

An abstract graphic at the top of the page features several overlapping, curved shapes in shades of blue and purple, set against a dark background. Below this graphic is a solid orange horizontal bar.

Interim Report (unaudited)

# UK Equity Fund for Charities and the Bond Fund for Charities

6 months ending 31 December 2009



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The opinions expressed in this report are those held by the authors at the time of going to print.

# Fund information

## Investment objectives

### UK Equity Fund for Charities

The investment objective of the Fund is to maximise total return for Participating Charities from a diversified portfolio of UK equity shares. The performance benchmark for the Fund is the total return of the FTSE All Share Index.

### Bond Fund for Charities

The investment objective of the Fund is to provide Participating Charities with high income from a diversified portfolio of bonds, with the aim of preserving the value of their capital over the longer term. The performance benchmark for the Fund is the total return of the FTSE British Government All Stocks Index.

Both Funds pay distributions of total revenue less revenue expenses in February, May, August and November.

### Investment risks

Past performance is not a guide to the future. The price of investments and the revenue from them may fall as well as rise and investors might not get back the full amount invested. The level of tax benefits and liabilities will depend on individual circumstances and may change in the future. The investment objective of a fund may allow some flexibility in terms of portfolio composition. Investments in smaller companies may involve a higher degree of risk as markets are usually more sensitive to price movements.

The annual management charge of the UK Equity Fund for Charities is currently charged to capital. This allows more revenue to be distributed, but may accordingly constrain capital growth over the longer term.

The Funds are only open to investments by registered charities in England, Wales, Scotland and Northern Ireland provided they are not specifically restricted from participating in common investment funds. In the event that a charity loses its charitable status then it will no longer be able to continue to hold units in the Funds. It is the responsibility of investors to inform the Manager in the event of loss of their own charitable status, with immediate effect.

The Funds are common investment funds for charities and are constituted under section 24 of the Charities Act 1993 by schemes of the Charity Commissioners of England and Wales made on 23 March 2006 replacing the original Schemes constituting the Funds. The Royal Bank of Scotland plc is the Trustee of the Funds. The Funds are themselves charities registered with the Charity Commission.

### How to acquire units

For full details on how to purchase units, contact the dealing team on 0207 742 9175 at JPMorgan Asset Management Marketing Limited.

### Unit prices

The latest issue and redemption prices together with net yields are available from the Manager and are also published in the Financial Times under the name of JPMorgan Charity Funds in the Managed Funds Service section and on our Web Site [www.jpnam.co.uk/institutional/charities](http://www.jpnam.co.uk/institutional/charities)

### Scheme documents

Both the UK Equity Fund for Charities and the Bond Fund for Charities are governed by Scheme and Scheme Particulars. Copies of these documents are available upon request by contacting the Manager, JPMorgan Asset Management (UK) Limited, 20 Finsbury Street, London EC2Y 9AQ.

Issued by:  
JPMorgan Asset Management (UK) Limited.  
Authorised and regulated by the Financial Services Authority.

# Manager's Report for the UK Equity Fund for Charities and the Bond Fund for Charities

We are pleased to present the Interim Report for the UK Equity Fund for Charities and the Bond Fund for Charities for the six months ended 31 December 2009.

## Authorised Status

The UK Equity Fund for Charities and the Bond Fund for Charities are Common Investment Funds. These are collective investment schemes set up by schemes made by the Charity Commission under section 22 of the Charities Act 1960, or section 24 of the Charities Act 1993.

Only Charities established in England and Wales and "appropriate bodies" established in Scotland and Northern Ireland may invest in the Funds.

## Structure & Liabilities

The assets of the Funds are treated separately and are invested in accordance with the investment objective and policies applicable to each fund. Details of the portfolio structure and investment performance can be found later in this Report, prior to the financial information for each fund.

Both Funds are registered charities.

*UK Equity Fund for Charities:*  
Registered Charity Number 1014758

*Bond Fund for Charities:*  
Registered Charity Number 1014756

## Advisers

The advisers to the Funds are as follows:

### Corporate Trustee

The Royal Bank of Scotland plc  
The Broadstone  
50 South Gyle Crescent  
Edinburgh  
EH12 9UZ

### Registrar

JPMorgan Asset Management Marketing Limited  
125 London Wall  
London, EC2Y 5AJ

### Auditor

Ernst & Young LLP  
Ten George Street  
Edinburgh  
EH2 2DZ

### Manager & Investment Manager

JPMorgan Asset Management (UK) Limited  
125 London Wall  
London, EC2Y 5AJ

### Custodian and Bankers

JPMorgan Chase Bank, N.A.  
125 London Wall  
London, EC2Y 5AJ

By order of the Manager,



Mr J B Broderick  
Director  
JPMorgan Funds Limited

London  
19 February 2010



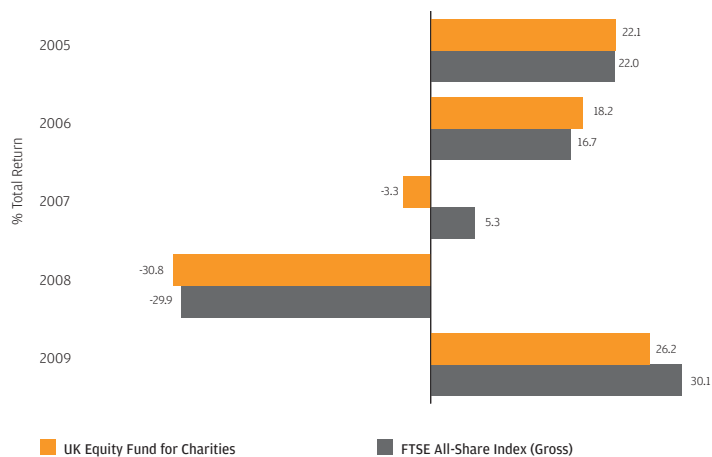
Mr R M J Thompson  
Director  
JPMorgan Funds Limited

London  
19 February 2010

# Performance – UK Equity Fund for Charities

As at 31 December 2009

## Calendar year returns



Source: J.P. Morgan Asset Management, The WM Company.

Total return (bid to bid, gross income reinvested, net of expenses). The Fund's benchmark is the FTSE All-Share Index (gross).

- Total distribution per unit of the Fund for the 2009 calendar year was 7.95 pence (9.01 pence for 2008).
- The net assets of the Fund were £200.5m as at 31 December 2009 (£184.7m as at 31 December 2008).

Please remember that past performance is not a guide to future returns. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested.

# Investment manager's report

## Market background

The second half of 2009, which represents the first half of the financial year for the UK Equity Fund for Charities, was marked by a period of strong market appreciation. For the calendar year 2009, the UK equity market delivered its largest single year gain in value since 1989, with almost all of this gain coming in the last six months. In the interim period in capital only terms, the FTSE All Share Index advanced from a level of 2172 at the end of June, to 2761 by the year end, a gain of 27.1% over the six months.

