

RIVER AND MERCANTILE
ASSET MANAGEMENT

River and Mercantile Funds ICVC
Interim Short Report for the Period Ended
30 September 2009

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Further information

This interim Short Report has been prepared in accordance with the Financial services Open-Ended Investment Companies Regulations 2001. The Authorised Corporate Director's Long Form Financial Statements and the Prospectus, which contains a written statement of Terms and Conditions of the Company, can be obtained free of charge using the contact details shown at the back cover of the booklet.

The value of investments and any revenue generated may go down as well as up and is not guaranteed. An investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance. Changes in exchange rates may have an adverse effect on the value, price or income of investments. Please contact River and Mercantile Asset Management LLP directly for further details of any information contained in this Short Report or refer to our website at www.riverandmercantile.com

Introduction

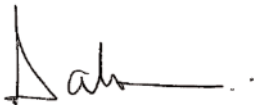
“May you live in interesting times....” How many times have we heard that description over the last few years as participants in the recent economic storm have tried to make sense of the extremes of the financial weather. It is a phrase that is purported to have its history as an ancient Chinese proverb and a curse, although this has been challenged more recently by august establishments such as Yale, whose book of quotations states that.... “No authentic Chinese saying to this effect has ever been found.” Let us for a minute side with the historians and accept that this is indeed a curse. It is reported that it was the first of three curses of increasing severity, the other two being; “May you come to the attention of those in authority “and “May you find what you are looking for”. These have certainly been interesting times and many have come to the attention of the authorities and few have found what they were looking for.

The markets have continued their volatile ways and few people can believe the speed of the equity market recovery, but, we have probably been here before. Indeed if one actually looks at the historical numbers, and Merrill Lynch have done just that, then the speed of this rally has been bang in line with the twenty recovery phases that have been observed since the 1930's. The key to this observation is the extent of the fall – the bigger the fall over the last eighty years, the larger the recovery – and the fall this time around was huge, so with the world no longer coming to an end, stock markets have been prepared to return towards more normal medium-term valuations.

The ICVC has continued to grow as we continue to be appointed to manage our clients' assets. Assets under management at the last time of writing in May 2009 were nearing £200m and these have now grown by over 40% to over £300m. We have also continued to grow assets under management on a segregated basis and total assets under management including assets in transition have now risen to £1.1 billion.

We will continue to work hard to ensure that we continue this trend and that over the coming years River and Mercantile continues to be in a very strong and competitive position. As in previous reports I would like to take this opportunity to thank you for your continued support.

Kind regards



James Barham
Chief Executive

UK Equity High Alpha Fund

Investment Objective and Policy

The investment objective of the Sub-fund is to achieve capital growth by investing in a focused portfolio of investments which shall primarily consist of UK equities which offer the prospect of superior long term growth.

Risk Profile

Market Risk

Market risk arises mainly from uncertainty about future prices. The Manager adheres to the investment guidelines and in this way, monitors and controls the exposure to risk from any type of security, sector or issuer.

Fund Facts

Fund Inception 28 November 2006

Accounting Dates

Interim 30 September
Final 31 March

Distribution Payment Dates

Interim 30 November
Final 31 May

Distribution Details

A-Class

The distribution payable on 30 November 2009 is 0.8832p net per share for income shares.

B-Class

The distribution payable on 30 November 2009 is 4.6490p net per share for accumulation shares.

Z-Class

The distribution payable on 30 November 2009 is 7.5450p net per share for accumulation shares.

Total Expense Ratios

	30 September 2009	31 March 2009
A-Class	1.63%	1.60%
B-Class	0.86%	0.93%
Z-Class	0.13%	0.13%

The Total Expense Ratio is the ratio of the Sub-fund's operating costs (excluding overdraft interest) to the average net assets of the Sub-fund.

UK Equity High Alpha Fund

Market Background

Seven quarters of negative returns have been followed by two quarters of double-digit positive returns for the FTSE All Share Index. The June 2009 quarter was the Index's best quarter since 2003 but in this latest quarter we saw the best return for the FTSE 100 Index in the history of the Index. The FTSE All Share Index returned 36.1% for the six months to 30 September 2009. UK equities was the best performing asset class last quarter outperforming corporate bonds, global equities and, of course, government bonds.

Portfolio Review & Activity

The Sub-fund returned 58.4% over the six months to 30th September 2009, vastly outperforming the FTSE All Share Index by 22.3%. Much of the outperformance was aided by stock specific positions, and a healthy overweight to smaller companies, of which the Index returned over 60% for the six month period. Positions in Avis Europe, Galiform, Cookson Group, Topps Tiles, Hogg Robinson Group and Lloyds Banking Group produced significant positive returns for the portfolio, whilst our zero holding in Standard Chartered was our single largest detractor.

