set of the stock market and this could lead to greater volatility.

- Most of the assets will be invested in the UK stock market so could be affected by any change in this market.
- The Fund holds Corporate and Government bonds of a spread of durations. The various bonds have a spread of different security ratings as the investment managers do not set minimum security standards for such bonds.
- The annual management charge is taken from capital not income so the capital value of the Fund could be reduced over time.
- An issuer of fixed interest stock may default, so causing a reduction in the capital and income value of the Fund.
- The investment's value may be affected by changes in exchange rates and interest rates.

- Most of the assets will be invested in the UK stock market so could be affected by any change in this market.

Amity UK Fund

Report of the Authorised Corporate Director

This review covers the period from 1 January 2014 to 30 June 2014.

- Over the course of the period under review the Amity UK Fund returned -1.5%*, underperforming both the rise in the FTSE All-Share Index of 1.6% and the IMA All Companies sector average return of -0.2%, both measured on a similar basis.
- The Manager's ethical screening process generally excludes tobacco, mining and oil & gas companies and strong performance in these large sectors to which the Fund has very little exposure hurt performance relative to the FTSE All Share Index. The Fund's above average exposure to small and medium sized companies also contributed to underperformance.
- From a sector allocation perspective, the Fund benefitted from being overweight in General Retailers, Healthcare, Life Insurance and Gas, Water & Multi-utilities which performed strongly and from being underweight in Banks and Beverages which performed poorly. Overweight positions in Food & Drug Retailers, Support Services and Electronic & Electrical Equipment acted as a drag on performance.
- Fund activity including taking profits in Dechra Pharmaceuticals on the back of strong share price performance and Oxford Instruments, a very successful investment over a number of years, was reduced because its valuation appeared to fully reflect its medium term prospects. The Fund also purchased shares in the new issues of Xeros (industrial machinery), Horizon Discovery (healthcare), DX Group (logistics), AO World (online retail), John Laing Environmental (infrastructure), Cambian Group (healthcare) and Patisserie Holdings (restaurants) all of which offered an attractively priced entry into companies with good market positions. The positions in GlaxoSmithKline and Picton Property Income were added to over the course of the period on the basis of their resilient business models, solid cash flows and attractive ratings.

Prospects

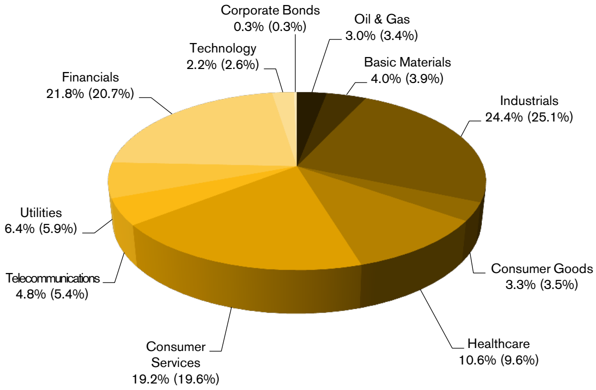
Although the UK economy continues to show signs of strengthening, it faces several challenges. Firstly, with better economic growth, the Bank of England will come under greater pressure to act on interest rates and whilst an increase would be good news for savers, it will undoubtedly increase the pressure on household finances. Secondly, a stronger pound could emerge in an environment of stronger growth and rising interest rates, impacting exporters, although a rise in the currency would ease some pressure on consumers from rising food and energy prices, via cheaper imports. Thirdly, a tighter labour market – falling unemployment and rising vacancies – will heap more pressure on wage levels, negatively impacting corporate margins. Whilst recognising the progress made on the economic front, there is still more to be done - public finances need to be repaired, monetary policy normalised and business confidence restored. The portfolio is constructed by selecting stocks on the basis of their individual merits and prospects, and in this regard the prospects for the Fund's investments remain encouraging. The Fund continues to maintain healthy cash balances, patiently seeking to invest in companies at attractive valuations in line with its long-term strategy.

* mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer.

Please note: Stocks and shares should be viewed as a medium to long-term investment, usually for a period of five years or more.
The value of investments can fall as well as rise. Past performance should not be seen as an indication of future performance.

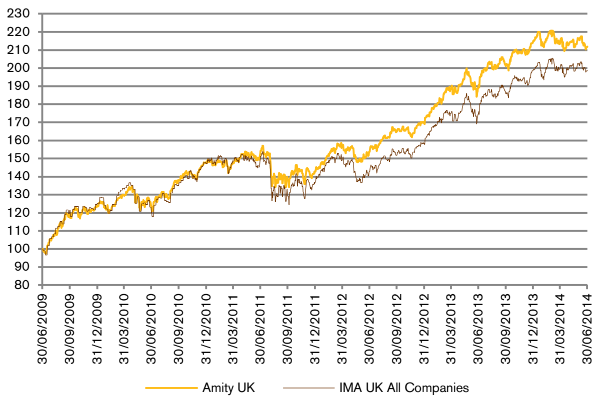
Asset allocation by sector at 30 June 2014

The figures in brackets show allocation at 31 December 2013



Figures exclude cash

Performance



Graph showing the return of the Amity UK Fund compared to IMA UK All Companies Sector Average from 30 June 2009 to 30 June 2014, mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer. Prices re-based to 100. Source: Morningstar.

Performance and ranking

	Amity UK Fund		IMA UK All Companies Sector Average	
	Total Return	Rank	Total Return	Number
31/12/13 – 30/06/14	-1.5%	200	-0.2%	272
31/12/12 – 31/12/13	27.2%	109	26.2%	261
31/12/11 – 31/12/12	18.4%	74	15.4%	279
31/12/10 – 31/12/11	-3.4%	45	-6.9%	295
31/12/09 – 31/12/10	19.4%	81	17.5%	296
31/12/08 – 31/12/09	27.6%	174	30.4%	306

Table showing % return and ranking of the Amity UK Fund against IMA UK All Companies Sector Average and total number of funds. Figures compared on a mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer. Source: Morningstar.

Major holdings

	Top ten holdings	Percentage of total net assets at 30 June 2014
1	Dunelm Group	2.17
2	Next	2.14
3	BT	2.00
4	Smith & Nephew	1.99
5	Halma	1.95
6	GlaxoSmithKline	1.93
7	Prudential	1.92
8	Dechra Pharmaceuticals	1.79
9	Provident Financial	1.78
10	Legal & General	1.75

Ongoing charges figure at 30 June 2014

Share Class A	Share Class B	Share Class C
1.60%	0.85%	1.35%

Ongoing charges figure at 31 December 2013

Share Class A	Share Class B	Share Class C
1.61%	0.86%	1.36%

The Ongoing Charges Figure (OCF) is the ratio of the Fund's total disclosable costs (excluding overdraft interest) to the average net assets of the Fund.