This strong recovery has seen the UK equity market recoup almost all of the value lost in the previous full financial year, as investors began to re-appraise the prospects for UK companies as the panic of the previous period subsided, and as the impacts of massive fiscal and monetary support began to be felt. The strongest phase of this recovery came in the normally quite summer holiday period from mid July to mid September, and as is often the case in the early periods of recovery, it was some of the most financially stretched and precarious companies (such as highly indebted pub operators and housebuilders, as well as banks on life support) that rallied hardest and fastest in this initial phase. In this first phase of recovery, which broadly equated to the quarter to September 2009, the FTSE All Share Index advanced 21.3%. This initial super-charged pace gave way to a more measured appreciation in the quarter to December 2009, with the FTSE All Share Index appreciating by 4.8% over these three months. This more measured period also saw a change in some of the stocks and sectors leading the rise, with some of early pace setters in the financially distressed areas handing the baton on to more financially stable stocks, as well as commodity stocks with exposure to buoyant Chinese demand. However for the period as a whole, companies with high levels of debt and financial distress were generally favoured by the stock market over more stable companies with better financed balance sheets. As the UK Equity Fund for Charities aims to invest in companies with above average balance sheet quality, the fund was

not fully exposed to these financially distressed recovery stocks through this period, and so did not capture all of the recovery posted by the UK equity market.

## Investment policy

As a broad principle, the investment approach of the UK Equity Fund for Charities is to invest in a broad range of UK companies that, on average, are more cheaply valued, are faster growing and have better newsflow characteristics than the wider UK market. This investment approach leads us to concentrate the portfolio holdings on companies either displaying value characteristics, or companies with positive momentum attributes. As we have already indicated, over the latest six month period, this stock selection policy did not lead us into holding significant overweight positions in enough of financially distressed, early stage recovery stocks, and overall the UK Equity Fund for Charities has lagged the wider UK market, delivering a total return of 26.8% compared to 29.0%. Whilst we favour cheap companies within the portfolio, we concentrate our holdings on companies that combine these value attractions with decent balance sheets, and ideally with improving current trading prospects as well (the positive momentum attributes we refer to). In the latest six months this combination of fundamentals, which over most time periods over the last two decades has delivered superior returns, has failed to beat the market. Whilst certain aspects of value have been performed in the latest six months, there has been little consistency of themes, with banks and financially distressed companies leading the way in the initial phase of the recovery, whilst more domestically focused cyclical consumer sectors such as general retailers and media leading the way into the year end. The significant rotation of leadership of the recovery through sectors also meant there were few consistent momentum themes for our stock selection approach to lock on to. Where there were, such as in the mining area, the portfolio was overweight, and benefited maintaining an overweight stance;

but on the whole such consistent sector themes were in the minority, and overall our momentum bias detracted from the overall return.

At the stock level, the top five contributors to the return of the UK Equity Fund for Charities were Antofagasta, Petrofac, International Personal Finance, Kazakhmys and BG; whilst the five largest detractors from returns were Rio Tinto, AstraZeneca, Royal Dutch Shell, Ladbrokes and SAB Miller. Amongst the main contributors, commodity and resource stocks feature prominently, with significant gains from overweight positions in miners Antofagasta and Kazakhmys, and oil services company Petrofac. All three stocks appreciated by over 50%, as commodity prices rose and boosted their trading prospects. These contribution gains were partially offset by an underweight in Rio Tinto, but a sector overweight in mining meant the overall contribution was positive. In contrast to mining stocks which appreciated on rising commodity prices, major oil companies broadly underperformed rising oil prices. An underweight position in BG (a positive contributor) was more than offset by an overweight in Royal Dutch Shell, which detracted performance. The only non commodities/resources company in the top contributors was International Personal Finance, which almost trebled in share price terms over the period, as a series of strong trading updates offset an earlier one off profits disappointment. Among the detractors, one of the largest overweights in the portfolio, AstraZeneca (the pharmaceuticals company) underperformed the rising market, as market participants looked for more economically sensitive earnings situations. However with strong cashflow attractions, and a substantial yield, we expect AstraZeneca to reverse this underperformance going forward. Fund performance was also constrained by an overweight in Ladbrokes (the betting company), where results in the latest period were hit by poorer than average returns to bookmakers, and by an underweight in SAB Miller, the international brewer.

## Outlook

The beginning of 2010 has already seen the UK officially emerge from one of the longest and deepest recessions of the post war era. The downturn, which began in 2007, has taken a heavy toll on financial markets as well as the economy over the last two years. Volatility in the equity market has been high, and there have been huge swings in the fortunes of, and sentiment toward, individual stocks and sectors over this time. The last six months has seen the beginnings of the stabilisation in the UK economy

and a rehabilitation of the equity market. We expect these trends to continue throughout 2010 and into 2011. For the UK economy we expect 2010 to be a year of growth, although at an anaemic rate which will leave the output gap wide, and which will do little to alleviate the yawning deficit in the government's finances. For the UK equity market we expect 2010 to show a decent turnaround in corporate profits, earnings and dividends, with double digit gains in earnings and single digit gains in dividends for the coming year, after the declines in 2009. UK quoted companies responded early to the

economic downturn, adjusting their costs to protect their margins, so small improvements in the economic environment in the coming year will quickly feed through to better profits. Within the UK market, we expect a broader range of companies to perform well in the coming year, with a greater emphasis on companies with better medium term growth prospects, and we expect these conditions to better favour our stock selection approach.

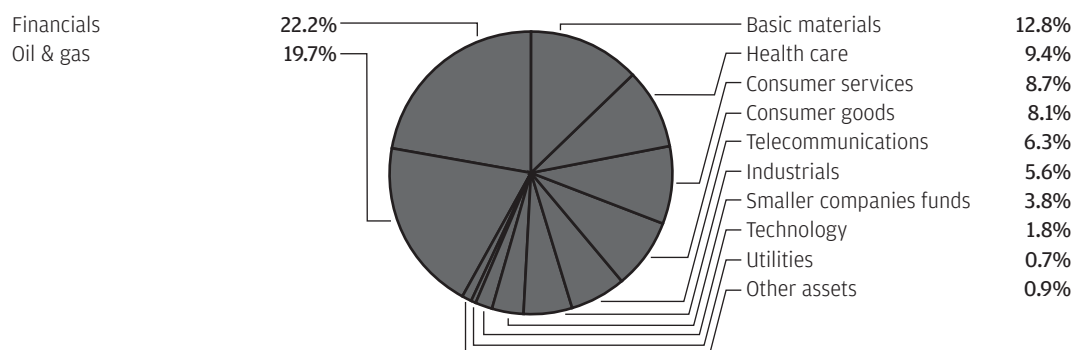
February 2010

# Portfolio structure

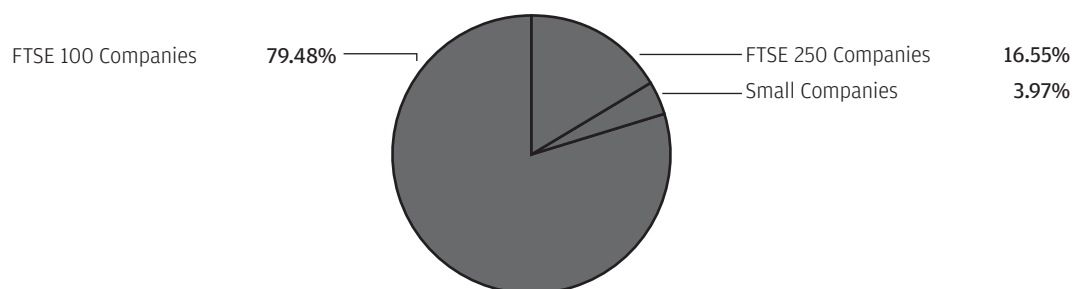
As at 31 December 2009

## Portfolio breakdown

### Sector profile



### Size profile



### Investment Strategy

#### Overweight

**Basic materials:** strong momentum attractions from mining stocks, benefiting from rising commodity prices, whilst remaining reasonably valued.

**Health care:** attractive valuations and high dividend yields supported by stable earnings make pharmaceuticals a key sector.