Outlook

Whilst Equity markets around the globe have rallied strongly from their March nadir they are still well below recent peaks and remain attractively valued. The UK market is even cheaper than many of its peers.

To complement an attractive valuation, the profit cycle has turned positive, with earnings upgrades ahead of expectations and the valuation dispersion within the UK equity market remains above average, suggesting continued upside returns for sensible PVT investments. Setting aside any worries associated with the speed of the recent rally and the outlook would seem positive.

Of course it goes without saying that nothing in life goes up in a straight line, but with the trend upwards, a "buying the dips" strategy would seem to make a lot of sense.

Hugh Sergeant

Head of UK Equities

UK Equity High Alpha Fund

Top 10 Holdings

30 September 2009	% of Sub-fund	31 March 2009	% of Sub-fund
HSBC Holdings	8.13	BP	7.54
BP	5.56	Vodafone Group	6.07
Vodafone Group	4.96	GlaxoSmithKline	5.93
GlaxoSmithKline	4.83	Royal Dutch Shell (B)	5.75
Royal Dutch Shell (B)	4.10	HSBC Holdings	4.07
Barclays	3.45	AstraZeneca	3.43
Rio Tinto	2.82	Rio Tinto	2.40
AstraZeneca	2.27	Unilever	2.10
Lloyds Banking Group	2.14	Xstrata	1.95
Anglo American	2.10	Anglo American	1.90

Sector Breakup

Sector	Portfolio %	Benchmark Index* %	Difference %
Basic Materials	9.09	10.19	(1.10)
Consumer Goods	3.71	11.62	(7.91)
Consumer Services	15.46	9.63	5.83
Financials	26.96	24.65	2.31
Health Care	7.31	7.89	(0.58)
Industrials	12.00	6.91	5.09
Oil & Gas	12.19	18.22	(6.03)
Technology	4.92	1.46	3.46
Telecommunications	6.18	5.99	0.19
Utilities	1.23	3.44	(2.21)

*Source: Style Research.

Portfolio Turnover

**1 April 2009 to
30 September 2009**

**1 April 2008 to
31 March 2009**

Total purchases for the period

£28,388,606

£19,986,562

Total sales for the period

£12,890,890

£16,144,730

Portfolio Turnover Rate

74.58%

141.74%

The Portfolio Turnover Rate (PTR) gives an indication of how much the Sub-fund's investments have changed during the period. As the Sub-fund pays for any charges involved with buying and selling investments, the higher the percentage, the more costs it has paid.

UK Equity High Alpha Fund

Fund Performance

	Net asset value of Sub-fund £	Net asset value per share P	Shares in issue
31 March 2008			
A-Class – Income shares	3,257,788	88.07	3,699,056
Z-Class – Accumulation shares	19,389,971	457.66	4,236,746
31 March 2009			
A-Class – Income shares	681,936	55.59	1,226,700
B-Class – Accumulation shares*	9,340	233.50	4,000
Z-Class – Accumulation shares	16,891,212	304.68	5,543,919
30 September 2009			
A-Class – Income shares	788,430	90.22	873,901
B-Class – Accumulation shares*	4,622,134	380.25	1,215,553
Z-Class – Accumulation shares	41,841,762	497.97	8,402,481

*B-Class Accumulation shares became available from 21 November 2008.

Year	Highest share price	Lowest share price	Net revenue
A-Class Income shares			
2006 ⁽¹⁾	103.54p	100.00p	–
2007	115.30p	96.63p	0.9123p
2008	99.17p	55.48p	2.1272p
2009 ⁽³⁾	92.63p	50.06p	1.6745p
B-Class Accumulation shares			
2008 ⁽²⁾	314.78p	226.97p	–
2009 ⁽³⁾	386.83p	205.46p	8.3810p
Z-Class Accumulation shares			
2006 ⁽¹⁾	533.03p	500.00p	–
2007	580.36p	495.08p	11.0588p
2008	508.39p	295.35p	17.5332p
2009 ⁽³⁾	506.46p	267.99p	14.2170p

⁽¹⁾ From 28 November 2006.

⁽²⁾ From 21 November 2008.

⁽³⁾ The above table shows highest and lowest share prices to 30 September 2009. This table also shows net revenue to 30 November 2009.

The value of investments and any revenue generated may go down as well as up and is not guaranteed. An investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance. Changes in exchange rates may have an adverse effect on the value, price or income of investments.

UK Equity Smaller Companies Fund

Investment Objective and Policy

The investment objective of the Sub-fund is to achieve capital growth by investing in a portfolio of investments which shall primarily consist of UK equities which reside in the bottom 10% of the UK stock market in terms of market capitalisation.

Risk Profile

Market Risk

Market risk arises mainly from uncertainty about future prices. The Manager adheres to the investment guidelines and in this way, monitors and controls the exposure to risk from any type of security, sector or issuer.