Risk Reward Profile

Lower risk — Higher risk

Typically lower rewards — Typically higher rewards

1	2	3	4	**5**	6	7

- The risk category above is not a measure of capital loss or gains, but of how significant the rises and falls in the Share Class price have been historically.
- For example a share class whose price has experienced significant rises and falls will be in a higher risk category, whereas, a share class whose price has experienced less significant rises and falls will be in a lower risk category.
- As the Share Class risk category has been calculated using historical data, it may not be a reliable indication of the Share Class future risk profile.
- Please note that the Share Class risk category may change in the future and is not guaranteed. The lowest risk category does not mean a risk free investment.
- The Share Class is in risk category 5 as its price has experienced significant rises and falls historically.

Share prices, Fund size and Income

	Share price range		Fund Size			Net income distribution/ accumulation
	Highest for the year (pence)	Lowest for the year (pence)	Net asset value (£)	Net asset value (pence per share)	Number of shares in issue	Pence per share
30 June 2014*						
Share Class A	206.30	195.70	44,816,250	196.65	22,790,162	1.0000
Share Class B	205.50	195.10	38,242,405	196.25	19,486,472	1.2000
Share Class C	366.40	347.60	38,316,361	351.40	10,903,972	1.8000
31 December 2013						
Share Class A	202.90	163.40	47,875,131	200.66	23,859,234	2.8066
Share Class B	203.10	162.50	31,340,956	199.66	15,697,212	4.2446
Share Class C	356.90	285.00	40,063,850	356.24	11,246,239	5.8589
31 December 2012						
Share Class A	163.10	138.80	39,242,884	160.07	24,515,933	2.5629
Share Class B	163.10	138.00	13,567,100	159.14	8,525,363	3.7696
Share Class C	281.70	237.40	34,024,476	279.25	12,184,080	5.1940
31 December 2011						
Share Class A	152.70	130.40	29,014,204	137.43	21,111,361	2.1839
Share Class B	152.20	130.20	9,572,978	136.57	7,009,586	3.3629
Share Class C	258.60	221.00	31,002,129	235.14	13,184,580	4.4652
31 December 2010						
Share Class A	146.00	119.30	27,177,774	143.89	18,887,465	2.3329
Share Class B	146.00	118.60	6,471,046	143.02	4,524,589	3.4253
Share Class C	243.10	196.30	34,125,006	241.77	14,114,580	4.5978
31 December 2009						
Share Class A	124.30	82.43	21,711,794	122.57	17,713,365	1.8699
Share Class B	124.00	81.92	2,793,589	121.70	2,295,436	2.7581
Share Class C	202.90	132.90	29,678,683	201.59	14,722,436	3.7065

* In respect of the period 1 January 2014 to 30 June 2014

Amity European Fund

Report of the Authorised Corporate Director

This review covers the period from 1 January 2014 to 30 June 2014.

- Over the course of the period under review, the Amity European Fund returned 1.7%* compared to the IMA Europe excluding UK sector average return of 1.2%. The FTSE World Europe ex UK Index gained 3.1%.
- The Fund benefitted from being underweight Financials, a sector which had a particularly poor end to the second quarter of 2014. In addition, the overweight exposure to the Utilities sector added value as falling bond yields drove income-seeking investors into this high dividend yield sector. Conversely, the underweight allocation to Consumer Staples detracted from performance, this defensive sector posting solid returns in an uncertain macro environment.
- Despite ongoing worries about the outlook for the Eurozone, the first six months of the year has seen peripheral Europe outperform core markets. The Fund benefitted from its overweight exposure to Italian stocks, which have rallied strongly year to date, but was negatively impacted by its underweight position in Spanish equities. Having no exposure to Russian equities benefitted the Fund as the Russian stock market plunged on concerns surrounding the conflict in Ukraine and subsequent sanctions.
- The underweight exposure to Swiss equities was negative from an allocation viewpoint as the Swiss stock market performed well during the period, but this was offset by stock selection within the country as holdings in Novartis, Roche and Zurich Financial Services all performed well. Stock selection in France also added value; in particular, holdings in French REIT Fonciere des Regions and Telecoms company Orange have been strong performers.
- The Fund's small- and mid-cap bias acted as a headwind during the period as large-cap companies significantly outperformed. The Fund is particularly exposed to the small-cap segment of the market, a strategy which has proved successful historically but which recently suffered as investors rotated out of small-cap into larger companies.
- During the period, the Fund raised its holdings in German financials, buying Deutsche Bank and Commerzbank on valuation grounds and because both have taken action to strengthen their balance sheets and are now beginning to focus on improving profitability. The Fund trimmed some of its Italian positions after strong recent performance. The Fund rotated out of DSM into AkzoNobel, the former currently exhibiting unsustainably high margins while the latter being well-positioned for a Eurozone recovery.

Prospects

Deflation is clearly an ongoing worry in the Eurozone and prompted ECB president Mario Draghi to announce a raft of unprecedented measures including negative deposit rates and a targeted LTRO programme to finance the banking sector. With this latest announcement, policy makers have reiterated their determination in fixing the region's troubles and supporting the recovery. In addition, some countries have made good progress in reducing trade imbalances and improving their competitiveness. We believe European equity markets offer attractive, long-term value and many companies are still trading on relatively low multiples. We continue to favour companies that exhibit strong cashflows, high dividend yields and resilient income streams.

* mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer.

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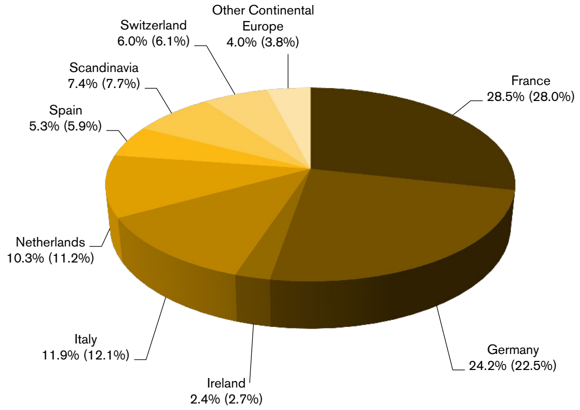
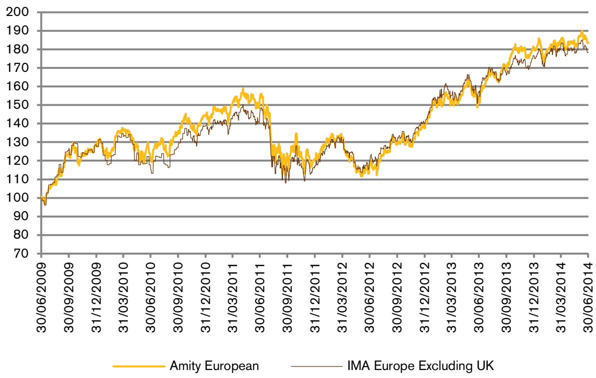
Asset allocation by sector at 30 June 2014

The figures in brackets show allocation at 31 December 2013



Figures exclude cash

Performance



Graph showing the return of the Amity European Fund compared to IMA Europe (excluding UK) Sector Average from 30 June 2009 to 30 June 2014, mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer. Prices re-based to 100. Source: Morningstar.

