



Annual Report

The UK Equity Fund for Charities and The Bond Fund for Charities

30 June 2011

J.P.Morgan
Asset Management

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Fund information

Investment objectives

The 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.

The Bond Fund for Charities

The investment objective of the Fund is to provide participating charities with income from a diversified portfolio of bonds, with the aim of preserving the value of their capital over the longer term. During the year under review, the performance benchmark for the Fund was the total return of the FTSE British Government All Stocks Index.

At the Extraordinary General Meeting of 20 May 2011, unitholders voted in favour of amending the investment objective by changing the performance benchmark for the Fund to the total return of 50% FTSE British Government All Stocks Index and 50% Barclays Capital Sterling Non Gilt Index. This amendment came into effect on 1 July 2011.

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.

Funds that invest predominantly in a single market, asset class or sector may be subject to greater volatility than those funds with a more diversified portfolio.

Please note that bond funds may not behave like direct investments in the underlying bonds themselves. By investing in bond funds the certainty of a fixed income for a fixed period with a fixed return of capital are lost.

The annual management charge of The UK Equity Fund for Charities is charged on a daily basis to revenue and then transferred to capital for the purpose of determining the distribution. 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 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

Scheme documents

Both The UK Equity Fund for Charities and The Bond Fund for Charities are governed by the Scheme and Scheme Particulars. Copies of these documents are available upon request; please contact 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 Annual Report & Accounts for The UK Equity Fund for Charities and The Bond Fund for Charities for the year ending 30 June 2011.

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 each of the funds are treated separately and are invested in accordance with the investment objective and investment 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.

The UK Equity Fund for Charities and The Bond Fund for Charities are registered charities.

The UK Equity Fund for Charities:
Registered Charity Number 1014758

The Bond Fund for Charities:
Registered Charity Number 1014756

Changes to The Bond Fund for Charities

Unitholders of The Bond Fund for Charities ("the Fund") were informed on 30 March 2011 of a proposal to amend the investment objective and investment policy of the Fund. This would increase the Fund's exposures to non gilt securities and would also change the benchmark to a composite index benchmark comprising of 50% FTSE British Government All-Stock Index and 50% Barclays Capital Sterling Non Gilt Index. As a result of the added complexity and diversification of the portfolio, it was proposed that the Manager's periodic charge be increased from 0.25% to 0.35% per annum.

Unitholders voted in favour of the proposed amendments at an Extraordinary General Meeting held on 20 May 2011. On 30 May 2011 unitholders of the Fund were informed of the outcome of the Extraordinary General Meeting and these amendments came into effect on 1 July 2011.

An updated copy of the Scheme Particulars accompanies the report and accounts for the reference of unitholders of the Fund.

The Manager's report includes for both The UK Equity Fund for Charities and The Bond Fund for Charities the:

- Fund information
- Investment Manager's reports
- Portfolio structures
- Investment Performance
- Portfolio Statements

Management and Administration

Corporate Trustee

The Royal Bank of Scotland plc
36 St. Andrew Square
Edinburgh
EH2 2YB
(Authorised and regulated by the Financial Services Authority)

Custodian and Bankers

JPMorgan Chase Bank, N.A.
125 London Wall
London, EC2Y 5AJ
(Authorised and regulated by the Financial Services Authority)

Independent Auditors

PricewaterhouseCoopers LLP
P O Box 90
Erskine House
68 - 73 Queen Street
Edinburgh, EH2 4NH

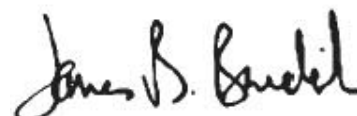
Manager

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

Registrar

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

By order of the Manager,



Mr J Broderick
Director
JPMorgan Asset Management (UK) Limited
London
23 August 2011

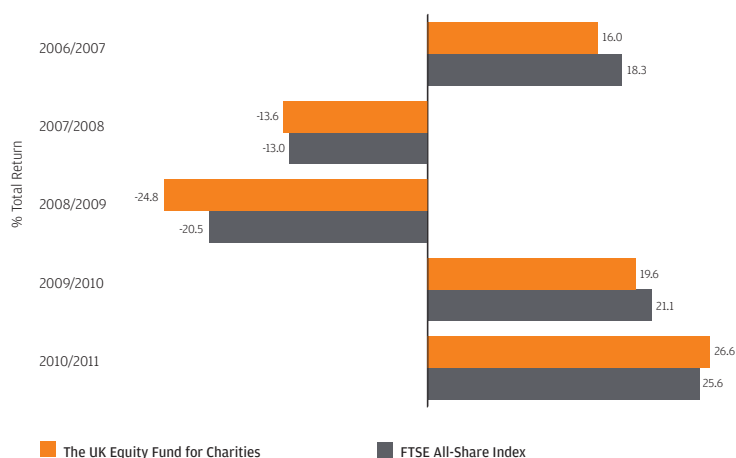


Mr R Thompson
Director
JPMorgan Asset Management (UK) Limited
London
23 August 2011

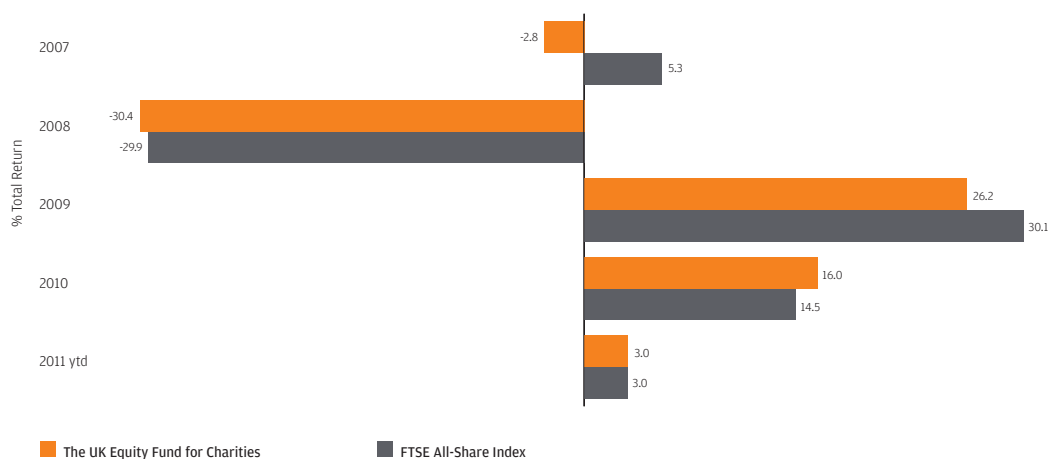
Performance – The UK Equity Fund for Charities

As at 30 June 2011

Rolling 12 month returns



Calendar year returns



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

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

- Total distribution per unit of the Fund for the financial year 2010/2011 was 6.83 pence (6.54 pence for 2009/2010).
- The net assets of the Fund were £94.3m as at 30 June 2011 (£128.2m as at 30 June 2010).