Fund Facts

Fund Inception 30 November 2006

Accounting Dates

Interim 30 September
Final 31 March

Distribution Payment Dates

Interim 30 November
Final 31 May

Distribution Details

A-Class

The distribution payable on 30 November 2009 is 0.9038p net per share for income shares.

Z-Class

The distribution payable on 30 November 2009 is 7.7790p net per share for accumulation shares.

Total Expense Ratios

	30 September 2009	31 March 2009
A-Class	1.63%	1.61%
Z-Class	0.13%	0.09%

The Total Expense Ratio is the ratio of the Sub-fund's operating costs (excluding overdraft interest) to the average net assets of the Sub-fund.

UK Equity Smaller Companies Fund

Market Background

Whilst the FTSE All Share Index delivered a positive return of +36.1% for the six months to 30 September 2009, it was significantly over-shadowed the Hoare-Govett Smaller Companies Index return of 57.7%. The winners and losers were again pretty clear cut, and driven by top-down factors. Cyclical and recovery stocks did well, led by the bombed-out financial sectors; defensives struggled. The value factor remained strong, while momentum factors were poor contributors early in the quarter but have now started to improve.

The outperformance trend over large-cap by mid and small cap stocks appears to have positive momentum, however the relative valuation attractions so clear at the start of the year have narrowed greatly and stock selection will become ever more important. We continue to find significant numbers of attractive investment opportunities.

Portfolio Review & Activity

The Sub-fund underperformed against the Index returning 50.3% against the 57.7% stated above. At the start of the reporting period, the portfolio was overweight defensive shares as the market turned which impacted performance initially, however we made material changes to the fund holdings during the quarter allowing a re-balancing towards Recovery and Value. The main detractors to the Sub-fund was our cash position, underweight to benchmark heavyweight New World Resources, and our overweight position in Mouchel which suffered from a couple of profit warnings during the period. On a positive note, the Sub-fund was aided by positions in Pace, Intec Telecom Systems, RPC Group, Peter Hambro Mining, Galiform and Fiberweb.

Outlook

Whilst Equity markets around the globe have rallied strongly from their March nadir they are still well below recent peaks and remain attractively valued. The UK market is cheaper than many of its peers.

To complement an attractive valuation, the profit cycle has turned positive, with earnings upgrades ahead of expectations and the valuation dispersion within the UK equity market remains above average, suggesting continued upside returns for sensible PVT investments. We expect the current trend of smaller company outperformance to continue.

Of course it goes without saying that nothing in life goes up in a straight line, but with the trend upwards, a “buying the dips” strategy would seem to make a lot of sense.

Dan Hanbury & Richard Staveley

Portfolio Managers

UK Equity Smaller Companies Fund

Top 10 Holdings

30 September 2009	% of Sub-fund	31 March 2009	% of Sub-fund
Delta	2.09	Babcock International Group	3.37
Fiberweb	2.05	Pace Micro Technology	2.91
Psion	1.85	Celsis International	2.65
CVS	1.81	McBride	2.43
RPC Group	1.81	Mouchel Group	2.32
Peter Hambro Mining	1.76	Hardy Underwriting Bermuda	2.27
Intec Telecom Systems	1.70	Chemring Group	2.21
Pace	1.64	Kier Group	2.07
St. James's Place Capital	1.61	Connaught	2.01
Goldshield Group	1.57	Diploma	1.99

Sector Breakup

Sector	Portfolio %	Benchmark Index* %	Difference %
Basic Materials	6.08	6.85	(0.77)
Consumer Goods	6.38	8.86	(2.48)
Consumer Services	20.29	19.24	1.05
Financials	16.81	17.00	(0.19)
Health Care	3.89	3.46	0.43
Industrials	29.36	28.98	0.38
Oil & Gas	5.11	6.14	(1.03)
Technology	11.15	7.26	3.89
Telecommunications	1.64	2.15	(0.51)
Utilities	–	0.06	(0.06)

*Source: Style Research.

Portfolio Turnover

	1 April 2009 to 30 September 2009	1 April 2008 to 31 March 2009
Total purchases for the period	£23,503,014	£27,850,559
Total sales for the period	£22,974,020	£23,398,213
Portfolio Turnover Rate	124.97%	96.67%

The Portfolio Turnover Rate (PTR) gives an indication of how much the Sub-fund's investments have changed during the period. As the Sub-fund pays for any charges involved with buying and selling investments, the higher the percentage, the more costs it has paid.