#### Underweight

**Utilities:** unattractive growth and momentum prospects, and only average valuations, make this area of limited interest.

*N.B. Indications of weightings are expressed relative to the composition of the FTSE All-Share Index.*

# UK Equity Fund for Charities

## Investment performance

### Highest offer/lowest bid price and revenue record

| Calendar year | Price range for year |               | Revenue record<br>Distribution<br>per unit |
|---------------|----------------------|---------------|--|
|               | Highest<br>offer     | Lowest<br>bid |  |
| 2005          | 235.27p              | 192.48p       | 5.35p                                      |
| 2006          | 271.03p              | 228.34p       | 6.55p                                      |
| 2007          | 284.78p              | 240.17p       | 8.06p                                      |
| 2008          | 253.60p              | 144.01p       | 9.01p                                      |
| 2009          | 201.73p              | 133.33p       | 7.95p                                      |

### Record of the fund

|          | Net asset<br>value of fund<br>£'000 | Number<br>of units | Net asset<br>value per<br>unit | Historic<br>yield<br>% |
|----------|-------------------------------------|--------------------|--------------------------------|------------------------|
| 30.06.07 | 275,448                             | 100,940,461        | 272.88p                        | 3.02                   |
| 30.06.08 | 241,820                             | 106,755,582        | 226.50p                        | 3.64                   |
| 30.06.09 | 169,590                             | 106,197,749        | 159.69p                        | 5.86                   |
| 31.12.09 | 200,496                             | 100,945,993        | 198.62p                        | 4.00                   |

The Net asset value and the Net asset value per unit share are shown ex-dividend.

The historic yield is based on the distributions declared in the last twelve months as a percentage of the Net asset value per unit. This should not be taken as a guide to future yields.

### Total expense ratios

| Financial year ending |       |
|-----------------------|-------|
| 30.06.08              | 0.63% |
| 30.06.09              | 0.61% |

The total expense ratio (TER) takes into account the Management fee, inclusive of VAT, payable from capital and all other operating expenses over the financial year and is expressed as a percentage of average daily net asset values over the same period.

### Portfolio turnover rate

| Financial period ending |        |
|-------------------------|--------|
| 30.06.09                | 85.47% |
| 31.12.09                | 41.37% |

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the six months to 31 December 2009 (twelve months to 30 June 2009).

# Portfolio statement

As at 31 December 2009

| Investment - % of Fund                                   | Holding   | Market value<br>£'000 | Total net<br>assets % |
|--|-----------|-----------------------|-----------------------|
| <b>Financials - 22.2% (21.0%)</b>                        |           |                       |                       |
| <b>Banks - 12.5%</b>                                     |           |                       |                       |
| Barclays   | 1,699,832 | 4,692                 | 2.3                   |
| HSBC   | 1,769,171 | 12,540                | 6.2                   |
| Lloyds Banking Group                                     | 6,768,297 | 3,431                 | 1.7                   |
| Royal Bank of Scotland Group                             | 1,050,331 | 307                   | 0.2                   |
| Standard Chartered                                       | 273,278   | 4,304                 | 2.1                   |
| <b>General financial - 2.2%</b>                          |           |                       |                       |
| Hargreaves Lansdown                                      | 98,990    | 292                   | 0.1                   |
| International Personal Finance                           | 417,608   | 869                   | 0.4                   |
| Investec   | 102,863   | 437                   | 0.2                   |
| Provident Financial                                      | 64,494    | 599                   | 0.3                   |
| Schroders Non-Voting                                     | 104,960   | 1,123                 | 0.6                   |
| Tullett Prebon   | 421,825   | 1,176                 | 0.6                   |
| <b>Life insurance - 4.2%</b>                             |           |                       |                       |
| Aviva  | 324,644   | 1,292                 | 0.6                   |
| Legal & General Group                                    | 1,932,187 | 1,557                 | 0.8                   |
| Old Mutual   | 1,590,702 | 1,737                 | 0.9                   |
| Prudential   | 306,879   | 1,964                 | 1.0                   |
| St James's Place   | 70,264    | 173                   | 0.1                   |
| Standard Life  | 729,418   | 1,579                 | 0.8                   |
| <b>Nonlife insurance - 2.8%</b>                          |           |                       |                       |
| Admiral Group  | 128,683   | 1,530                 | 0.8                   |
| Amlin  | 567,415   | 2,035                 | 1.0                   |
| Beazley Group  | 427,545   | 427                   | 0.2                   |
| Hiscox   | 233,687   | 741                   | 0.4                   |
| Lancashire Holdings                                      | 180,728   | 804                   | 0.4                   |
| <b>Real estate - 0.5%</b>                                |           |                       |                       |
| Big Yellow Group   | 127,252   | 450                   | 0.2                   |
| Unite Group  | 232,510   | 696                   | 0.3                   |
| <b>Oil &amp; gas - 19.7% (19.3%)</b>                     |           |                       |                       |
| <b>Oil &amp; gas producers - 17.3%</b>                   |           |                       |                       |
| BG Group   | 162,326   | 1,821                 | 0.9                   |
| BP   | 2,749,939 | 16,500                | 8.2                   |
| JXK Oil & Gas  | 124,722   | 352                   | 0.2                   |
| Premier Oil  | 47,540    | 525                   | 0.3                   |
| Royal Dutch Shell 'B'                                    | 856,766   | 15,520                | 7.7                   |
| <b>Oil equipment, services &amp; distribution - 2.4%</b> |           |                       |                       |
| AMEC   | 198,386   | 1,571                 | 0.8                   |
| Petrofac   | 312,459   | 3,259                 | 1.6                   |
| <b>Basic materials - 12.8% ( 8.3%)</b>                   |           |                       |                       |
| <b>Chemicals - 0.2%</b>                                  |           |                       |                       |
| Croda International                                      | 51,843    | 415                   | 0.2                   |
| <b>Forestry &amp; paper - 0.2%</b>                       |           |                       |                       |
| Mondi  | 119,668   | 401                   | 0.2                   |
| <b>Mining - 12.4%</b>                                    |           |                       |                       |
| Anglo American   | 208,762   | 5,660                 | 2.8                   |
| Antofagasta  | 355,655   | 3,528                 | 1.8                   |
| BHP Billiton   | 255,023   | 5,088                 | 2.5                   |
| Eurasian Natural Resources                               | 354,600   | 3,245                 | 1.6                   |
| Ferrexpo   | 309,125   | 614                   | 0.3                   |
| Kazakhmys  | 121,361   | 1,612                 | 0.8                   |
| Rio Tinto  | 101,690   | 3,447                 | 1.7                   |
| Xstrata  | 162,055   | 1,817                 | 0.9                   |
| <b>Health care - 9.4% (10.1%)</b>                        |           |                       |                       |
| <b>Pharmaceuticals &amp; biotechnology - 9.4%</b>        |           |                       |                       |
| AstraZeneca  | 277,472   | 8,076                 | 4.0                   |
| GlaxoSmithKline  | 699,156   | 9,225                 | 4.6                   |
| Shire  | 129,639   | 1,569                 | 0.8                   |
| <b>Consumer services - 8.7% (10.0%)</b>                  |           |                       |                       |
| <b>Food &amp; drug retails - 2.3%</b>                    |           |                       |                       |
| Greggs   | 61,472    | 267                   | 0.1                   |
| Morrison (Wm.) Supermarkets                              | 299,109   | 830                   | 0.4                   |
| Tesco  | 829,793   | 3,552                 | 1.8                   |
| <b>General retailers - 3.4%</b>                          |           |                       |                       |
| Brown (N.) Group   | 88,981    | 221                   | 0.1                   |
| Debenhams  | 1,425,619 | 1,111                 | 0.5                   |
| Dunelm Group   | 63,235    | 240                   | 0.1                   |
| Halfords Group   | 328,073   | 1,310                 | 0.7                   |
| Kingfisher   | 286,567   | 656                   | 0.3                   |
| Next   | 167,916   | 3,498                 | 1.7                   |
| <b>Media - 0.9%</b>                                      |           |                       |                       |
| ITV  | 3,007,649 | 1,575                 | 0.8                   |
| Trinity Mirror   | 93,372    | 141                   | 0.1                   |
| <b>Travel &amp; leisure - 2.1%</b>                       |           |                       |                       |
| British Airways  | 492,960   | 921                   | 0.5                   |
| Domino's Pizza   | 99,827    | 297                   | 0.1                   |
| Ladbrokes  | 826,662   | 1,137                 | 0.6                   |
| Restaurant Group   | 234,366   | 438                   | 0.2                   |
| Thomas Cook Group  | 106,941   | 246                   | 0.1                   |
| Whitbread  | 37,336    | 527                   | 0.3                   |
| William Hill   | 280,428   | 521                   | 0.3                   |