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

Investment manager's report

Market background

Often sports commentators will describe "a game of two halves" to infer quite different characteristics to the two periods of play. The same characterisation could be made for the UK equity market over the most recent financial year for the UK Equity Fund for Charities, to 30th June 2011. Whilst the year as a whole delivered a healthy positive total return of 25.6%, and a capital only gain of 21.8% as the FTSE All Share Index rose from 2543 to 3097, practically this entire advance came in the first six months of the financial year. From July to December 2010 the FTSE All Share Index advanced 20.4% to 3063, as investors reacted positively to the strong profits and earnings recovery being reported by UK companies; in the second six months, from January to June 2011, the UK equity market only advanced a modest 1.1% in capital terms. The economic and market background so far in 2011 has been much more mixed than at the end of 2010, and this has contributed to a much more laboured performance from the UK equity market. UK economic growth, which had been recovering quite nicely from the deep recession of 2008/9 in 2010, has stuttered significantly in 2011, with GDP growth of just 0.7% in the first 2 quarters signalling a very sub-par expectation for the full year of around 1.0-1.5%. A weakening economic growth picture domestically has been compounded by various natural disasters and man-made crises internationally: the tsunami in Japan caused disruption to manufacturing output in the first half of 2011; and both the eurozone and the US have tested investors' nerves with sovereign debt issues in recent months. This stalling of the UK equity market in the first six months of 2011 has not, however, been accompanied by a falling away of corporate results. Since the turning point in the economic cycle in 2009, UK companies have delivered a strong profits and earnings recovery; and the results reported through the first six months of 2011 have continued this trend. UK companies have also substantially improved their balance sheets and liquidity over the last 18 months, such that dividend growth is once again a material feature in the UK equity landscape after an absence of several years.

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 reported to you first this time last year, and also in the interim report earlier this year, the recovery in stock selection performance we saw in both six month periods of 2010, has continued in the latest six month period in 2011. As a result, The UK Equity Fund for Charities has delivered a better total return than the rising UK equity market over the financial year to 30 June 2011, advancing 26.6% compared to 25.6% for the FTSE All Share Index. The last 18 months marks a welcome return to better than market returns for the UK Equity Fund for Charities, after the disappointing period between 2007 and 2009.

At the stock level, the main positive contributors to the overall return of the Fund were Royal Dutch Shell, Ferrexpo, Kazakhmys, Weir, and BP. All five top positive contributors were overweight positions within the portfolio, all of which substantially outperformed the rising UK market whilst held. There is a strong resources theme to these leading contributors, with oil majors and metals companies featuring, as well as the engineering company, Weir, which is a major supplier of pumps to the oil production sector. Both oil majors are currently benefiting from high world oil prices (up from around \$70 a barrel to \$115 a barrel), which has seen expected 2011 earnings at Royal Dutch Shell upgraded by 15% over the last year, whilst at BP similar earnings growth has also been combined with the resolution of its Gulf of Mexico oil spill, allowing for a resumption of dividend payments in 2011. Both Ferrexpo (iron ore pellets) and Kazakhmys (copper) produced significantly better than expected growth in the last year, with Ferrexpo delivering a seven-fold increase in earnings, whilst Kazakhmys saw earnings

almost double; in both cases as metals prices rebounded sharply. The five largest detractors from portfolio performance were Xstrata, AstraZeneca, Halfords, Britvic, and BG Group. Of these, the portfolio was underweight in Xstrata, a diversified miner, and BG Group, the gas exploration, production and distribution company. These underweight positions were part of the offset for the overweights among the oils and miners discussed earlier, and were more than compensated for by other stocks selected in those sectors, but individually both Xstrata and BG also benefited from the favourable macro environment in their areas of activity. AstraZeneca, Halfords, and Britvic were all overweight positions which underperformed in this period. AstraZeneca, the pharmaceuticals major, was held for its steady 10% per annum growth profile and ultra low valuation, and remains a core holding within the portfolio still. Both Halfords, the retailer, and Britvic, the soft drinks company, were small absolute positions within the portfolio, which disappointed in trading terms within the period, and which were disposed of.

As was the case when we last reported to you, the large buys and sells of shares within the portfolio over the last 12 months has been significantly distorted by client fund flows over the period. Aggregate sales exceeded aggregate buys by £57.2m, as a number of largest holders within the Fund withdrew holdings. As a result, the largest stock sales over the last 12 months reflect reductions in the portfolio's largest holdings in UK mega caps. The five largest sales were of Royal Dutch Shell, Vodafone Group, HSBC, BP, and Rio Tinto. The five largest purchases over the last financial year were Prudential (a life insurer), Petrofac (an oil services company), HSBC (the UK's largest international bank), Anglo American (a mining company), and Burberry Group (a luxury goods company). Each of these companies was purchased for a combination of value, growth and newsflow considerations: Prudential is lowly valued on a single digit earnings multiple, with a premium yield, and delivering good growth from its Asian operations; Petrofac is delivering superior earnings growth, from its strong

Investment manager's report – continued

order book with oil exploration companies; HSBC was among the major purchases as a less risky exposure to the important UK banking sector; Anglo American is a very lowly valued diversified mining company (on a PE of 6x), which is delivering strong earnings growth; and Burberry Group is trading extremely well, as it benefits from the strong growth in consumer demand in China and other emerging markets for Western luxury goods.

Outlook

As we look into the remainder of 2011, and the first six months of next year, the events of the last year may have a bearing. At this same stage last year, investor sentiment was also fragile, with worries that the initial recovery from the deep recession of 2008/9 was about to give way to a double dip recession. This worry was also combined with the first round of worries about sovereign debt solvency among the peripheral nations within the eurozone. At that time equity

investors were broadly unwilling to put much store in double digit earnings growth in the UK and other developed markets, and equity market valuations were low and yields supportive. As the second half of 2010 unfurled, some of these worries diminished, whilst UK company earnings powered forward, with the full year out turn for earnings growth of 37% ultimately some 15 percentage points higher than initially expected. Investors took enough comfort from this for share prices to advance over 20% between July and December.

There are parallels with today: equity markets have been pegged back by worries over the solvency of various countries within the eurozone, as well as wrangling over the US government debt ceiling within Congress; the UK equity market remains lowly valued at around 10.5x current year earnings, whilst consensus expectations remain for earnings to grow some 16% and dividends by 11% this year, and further growth next. The mid year corporate earnings season bears witness to

the health of UK quoted companies, which in general now have very strong balance sheets and plenty of liquidity at their disposal. As well as supporting the resumption of dividend growth, some of this financial firepower is finding its way into increased buyback and merger and acquisition activity.

However, equities have fallen sharply in the first two weeks of August as weaker growth prospects have meant that the huge debt burdens in the US and Europe will be much harder to service. Although equity valuations now look attractive, any sustained rally will require substantial and decisive action by authorities to tackle the global macro economic imbalances in the system. The authorities must maintain growth whilst paring back their own government deficits. It is imperative for investors that they successfully meet this challenge. If they do, markets will rally sharply. Time however, is quickly running out.

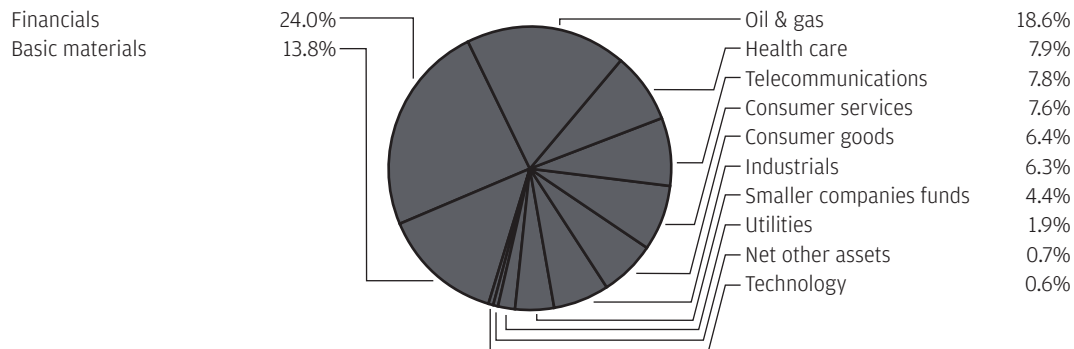
August 2011

Portfolio structure - The UK Equity Fund for Charities

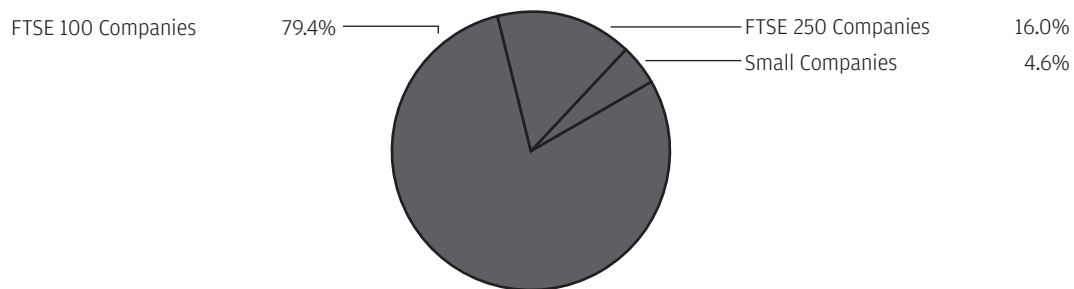
As at 30 June 2011

Portfolio breakdown

Sector profile



Size profile



Investment Strategy

Overweight

Telecommunications: Low valuations, attractive dividends and steady growth from both Vodafone and BT drive this position.