UK Equity Smaller Companies Fund

Fund Performance

	Net asset value of Sub-fund £	Net asset value per share P	Shares in issue
31 March 2008			
A-Class – Income shares	36,319,512	88.53	41,027,252
Z-Class – Accumulation shares	847,240	454.31	186,491
31 March 2009			
A-Class – Income shares	25,068,706	57.92	43,281,538
Z-Class – Accumulation shares	514,578	306.16	168,073
30 September 2009			
A-Class – Income shares	37,913,505	88.38	42,899,311
Z-Class – Accumulation shares	803,644	476.50	168,656

Year	Highest share price	Lowest share price	Net revenue
A-Class Income shares			
2006 ⁽¹⁾	106.69p	99.38p	–
2007	113.97p	92.97p	0.4425p
2008	96.48p	59.40p	0.2579p
2009 ⁽²⁾	90.35p	57.52p	1.2423p
Z-Class Accumulation shares			
2006 ⁽¹⁾	526.76p	496.97p	–
2007	573.95p	476.83p	8.5676p
2008	492.05p	311.33p	4.7589p
2009 ⁽²⁾	481.96p	302.69p	11.9930p

⁽¹⁾ From 30 November 2006.

⁽²⁾ The above table shows highest and lowest share prices to 30 September 2009. This table also shows net revenue to 30 November 2009.

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UK Equity Unconstrained Fund

Investment Objective and Policy

The investment objective of the Sub-fund is to achieve capital growth through investing in a concentrated portfolio which will primarily consist of UK equities. The Sub-fund will not be restricted by reference to a benchmark, sector constraints or company size.

Risk Profile

Market Risk

Market risk arises mainly from uncertainty about future prices. The Manager adheres to the investment guidelines and in this way, monitors and controls the exposure to risk from any type of security, sector or issuer.

Fund Facts

Fund Inception 22 March 2007

Accounting Dates

Interim 30 September

Final 31 March

Distribution Payment Dates

Interim 30 November

Final 31 May

Distribution Details

A-Class

The distribution payable on 30 November 2009 is 0.7361p net per share for income shares.

Z-Class

The distribution payable on 30 November 2009 is 7.0486p net per share for accumulation shares.

Total Expense Ratios

	30 September 2009	31 March 2009
A-Class	1.87%	1.83%
Z-Class	0.11%	0.09%

The Total Expense Ratio is the ratio of the Sub-fund's operating costs (excluding overdraft interest) to the average net assets of the Sub-fund.

UK Equity Unconstrained Fund

Market Background

Seven quarters of negative returns have been followed by two quarters of double-digit positive returns for the FTSE All Share Index. The June 2009 quarter was the Index's best quarter since 2003 but in this latest quarter we saw the best return for the FTSE 100 Index in the history of the Index. The FTSE All Share Index returned 36.1% for the six months to 30 September 2009. UK equities was the best performing asset class last quarter outperforming corporate bonds, global equities and, of course, government bonds.

Portfolio Review & Activity

The Sub-fund returned 33.1% over the six months to 30 September 2009, slightly lagging behind the FTSE All Share Index. The Sub-fund benefitted from its overweight positions in Pace, Inchcape, Invensys and Daily Mail & General Trust, and its underweight to BG Group and Royal Dutch Shell. However, these positive performers were outweighed by a zero holding of HSBC Holdings and Standard Chartered, and overweight positions in Mouchel, Reed Elsevier, Cable & Wireless and Balfour Beatty.

Outlook

Whilst Equity markets around the globe have rallied strongly from their March nadir they are still well below recent peaks and remain reasonably valued.

To complement an attractive valuation, the profit cycle has turned positive, with earnings upgrades ahead of expectations and the valuation dispersion within the UK equity market remains above average, suggesting continued upside returns for sensible PVT investments. Setting aside any worries associated with the speed of the recent rally and the conditions for a combination of this cyclical upturn in equity markets remain broadly in place.

Dan Hanbury

Portfolio Manager

UK Equity Unconstrained Fund

Top 10 Holdings

30 September 2009	% of Sub-fund	31 March 2009	% of Sub-fund
BP	5.77	GlaxoSmithKline	5.96
GlaxoSmithKline	4.97	BP	5.83
AstraZeneca	4.61	AstraZeneca	5.21
HSBC Holdings	4.55	Vodafone Group	4.63
British American Tobacco	4.21	BAE Systems	4.37
Vodafone Group	4.16	Babcock International Group	4.13
Barclays	4.07	Reed Elsevier	3.79
Tesco	3.61	Cable & Wireless	3.57
Rio Tinto	3.54	BSkyB	3.54
Amlin	3.52	Rio Tinto	3.15

Sector Breakup

Sector	Portfolio %	Benchmark Index *	Difference %
Basic Materials	7.30	10.19	(2.89)
Consumer Goods	9.62	11.62	(2.00)
Consumer Services	17.76	9.63	8.13
Financials	26.52	24.65	1.87
Health Care	9.58	7.89	1.69
Industrials	8.84	6.91	1.93
Oil & Gas	8.30	18.22	(9.92)
Technology	5.27	1.46	3.81
Telecommunications	4.16	5.99	(1.83)
Utilities	–	3.44	(3.44)

*Source: Style Research.