| Investment - % of Fund                                    | Holding   | Market value<br>£'000 | Total net<br>assets % |
|---|-----------|-----------------------|-----------------------|
| <b>Consumer goods - 8.1% (8.3%)</b>                       |           |                       |                       |
| <b>Beverages - 1.0%</b>                                   |           |                       |                       |
| Britvic   | 296,214   | 1,209                 | 0.6                   |
| Diageo  | 74,172    | 804                   | 0.4                   |
| <b>Food producers - 3.8%</b>                              |           |                       |                       |
| Associated British Foods                                  | 75,152    | 618                   | 0.3                   |
| Dairy Crest Group   | 119,447   | 433                   | 0.2                   |
| Premier Foods   | 1,617,303 | 577                   | 0.3                   |
| Unilever  | 301,321   | 6,008                 | 3.0                   |
| <b>Household goods - 3.3%</b>                             |           |                       |                       |
| Barratt Developments                                      | 527,254   | 654                   | 0.3                   |
| Bellway   | 70,834    | 579                   | 0.3                   |
| Berkeley Group 'B'  | 44,622    | 366                   | 0.2                   |
| McBride   | 187,951   | 398                   | 0.2                   |
| Reckitt Benckiser Group                                   | 136,809   | 4,591                 | 2.3                   |
| <b>Telecommunications - 6.3% (6.1%)</b>                   |           |                       |                       |
| <b>Fixed line telecommunications - 0.9%</b>               |           |                       |                       |
| BT Group  | 1,272,745 | 1,718                 | 0.9                   |
| <b>Mobile telecommunications - 5.4%</b>                   |           |                       |                       |
| Vodafone Group  | 7,500,046 | 10,778                | 5.4                   |
| <b>Industrials - 5.6% (7.5%)</b>                          |           |                       |                       |
| <b>Aerospace &amp; defence - 1.3%</b>                     |           |                       |                       |
| BAE Systems   | 254,251   | 914                   | 0.5                   |
| Rolls Royce Group 'C' 2010                                | 9,694,140 | 10                    | -                     |
| Rolls Royce Group   | 353,285   | 1,708                 | 0.8                   |
| <b>Construction &amp; materials - 0.5%</b>                |           |                       |                       |
| Keller Group  | 79,224    | 511                   | 0.3                   |
| Kier Group  | 19,617    | 202                   | 0.1                   |
| Morgan Sindall  | 24,954    | 150                   | 0.1                   |
| <b>Industrial engineering - 0.7%</b>                      |           |                       |                       |
| Charter International                                     | 29,669    | 214                   | 0.1                   |
| IMI   | 214,701   | 1,113                 | 0.6                   |
| <b>Industrial transportation - 0.1%</b>                   |           |                       |                       |
| BBA Aviation  | 134,371   | 220                   | 0.1                   |
| <b>Support services - 3.0%</b>                            |           |                       |                       |
| Atkins (WS)   | 68,205    | 417                   | 0.2                   |
| Davis Service Group                                       | 147,941   | 591                   | 0.3                   |
| eaga  | 176,197   | 253                   | 0.1                   |
| Experian  | 111,099   | 683                   | 0.3                   |
| Filtrona  | 121,380   | 229                   | 0.1                   |
| Galiform  | 737,085   | 545                   | 0.3                   |
| Interserve  | 157,602   | 305                   | 0.2                   |
| Mitie Group   | 289,508   | 665                   | 0.3                   |
| Rentokil Initial  | 246,611   | 285                   | 0.1                   |
| Travis Perkins  | 206,879   | 1,763                 | 0.9                   |
| WSP Group   | 119,842   | 330                   | 0.2                   |
| <b>Smaller companies funds - 3.8% (4.2%)</b>              |           |                       |                       |
| <b>Aberforth UK Smaller Companies Fund (Accumulation)</b> |           |                       |                       |
|   | 30,190    | 2,649                 | 1.3                   |
| <b>JPM UK Smaller Companies 'X' (Income)</b>              |           |                       |                       |
|   | 1,754,811 | 4,968                 | 2.5                   |
| <b>Technology - 1.8% (1.9%)</b>                           |           |                       |                       |
| <b>Software &amp; computer services - 1.3%</b>            |           |                       |                       |
| Aveva Group   | 53,714    | 541                   | 0.3                   |
| Computacenter   | 102,038   | 255                   | 0.1                   |
| Invensys  | 86,361    | 258                   | 0.1                   |
| Logica  | 282,486   | 321                   | 0.2                   |
| Micro Focus International                                 | 251,855   | 1,148                 | 0.6                   |
| <b>Technology hardware &amp; equipment - 0.5%</b>         |           |                       |                       |
| Pace  | 283,490   | 593                   | 0.3                   |
| Spirent Communications                                    | 383,120   | 391                   | 0.2                   |
| <b>Utilities - 0.7% (1.6%)</b>                            |           |                       |                       |
| <b>Electricity - 0.3%</b>                                 |           |                       |                       |
| Drax Group  | 137,253   | 569                   | 0.3                   |
| <b>Gas, water &amp; multiutilities - 0.4%</b>             |           |                       |                       |
| National Grid   | 77,089    | 523                   | 0.3                   |
| Northumbrian Water Group                                  | 90,770    | 245                   | 0.1                   |
| <b>Investment assets</b>                                  |           | <b>198,790</b>        | <b>99.1</b>           |
| <b>Net other assets</b>                                   |           | <b>1,706</b>          | <b>0.9</b>            |
| <b>Net assets</b>   |           | <b>200,496</b>        | <b>100.0</b>          |

All holdings are ordinary UK quoted shares or stock units unless otherwise stated.  
The comparative percentage figures in brackets are at 30 June 2009.