Performance and ranking

	Amity European Fund		IMA Europe (excluding UK) Sector Average	
	Total Return	Rank	Total Return	Number
31/12/13 – 30/06/14	1.7%	43	1.2%	109
31/12/12 – 31/12/13	31.5%	13	26.1%	99
31/12/11 – 31/12/12	13.4%	97	19.1%	105
31/12/10 – 31/12/11	-16.3%	61	-15.9%	108
31/12/09 – 31/12/10	13.6%	23	8.8%	111
31/12/08 – 31/12/09	18.2%	54	19.3%	103

Table showing % return and ranking of the Amity European Fund against IMA Europe (excluding UK) Sector Average and total number of funds. Figures compared on a mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer. Source: Morningstar.

Major holdings

	Top ten holdings	Percentage of total net assets at 30 June 2014
1	Sanofi-Aventis	2.87
2	Wolters Kluwer	2.56
3	Merck KGaA	2.52
4	Novartis	2.45
5	Smurfit Kappa	2.30
6	Cie Generale des Etablissements Michelin 'B'	2.30
7	Roche	2.15
8	Ansaldo	2.11
9	Deutsche Bank	2.02
10	Indus Holdings	1.95

Ongoing charges figure at 30 June 2014

Share Class A	Share Class B	Share Class C
1.64%	0.89%	1.39%

Ongoing charges figure at 31 December 2013

Share Class A	Share Class B	Share Class C
1.66%	0.91%	1.41%

The Ongoing Charges Figure (OCF) is the ratio of the Fund's total disclosable costs (excluding overdraft interest) to the average net assets of the Fund.

Risk Reward Profile

Lower risk — Higher risk

Typically lower rewards — Typically higher rewards

1	2	3	4	5	6	7

- The risk category above is not a measure of capital loss or gains, but of how significant the rises and falls in the Share Class price have been historically.
- For example a share class whose price has experienced significant rises and falls will be in a higher risk category, whereas, a share class whose price has experienced less significant rises and falls will be in a lower risk category.
- As the Share Class risk category has been calculated using historical data, it may not be a reliable indication of the Share Class future risk profile.
- Please note that the Share Class risk category may change in the future and is not guaranteed. The lowest risk category does not mean a risk free investment.
- The Share Class is in risk category 6 as its price has experienced very significant rises and falls historically.

Share prices, Fund size and Income

	Share price range		Fund Size			Net income distribution/ accumulation
	Highest for the year (pence)	Lowest for the year (pence)	Net asset value (£)	Net asset value (pence per share)	Number of shares in issue	Pence per share
30 June 2014*						
Share Class A	209.30	190.60	11,665,407	200.18	5,827,463	2.0000
Share Class B	211.70	192.30	48,480,955	202.17	23,980,811	2.4000
Share Class C	236.00	214.70	722,050	230.44	313,339	2.4000
31 December 2013						
Share Class A	203.10	156.60	12,300,539	198.94	6,182,976	2.9232
Share Class B	205.40	157.80	44,606,848	200.51	22,246,675	4.3700
Share Class C	226.70	173.10	753,398	223.99	336,352	3.7859
31 December 2012						
Share Class A	157.70	126.90	10,296,530	153.71	6,698,684	2.9180
Share Class B	159.60	128.00	30,854,302	154.85	19,925,129	4.0964
Share Class C	172.20	137.80	670,134	169.91	394,400	3.6114
31 December 2011						
Share Class A	185.50	130.20	9,974,925	138.17	7,219,324	3.3561
Share Class B	187.40	131.60	27,791,540	139.14	19,973,491	4.6308
Share Class C	195.60	138.30	621,069	149.26	416,100	3.9748
31 December 2010						
Share Class A	170.60	139.90	6,946,462	168.71	4,117,343	2.0948
Share Class B	172.60	141.10	32,921,071	169.99	19,366,186	3.3853
Share Class C	178.60	146.00	695,298	177.78	391,100	2.6968
31 December 2009						
Share Class A	154.40	102.50	3,502,311	150.63	2,325,058	1.8157
Share Class B	156.00	103.40	29,201,429	151.76	19,242,265	2.7406
Share Class C	159.00	104.60	543,101	156.11	347,900	2.2898

* In respect of the period 1 January 2014 to 30 June 2014

Amity International Fund

Report of the Authorised Corporate Director

This review covers the period from 1 January 2014 to 30 June 2014.

- Over the first six months of 2014, the Amity International Fund returned 2.3%*, comfortably outperforming the 1.7% return of the IMA Global sector average but underperforming the FTSE All World index return of 3.2%.
- Asset allocation was negative for the period, in part driven by the greater exposure to UK equities, which underperformed the global benchmark despite strong economic data indicating the UK's recovery is starting to take hold. The underweight position in the US also detracted from performance as US equities continued their bull market rally. Overweight allocations to Austria and Germany had minor negative impacts on performance, while overweight exposure to Norway, through holdings in Yara International and Vard, was positive. Within Asia, the underperformance of the Hang Seng index detracted from the fund's performance due to its overweight exposure to Hong Kong equities. Conversely, the underweight allocation to Japan benefitted the fund as Japanese equities lagged behind other markets. Currency moves also had a significant impact on performance during the period, with the fund benefitting from being underweight a weakening US dollar against sterling, although this was partially offset by greater exposure to falling Asian currencies. The holding in cash acted as a drag on performance.
- At sector level, the fund benefitted from its overweight exposure to Utilities and its lower exposure to Consumer sectors. Conversely, the overweight position in Telecoms and underweight in IT detracted from performance, although the impact of the latter was more than offset by stock selection within the IT sector. The fund's marginally overweight position in Health Care had a moderate positive impact during the period, while the overweight in Industrials and underweight in Energy had small negative impacts. The fund was hurt by the outperformance in the second half of the period of large cap stocks, comfortably beating the returns of mid- and small-caps to which the fund has a greater allocation. Stock selection, particularly in the US, positively contributed to performance during the period, with holdings in Baker Hughes and Intel being strong outperformers since the beginning of the year. BYD Electronic International and Scud Group also added value, but positions in Sound Global and Luk Fook were amongst the biggest detractors to performance.
- There were no major changes to the fund's allocation or strategy during the period. The weighting in Singapore has been reduced slightly, while the allocation to Hong Kong has increased. The holding in cash has risen to around 4%, which is in line with the long-term average allocation to cash in the portfolio. The main transactions of the fund during the period included adding to positions in DBS Group and Luk Fook and selling SIA Engineering.