Portfolio Turnover

	1 April 2009 to 30 September 2009	1 April 2008 to 31 March 2009
Total purchases for the period	£29,595,868	£140,237,821
Total sales for the period	£55,019,879	£64,371,511
Portfolio Turnover Rate	95.96%	151.97%

The Portfolio Turnover Rate (PTR) gives an indication of how much the Sub-fund's investments have changed during the period. As the Sub-fund pays for any charges involved with buying and selling investments, the higher the percentage, the more costs it has paid

UK Equity Unconstrained Fund

Fund Performance

	Net asset value of Sub-fund £	Net asset value per share P	Shares in issue
31 March 2008			
A-Class – Income shares	22,134,239	92.84	23,841,402
Z-Class – Accumulation shares	370,940	477.07	77,753
31 March 2009			
A-Class – Income shares	56,169,026	57.71	97,328,653
Z-Class – Accumulation shares	4,085,252	307.40	1,328,948
30 September 2009			
A-Class – Income shares	42,705,933	77.05	55,424,864
Z-Class – Accumulation shares	7,060,762	417.94	1,689,424

Year	Highest share price	Lowest share price	Net revenue
A-Class Income shares			
2007 ⁽¹⁾	105.33p	92.06p	0.5040p
2008	102.09p	57.76p	1.1301p
2009 ⁽²⁾	78.25p	56.45p	1.3098p
Z-Class Accumulation shares			
2007 ⁽¹⁾	534.95p	463.48p	7.0646p
2008	525.92p	302.40p	14.0688p
2009 ⁽²⁾	420.14p	297.39p	13.0039p

⁽¹⁾ From 22 March 2007.

⁽²⁾ The above table shows highest and lowest share prices to 30 September 2009. This table also shows net revenue to 30 November 2009.

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UK Equity Fund

Investment Objective and Policy

The investment objective of the Sub-fund is to achieve capital growth by investing in the equities of established UK companies which offer the prospect of long term capital growth within a portfolio that has a balanced risk profile.

Risk Profile

Market Risk

Market risk arises mainly from uncertainty about future prices. The Manager adheres to the investment guidelines and in this way, monitors and controls the exposure to risk from any type of security, sector or issuer.

Fund Facts

Fund Inception 25 February 2008

Accounting Dates

Interim 30 September

Final 31 March

Distribution Payment Dates

Interim 30 November

Final 31 May

Distribution Details

A-Class

The distribution payable on 30 November 2009 is 1.0512p net per share for income shares.

Z-Class

The distribution payable on 30 November 2009 is 8.6591p net per share for accumulation shares.

Total Expense Ratios

	30 September 2009	31 March 2009
A-Class	1.58%	1.75%
Z-Class	0.12%	0.26%

The Total Expense Ratio is the ratio of the Sub-fund's operating costs (excluding overdraft interest) to the average net assets of the Sub-fund.

UK Equity Fund

Market Background

Seven quarters of negative returns have been followed by two quarters of double-digit positive returns for the FTSE All Share Index. The June 2009 quarter was the Index's best quarter since 2003 but in this latest quarter we saw the best return for the FTSE 100 Index in the history of the Index. The FTSE All Share Index returned 36.1% for the six months to 30 September 2009. UK equities was the best performing asset class last quarter outperforming corporate bonds, global equities and, of course, government bonds.

Portfolio Review & Activity

The Sub-fund returned 35.2% over the six months to 30 September 2009, slightly lagging behind the FTSE All Share Index. The Sub-fund benefitted from its overweight positions in Pace, Travis Perkins, Inchcape and Daily Mail & General Trust, and its underweight to Reckitt Benckiser. Detracting from the Sub-fund's performance relative to its Index was an underweight to Standard Chartered and Aviva and overweight positions in HMV Group and Mouchel. Holding any cash when a market rallies in such an aggressive manner, will always have a detrimental effect on the portfolio, and over this six month period it was our most significant detractor.

Outlook

Whilst Equity markets around the globe have rallied strongly from their March nadir they are still well below recent peaks and remain reasonably valued.

To complement an attractive valuation, the profit cycle has turned positive, with earnings upgrades ahead of expectations and the valuation dispersion within the UK equity market remains above average, suggesting continued upside returns for sensible PVT investments. Setting aside any worries associated with the speed of the recent rally and the conditions for a combination of this cyclical upturn in equity markets remain broadly in place.