# Portfolio movements

For the six months ended 31 December 2009

|  | £'000         |  | £'000           |
|--|---------------|--|-----------------|
| <b>Total of all purchases for the period</b> | <b>42,595</b> | <b>Total of all sales for the period</b> | <b>51,500</b>   |
| <b>Major purchases</b>                       | <b>Cost</b>   | <b>Major sales</b>                       | <b>Proceeds</b> |
| Anglo American                               | 2,726         | BHP Billiton                             | 2,206           |
| Eurasian Natural Resources                   | 2,229         | Diageo                                   | 1,800           |
| Next   | 2,094         | Investec                                 | 1,491           |
| AMEC   | 1,630         | BG Group                                 | 1,399           |
| Old Mutual                                   | 1,447         | Royal Dutch Shell 'B'                    | 1,366           |
| Admiral Group                                | 1,394         | BAE Systems                              | 1,304           |
| Rolls Royce Group                            | 1,380         | De La Rue                                | 1,304           |
| IMI  | 1,097         | Legal & General Group                    | 1,201           |
| Britvic                                      | 1,053         | Cobham                                   | 1,168           |
| Schroders Non-Voting                         | 1,041         | Marks & Spencer                          | 1,164           |
| Royal Dutch Shell 'B'                        | 1,041         | Reckitt Benckiser Group                  | 1,142           |
| Barclays                                     | 984           | Autonomy                                 | 1,088           |
| ITV  | 958           | Centrica                                 | 1,072           |
| Vodafone Group                               | 854           | United Business Media                    | 1,014           |
| Lancashire Holdings                          | 774           | Cable & Wireless                         | 961             |
| Barratt Developments                         | 715           | Berkeley Group 'B'                       | 957             |
| Mitie Group                                  | 660           | GlaxoSmithKline                          | 934             |
| Unilever                                     | 645           | Big Yellow Group                         | 925             |
| Rio Tinto                                    | 619           | Provident Financial                      | 925             |
| Halfords Group                               | 617           | Pearson                                  | 919             |

# Financial statements

## Statement of total return (unaudited)

For the six months ended 31 December

|  | 2009          | 2008            |
|--|---------------|-----------------|
|  | £'000         | £'000           |
| Income   |               |                 |
| Net capital gains/(losses)   | 40,918        | (64,922)        |
| Revenue  | 3,002         | 4,494           |
| Expenses   | (595)         | (634)           |
| Net revenue  | 2,407         | 3,860           |
| <b>Total return for the period</b>   | <b>43,325</b> | <b>(61,062)</b> |
| Finance costs: Distributions   | (3,227)       | (5,151)         |
| <b>Change in net assets attributable to unitholders from investment activities</b> | <b>40,098</b> | <b>(66,213)</b> |

## Statement of change in net assets attributable to unitholders (unaudited)

For the six months ended 31 December

|   | 2009           | 2008           |
|---|----------------|----------------|
|   | £'000          | £'000          |
| <b>Opening net assets attributable to unitholders</b>                                   | <b>169,590</b> | <b>241,820</b> |
| Amounts receivable on issue of units  | 2,251          | 41,640         |
| Amounts payable on cancellation of units  | (11,443)       | (32,523)       |
|   | (9,192)        | 9,117          |
| Change in net assets attributable to unitholders from investment activities (see above) | 40,098         | (66,213)       |
| <b>Closing net assets attributable to unitholders</b>                                   | <b>200,496</b> | <b>184,724</b> |

Section 3.30 of the Statement of Recommended Practice (2008) requires that comparatives are shown for the above statement. As the comparatives should be for the previous interim period, the net assets at the end of that period will not agree to the net assets at the start of the current period.

The published net assets as at 30 June 2009 was £169,589,526.

## Balance sheet (unaudited)

As at

|   | 31 December 2009 | 30 June 2009   |
|---|------------------|----------------|
|   | £'000            | £'000          |
| <b>ASSETS</b>                                 |                  |                |
| Investment assets                             | 198,790          | 166,777        |
| Debtors                                       | 716              | 930            |
| Cash and bank balances                        | 2,535            | 4,531          |
| <b>Total other assets</b>                     | <b>3,251</b>     | <b>5,461</b>   |
| <b>Total assets</b>                           | <b>202,041</b>   | <b>172,238</b> |
| <b>LIABILITIES</b>                            |                  |                |
| Creditors                                     | (110)            | (99)           |
| Distribution payable on income units          | (1,435)          | (2,549)        |
| <b>Total liabilities</b>                      | <b>(1,545)</b>   | <b>(2,648)</b> |
| <b>Net assets attributable to unitholders</b> | <b>200,496</b>   | <b>169,590</b> |

Registered Charity Number: 1014758

## Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2009 and are described in those financial statements.

## Certification of Accounts

The Manager's Report has been prepared in accordance with the Charities (Accounts and Reports) Regulations 2008.

**Mr J B Broderick**

**Mr R M J Thompson**

Directors

JPMorgan Asset Management (UK) Limited

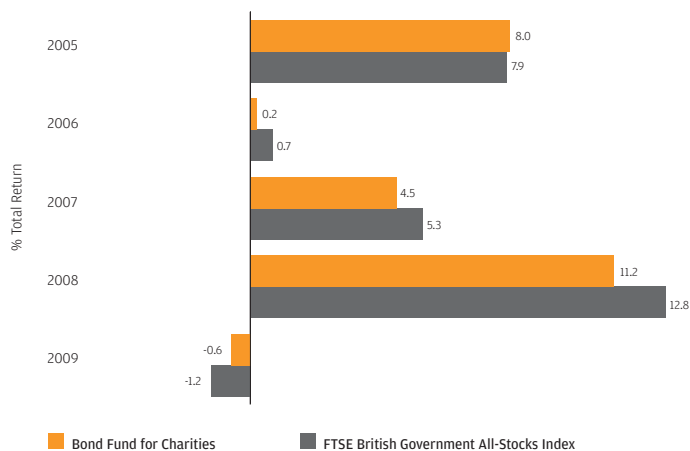
London

19 February 2010

# Performance – Bond Fund for Charities

As at 31 December 2009

## Calendar year returns



Source: J.P. Morgan Asset Management, The WM Company.

Total return (bid to bid, gross income reinvested, net of expenses). The Fund's benchmark is the FTSE British Government All-Stocks Index.

- Total distribution per unit of the Fund for the 2009 calendar year was 4.63 pence (5.38 pence for 2008).
- The net assets of the Fund were £110.2m as at 31 December 2009 (£195.8m as at 31 December 2008).

Please remember that past performance is not a guide to future returns. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested.

# Investment manager's report

## Market background

A year that began with the economy in decline, significant market dislocations, mass layoffs and unprecedented policy actions, has ended with major markets corrections and initial signs of economic recovery, though we expect the recovery to be sluggish. Markets were driven by economic data as well as the changing momentum in risky assets, but were generally underpinned by strong liquidity, and persistent supply and demand imbalances, due in particular to Quantitative Easing (QE)-related buying in the US and UK.

The Monetary Policy Committee (MPC) of the Bank of England (BoE) started and finished the review period with rates at 0.50%. The committee remained unanimous to hold rates at this historic low, during the December MPC meeting. The asset purchase program (QE) was extended from GBP 125 billion at the end of June, to GBP 175 billion in August and subsequently increased again at the November meeting to GBP 200 billion.

Whilst GDP fell in the third quarter, it was expected to start growing, with the most recent trajectory in output of the construction and key service sectors leaving a solid trajectory in place. The economy was expected to show positive momentum, which was the MPC's central forecast, and under this scenario we did not expect any further expansion of QE. The debate would then move on to the appropriate timing and pace of policy tightening.

The recession has lasted for six quarters, with the country having not witnessed anything this bad since the great depression. The economy shrank 4.8% in 2009 the biggest fall since the war. The economy contracted 3.2% from a year earlier in the fourth quarter. Yet there was some light in the form of 0.1% increase in GDP between October and December. Yet this figure was less than the 0.4% expected by the market, as service industries and manufacturing expanded just enough.