Healthcare: Attractive valuations of pharmaceuticals companies, with defensive earnings streams, and supported by high and growing dividend yields.

Underweight

Consumer Services: With UK consumers under pressure from declining disposable income, the growth prospects for consumer facing sectors is currently challenged.

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

The UK Equity Fund for Charities

Investment performance

Highest offer/lowest bid price and revenue record

Calendar year	Price range for year		Revenue record
	Highest offer	Lowest bid	Distribution per unit
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
2010	226.90p	179.72p	6.40p
2011 ^A	231.52p	212.26p	3.81p

^ATo 30 June 2011.

Distributions are shown as total revenue with revenue expenses deducted.

Record of the Fund

	Net asset value of Fund £'000	Number of units	Net asset value per unit	Historic Yield %
30.06.09	169,590	106,197,749	159.69p	6.01
30.06.10	128,208	69,843,848	183.56p	3.56
30.06.11	94,335	42,080,233	224.18p	3.04

The net asset value and the net asset value per unit are shown ex-dividend at the financial year end. 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	
30.06.10	0.62%
30.06.11	0.62%

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

Portfolio turnover rate

Financial year ending	
30.06.10	90.2%
30.06.11	79.4%

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

Portfolio statement

As at 30 June 2011

Investment - % of Fund	Holding	Market value £'000	Total net assets %
Financials - 24.0% (19.5%)			
Banks - 9.4%			
Barclays	855,469	2,194	2.3
HSBC	810,588	5,008	5.3
Lloyds Banking Group	1,008,592	494	0.5
Royal Bank of Scotland Group	1,689,537	650	0.7
Standard Chartered	31,777	520	0.6
General financial - 3.6%			
Ashmore Group	212,075	845	0.9
Close Brothers Group	18,123	140	0.2
Hargreaves Lansdown	103,305	628	0.7
Jupiter Fund Management	42,674	108	0.1
Schroders Non-Voting	85,497	1,122	1.2
Tullett Prebon	119,412	423	0.5
Life insurance - 4.9%			
Aviva	168,396	739	0.8
Legal & General Group	1,370,624	1,619	1.7
Prudential	309,299	2,225	2.4
Nonlife insurance - 2.7%			
Admiral Group	53,915	896	0.9
Amlin	27,413	111	0.1
Beazley Group	366,828	457	0.5
Jardine Lloyd Thompson	33,842	230	0.3
Lancashire Holdings	86,454	564	0.6
RSA Insurance Group	194,920	263	0.3
Real estate investment & services - 3.4%			
Big Yellow Group	33,475	103	0.1
Capital & Counties Properties	252,219	496	0.5
Derwent London	42,821	780	0.8
Hammerson	219,041	1,053	1.1
Land Securities	46,659	397	0.4
Savills	123,851	483	0.5
Oil & gas - 18.6% (14.0%)			
Oil & gas producers - 16.6%			
BG Group	113,589	1,605	1.7
BP	1,245,900	5,709	6.1
Royal Dutch Shell 'B'	374,302	8,315	8.8
Oil equipment, services & distribution - 2.0%			
AMEC	60,378	656	0.7
Petrofac	83,042	1,256	1.3
Basic materials - 13.8% (14.5%)			
Chemicals - 1.5%			
Croda International	42,668	805	0.9
Elementis	184,463	317	0.3
Yule Catto & Co	133,450	303	0.3
Mining - 12.3%			
Anglo American	61,760	1,906	2.0
Antofagasta	10,055	140	0.2
BHP Billiton	159,345	3,906	4.1
Eurasian Natural Resources	56,673	442	0.5
Ferrexpo	207,138	971	1.0
Rio Tinto	91,242	4,089	4.3
Xstrata	15,847	217	0.2
Health care - 7.9% (9.7%)			
Pharmaceuticals & biotechnology - 7.7%			
AstraZeneca	111,535	3,465	3.7
GlaxoSmithKline	220,809	2,946	3.1
Shire	43,890	853	0.9
Health care equipment & services - 0.2%			
Smith & Nephew	32,683	217	0.2
Telecommunications - 7.8% (7.3%)			
Fixed line telecommunications - 2.1%			
BT Group	974,991	1,965	2.1
Mobile telecommunications - 5.7%			
Vodafone Group	3,236,543	5,350	5.7

Investment - % of Fund	Holding	Market value £'000	Total net assets %
Consumer services - 7.6% (9.8%)			
Food & drug retailers - 0.9%			
Morrison (Wm.) Supermarkets	74,045	220	0.2
Tesco	156,480	629	0.7
General retailers - 2.6%			
Brown (N.) Group	110,460	290	0.3
JD Sports Fashion	10,949	101	0.1
Next	67,785	1,575	1.7
Sports Direct International	97,187	230	0.3
WH Smith	32,554	159	0.2
Media - 2.4%			
ITE Group	175,905	384	0.4
ITV	1,818,239	1,299	1.4
Rightmove Group	26,897	321	0.3
WPP	39,311	307	0.3
Travel & leisure - 1.7%			
International Consolidated Airline	209,213	531	0.6
Rank Group	274,171	409	0.4
Stagecoach Group	237,626	607	0.7
Consumer goods - 6.4% (7.0%)			
Beverages - 1.3%			
Diageo	98,840	1,256	1.3
Food producers - 2.7%			
Dairy Crest Group	73,487	272	0.3
Devro	26,667	72	0.1
Tate & Lyle	24,176	149	0.2
Unilever	97,172	1,947	2.1
Household goods - 0.7%			
Berkeley Group 'B'	53,791	692	0.7
Personal goods - 1.4%			
Burberry Group	92,618	1,343	1.4
Automobiles & parts - 0.3%			
GKN	132,374	306	0.3
Industrials - 6.3% (10.8%)			
Construction & materials - 0.4%			
Kier Group	15,508	211	0.2
Morgan Sindall Group	22,080	140	0.2
Electronic & electrical equipment - 0.6%			
Renishaw	17,896	314	0.3
Spectris	19,068	304	0.3
General industrials - 0.6%			
RPC Group	149,568	543	0.6
Industrial engineering - 2.2%			
Bodycote International	117,312	435	0.5
Charter International	48,729	386	0.4
IMI	66,503	700	0.7
Weir Group	27,779	591	0.6
Support services - 2.5%			
Atkins (WS)	68,456	512	0.5
Carillion	67,359	253	0.3
Electrocomponents	250,972	684	0.7
Experian	53,067	421	0.5
Hays	121,044	125	0.1
Howden Joinery Group	104,600	112	0.1
Northgate	39,576	129	0.1
SThree	53,800	214	0.2
Smaller companies funds - 4.4% (3.8%)			
Aberforth UK Smaller Companies (Accumulation)	11,395	1,324	1.4
JPM UK Smaller Companies 'X' (Income) ^a	686,630	2,792	3.0
Utilities - 1.9% (1.7%)			
Electricity - 0.7%			
Drax Group	132,282	666	0.7
Gas, water & multiutilities - 1.2%			
Centrica	99,711	322	0.3
National Grid	27,446	168	0.2
Northumbrian Water Group	154,619	643	0.7
Technology - 0.6% (0.5%)			
Software & computer services - 0.6%			
Computacenter	40,400	193	0.2
Misys	93,008	391	0.4
Investment assets		93,653	99.3
Net other assets		682	0.7
Net assets		94,335	100.0

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

The comparative percentage figures in brackets are at 30 June 2010.