Dan Hanbury

Portfolio Manager

UK Equity Fund

Top 10 Holdings

30 September 2009	% of Sub-fund	31 March 2009	% of Sub-fund
HSBC Holdings	7.55	Royal Dutch Shell (B)	7.94
BP	6.58	BP	7.39
Royal Dutch Shell	6.35	Vodafone Group	6.50
Vodafone Group	5.26	GlaxoSmithKline	6.41
GlaxoSmithKline	4.80	AstraZeneca	4.62
Barclays	3.60	HSBC Holdings	4.47
AstraZeneca	3.34	British American Tobacco	3.45
British American Tobacco	3.01	Rio Tinto	2.88
Rio Tinto	2.78	Tesco	2.80
Tesco	2.74	BG Group	2.54

Sector Breakup

Sector	Portfolio %	Benchmark Index* %	Difference %
Basic Materials	9.15	10.19	(1.04)
Consumer Goods	9.27	11.62	(2.35)
Consumer Services	11.91	9.63	2.28
Financials	22.74	24.65	(1.91)
Health Care	8.14	7.89	0.25
Industrials	7.92	6.91	1.01
Oil & Gas	17.12	18.22	(1.10)
Technology	3.97	1.46	2.51
Telecommunications	5.98	5.99	(0.01)
Utilities	2.60	3.44	(0.84)

*Source: Style Research.

Portfolio Turnover

	1 April 2009 to 30 September 2009	1 April 2008 to 31 March 2009
Total purchases for the period	£50,049,203	£11,450,163
Total sales for the period	£18,031,706	£4,348,905
Portfolio Turnover Rate	69.32%	142.03%

The Portfolio Turnover Rate (PTR) gives an indication of how much the Sub-fund's investments have changed during the period. As the Sub-fund pays for any charges involved with buying and selling investments, the higher the percentage, the more costs it has paid

UK Equity Fund

Fund Performance

	Net asset value of Sub-fund £	Net asset value per share P	Shares in issue
31 March 2008			
A-Class – Income shares	3,009,910	95.67	3,146,129
Z-Class – Accumulation shares	240,575	481.81	49,931
31 March 2009			
A-Class – Income shares	7,693,688	67.25	11,440,141
Z-Class – Accumulation shares	176,414	353.32	49,931
30 September 2009			
A-Class – Income shares	13,498,353	91.00	14,833,707
Z-Class – Accumulation shares	38,240,092	486.92	7,853,451

Year	Highest share price	Lowest share price	Net revenue
A-Class Income shares			
2008 ⁽¹⁾	536.88p	344.45p	1.6374p
2009 ⁽²⁾	492.83p	335.36p	2.0573p
Z-Class Accumulation shares			
2008 ⁽¹⁾	106.45p	66.93p	12.5308p
2009 ⁽²⁾	93.22p	64.85p	16.6777p

⁽¹⁾ From 25 February 2008.

⁽²⁾ The above table shows highest and lowest share prices to 30 September 2009. This table also shows net revenue to 30 November 2009.

The value of investments and any revenue generated may go down as well as up and is not guaranteed. An investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance. Changes in exchange rates may have an adverse effect on the value, price or income of investments.

UK Equity Long Term Recovery Fund

Investment Objective and Policy

The investment objective of the Sub-fund is to achieve capital growth by investing in a portfolio which will primarily consist of UK equities that meet the manager's recovery criteria of a turnaround in company profitability over the longer term.

Risk Profile

Market Risk

Market risk arises mainly from uncertainty about future prices. The Manager adheres to the investment guidelines and in this way, monitors and controls the exposure to risk from any type of security, sector or issuer.

Currency Risk

This Sub-fund is invested in overseas financial securities. The performance of the Sub-fund may therefore be affected by changes in exchange rates.

Fund Facts

Fund Inception 17 July 2008

Accounting Dates

Interim 30 September
Final 31 March

Distribution Payment Dates

Interim 30 November
Final 31 May

Distribution Details

A-Class

The distribution payable on 30 November 2009 is 0.4477p net per share for income shares.

B-Class

The distribution payable on 30 November 2009 is 2.9173p net per share for income shares.

Z-Class

The distribution payable on 30 November 2009 is 6.5405p net per share for accumulation shares.

Total Expense Ratios

	30 September 2009	31 March 2009
A-Class	1.83%	1.83%
B-Class*	1.06%	—
Z-Class	0.09%	0.08%

The Total Expense Ratio is the ratio of the Sub-fund's operating costs (excluding overdraft interest) to the average net assets of the Sub-fund.

*B-Class Income shares became available from 1 April 2009, and as such there are no prior period comparatives.

UK Equity Long Term Recovery Fund

Market Background

Seven quarters of negative returns have been followed by two quarters of double-digit positive returns for the FTSE All Share Index. The June 2009 quarter was the Index's best quarter since 2003 but in this latest quarter we saw the best return for the FTSE 100 Index in the history of the Index. The FTSE All Share Index returned 36.1% for the six months to 30 September 2009. UK equities was the best performing asset class last quarter outperforming corporate bonds, global equities and, of course, government bonds.