Clearly the economy remains fragile and policy makers need to remain cautious around the economic recovery and an early withdraw of economic stimulus. Whilst the signs of growth are welcomed, it must be

noted that the UK is the last out of recession, when compared to the US, Japan, China, Germany and France who all exited during the third quarter last year.

Inflation remained reasonably sanguine once it had returned below the Bank's 2% target in June 2009. This was until the CPI print rose to 2.9% in December from 1.9% the month previous (increasing by the biggest margin on record). The rise was caused by rising fuel costs and a rush to spend before VAT reverted to 17.5%. Additionally, once the result of the VAT rise has flowed through, the Bank of England governor may find himself writing an open letter to the chancellor.

The severity of the recession has opened up lots of spare capacity within the economy, which has a bearing on the domestic cost of pay. Average earnings rose at an annual rate 0.7% in late 2009. Wage pressures will remain weak if the recovery is feeble. Unemployment has now begun to fall, having previously been predicted to reach 3 million by now, it is 2.46 million or 7.7% - below the 10% level facing the US. This news surprised the market, yet has shown signs of stabilisation in the face of strong economic activity.

## Investment Policy

The MPC left the bank rate and QE on hold at the end of the review period. However, concerns about the level of gilt supply to be absorbed in the coming year and a lack of information about plans to reduce the fiscal deficit in the medium term have weighed on gilts over this period. Yields in most maturities have continued to trade in a range, although being less volatile than earlier in 2009 and selling off towards the end of the year. The gilt market sold off towards the end of the year, with the 10-yr yield selling off 47bps in December alone.

In respect of portfolio positioning, we have structured the portfolio to have an imbedded yield advantage versus the benchmark. We have sold all 1-year Gilt holdings (which yield ~50bp) and bought less than 1-year to maturity corporate bonds in high conviction names suggested by the corporate team

(e.g. GE, Shell, BP, EDC, Tesco, ABN AMRO, Banca Intesa, and BMW). The above positions are likely to be structural positions and we would not be overweight 1-year corporates if the corporate team turned negative on high quality corporate bonds (we hold them for the yield and we have carefully sized individual exposures and maturities).

We have sold all 1-3 year Gilt holdings and invested the proceeds in Government Guaranteed Bonds (e.g. Barclays, HBOS, Lloyds, Nationwide and RBS). This type of instrument offers an incremental yield advantage versus pure government bonds with little extra risk. We have sold 4-year Gilt holdings and invested the proceeds in 4-year UK Linkers where the current low levels of UK nominal yields has made it difficult for linkers to fully discount the likely rise in RPI inflation next year. We believe that we have now structured the Bond Fund for Charities to have a structural yield advantage we will additionally add alpha through duration and yield curve trading.

In respect of performance, spreads tightened throughout the year and our thematic long UK duration positioning and also G4 countries was an overall positive for the portfolio as risk appetite improved, on the back of the BoE's buyback program. The long UK duration bias was replaced with a preference for cross-market spread trade (core theme of being overweight countries with relatively better fiscal positions on a cross-market basis), also contributed positively. We are long EU 10-year duration (achieved by a cash neutral duration extension from 5-year Gilts to 10-year Bunds), given that QE is expected to end in February and that both fiscal and elections risks are rising.

The positioning within spread sectors, Investment grade corporates and securitised assets (the asset backed and mortgage backed securities), were the main contributor to performance over the review. The portfolio ended the period with 72% in outright Government bonds, 16% in Government guaranteed and agency debt and 13% in

# Investment manager's report continued

spread sector exposure.

## Market Outlook

Should the economy continue to show positive momentum, which is the MPC's central forecast, we would not expect any further expansion of QE and the debate would move on to the appropriate timing and pace of policy tightening. However, if the recovery falters, the possibility remains that the MPC would decide to resume QE purchases, perhaps with an increased emphasis on

purchasing private sector assets. Consensus RPI forecasts are ~3.5% in 2010 and 3.3% in 2011. Higher yields are regarded as a long-term buying opportunity. Yet supply, forwards and seasonality have traditionally not favoured bonds in the first quarter.

Whilst globally we feel that yield curves will flatten, there is a chance that the UK yield curve may continue to steepen. The front-end is anchored due to the zero interest rate policy and the long-end in spite of very low yields has met with great demand

We remain constructive on corporate credit as we expect supply and demand dynamics, the greatest consideration for the market currently, to remain strong for the next one to two quarters. Spreads have now tightened back to levels last seen in early 2008, and we believe that future outperformance will depend more on a manager's stock selection ability.

February 2010

# Portfolio structure

As at 31 December 2009

## Underweight

Shorts (0-5 years):

Underweight on a market value and duration basis; this positioning allows the funding of the long European bond position in the mediums, by being underweight the UK at the front-end.

## Overweight

Mediums (5-15 years):

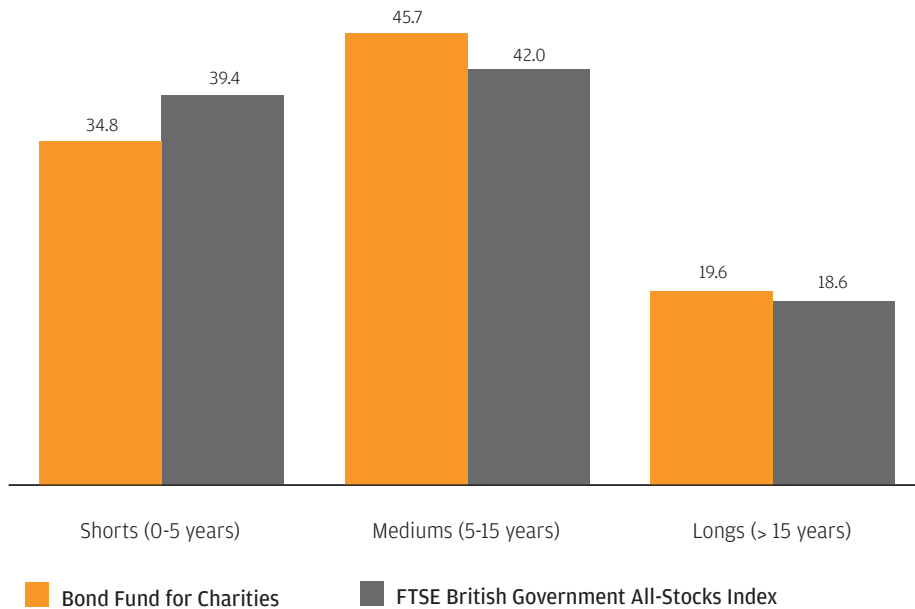
Overall we are overweight this sector for both market value and duration, underweight UK versus long Europe trade; reflecting the thinking that European bonds will outperform those of the UK.

## Overweight

Longs (>15 years):

Overweight on a market value and duration basis reflecting the movement and opportunities within the Quantitative Easing basket.