Prospects

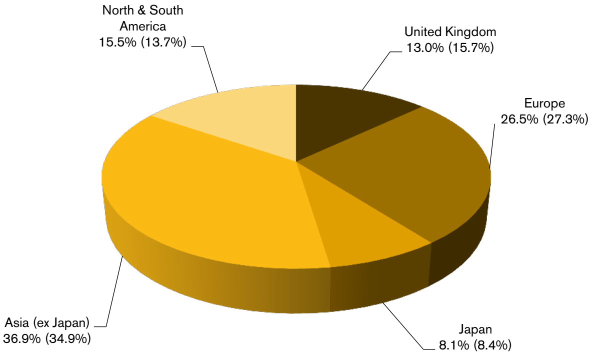
The Fund retains its cautious stance on US equities on valuation grounds and because US profit margins are at unsustainably high levels. We continue to favour stock specific, bottom-up ideas based upon companies that exhibit resilient earnings streams, strong balance sheets and generate large and consistent cash flows. Our overweight allocation to Asia reflects our positive, long-term outlook for the region, as well as its attractive valuations.

* mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer.

Please note: Stocks and shares should be viewed as a medium to long-term investment, usually for a period of five years or more.
The value of investments can fall as well as rise. Past performance should not be seen as an indication of future performance.

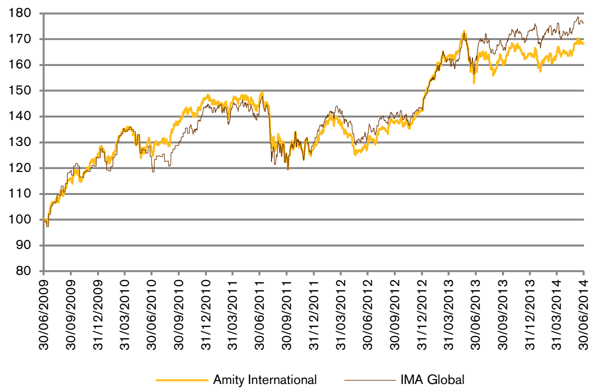
Asset allocation by sector at 30 June 2014

The figures in brackets show allocation at 31 December 2013



Figures exclude cash

Performance



Graph showing the return of the Amity International Fund compared to IMA Global Sector Average from 30 June 2009 to 30 June 2014, mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer. Prices re-based to 100. Source: Morningstar.

Performance and ranking

	Amity International Fund		IMA Global Sector Average	
	Total Return	Rank	Total Return	Number
31/12/13 – 30/06/14	2.3%	93	1.7%	271
31/12/12 – 31/12/13	15.8%	199	21.7%	239
31/12/11 – 31/12/12	10.9%	105	9.6%	234
31/12/10 – 31/12/11	-13.0%	166	-10.2%	218
31/12/09 – 31/12/10	18.1%	61	15.9%	212
31/12/08 – 31/12/09	26.0%	53	22.8%	184

Table showing % return and ranking of the Amity International Fund against IMA Global Sector Average and total number of funds. Figures compared on a mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer. Source: Morningstar.

Major holdings

	Top ten holdings	Percentage of total net assets at 30 June 2014
1	GlaxoSmithKline	2.73
2	Ezion Holdings	2.63
3	BYD Electronic International	2.41
4	Sound Global	2.16
5	General Electric Class 'C'	2.03
6	Baker Hughes	1.89
7	Intel	1.86
8	Tesco	1.68
9	Minth	1.58
10	Boustead Singapore	1.54

Ongoing charges figure at 30 June 2014

Share Class A	Share Class B	Share Class C
1.58%	0.83%	1.33%

Ongoing charges figure at 31 December 2013

Share Class A	Share Class B	Share Class C
1.59%	0.84%	1.34%

The Ongoing Charges Figure (OCF) is the ratio of the Fund's total disclosable costs (excluding overdraft interest) to the average net assets of the Fund.

Risk Reward Profile

Lower risk — Higher risk

Typically lower rewards — Typically higher rewards

1	2	3	4	5	6	7

- The risk category above is not a measure of capital loss or gains, but of how significant the rises and falls in the Share Class price have been historically.
- For example a share class whose price has experienced significant rises and falls will be in a higher risk category, whereas, a share class whose price has experienced less significant rises and falls will be in a lower risk category.
- As the Share Class risk category has been calculated using historical data, it may not be a reliable indication of the Share Class future risk profile.
- Please note that the Share Class risk category may change in the future and is not guaranteed. The lowest risk category does not mean a risk free investment.
- The Share Class is in risk category 5 as its price has experienced significant rises and falls historically.

Share prices, Fund size and Income

	Share price range		Fund Size			Net income distribution/ accumulation
	Highest for the year (pence)	Lowest for the year (pence)	Net asset value (£)	Net asset value (pence per share)	Number of shares in issue	Pence per share
30 June 2014*						
Share Class A	215.50	199.10	120,705,886	210.73	57,279,657	1.7000
Share Class B	217.60	200.40	107,365,551	212.28	50,576,445	2.2500
Share Class C	227.80	210.20	1,029,842	224.55	458,628	1.7500
31 December 2013						
Share Class A	222.20	184.40	138,681,552	207.69	66,773,865	2.8560
Share Class B	224.10	185.50	91,017,938	208.94	43,560,872	4.4464
Share Class C	231.00	191.50	999,575	219.26	455,890	3.5124
31 December 2012						
Share Class A	184.70	162.90	136,564,428	181.90	75,078,729	2.6610
Share Class B	186.60	164.30	60,885,669	182.97	33,276,326	4.0060
Share Class C	190.10	166.30	1,163,116	188.91	615,700	3.1863
31 December 2011						
Share Class A	197.30	157.50	123,610,812	166.27	74,345,378	3.2238
Share Class B	198.70	158.80	50,311,329	167.22	30,086,840	4.6012
Share Class C	198.40	158.50	954,703	169.66	562,700	3.6437
31 December 2010						
Share Class A	196.80	163.60	86,093,059	194.35	44,298,557	2.8530
Share Class B	198.80	164.70	49,321,678	196.01	25,162,885	4.1003
Share Class C	195.20	160.80	1,013,884	194.79	520,506	3.1479
31 December 2009						
Share Class A	170.40	112.70	19,276,414	167.14	11,532,949	2.4639
Share Class B	171.90	113.50	35,314,297	168.65	20,939,672	3.3116
Share Class C	166.40	108.80	708,049	164.74	429,808	2.6526

* In respect of the period 1 January 2014 to 30 June 2014

Amity Sterling Bond Fund

Report of the Authorised Corporate Director

This review covers the period from 1 January 2014 to 30 June 2014.