Portfolio Review & Activity

The Sub-fund returned 70.8% over the six months to 30 September 2009, almost doubling the return of the FTSE All Share Index. It has been an opportune time to run a UK equity recovery strategy, with many stocks sold off heavily in the downturn of 2008, to levels far below sensible levels. The Sub-fund was significantly aided by a relatively large allocation to smaller companies which have outperformed their larger peers over the reporting period. Top stock contributors for the six months included Avis Europe, Galiform, IQE, Topps Tiles, Chime Communications, Cookson Group and Fiberweb.

Outlook

Whilst Equity markets around the globe have rallied strongly from their March nadir they are still well below recent peaks and remain attractively valued. The UK market is even cheaper than many of its peers.

To complement an attractive valuation, the profit cycle has turned positive, with earnings upgrades ahead of expectations and the valuation dispersion within the UK equity market remains above average, suggesting continued upside returns for sensible PVT investments. Setting aside any worries associated with the speed of the recent rally and the outlook would seem positive.

Of course it goes without saying that nothing in life goes up in a straight line, but with the trend upwards, a "buying the dips" strategy would seem to make a lot of sense.

Hugh Sergeant

Head of UK Equities

UK Equity Long Term Recovery Fund

Top 10 Holdings

30 September 2009	% of Sub-fund	31 March 2009	% of Sub-fund
HSBC Holdings	4.40	GlaxoSmithKline	3.88
Barclays	2.77	AstraZeneca	3.74
GlaxoSmithKline	2.48	Vodafone Group	3.30
Lloyds Banking Group	2.22	HSBC Holdings	2.93
Anglo American	2.15	Rio Tinto	2.46
Citigroup	2.08	Xstrata	1.95
Rio Tinto	2.04	Prudential	1.89
Vodafone Group	2.03	888 Holdings	1.82
Fidelity National Financial	1.77	D.R. Horton	1.76
IQE	1.73	Invensys	1.75

Sector Breakup

Sector	Portfolio %	Benchmark Index* %	Difference %
Basic Materials	9.03	10.19	(1.16)
Consumer Goods	3.78	11.62	(7.84)
Consumer Services	18.05	9.63	8.42
Financials	35.20	24.65	10.55
Health Care	7.17	7.89	(0.72)
Industrials	11.22	6.91	4.31
Oil & Gas	2.92	18.22	(15.30)
Technology	8.20	1.46	6.74
Telecommunications	3.81	5.99	(2.18)
Utilities	0.53	3.44	(2.91)

*Source: Style Research.

Portfolio Turnover

	1 April 2009 to 30 September 2009	17 July 2008 to 31 March 2009
Total purchases for the period	£63,716,801	£109,529,515
Total sales for the period	£62,319,597	£22,909,802
Portfolio Turnover Rate	106.86%	83.43%

The Portfolio Turnover Rate (PTR) gives an indication of how much the Sub-fund's investments have changed during the period. As the Sub-fund pays for any charges involved with buying and selling investments, the higher the percentage, the more costs it has paid.

UK Equity Long Term Recovery Fund

Fund Performance

	Net asset value of Sub-fund £	Net asset value per share P	Shares in issue
31 March 2009			
A-Class – Income shares	61,858,158	67.48	91,673,078
Z-Class – Accumulation shares	78,858	345.90	22,798
30 September 2009			
A-Class – Income shares	108,157,550	120.18	89,995,359
B-Class – Income shares*	6,615,174	438.16	1,509,760
Z-Class – Accumulation shares	207,208	623.56	33,230

*B-Class Income shares became available from 1 April 2009.

Year	Highest share price	Lowest share price	Net revenue
A-Class Income shares			
2008 ⁽¹⁾	113.97p	64.95p	0.3115p
2009 ⁽³⁾	124.34p	59.53p	1.0984p
B-Class Income shares			
2009 ⁽²⁾⁽³⁾	454.54p	250.00p	2.9173p
Z-Class Accumulation shares			
2008 ⁽¹⁾	581.00p	327.70p	3.3663p
2009 ⁽³⁾	642.36p	301.93p	12.8871p

⁽¹⁾ From 17 July 2008.

⁽²⁾ From 1 April 2009.

⁽³⁾ The above table shows highest and lowest share prices to 30 September 2009. This table also shows net revenue to 30 November 2009.

The value of investments and any revenue generated may go down as well as up and is not guaranteed. An investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance. Changes in exchange rates may have an adverse effect on the value, price or income of investments.

UK Equity Income Fund

Investment Objective and Policy

The investment objective of the Sub-fund is to generate a rising level of income combined with the potential for capital growth through investing in a portfolio which shall primarily consist of UK equities, however, it may also invest in other instruments such as government gilts, corporate fixed income securities and convertibles.

Risk Profile

Market Risk

Market risk arises mainly from uncertainty about future prices. The Manager adheres to the investment guidelines and in this way, monitors and controls the exposure to risk from any type of security, sector or issuer.