^a Deemed to be investment in related parties of the Manager.

Portfolio movements

For the year ending 30 June 2011

	£'000		£'000
Total of all purchases for the year (Note 9)	45,831	Total of all sales for the year (Note 9)	103,025
Major purchases	Cost	Major sales	Proceeds
Prudential	2,519	Royal Dutch Shell 'B'	4,989
Petrofac	2,153	Vodafone Group	4,397
HSBC	1,568	HSBC	3,923
Anglo American	1,463	BP	3,869
Burberry Group	1,114	Rio Tinto	3,818
AMEC	1,084	GlaxoSmithKline	3,414
Hammerson	1,023	Reckitt Benckiser Group	2,951
Croda International	1,016	BHP Billiton	2,870
Diageo	1,015	AstraZeneca	2,694
Ashmore Group	938	Mondi	2,538
Legal & General Group	883	Lloyds Banking Group	2,429
BG Group	795	Rolls Royce Group	2,383
Aviva	770	Kazakhmys	2,362
Rio Tinto	764	Unilever	1,942
Derwent London	709	Barclays	1,727
BT Group	706	Compass Group	1,670
GKN	696	IMI	1,619
Pennon Group	682	Anglo American	1,617
Schroders Non-Voting	673	Petrofac	1,479
Royal Dutch Shell 'B'	669	Eurasian Natural Resources	1,246

Financial statements

Statement of total return

For the year ending 30 June

	2011		2010	
	£'000	£'000	£'000	£'000
Income				
Net capital gains (Note 2)		24,481		30,211
Revenue (Note 3)	3,422		5,726	
Expenses (Note 4)	(687)		(1,096)	
Net revenue		2,735		4,630
Total return before distributions		27,216		34,841
Finance costs:				
Distributions (Note 5)		(3,378)		(5,929)
Change in net assets attributable to unitholders from investment activities		23,838		28,912

Statement of change in net assets attributable to unitholders

For the year ending 30 June

	2011		2010	
	£'000	£'000	£'000	£'000
Opening net assets attributable to unitholders		128,208		169,590
Amounts receivable on issue of units	1,961		6,276	
Amounts payable on cancellation of units	(59,672)		(76,570)	
		(57,711)		(70,294)
Change in net assets attributable to unitholders from investment activities (see above)		23,838		28,912
Closing net assets attributable to unitholders		94,335		128,208

Balance sheet

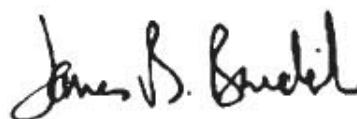
As at 30 June

	2011		2010	
	£'000	£'000	£'000	£'000
ASSETS				
Investment assets		93,653		126,367
Debtors (Note 7)	534		1,199	
Cash and bank balances	1,124		2,555	
Total other assets		1,658		3,754
Total assets		95,311		130,121
LIABILITIES				
Creditors (Note 8)	(150)		(679)	
Distribution payable on income units	(826)		(1,234)	
Total liabilities		(976)		(1,913)
Net assets attributable to unitholders		94,335		128,208

The notes to these financial statements are shown on pages 12 and 13.
Registered Charity Number: 1014758

Certification of Accounts

The Manager's Report has been prepared in accordance with the Charities Act 1993 and the Charities (Accounts and Reports) Regulations 2008.



Mr J Broderick
Director
JPMorgan Asset Management (UK) Limited
London
23 August 2011



Mr R Thompson
Director
JPMorgan Asset Management (UK) Limited
London
23 August 2011

Notes to the financial statements for the year ending 30 June

1. Accounting policies

The accounts of the Fund, which is a Common Investment Fund for charities, are presented in accordance with the following accounting policies:

- (a) The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with applicable accounting standards, the Charities Act 1993 and the Charities (Accounts and Reports) Regulations 2008 and with the Statement of Recommended Practice for Authorised Funds issued by the IMA in October 2010. The comparative figures were prepared in accordance with the Statement of Recommended Practice for Authorised Funds issued by the IMA in November 2008 and no restatement has been necessary. Under SORP 2010 there is no longer a requirement to disclose the Portfolio turnover rate figure. However, this figure is still being disclosed to provide unitholders with additional information. The Fund is exempt from complying with the Accounting and Reporting for Charities Statement of Recommended Practice 2005 due to paragraph 449 of that document.
- (b) Dividends on equities and other Collective Investment Schemes are recognised when the security goes ex-dividend. Accumulation distributions from shares held in other Collective Investment Schemes are reflected as revenue of the respective fund and form part of the distribution, and equalisation on distributions received from other Collective Investment Schemes is deducted from the cost of the investment. Interest on deposits and other revenue is accounted for on an accruals basis. Underwriting commission is recognised when the issue takes place. Where the Fund is required to take up all of the shares underwritten, the commission received is treated as a deduction from the cost of the shares taken up. Where the Fund is required to take up a proportion of the shares underwritten, the same proportion of the commission received is treated as a deduction from the cost of the shares taken up and the balance is taken to revenue.
- (c) The ordinary element of stocks received in lieu of cash dividends is recognised as revenue of the Fund and forms part of the distribution. Any excess in value of shares received over the amount of cash forgone is reviewed on a case by case basis and treated appropriately as income or capital.
- (d) The underlying circumstances behind special dividends are reviewed on a case by case basis in determining whether the amount is capital or revenue in nature. Any tax treatment thereon will follow the accounting treatment of the principal amount. Amounts recognised as revenue will form part of the fund's distribution.
- (e) Management fees (inclusive of VAT) are charged to revenue and then transferred to capital on a daily basis for the purpose of determining the distribution. Expenses relating to the purchase and sale of investments are also charged to capital. All other expenses are charged to the revenue property of the Fund.
- (f) The income available for distribution is the total revenue earned by the Fund, less deductible expenses charged to revenue. This income is distributed quarterly to unitholders on 30 November, 28 February, 31 May and 31 August.
- (g) The listed investments of the Fund and investments traded on regulated markets have been valued at market value at close of business on 30 June 2011. Market value is defined, by the SORP, as fair value which generally is the bid value of each security.
- (h) All transactions in foreign currencies are converted into sterling at the rates of exchange ruling at the date of such transactions. Foreign currency assets and liabilities at the end of the accounting year are translated at the exchange rate at close of business on 30 June 2011.