- Over the course of the six month period under review the Amity Sterling Bond Fund returned 5.2%, outperforming both the 4.3% return in the IMA Sterling Strategic Bond sector average. Over the same period the FTSE Government All Stocks Index returned 3.3%.
- After rising rapidly in the second half of 2013, ten year gilt yields declined slightly at the start of the year and have since moved sideways. The macroeconomic picture remains mixed as UK GDP growth has strengthened and unemployment has fallen faster than expected but inflation has also fallen below the Bank of England's target rate. Recently the Bank of England took a more hawkish note indicating that first base rate rise may happen sooner than the market had been expecting. This led to a rise in short term yields but left the rest of the yield curve little changed.
- The corporate bond market performed strongly over the period with credit spreads falling to their lowest level since the credit crisis. The narrowing in corporate credit spreads and stable yield environment provided a good platform for the Fund to generate good returns, due to its high weighting to the sector.
- The Fund continued to increase exposure to the corporate bond market including at the longer end of the market where we felt that the pick-up in yield compensated for the higher duration risk of the bonds. These included Petrobras International Finance 5.375% 2029, America Movil SAB 6.375% 2073 and the HSBC Bank 5.844% Perpetual.
- The Fund established positions in the Tesco 5.2% 2057 and Morrison (Wm) Supermarkets 4.75% 2029 bonds as the credit spreads on these bonds had widened out considerably on news of increased competition from discount retailers. We however, still believe they remain very solid credits. We remained alive to opportunities in the new issue market including the purchase of Thames Water Utilities 4% 2025 which we felt offered an attractive pick up in yield for a good quality credit.

Prospects

We believe that interest rates and bond yields will gradually drift up over the next few years as the UK economy continues to strengthen but feel this is to a great extent reflected in the yield curve, which has already steepened significantly. The combination of more hawkish statements from members of Monetary Policy Committee and a loosening of monetary policy by the ECB has led to a strengthening in sterling. The Bank of England is unlikely to raise base rates too rapidly with inflation low across the developed world especially in the Eurozone. The longer term outlook for inflation and hence interest rates and bond yields is also likely to be impacted by the already high levels of indebtedness, the consolidation in public finances, greater capital and regulatory burdens of the banks and the unwinding of quantitative easing. Consequently we take more neutral outlook on duration and would look for exposure across the yield curve.

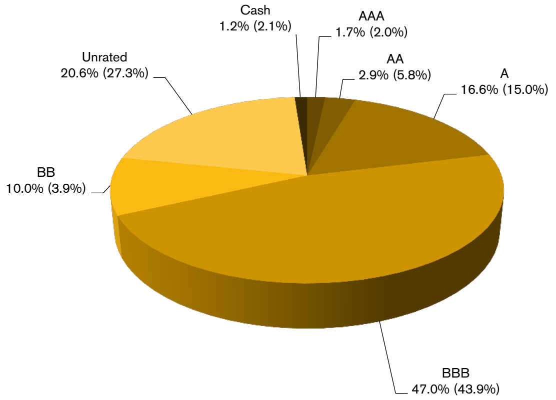
In terms of the corporate bond market, we feel that credit spreads have now reached very low levels and that it would consequently be desirable to increase the weighting of the fund towards government securities. The gilt weighting of the Fund had fallen to close to zero for much of the period since the credit crisis as we believed that corporate market offered a very attractive pick up in yield and that credit spreads were likely to tighten. We now believe that this process is nearly exhausted and it is sensible to raise the gilt weighting to reduce the risk profile of the Fund and provide flexibility to take advantage of any periods of weakness in the corporate bond market.

* mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer.

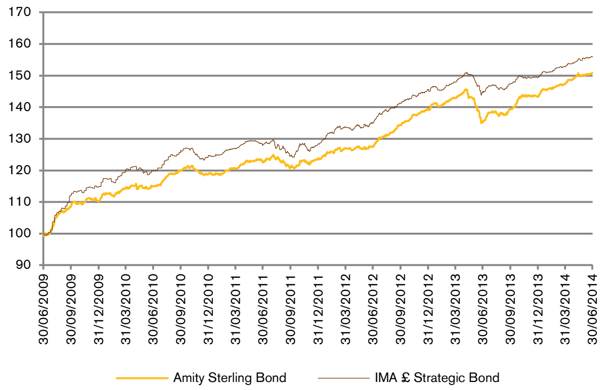
Please note: Stocks and shares should be viewed as a medium to long-term investment, usually for a period of five years or more.
The value of investments can fall as well as rise. Past performance should not be seen as an indication of future performance.

Asset allocation by sector at 30 June 2014

The figures in brackets show allocation at 31 December 2013



Performance



Graph showing the return of the Amity Sterling Bond Fund compared to IMA £ Strategic Bond Sector Average from 30 June 2009 to 30 June 2014, mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer. Prices re-based to 100. Source: Morningstar.

Performance and ranking

	Amity Sterling Bond Fund		IMA £ Strategic Bond Sector Fund	
	Total Return	Rank	Total Return	Number
31/12/13 – 30/06/14	5.2%	18	4.3%	85
31/12/12 – 31/12/13	2.7%	44	2.7%	72
31/12/11 – 31/12/12	12.6%	46	13.4%	77
31/12/10 – 31/12/11	4.2%	25	2.1%	70
31/12/09 – 31/12/10	7.9%	38	8.6%	64
31/12/08 – 31/12/09	12.9%	42	22.0%	62

Table showing % return and ranking of the Amity Sterling Bond Fund against IMA £ Strategic Bond Sector Average and total number of funds. Figures compared on a mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer. Source: Morningstar.

Major holdings

Top ten holdings		Percentage of total net assets at 30 June 2014
1	Nottingham Building Society 7.875% PIBS	2.75
2	Premier Farnell 8.92%	2.16
3	Direct Line Insurance 9.25% FRN 27/04/2042	2.09
4	Liverpool Victoria 6.5% 22/05/2043	2.08
5	Nationwide Building Society 6.25% PIBS	2.04
6	Standard Life 6.546% Perp	2.02
7	Coventry Building Society 12.125% PIBS	2.02
8	Henderson Group 7.25% 24/03/2016	1.98
9	Fidelity International 7.125% 13/02/2024	1.94
10	F&C Asset Management 6.75% 20/12/2026	1.92

Ongoing charges figure at 30 June 2014

Share Class A	Share Class B	Share Class C
1.38%	0.78%	N/A^

Ongoing charges figure at 31 December 2013

Share Class A	Share Class B	Share Class C
1.39%	0.79%	N/A^

The Ongoing Charges Figure (OCF) is the ratio of the Fund's total disclosable costs (excluding overdraft interest) to the average net assets of the Fund.