## Portfolio breakdown %



# Bond Fund for Charities

## Investment performance

### Highest offer/lowest bid price and revenue record

| Calendar year | Price range for year |               | Revenue record<br>Distribution<br>per unit |
|---------------|----------------------|---------------|--|
|               | Highest<br>offer     | Lowest<br>bid |  |
| 2005          | 122.19p              | 115.65p       | 5.83p                                      |
| 2006          | 123.34p              | 115.19p       | 5.48p                                      |
| 2007          | 116.30p              | 108.02p       | 5.50p                                      |
| 2008          | 123.03p              | 108.30p       | 5.38p                                      |
| 2009          | 123.32p              | 114.32p       | 4.63p                                      |

### Record of the fund

|          | Net asset<br>value of fund<br>£'000 | Number<br>of units | Net asset<br>value per<br>unit | Historic<br>yield<br>% |
|----------|-------------------------------------|--------------------|--------------------------------|------------------------|
| 30.06.07 | 155,545                             | 143,316,882        | 108.53p                        | 4.68                   |
| 30.06.08 | 186,893                             | 172,081,038        | 108.60p                        | 5.10                   |
| 30.06.09 | 121,114                             | 103,899,514        | 116.57p                        | 4.46                   |
| 31.12.09 | 110,182                             | 94,979,249         | 116.01p                        | 4.00                   |

The Net asset value and the Net asset value per unit share are shown ex-dividend.

The historic yield is based on the distributions declared in the last twelve months as a percentage of the Net asset value per unit. This should not be taken as a guide to future yields.

### Total expense ratios

| Financial year ending |       |
|-----------------------|-------|
| 30.06.08              | 0.34% |
| 30.06.09              | 0.34% |

The total expense ratio (TER) takes into account the Management fee, inclusive of VAT, and all other operating expenses over the financial year and is expressed as a percentage of average daily net asset values over the same period.

### Portfolio turnover rate

| Financial period ending |         |
|-------------------------|---------|
| 30.06.09                | 132.10% |
| 31.12.09                | 53.17%  |

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the six months to 31 December 2009 (twelve months to 30 June 2009).

# Portfolio statement

As at 31 December 2009

| Investment - % of Fund  | Holding      | Market value<br>£'000 | Total net<br>assets %         |
|---|--------------|-----------------------|-------------------------------|
| <b>Government stock - 73.1% (76.9%)</b>   |              |                       |                               |
| <b>Euro denominated - 3.3%</b>  |              |                       |                               |
| Bundesrepublik Deutschland 3.25% 2020   | 3,000,000    | 2,634                 | 2.4                           |
| Deutschland 3.5% 2019   | 1,147,000    | 1,032                 | 0.9                           |
| <b>Sterling denominated - 69.8%</b>   |              |                       |                               |
| Italy 6% 2028 <sup>a</sup>  | 650,000      | 697                   | 0.6                           |
| Kommunal Banken 4.875% 2012   | 490,000      | 523                   | 0.5                           |
| Treasury 2.5% 2013  | 1,517,000    | 3,954                 | 3.6                           |
| Treasury 2.25% 2014   | 6,442,000    | 6,343                 | 5.8                           |
| Treasury 4.75% 2015   | 2,112,000    | 2,292                 | 2.1                           |
| Treasury 4% 2016  | 4,905,000    | 5,069                 | 4.6                           |
| Treasury 5% 2018  | 8,132,648    | 8,831                 | 8.0                           |
| Treasury 4.5% 2019  | 2,074,000    | 2,151                 | 1.9                           |
| Treasury 4.75% 2020   | 400,000      | 421                   | 0.4                           |
| Treasury 8% 2021  | 3,654,000    | 4,931                 | 4.5                           |
| Treasury 4% 2022  | 1,862,000    | 1,807                 | 1.6                           |
| Treasury 5% 2025  | 3,494,000    | 3,710                 | 3.4                           |
| Treasury 4.25% 2027   | 865,000      | 844                   | 0.8                           |
| Treasury 6% 2028  | 5,629,000    | 6,772                 | 6.1                           |
| Treasury 4.75% 2030   | 1,695,000    | 1,759                 | 1.6                           |
| Treasury 4.25% 2032   | 4,119,000    | 4,007                 | 3.6                           |
| Treasury 4.5% 2034  | 1,249,000    | 1,252                 | 1.1                           |
| Treasury 4.25% 2036   | 4,135,000    | 4,003                 | 3.6                           |
| Treasury 4.75% 2038   | 4,709,000    | 4,967                 | 4.5                           |
| Treasury 4.25% 2039   | 300,000      | 291                   | 0.3                           |
| Treasury 4.5% 2042  | 5,353,000    | 5,456                 | 4.9                           |
| Treasury 4.25% 2046   | 300,000      | 295                   | 0.3                           |
| Treasury 4.25% 2049   | 1,765,000    | 1,743                 | 1.6                           |
| Treasury 4.25% 2055   | 3,335,000    | 3,306                 | 3.0                           |
| Treasury 4% Gilt 2060   | 942,000      | 886                   | 0.8                           |
| War Loan 3.5% Perpetual   | 961,000      | 714                   | 0.6                           |
| <b>Corporate bonds - 26.1% (22.1%)</b>  |              |                       |                               |
| <b>Sterling denominated - 26.1%</b>   |              |                       |                               |
| Annington Finance No.1 8% 2021  | 770,000      | 923                   | 0.8                           |
| BBVA Senior Finance Unipersonal 4.75% 2010  | 1,150,000    | 1,154                 | 1.0                           |
| BP Capital Markets 5.75% 2010   | 1,272,000    | 1,280                 | 1.2                           |
| Broadgate Financing 'A2' 4.949% 2031  | 902,621      | 843                   | 0.8                           |
| Export Development Canada 5% 2010   | 650,000      | 661                   | 0.6                           |
| GE Capital Funding 2.75% 2011   | 1,050,000    | 1,068                 | 1.0                           |
| GE Capital Funding FRN Jan 2010   | 1,000,000    | 1,000                 | 0.9                           |
| GE Capital Funding FRN Jun 2010   | 330,000      | 329                   | 0.3                           |
| GE Capital UK Fund 4.75% 2010   | 550,000      | 562                   | 0.5                           |
| Granite Mortgages FRN 2043  | 850,034      | 734                   | 0.7                           |
| HBOS 4.875% Convertible 2010  | 865,000      | 867                   | 0.8                           |
| KFW 5.55% 2021  | 700,000      | 760                   | 0.7                           |
| Lloyds Banking Group 2.75% 2012   | 3,811,000    | 3,858                 | 3.5                           |
| National Air Traffic Service 5.25% 2026 <sup>a</sup>  | 970,000      | 939                   | 0.9                           |
| Network Rail Infrastructure 4.75% 2035  | 915,000      | 915                   | 0.8                           |
| Permanent Financing No.3 5A 2042  | 959,000      | 972                   | 0.9                           |
| Royal Bank of Scotland 4.125% 2011  | 1,265,000    | 1,317                 | 1.2                           |
| Shell International Finance 5.25% 2010  | 1,200,000    | 1,201                 | 1.1                           |
| Skipton 2% 2012   | 2,900,000    | 2,887                 | 2.6                           |
| SLM Student Loan Trust 5.15% 2015   | 566,000      | 522                   | 0.5                           |
| West Bromwich B.S. 2% 2012  | 3,842,000    | 3,821                 | 3.5                           |
| Yorkshire Building Society 2% 2012  | 2,013,000    | 2,005                 | 1.8                           |
| <b>Supra-national - 0.4% (0.4%)</b>   |              |                       |                               |
| <b>Sterling denominated - 0.4%</b>  |              |                       |                               |
| Eurofima 4.375% 2013  | 460,000      | 477                   | 0.4                           |
| <b>Forward currency contracts - 0.1% (0.0%)</b>   |              |                       |                               |
| <b>Euro</b>   |              |                       |                               |
| Forward foreign currency position 18/02/10  | €789,927     | 702                   | 0.6                           |
| Forward foreign currency position 18/02/10  | £(714,118)   | (714)                 | (0.6)                         |
| Forward foreign currency position 18/02/10  | £4,490,357   | 4,490                 | 4.1                           |
| Forward foreign currency position 18/02/10  | €(4,972,103) | (4,421)               | (4.0)                         |
| <b>Investment assets</b>  |              | <b>109,842</b>        | <b>99.7</b>                   |
| <b>Net other assets</b>   |              | <b>340</b>            | <b>0.3</b>                    |
| <b>Net assets</b>   |              | <b>110,182</b>        | <b>100.0</b>                  |
| All holdings are UK quoted ordinary shares or stock units admitted to official stock exchange listings unless otherwise stated. The comparative percentage figures in brackets are at 30 June 2009. |              |                       |                               |
| <b>Portfolio credit ratings</b>   |              |                       | <b>Market value<br/>£'000</b> |
| AAA   |              |                       | 102,623                       |
| AA+   |              |                       | 1,891                         |
| AA  |              |                       | 3,635                         |
| A+  |              |                       | 1,636                         |
| <b>Total bonds</b>  |              |                       | <b>109,785</b>                |
| Forward currency contracts  |              |                       | 57                            |
| <b>Investment assets</b>  |              |                       | <b>109,842</b>                |