2. Net capital gains

	2011	2010
	£'000	£'000
Currency gains	1	-
Non-derivative securities	24,480	30,211
Net capital gains	24,481	30,211

3. Revenue

	2011	2010
	£'000	£'000
Distributions from authorised ICVCs	57	115
Distributions from Unit Trusts	35	63
Interest on bank and term deposits	5	11
Revenue from UK equity investments	3,314	5,396
Stock dividends	11	141
Total revenue	3,422	5,726

4. Expenses

	2011	2010
	£'000	£'000
Payable to the Manager or associate of the Manager:		
Management fee	542	886
Payable to the Trustee or associate of the Trustee:		
Trustee fee	22	45
Payable other related parties and third parties:		
Audit fee	10	7
Irrecoverable VAT	108	151
Price publication	2	2
Printing and mailing costs	3	5
	123	165
Total expenses	687	1,096

5. Finance costs

Distributions

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

	2011	2010
	£'000	£'000
First interim dividend distribution	711	1,743
Second interim dividend distribution	730	1,435
Third interim dividend distribution	815	1,267
Final dividend distribution	826	1,234
	3,082	5,679
Add: Amounts payable on cancellation of units	307	278
Deduct: Amounts receivable on issue of units	(11)	(28)
Total finance costs	3,378	5,929

Details of the distribution per unit are set out on page 14.

6. Movement between net revenue and distributions

	2011	2010
	£'000	£'000
Net revenue	2,735	4,630
Add: Management fee transferred to capital	542	886
Add: Irrecoverable VAT transferred to capital	101	144
Add: Undistributed revenue brought forward	-	269
	3,378	5,929

7. Debtors

	2011	2010
	£'000	£'000
Accrued income	398	742
Due from brokers for sales awaiting settlement	-	423
Due from the Manager for units created	101	2
Prepaid expenses	1	-
Tax recoverable	34	32
Total debtors	534	1,199

Notes to the financial statements – continued

8. Creditors

	2011	2010
	£'000	£'000
Accrued expenses	47	67
Due to brokers for purchases awaiting settlement	-	429
Due to the Manager for units cancelled	94	171
Irrecoverable VAT	9	12
Total creditors	150	679

9. Portfolio transaction costs

	2011	2010
	£'000	£'000
Analysis of total purchase costs		
Purchases in year before transaction costs	45,711	85,980
Commissions	120	250
Total purchase costs	120	250
Gross purchases total	45,831	86,230
Analysis of total sale costs		
Gross sales before transaction costs	103,164	157,261
Commissions	(139)	(410)
Total sale costs	(139)	(410)
Total sales net of transaction costs	103,025	156,851

10. Units in issue

The number of units in issue at the end of the period was 42,080,233 (30.06.10: 69,843,848).

11. Related party transactions

Under the management contract, fees payable to the Manager exclude charges made by JPMorgan Asset Management (UK) Limited ("JPMAM") on the Fund for any investments made in JPMAM managed Funds.

Management fees paid to JPMorgan Asset Management (UK) Limited and their associates are shown in Note 4 and details of units created and cancelled by JPMorgan Asset Management (UK) Limited are shown in the Statement of change in net assets attributable to unitholders. The balance due to JPMorgan Asset Management (UK) Limited and their associates at the year end in respect of these transactions was £33,754 (30.06.10: £226,016).

Investments considered to be related parties have been identified in the portfolio statement and the revenue from these investments was £57,386 (30.06.10: £115,818).

Trustee fees paid to The Royal Bank of Scotland plc are shown in Note 4. The balance due to The Royal Bank of Scotland plc at the period end in respect of these transactions was £1,534 (30.06.10: £2,289).

Some of the dealing transactions for the Fund are carried out through associates of the Manager. Such transactions are carried out on an arm's length basis. The commissions paid to these companies over the period were £38,685 (30.06.10: £26,499).

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

Chase Nominees Limited a/c 295731 19.57% (30.06.10: 11.63%)

12. Financial instruments

In pursuing its investment objective as stated on page 2, the Fund holds a number of financial instruments. The Fund's financial instruments, other than derivatives, comprise securities and other investments, cash balances, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for creations and payable for redemptions and debtors for accrued income.

The main risks arising from the Fund's financial instruments and the manager's policies for managing these risks are summarised below. These policies have been applied throughout the year and the previous year.

Market price risk

Market price risk is the risk that the value of the Fund's investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises mainly from uncertainty about future prices of financial instruments the fund holds. It represents the potential loss the Fund might suffer through holding market positions in the face of price movements. The Fund's investment portfolio is exposed to market price fluctuations which are monitored by the manager in pursuance of the investment objective and policy as set out in the Scheme Particulars. Adherence to investment guidelines and to investment and borrowing powers set out in the Trust Deed, the Scheme Particulars, and the Charities Act 1993 mitigates the risk of excessive exposure to any particular type of security or issuer.

Foreign currency risk

Foreign currency risk is the risk that the value of the Fund's investment holdings will fluctuate as a result of changes in foreign currency exchange rates. The Manager may seek to manage exposure to currency movements by using forward foreign exchange contracts. Currently the Fund's assets by value are not exposed to movements in foreign currency exchange rates.

Counterparty risk

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Fund has fulfilled its responsibilities. The Fund only buys and sells investments through brokers which have been approved by the manager as an acceptable counterparty. In addition limits, which may include the financial rating, are set and monitored for individual brokers.

Interest rate risk

Interest rate risk is the risk that the value of the Fund's investment holdings will fluctuate as a result of changes in interest rates.

The Fund does not invest in either fixed or floating rate securities and interest rate risk exposure is restricted to interest receivable on bank deposits or payable on bank overdraft positions which will be affected by fluctuations in interest rates.

Liquidity risk

The Fund's assets comprise mainly of readily realisable securities. The main liability of the Fund is the redemption of any units that investors wish to sell. Assets of the fund may need to be sold if insufficient cash is available to finance such redemptions.

The risk of low market liquidity, through reduced trading volumes, may affect the ability of the Fund to trade financial instruments at values indicated by market data vendors. From time to time, liquidity may also be affected by stock specific or economic events.

To manage these risks the Manager undertakes detailed research to select appropriate investment opportunities in line with the Fund's objective. All stocks are valued daily but those stocks identified as being less liquid are reviewed on a regular basis for pricing accuracy.

Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

Distribution table

Distribution in pence per unit

	£'000	2010/11 pence per unit	£'000	2009/10 pence per unit
Distribution paid 30 November 2010 for the quarter ending 30 September 2010 (2009/10: Paid 30 November 2009)				
Total revenue	722	1.497305	1,763	1.749741
Less: expenses	11	0.022605	20	0.019741
Distribution	711	1.474700	1,743	1.730000

Distribution paid 28 February 2011 for the quarter ending 31 December 2010 (2009/10: Paid 28 February 2010)				
Total revenue	738	1.558672	1,459	1.445914
Less: expenses	8	0.017681	24	0.023996
Distribution	730	1.540991	1,435	1.421918

Distribution paid 31 May 2011 for the quarter ending 31 March 2011 (2009/10: Paid 31 May 2010)				
Total revenue	826	1.871213	1,279	1.634519
Less: expenses	11	0.025075	12	0.015049
Distribution	815	1.846138	1,267	1.619470

Distribution payable 31 August 2011 for the quarter ending 30 June 2011 (2009/10: Paid 31 August 2010)				
Total revenue	840	1.995348	1,244	1.781809
Less: expenses	14	0.031174	10	0.014945
Distribution	826	1.964174	1,234	1.766864

Total distribution for the year ending 30 June				
Total revenue	3,126	6.922538	5,745	6.611983
Less: expenses	44	0.096535	66	0.073731
Distribution	3,082	6.826003	5,679	6.538252

The Fund makes four distributions each year in February, May, August and November of its total revenue less revenue expenses for the quarterly periods ending the previous 31 December, 31 March, 30 June and 30 September respectively (see Note 1(f)). A distribution voucher is provided to each unitholder.

Statements of responsibilities

in relation to the Financial Statements of the Fund

Statement of the Manager's Responsibilities

The Manager is required under The Charities Act 1993 and The Charities (Accounts and Reports) Regulations 2008 and the Scheme Particulars to prepare financial statements for each accounting year which give a true and fair view of the financial position of the Fund at the end of the year, the amounts to be distributed and the change in net assets for the year.