Risk Reward Profile

Lower risk — Higher risk

Typically lower rewards — Typically higher rewards

1	2	3	4	5	6	7

- The risk category above is not a measure of capital loss or gains, but of how significant the rises and falls in the Share Class price have been historically.
- For example a share class whose price has experienced significant rises and falls will be in a higher risk category, whereas, a share class whose price has experienced less significant rises and falls will be in a lower risk category.
- As the Share Class risk category has been calculated using historical data, it may not be a reliable indication of the Share Class future risk profile.
- Please note that the Share Class risk category may change in the future and is not guaranteed. The lowest risk category does not mean a risk free investment.
- The Share Class is in risk category 3 as its price has experienced moderate rises and falls historically.

Share prices, Fund size and Income

	Share price range		Fund Size			Net income distribution/ accumulation
	Highest for the year (pence)	Lowest for the year (pence)	Net asset value (£)	Net asset value (pence per share)	Number of shares in issue	Pence per share
30 June 2014*						
Share Class A	109.40	105.20	32,093,199	107.44	29,872,032	2.2408
Share Class B	117.20	112.30	40,821,147	115.08	35,472,718	2.3993
Share Class C^	N/A	N/A	N/A	N/A	N/A	N/A
31 December 2013						
Share Class A	110.60	101.50	37,257,841	104.21	35,751,715	4.6794
Share Class B	117.60	108.00	26,220,604	111.26	23,566,934	4.9681
Share Class C^	N/A	N/A	N/A	N/A	N/A	N/A
31 December 2012						
Share Class A	108.20	99.19	40,605,688	105.90	38,343,135	4.8509
Share Class B	114.80	104.70	12,683,736	112.35	11,289,840	5.1192
Share Class C^	N/A	N/A	N/A	N/A	N/A	N/A
31 December 2011						
Share Class A	103.10	98.17	26,967,350	98.03	27,508,413	4.9778
Share Class B	108.40	103.50	11,491,861	103.41	11,113,202	5.0266
Share Class C^	N/A	N/A	N/A	N/A	N/A	N/A
31 December 2010						
Share Class A	103.90	97.95	14,074,490	99.30	14,174,265	4.8393
Share Class B	108.90	102.30	11,498,677	104.53	11,000,000	4.8702
Share Class C^	N/A	N/A	N/A	N/A	N/A	N/A
31 December 2009						
Share Class A	99.81	90.15	5,312,065	96.34	5,513,606	5.0780
Share Class B	104.20	93.80	11,159,189	101.45	11,000,000	5.3374
Share Class C^	N/A	N/A	N/A	N/A	N/A	N/A

* In respect of the period 1 January 2014 to 30 June 2014

^ Share Class C is currently inactive.

Higher Income Fund

Report of the Authorised Corporate Director

This review covers the period from 1 January 2014 to 30 June 2014.

- Over the course of the period, the Higher Income Fund returned 4.6%*, comfortably outperforming both the 1.3% return of the IMA Mixed Investments 40%-85% sector and the 1.6% return of the FTSE All-Share Index.
- The fund's equity component significantly outperformed the FTSE All-Share during the period, aided by its allocation to overseas equities. The fixed interest component also performed strongly and the fund's more balanced asset allocation helped it to achieve higher returns than peers that were more heavily weighted towards equities.
- The fund's exposure to overseas equities proved beneficial as UK equities have lagged behind other regions during the period. Exposure to US equities aided performance as the US bull market continued, but this was offset by exposure to underperforming Hong Kong equities. Allocations to Singapore and France had little impact on performance, but smaller allocations to the markets of Italy, Thailand, Norway and Spain had a positive effect as those markets rallied.
- Exposure to corporate bonds has aided performance as both investment grade and high yield credit has continued to perform well, benefitting from tightening spreads as the asset class experiences ongoing demand from investors forecasting an economic recovery and declining default rates. Currencies acted as a headwind to performance during the period as Sterling strengthened against all major currencies on predictions of an interest rate rise in the near future.
- At sector level, the overweight exposure to high-yielding Utilities added value, although this was offset by an overweight allocation to the underperforming Telecoms sector. The fund's size bias detracted from performance, its greater exposure to small-caps acting as a headwind as large caps outperformed. Individual names that had a significant positive impact during the period included Scud Group, Intel and DX Group, while holdings in Luk Fook and Trinity detracted from performance.

Prospects

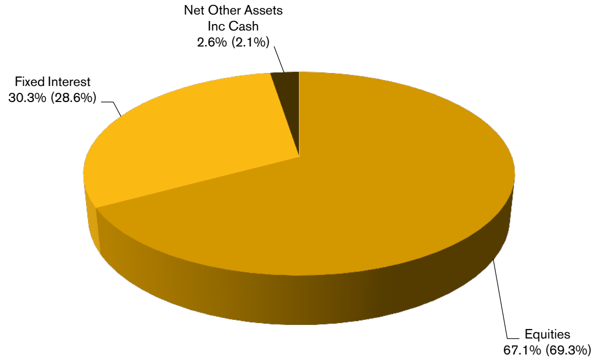
The global economic recovery is still in a fragile state and reliant on the monetary interventions of central banks. Given the ongoing uncertainty surrounding the macro environment, the fund retains its diversified and defensive positioning. We continue to favour bottom-up ideas based on companies that exhibit resilient earnings streams, strong balance sheets and the capacity to generate large and consistent cash flows. We maintain a positive long-term view on the outlook for Asia, given its sound underlying fundamentals and attractive valuations. We remain cautious on the Developed World, where ongoing deleveraging, normalising monetary policy and the risk of deflation all represent headwinds.

* mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer.

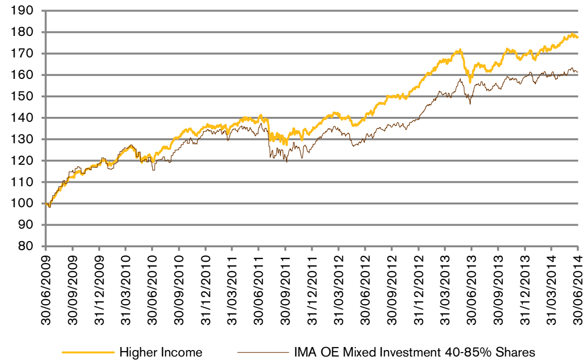
Please note: Stocks and shares should be viewed as a medium to long-term investment, usually for a period of five years or more.
The value of investments can fall as well as rise. Past performance should not be seen as an indication of future performance.

Asset allocation by sector at 30 June 2014

The figures in brackets show allocation at 31 December 2013



Performance



Graph showing the return of the Higher Income Fund compared to IMA Mixed Investment 40-85% Shares Sector Average from 30 June 2009 to 30 June 2014, mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer. Prices re-based to 100. Source: Morningstar.