<sup>a</sup> Whilst the Fund is unlikely to hold securities with a rating of less than AA, it is permissible. There are currently two assets that are A+ rated and given their current credit analysis we remain happy to hold these securities within the Fund.

# Portfolio movements

For the six months ended 31 December 2009

|  | £'000         |
|--|---------------|
| <b>Total of all purchases for the period</b> | <b>32,141</b> |
| <b>Major purchases</b>                       | <b>Cost</b>   |
| Treasury 2.5% 2013                           | 3,945         |
| West Bromwich B.S. 2% 2012                   | 3,839         |
| Treasury 2.25% 2014                          | 3,434         |
| Skipton 2% 2012                              | 2,892         |
| Bundesrepublik Deutschland 3.25% 2020        | 2,704         |
| Treasury 4.25% 2011                          | 2,035         |
| Yorkshire Building Society 2% 2012           | 2,012         |
| Treasury 4.75% 2030                          | 1,783         |
| Deutschland 3.5% 2019                        | 1,765         |
| BBVA Senior Finance Unipersonal 4.75% 2010   | 1,164         |
| Treasury 5% 2025                             | 1,116         |
| Treasury 4.25% 2049                          | 1,102         |
| Treasury 4% Gilt 2060                        | 913           |
| Treasury 4.25% 2027                          | 877           |
| Treasury 4.5% 2019                           | 783           |
| Treasury 5% 2014                             | 632           |
| Treasury 4.25% 2039                          | 581           |
| GE Capital UK Fund 4.75% 2010                | 564           |

|  | £'000           |
|--|-----------------|
| <b>Total of all sales for the period</b> | <b>42,192</b>   |
| <b>Major sales</b>                       | <b>Proceeds</b> |
| Treasury 2.25% 2014                      | 8,708           |
| Treasury 4.25% 2011                      | 3,751           |
| Barclays Bank 2.875% 2011                | 3,601           |
| Treasury 4.5% 2019                       | 3,049           |
| Royal Bank of Scotland 4.125% 2011       | 2,407           |
| Treasury 4.5% 2034                       | 2,080           |
| Germany 2.25% 2014                       | 2,060           |
| GE Capital Funding 2.75% 2011            | 1,993           |
| Treasury 4% 2022                         | 1,873           |
| Treasury 4.25% 2036                      | 1,686           |
| Treasury 4% 2016                         | 1,521           |
| Treasury 5% 2012                         | 1,490           |
| Treasury 4.25% 2032                      | 1,469           |
| Treasury 5% 2018                         | 1,174           |
| Bank of Scotland 4.625% 2011             | 1,035           |
| Deutschland 3.5% 2019                    | 704             |
| Treasury 4.25% 2055                      | 674             |
| Treasury 5% 2025                         | 656             |
| Treasury 5% 2014                         | 632             |
| Treasury 4.75% 2038                      | 426             |

# Financial statements

## Statement of total return (unaudited)

For the six months ended 31 December

|  | 2009         | 2008          |
|--|--------------|---------------|
| £'000  | £'000        | £'000         |
| Income   |              |               |
| Net capital (losses)/gains   | (328)        | 21,706        |
| Revenue  | 2,163        | 4,471         |
| Expenses   | (199)        | (316)         |
| Net revenue  | 1,964        | 4,155         |
| <b>Total return for the period</b>   | <b>1,636</b> | <b>25,861</b> |
| Finance costs: Distributions   | (2,174)      | (4,392)       |
| <b>Change in net assets attributable to unitholders from investment activities</b> | <b>(538)</b> | <b>21,469</b> |

## Statement of change in net assets attributable to unitholders (unaudited)

For the six months ended 31 December

|   | 2009           | 2008           |
|---|----------------|----------------|
| £'000   | £'000          | £'000          |
| <b>Opening net assets attributable to unitholders</b>                                   | <b>121,114</b> | <b>186,893</b> |
| Amounts receivable on issue of units  | 859            | 543            |
| Amounts payable on cancellation of units  | (11,253)       | (13,106)       |
|   | (10,394)       | (12,563)       |
| Change in net assets attributable to unitholders from investment activities (see above) | (538)          | 21,469         |
| <b>Closing net assets attributable to unitholders</b>                                   | <b>110,182</b> | <b>195,799</b> |

Section 3.30 of the Statement of Recommended Practice (2008) requires that comparatives are shown for the above statement. As the comparatives should be for the previous interim period, the net assets at the end of that period will not agree to the net assets at the start of the current period.

The published net assets as at 30 June 2009 was £121,113,634.

## Balance sheet (unaudited)

As at

|   | 31 December 2009 |                | 30 June 2009 |                |
|---|------------------|----------------|--------------|----------------|
|   | £'000            | £'000          | £'000        | £'000          |
| <b>ASSETS</b>                                 |                  |                |              |                |
| Investment assets                             |                  | 109,854        |              | 120,415        |
| Debtors                                       | 1,125            |                | 7,048        |                |
| Cash and bank balances                        | 328              |                | 363          |                |
| <b>Total other assets</b>                     |                  | <b>1,453</b>   |              | <b>7,411</b>   |
| <b>Total assets</b>                           |                  | <b>111,307</b> |              | <b>127,826</b> |
| <b>LIABILITIES</b>                            |                  |                |              |                |
| Investment liabilities                        |                  | (12)           |              | -              |
| Creditors                                     | (39)             |                | (5,487)      |                |
| Distribution payable on income units          | (1,074)          |                | (1,225)      |                |
| <b>Total other liabilities</b>                |                  | <b>(1,113)</b> |              | <b>(6,712)</b> |
| <b>Total liabilities</b>                      |                  | <b>(1,125)</b> |              | <b>(6,712)</b> |
| <b>Net assets attributable to unitholders</b> |                  | <b>110,182</b> |              | <b>121,114</b> |

Registered Charity Number: 1014756

## Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2009 and are described in those financial statements.

## Certification of Accounts

The Manager's Report has been prepared in accordance with the Charities (Accounts and Reports) Regulations 2008.

Mr J B Broderick  
Mr R M J Thompson  
Directors

JPMorgan Asset Management (UK) Limited  
London  
19 February 2010

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Telephone lines are recorded and may be monitored for security and training purposes.

The investment views expressed in this document are those held by the J.P. Morgan Asset Management at the time of writing, which are subject to change and are not to be taken or construed as investment advice. The information in this document is based on our understanding of law, regulation and Revenue & Customs practice as at 31 December 2009.

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