In preparing the financial statements, the Manager is required to:

- comply with the Statement of Recommended Practice for Authorised Funds issued by the IMA in 2010;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in operation for the foreseeable future; and
- take reasonable steps for the prevention and detection of fraud, error and non-compliance with law or regulations.

The financial statements are prepared in accordance with applicable accounting standards and on the basis that the Fund will continue in operation.

The Manager is also responsible for the administration and management of the Fund including its investments. The Manager must carry out regular valuations of the Fund's property and will ensure that the units are correctly priced.

The Manager is required to keep proper accounting records and to manage the fund in accordance with the regulations and the Scheme documents.

The report has been prepared in accordance with the Financial Services Authority's Collective Investment Schemes Sourcebook.



Mr R Thompson
Director
JPMorgan Asset Management (UK) Limited
23 August 2011

Statement of the Trustee's Responsibilities

Under the Scheme which came into force on 31 March 2000, the Trustee is responsible for the custody and control of the property of the Fund, the collection of all revenue due to the Fund, and the claiming of any repayment of tax which may be due. The Trustee may create and cancel units in accordance with the instructions of the Manager (except where permitted not to by the Scheme Particulars). The Trustee will make distributions and allocations of revenue to unitholders as applicable.

The Trustee also has the duty of supervision and oversight of the Manager's compliance with the Scheme and the Scheme Particulars. In particular, the Trustee must be satisfied that the Manager is not exceeding his powers and that the Manager is maintaining adequate and proper records.

The Trustee is required to take all steps and execute all documents which are necessary to ensure that purchases and sales of investments of the Fund are properly completed, and is required to exercise voting rights attaching to such investments as properly instructed by the Manager.

The Trustee is responsible for the appointment of the registrar and the custodian and for the supervision and oversight of them. The Trustee is responsible for supervision and oversight of any other delegate which it appoints. In addition, the Trustee is responsible for the appointment and dismissal of persons engaged in connection with the Fund and for the making of an annual report on the discharge of its responsibilities for the management of the Fund.

Finally, the Trustee is responsible for the winding up of the Fund.

Report of the Trustee to unitholders of The UK Equity Fund for Charities for the year ending 30 June 2011

We confirm that in the Trustee's opinion the Manager has managed the Scheme in all material respects in accordance with the limitations imposed on the investment and borrowing powers of the Manager and Trustee by the Scheme and by the Scheme Particulars, and otherwise in accordance with the provisions of the Scheme and the Scheme Particulars.



The Royal Bank of Scotland plc
Trustee and Depositary Services
Edinburgh
23 August 2011

Independent Auditors' report

to the Unitholders of The UK Equity Fund for Charities ("the Fund")

We have audited the financial statements of The UK Equity Fund for Charities (the "Fund") for the year ending 30 June 2011 which comprise the statement of total return, the statement of change in net assets attributable to unitholders, the balance sheet, the related notes and the distribution table. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice 'Financial Statements of Authorised Funds' issued by the Investment Management Association (the "Statement of Recommended Practice for Authorised Funds").

Respective responsibilities of Authorised Fund Manager and auditors

As explained more fully in the Statement of the Manager's Responsibilities the Manager is responsible for the preparation of financial statements which give a true and fair view.

We have been appointed as auditors under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Fund's Unitholders as a body in accordance with Regulation 24 of The Charities (Accounts and Reports) Regulations 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes as assessment of whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Manager; and the overall presentation of the financial statements. In addition, we read the information in the Manager's Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Fund at 30 June 2011 and of the net revenue and the net gains of the property of the Fund for the year then ending; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Charities Act 1993.

Opinion on other matters prescribed by the Collective Investment Schemes sourcebook

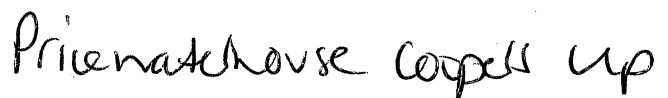
In our opinion:

- we have obtained all the information and explanations we consider necessary for the purposes of the audit; and
- the information given in the Manager's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 1993 requires us to report to you if, in our opinion:

- the information given in the Manager's Report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and Manager's Report; or
- we have not received all the information and explanations we require for our audit.



PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
23 August 2011

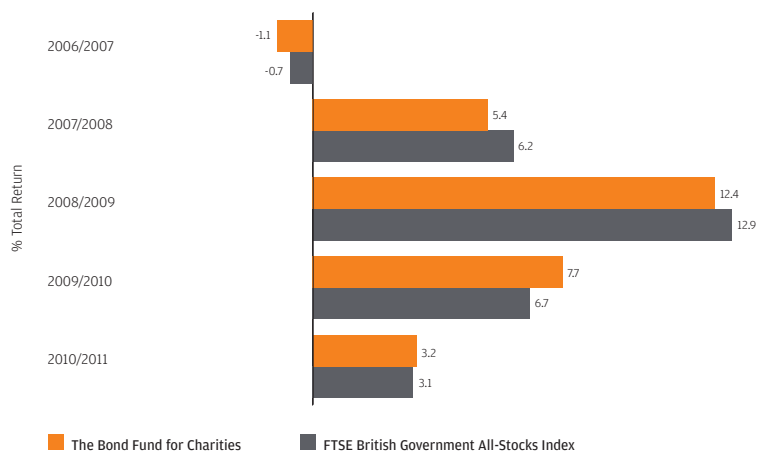
The maintenance and integrity of the J.P. Morgan Asset Management web site is the responsibility of the Manager; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

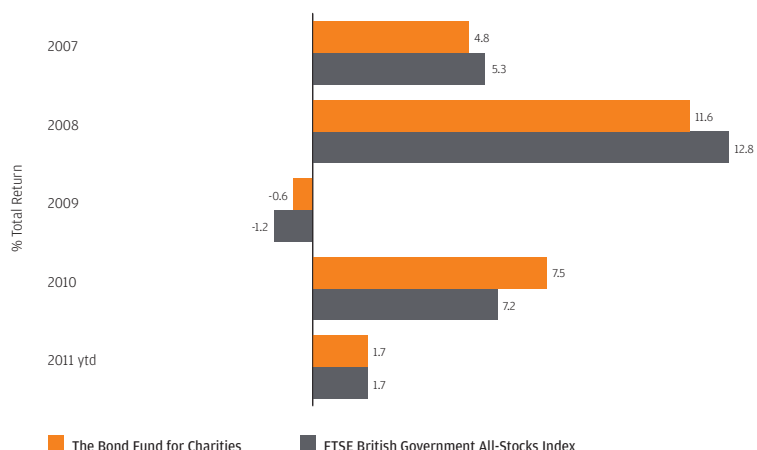
Performance - The Bond Fund for Charities

As at 30 June 2011

Rolling 12 month returns



Calendar year returns



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

Source: FTSE International Limited ("FTSE") © FTSE [2010]. "FTSE®" is a trade mark of London Stock Exchange Plc and The Financial Times Limited and is used by FTSE International Limited under licence. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.

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 financial year 2010/2011 was 4.35 pence (4.35 pence for 2009/2010).
- The net assets of the Fund were £45.7m as at 30 June 2011 (£96.2m as at 30 June 2010).

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

Investment manager's report

Market background

After the impressive +0.8% Gross Domestic Product ("GDP") growth of Q3 2010 ("3Q10"), UK economic data has grown progressively weaker. At the beginning of the year money markets were evidencing an expectation for three 25 bp rate hikes by the end of 2011; the current expectation is for no rise in rates until the second half of 2012. Q4 2010 GDP was -0.5%, GDP in Q1 2011 was 0.5% and Q2 GDP is currently tracking closer to zero, implying that there has effectively been no net growth since the third quarter of last year. Domestic demand in fact declined by 0.9% in Q1 with only the +1.4% contribution from external trade bolstering the figure into positive territory.