Fund Facts

Fund Inception 2 February 2009

Accounting Dates

Interim 30 September
Final 31 March

Distribution Payment Dates

Interim 30 November
Final 31 May

Distribution Details

A-Class

The distribution payable on 30 November 2009 is 2.5000p net per share for income shares.

B-Class

The distribution payable on 30 November 2009 is 6.2493p net per share for income shares.

Total Expense Ratios

	30 September 2009	31 March 2009
A-Class	1.80%	1.77%
B-Class	1.06%	1.02%

The Total Expense Ratio is the ratio of the Sub-fund's operating costs (excluding overdraft interest) to the average net assets of the Sub-fund.

UK Equity Income Fund

Market Background

Seven quarters of negative returns have been followed by two quarters of double-digit positive returns for the FTSE All Share Index. The June 2009 quarter was the Index's best quarter since 2003 but in this latest quarter we saw the best return for the FTSE 100 Index in the history of the Index. The FTSE All Share Index returned 36.1% for the six months to 30 September 2009. UK equities was the best performing asset class last quarter outperforming corporate bonds, global equities and, of course, government bonds.

Portfolio Review & Activity

The Sub-fund returned 37.5% over the six months to 30 September 2009, slightly outperforming the FTSE All Share Index return of 36.1%. The Sub-fund benefitted from its overweight positions in RPC Group, Ashtead Group, Daily Mail & General Trust and Psion, whilst an underweight position in BG Group was also positive. Our zero holding in Standard Chartered was our most significant detractor, along with Anglo American and Aviva.

Outlook

Whilst Equity markets around the globe have rallied strongly from their March nadir they are still well below recent peaks and remain attractively valued. The UK market is even cheaper than many of its peers, and offer an attractive income when to other asset classes such as cash or bonds.

To complement an attractive valuation, the profit cycle has turned positive, with earnings upgrades ahead of expectations and the valuation dispersion within the UK equity market remains above average, suggesting continued upside returns for sensible PVT investments. Many low risk, large cap higher yield stocks have underperformed this rally and we expect their performance to improve over the coming year, suggesting further upside is likely from an income based approach.

Richard Staveley
Portfolio Manager

UK Equity Income Fund

Top 10 Holdings

30 September 2009	% of Sub-fund	31 March 2009	% of Sub-fund
HSBC Holdings	6.91	BP	8.24
BP	6.73	Royal Dutch Shell (B)	7.35
Royal Dutch Shell	6.12	Vodafone Group	7.11
Vodafone Group	5.83	GlaxoSmithKline	6.69
GlaxoSmithKline	5.61	HSBC Holdings	4.53
Rio Tinto	3.91	British American Tobacco	3.73
Barclays	3.50	Rio Tinto	2.75
BHP Billiton	2.87	AstraZeneca	2.72
British American Tobacco	2.83	Unilever	2.70
AstraZeneca	2.42	BHP Billiton	2.16

Sector Breakup

Sector	Portfolio %	Benchmark Index* %	Difference %
Basic Materials	9.45	10.19	(0.74)
Consumer Goods	7.89	11.62	(3.73)
Consumer Services	9.60	9.63	(0.03)
Financials	26.15	24.65	1.50
Health Care	8.50	7.89	0.61
Industrials	12.23	6.91	5.32
Oil & Gas	14.68	18.22	(3.54)
Technology	4.23	1.46	2.77
Telecommunications	8.37	5.99	2.38
Utilities	–	3.44	(3.44)

*Source: Style Research.

Portfolio Turnover

	1 April 2009 to 30 September 2009	2 February 2009 to 31 March 2009
Total purchases for the period	£6,312,191	£4,221,457
Total sales for the period	£1,921,510	£513,164
Portfolio Turnover Rate	84.03%	26.70%

The Portfolio Turnover Rate (PTR) gives an indication of how much the Sub-fund's investments have changed during the period. As the Sub-fund pays for any charges involved with buying and selling investments, the higher the percentage, the more costs it has paid.

UK Equity Income Fund

Fund Performance

	Net asset value of Sub-fund £	Net asset value per share P	Shares in issue
31 March 2009			
A-Class – Income shares	36,804	94.28	39,035
B-Class – Income shares	3,489,628	235.99	1,478,740
30 September 2009			
A-Class – Income shares	76,071	130.11	58,465
B-Class – Income shares	9,168,853	327.87	2,796,452

Year	Highest share price	Lowest share price	Net revenue
A-Class Income shares			
2009 ⁽¹⁾	134.37p	88.25p	3.5688p
B-Class Accumulation shares			
2009 ⁽¹⁾	337.56p	220.78p	8.9193p

⁽¹⁾The above table shows highest and lowest share prices from 2 February 2009 to 30 September 2009. This table also shows net revenue to 30 November 2009.

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