Performance and ranking*

	Higher Income Fund		IMA Mixed Investment 40-85% Share Sector Average	
	Total Return	Rank	Total Return	Number
31/12/13 – 30/06/14	4.6%	3	1.3%	138
31/12/12 – 31/12/13	10.1%	127	14.6%	140
	Higher Income Fund		**IMA UK Equity & Bond Income Sector Average**	
	Total Return	Rank	Total Return	Number
31/12/11 – 31/12/12	14.8%	6	12.3%	17
31/12/10 – 31/12/11	-1.1%	11	-1.2%	22
31/12/09 – 31/12/10	15.0%	3	12.2%	19
31/12/08 – 31/12/09	23.0%	2	19.3%	21

Table showing % return and ranking of the Higher Income Fund against IMA Mixed Investment 40-85% Shares Sector Average, IMA UK Equity & Bond Income Sector Average and total number of funds. Figures compared on a mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer. Source: Morningstar.

* On 1 January 2013, the Higher Income Fund transferred from the IMA UK Equity & Bond Income Sector to the IMA Mixed Investment 40-85% Shares Sector.

The Fund was managed in accordance with the new Sector requirements over the past 5 years, hence the performance graph compares the Fund to the new sector over that period.

Major holdings

	Top ten holdings	Percentage of total net assets at 30 June 2014
1	GlaxoSmithKline	2.58
2	Royal Dutch Shell 'B'	2.10
3	General Accident 8.875%	1.93
4	BP	1.80
5	Scottish Southern Energy	1.61
6	Greencoat UK Wind	1.51
7	Standard Chartered Bank 8.25%	1.44
8	BT	1.43
9	Intel	1.42
10	National Grid	1.42

Ongoing charges figure at 30 June 2014

Share Class A	Share Class B	Share Class C
1.33%	0.83%	1.08%

Ongoing charges figure at 31 December 2013

Share Class A	Share Class B	Share Class C
1.34%	0.84%	1.09%

The Ongoing Charges Figure (OCF) is the ratio of the Fund's total disclosable costs (excluding overdraft interest) to the average net assets of the Fund.

Risk Reward Profile

Lower risk — Higher risk

Typically lower rewards — Typically higher rewards

1	2	3	4	5	6	7

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- Please note that the Share Class risk category may change in the future and is not guaranteed. The lowest risk category does not mean a risk free investment.
- The Share Class is in risk category 4 as its price has experienced moderate rises and falls historically.

Share prices, Fund size and Income

	Share price range		Fund Size			Net income distribution/ accumulation
	Highest for the year (pence)	Lowest for the year (pence)	Net asset value (£)	Net asset value (pence per share)	Number of shares in issue	Pence per share
30 June 2014*						
Share Class A	131.80	122.60	149,700,447	128.30	116,676,423	1.6000
Share Class B	134.80	125.20	75,577,712	131.23	57,592,817	1.6500
Share Class C	298.40	277.00	17,944,436	294.09	6,101,779	3.1000
31 December 2013						
Share Class A	132.00	119.20	161,590,039	124.19	130,117,147	5.4074
Share Class B	134.40	121.10	54,366,143	126.74	42,894,909	5.5041
Share Class C	286.40	258.20	16,470,090	280.88	5,863,841	11.7765
31 December 2012						
Share Class A	122.50	108.40	140,487,388	117.50	119,564,944	5.3874
Share Class B	124.40	109.70	22,690,034	119.39	19,005,296	5.4748
Share Class C	256.30	223.20	13,133,469	253.98	5,171,094	11.2199
31 December 2011						
Share Class A	118.00	105.60	108,604,602	107.26	101,256,254	5.2274
Share Class B	119.10	106.70	17,435,716	108.55	16,062,816	5.2950
Share Class C	233.70	210.20	10,392,814	221.00	4,702,594	10.3731
31 December 2010						
Share Class A	117.30	103.10	77,960,478	113.46	68,711,500	4.5364
Share Class B	118.20	103.60	17,612,187	114.52	15,378,794	4.6045
Share Class C	224.00	193.90	9,010,776	222.90	4,042,594	8.6809
31 December 2009						
Share Class A	106.10	81.53	42,072,173	102.80	40,927,969	3.7933
Share Class B	106.60	81.66	15,159,549	103.39	14,662,423	3.8714
Share Class C	194.90	147.10	7,021,025	193.52	3,627,994	7.0482

* In respect of the period 1 January 2014 to 30 June 2014

UK Equity Growth Fund

Report of the Authorised Corporate Director

This review covers the period from 1 January 2014 to 30 June 2014.

- Over the course of the period under review the UK Equity Growth Fund returned -4.2%, underperforming both the rise in the FTSE All-Share Index of 1.6% and the return in IMA All Companies sector average of -0.2%, both measured on a similar basis.
- As at 30 June 2014, 45.0% of the Fund was invested in FTSE 100 companies, 25.1% was invested in companies in the FTSE 250 Mid Cap Index, and 25.9% in other companies. Cash holdings were 4.0%.
- The performance of the Fund was negatively impacted by its substantial overweighting to Mid Cap companies which came under strong selling pressure as investors sought to bank profits after several months of outperformance which had propelled them to a significant valuation premium compared to many larger companies. The relative performance of the Fund was also negatively affected by the fact that it did not own shares in those larger and more lowly-rated companies, and those companies which investors had sought out as “safe havens”.
- At a stock level the largest negative impacts on performance were inflicted by falls in the price of Super Group (retailing) and Xaar (advanced print heads) after disappointing trading updates. WANdisco (Big Data systems software) also fell heavily without any notable announcements – itself a problem in light of a steady flow of news in preceding months which had helped lift its share price. The most notable individual positive contributors to performance were Next (retailing) after it unveiled a strong trading performance and an enhanced dividend policy, and Shire (pharmaceuticals) which was on the receiving end of a succession of bid approaches from fellow drugs company AbbVie of the US (subsequently leading to an agreed deal after the period end).
- New holdings of note were established in Capita (support services), IMI (engineering) and Paragon Group (finance) reflecting expectations of continued or renewed growth in each case. In a busy IPO season the Fund also purchased shares in BooHoo.com (internet retailing), DX Group (parcels delivery), Horizon Discovery (biotech research services), and Patisserie Holdings (restaurants), all of whom offered attractively priced entry into companies with good long term growth prospects.
- Sales were made in Thomas Cook (travel) and Vodafone (mobile telephony) – the former in light of tougher trading conditions in its industry, the latter after the sale of its US interests. Reductions were made in holdings of ITV (media) and Xaar.