Construction output was up just 0.4% month-on-month in May after a 12.4% drop in April (admittedly affected by the bank holidays and the Royal Wedding). PMI survey data, though still above 50, has been weakening of late, with the June construction and services surveys (53.6 and 53.9) more robust than the manufacturing survey (51.3).

At the same time headline CPI inflation has been steadily advancing - from 3.1% last September to 4.5% in May. Although it fell to 3.2% in June, it is expected to peak at 5% later this year, driven by high utility charges stemming from high global commodity prices. Wage inflation remains sluggish, which coupled with the rise in CPI is putting downward pressure on real household incomes. The latest Halifax survey data shows underlying house prices are stable. New private car registrations are low but stabilising.

Against this backdrop of weak growth but robust inflation, the UK MPC has faced a growing policy dilemma, underlined by the current split in the voting. At the moment two committee members wish to increase the bank rate by 25bps whilst one (Adam Posen) supports an increase in QE from the current £200bn to £250bn. Until June, however, there had for several months been three committee

members who favoured a rate rise, with one (Andrew Sentence) advocating a 50bp hike.

However, his term on the committee expired in June and the neutral members have recently seemed to graduate towards a more dovish stance. The lower inflation figure in June and concurrent worsening in economic data has caused the balance of risks to shift meaningfully away from inflation and towards growth in the eyes of most committee members.

Investment policy

The MPC left the bank rate and QE on hold throughout the review period. This represents the longest period of unchanged rates since monetary policy independence was granted in 1997. 10-year Gilt yields were little changed over the year at ~3.4%, however, this belies the considerable volatility of yields within the period as they bottomed out at 2.35% in October and then peaked at 3.90% in February. This has led the spread of 10-year Gilts over US Treasuries to tighten 20bps over the period, whilst the performance against German bunds (-40bps) and French OATs (-50bps) has been even more impressive.

Initially outperformance was driven by recovery from the grim outlook of early 2010, when the swelling fiscal deficit and national debt caused market luminaries such as Bill Gross to opine that the UK gilt market was "resting on a bed of nitro-glycerine". In 2011 by contrast, with the market by now sanguine about the effectiveness of the coalition government's plan to reduce the national debt through austerity measures, the ongoing outperformance was generated more by the worsening economic outlook and consequent delaying of rate hike expectations.

Consequently our thematic long UK duration positioning throughout the period was of benefit. We also introduced a flattening theme into the portfolio in 3Q10 based on our relatively optimistic stance on the UK economy at that time and it initially delivered

outperformance, with the difference in yield between 10 year and 2 year maturities declining from 260bps at the start of July to 210bps in November, and then reaching this level again in February after having backed out again in the interim. By March, however, it had begun to move wider again and we closed out the position.

Strategy outlook

The benchmark has recently been switched to the following composite: 50% FTSE British Government All-Stocks Index and 50% Barclays Capital Sterling Non Gilt Index. The portfolio was repositioned in early July to reflect the new benchmark. The portfolio has a slight long duration stance and larger long spread duration stance, implemented primarily through ABS, covered bonds and investment grade corporate credit, notably in the cable and transportation sectors. We have structured the portfolio to have an imbedded yield advantage versus the benchmark (currently ~15bps of carry p.a.).

Our non-government bond holdings are intended to be held for an extended period of time, being held for yield rather than in anticipation of capital gains, with carefully sized individual exposures and maturities. One exception is the financials sector, where after a long period of being overweight, we have scaled back to a neutral stance in view of the ongoing pressure on the sector deriving from Eurozone peripheral stress and the continued absence of a solution.

The positioning within spread sectors, investment grade corporates and securitised assets (the asset backed and mortgage backed securities), all generated outperformance over the review period. Investment grade corporate bonds, delivering +2.9% of excess returns over the period, was the key contributor. The portfolio ended the period with 40% in government bonds and cash, 35% in investment grade corporate credit, 10% in agency debt and the remainder in covered bonds and ABS.

Investment manager's report – continued

Market Outlook

The MPC considers that the current monetary policy stance remains appropriate given the weakness in domestic demand and the potential for further adverse demand shocks arising from eurozone peripheral stress. Some committee members are of the opinion that should inflation data soften, an expansion of QE may be warranted.

GDP forecasts have been successively lowered over recent months and the true

impact of fiscal retrenchment is yet to be felt. Consumption is sluggish, falling 0.2% quarter-on-quarter (“q-o-q”) in 4Q10 and 0.6% q-o-q in 1Q11. Consumer confidence surveys echo this trend. Housing prices, with the exception of those in London and the southeast, are drifting lower. Hence exceptionally accommodative monetary policy is likely to remain in place for the foreseeable future, buoying gilts but providing scant support for risk assets. The FTSE 100 returned just 0.8% in H1, versus

6.7% for the DAX 30, 4.7% for the CAC 40 and 5.0% for the S&P 500. GBP investment grade credit produced excess returns of -1.08% in H1 (versus -0.40% for USD markets and -0.45% for EUR markets). The fundamentals warrant a continuation of this relative UK underperformance, however, should the eurozone situation stabilise, GBP assets would be likely to reverse their recent underperformance in the ensuing relief rally.

August 2011

Portfolio structure

As at 30 June 2011

Underweight

Shorts (0-5 years):

Short UK rates are effectively “anchored” at current low levels; given the limited upside for prices being underweight in this part of the curve, it is attractive from a risk-reward standpoint and provides cheap funding for higher-yielding positions in the belly of the curve.

Overweight

Mediums (5-15 years):

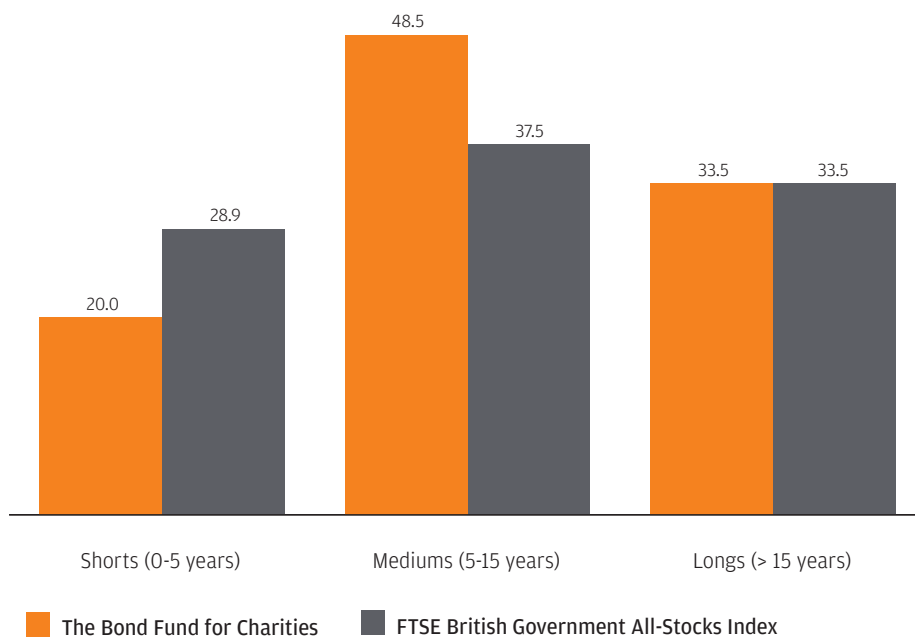
With UK rates set to remain lower for longer, rates in the intermediate sector of the curve look set to grind lower on duration extension by investors searching for yield, and also supported to an extent by the flight to quality bid in an environment of ongoing uncertainty stemming from eurozone peripheral stress.