Prospects

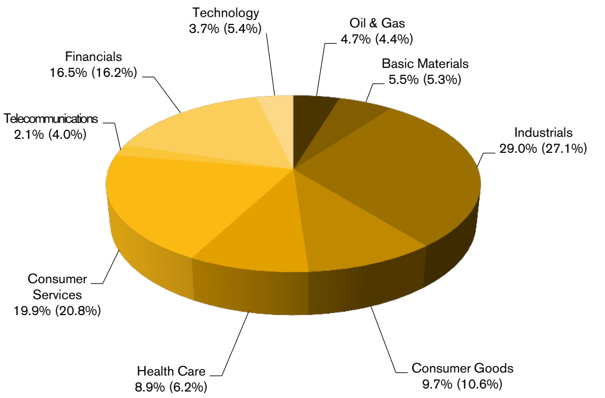
Although the domestic economy continues to show signs of recovery, progress overseas remains more variable with the added complication that a rise in the value of the pound is dampening reported figures from this source. Despite some rotation away from smaller and more economically sensitive companies during the first six months, in aggregate they remain rated at a premium to their larger counterparts and there could be a further underperformance by them. Although macroeconomic considerations cannot be totally ignored, the portfolio is constructed by selecting stocks on the basis of their individual merits and prospects, and in this regard the outlook for the Fund is encouraging.

* mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer.

Please note: Stocks and shares should be viewed as a medium to long-term investment, usually for a period of five years or more.
The value of investments can fall as well as rise. Past performance should not be seen as an indication of future performance.

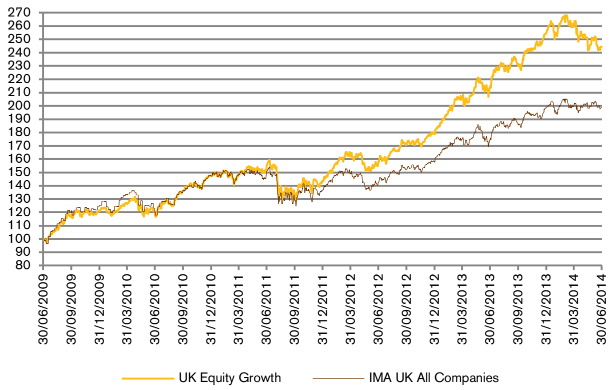
Asset allocation by sector at 30 June 2014

The figures in brackets show allocation at 31 December 2013



Figures exclude cash

Performance



Graph showing the return of the UK Equity Growth Fund compared to IMA UK All Companies Sector Average from 30 June 2009 to 30 June 2014, mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer. Prices re-based to 100. Source: Morningstar.

Performance and ranking

	UK Equity Growth Fund		IMA UK All Companies Sector Average	
	Total Return	Rank	Total Return	Number
31/12/13 – 30/06/14	-4.2%	249	-0.2%	272
31/12/12 – 31/12/13	43.0%	9	26.2%	261
31/12/11 – 31/12/12	24.2%	34	15.4%	279
31/12/10 – 31/12/11	-2.7%	34	-6.9%	295
31/12/09 – 31/12/10	21.4%	57	17.5%	296
31/12/08 – 31/12/09	24.2%	235	30.4%	306

Table showing % return and ranking of the UK Equity Growth Fund against IMA UK All Companies Sector Average and total number of funds. Figures compared on a mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer. Source: Morningstar.

Major holdings

	Top ten holdings	Percentage of total net assets at 30 June 2014
1	Shire	3.27
2	Next	2.41
3	Rio Tinto	2.37
4	BP	2.32
5	Ashtead	2.27
6	GKN	2.10
7	BT	2.00
8	Bellway	1.95
9	Prudential	1.95
10	Legal & General	1.92

Ongoing charges figure at 30 June 2014

Share Class A	Share Class B	Share Class C
1.58%	0.83%	1.33%

Ongoing charges figure at 31 December 2013

Share Class A	Share Class B	Share Class C
1.59%	0.84%	1.34%

The Ongoing Charges Figure (OCF) is the ratio of the Fund's total disclosable costs (excluding overdraft interest) to the average net assets of the Fund.

Risk Reward Profile

Lower risk — Higher risk

Typically lower rewards — Typically higher rewards

1	2	3	4	**5**	6	7

- The risk category above is not a measure of capital loss or gains, but of how significant the rises and falls in the Share Class price have been historically.
- For example a share class whose price has experienced significant rises and falls will be in a higher risk category, whereas, a share class whose price has experienced less significant rises and falls will be in a lower risk category.
- As the Share Class risk category has been calculated using historical data, it may not be a reliable indication of the Share Class future risk profile.
- Please note that the Share Class risk category may change in the future and is not guaranteed. The lowest risk category does not mean a risk free investment.
- The Share Class is in risk category 5 as its price has experienced significant rises and falls historically.

Share prices, Fund size and Income

	Share price range		Fund Size			Net income distribution/accumulation
	Highest for the year (pence)	Lowest for the year (pence)	Net asset value (£)	Net asset value (pence per share)	Number of shares in issue	Pence per share
30 June 2014*						
Share Class A	233.00	210.10	41,443,229	211.25	19,617,728	0.4850
Share Class B	237.60	214.70	106,871,142	215.32	49,632,981	1.1000
Share Class C	313.00	282.40	15,448,191	285.64	5,408,310	0.9900
31 December 2013						
Share Class A	222.30	159.10	38,601,369	221.05	17,463,020	1.3395
Share Class B	227.60	161.80	99,327,152	225.07	44,131,486	2.9366
Share Class C	297.60	211.50	17,131,237	296.78	5,772,419	2.5414
31 December 2012						
Share Class A	158.60	128.70	11,899,867	155.46	7,654,375	2.0255
Share Class B	162.20	130.80	63,989,902	158.11	40,471,284	3.2722
Share Class C	209.20	168.30	13,133,419	206.71	6,353,415	3.2393
31 December 2011						
Share Class A	142.20	114.40	7,827,060	126.94	6,165,820	1.5501
Share Class B	145.00	116.80	52,215,539	129.04	40,464,728	2.7552
Share Class C	184.60	148.60	11,195,672	166.01	6,743,915	2.6173
31 December 2010						
Share Class A	133.40	105.20	7,914,136	131.66	6,011,227	1.6321
Share Class B	136.40	107.20	54,150,383	133.82	40,464,728	2.7463
Share Class C	170.60	134.40	12,248,504	169.55	7,223,915	2.6746
31 December 2009						
Share Class A	111.70	77.30	6,795,703	109.82	6,188,284	1.4307
Share Class B	114.00	78.60	44,777,812	111.56	40,138,383	2.4095
Share Class C	140.30	96.02	10,523,474	138.94	7,573,915	2.3486

* In respect of the period 1 January 2014 to 30 June 2014

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