Neutral

Longs (>15 years):

The long end looks less attractive from a valuation standpoint and in view of the current high rate of inflation and historically low level of interest rates, which can only increase from here.

Portfolio breakdown %



The Bond Fund for Charities

Investment performance

Highest offer/lowest bid price and revenue record

Calendar year	Price range for year		Revenue record
	Highest offer	Lowest bid	Distribution per unit
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
2010	125.78p	114.91p	4.35p
2011 ^a	122.65p	116.56p	2.12p

^aTo 30 June 2011.

Distributions are shown as total revenue with revenue expenses deducted.

Record of the Fund

	Net asset value of Fund	Number of units	Net asset value per unit	Historic Yield
	£'000		unit	%
30.06.09	121,114	103,899,514	116.57p	4.32
30.06.10	96,176	79,765,183	120.57p	3.61
30.06.11	45,715	38,176,092	119.75p	3.63

The net asset value and the net asset value per unit are shown ex-dividend at the financial year end. 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	
30.06.10	0.33%
30.06.11	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 assets over the same period.

Portfolio turnover rate

Financial year ending	
30.06.10	129.3%
30.06.11	71.0%

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

Portfolio statement

As at 30 June 2011

Investment - % of Fund	Holding	Market value £'000	Total net assets %
Government stock - 81.9% (74.2%)			
Sterling denominated - 81.9%			
Kommunalbanken 4.875% 2012	890,000	934	2.0
Treasury 2.5% 2013	607,000	1,742	3.8
Treasury 5% 2014	360,000	400	0.9
Treasury 4% 2016	4,985,000	5,422	11.9
Treasury 5% 2018	1,684,648	1,924	4.2
Treasury 3.75% 2019	1,298,000	1,356	3.0
Treasury 4.5% 2019	1,657,000	1,828	4.0
Treasury 3.75% 2020	2,070,730	2,131	4.7
Treasury 4.75% 2020	2,955,000	3,292	7.2
Treasury 4% 2022	1,960,000	2,027	4.4
Treasury 5% 2025	1,388,369	1,549	3.4
Treasury 4.25% 2027	935,000	952	2.1
Treasury 6% 2028	1,276,151	1,579	3.5
Treasury 4.75% 2030	970,000	1,042	2.3
Treasury 4.25% 2032	859,000	863	1.9
Treasury 4.5% 2034	1,119,000	1,157	2.5
Treasury 4.25% 2036	1,430,000	1,424	3.1
Treasury 4.25% 2039	650,000	648	1.4
Treasury 4.25% 2040	2,000,000	1,990	4.4
Treasury 4.25% 2046	1,550,000	1,552	3.4
Treasury 4.25% 2049	1,465,000	1,468	3.2
Treasury 4.25% 2055	1,340,000	1,347	2.9
Treasury 4% 2060	667,000	637	1.4
War Loan 3.5% Perpetual	172,000	131	0.3
Corporate bonds - 15.9% (23.5%)			
Sterling denominated - 15.9%			
Abbey National Treasury Services 5.125% 2021	500,000	508	1.1
Abbey National Treasury Services 5.75% 2026	100,000	103	0.2
Annington Finance No.1 8% 2021	420,000	514	1.1
Granite Mortgages FRN 2043	583,785	562	1.2
Lloyds Banking Group 2.75% 2012	1,106,000	1,119	2.4
Lloyds Banking Group 6% 2030	500,000	524	1.1
Skipton 2% 2012	900,000	906	2.0
SLM Student Loan Trust 5.15% 2039	266,000	256	0.6
UniCredit Bank 5.625% 2011	400,000	400	0.9
West Bromwich Building Society 2% 2012	1,192,000	1,203	2.6
Yorkshire Building Society 2% 2012	1,213,000	1,221	2.7
Supra-national - 1.1% (0.5%)			
Sterling denominated - 1.1%			
Eurofima 4.375% 2013	460,000	481	1.1
Investment assets		45,192	98.9
Net other assets		523	1.1
Net assets		45,715	100.0

Unless otherwise stated the above securities are admitted to official stock exchange listings or trade on a regulated market.
The comparative percentage figures in brackets are at 30 June 2010.

Portfolio credit ratings	Market value £'000
AAA	44,792
AA	400
Total bonds	45,192
Investment assets	45,192

Portfolio movements

For the year ending 30 June 2011

	£'000		£'000
Total of all purchases for the year	29,393	Total of all sales for the year	77,761
Major purchases	Cost	Major sales	Proceeds
Treasury 4.75% 2020	6,003	Treasury 4.75% 2020	8,619
Treasury 4% 2022	3,223	Treasury 4.25% 2040	5,624
Treasury 3.75% 2020	2,749	Treasury 6% 2028	4,323
Treasury 4% 2016	2,159	Treasury 4.5% 2019	4,262
Treasury 4.5% 2013	1,989	Treasury 2.5% 2013	3,142
Treasury 4.5% 2019	1,601	Treasury 8% 2021	3,123
Treasury 4.75% 2015	1,540	Treasury 2.25% 2014	3,023
Treasury 2% 2016	1,388	Treasury 4% 2022	2,983
Treasury 2.5% 2013	1,289	Treasury 4.75% 2038	2,889
Treasury 2.25% 2014	900	Treasury 4.75% 2015	2,839
Treasury 4.25% 2055	870	Lloyds Banking Group 2.75% 2012	2,755
Treasury 4.25% 2046	849	Treasury 4.25% 2032	2,698
Treasury 5% 2014	700	West Bromwich Building Society 2% 2012	2,673
Treasury 4.25% 2039	637	Treasury 5% 2018	2,599
Abbey National Treasury Services 5.125% 2021	499	Skipton 2% 2012	2,017
Treasury 4.25% 2011	457	Treasury 4.5% 2013	1,992
Kommunalbanken 4.875% 2012	431	Treasury 4% 2016	1,707
UniCredit Bank 5.625% 2011	409	Treasury 3.75% 2019	1,672
Treasury 4.75% 2030	347	Treasury 4.25% 2055	1,630
Treasury 4.25% 2040	301	Treasury 2% 2016	1,359

Financial statements

Statement of total return

For the year ending 30 June

	2011		2010	
	£'000	£'000	£'000	£'000
Income				
Net capital (losses)/gains (Note 2)		(566)		3,663
Revenue (Note 3)	2,330		3,952	
Expenses (Note 4)	(236)		(361)	
Net revenue		2,094		3,591
Total return before distributions		1,528		7,254
Finance costs:				
Distributions (Note 5)		(2,431)		(3,998)
Change in net assets attributable to unitholders from investment activities		(903)		3,256

Statement of change in net assets attributable to unitholders

For the year ending 30 June

	2011		2010	
	£'000	£'000	£'000	£'000
Opening net assets attributable to unitholders		96,176		121,114
Amounts receivable on issue of units	4,619		6,156	
Amounts payable on cancellation of units	(54,177)		(34,350)	
		(49,558)		(28,194)
Change in net assets attributable to unitholders from investment activities (see above)		(903)		3,256
Closing net assets attributable to unitholders		45,715		96,176

Balance sheet

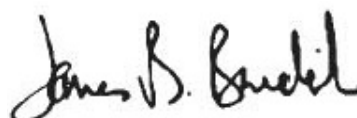
As at 30 June

	2011		2010	
	£'000	£'000	£'000	£'000
ASSETS				
Investment assets		45,192		94,464
Debtors (Note 7)	485		11,534	
Cash and bank balances	615		107	
Total other assets		1,100		11,641
Total assets		46,292		106,105
LIABILITIES				
Investment liabilities		-		(1)
Creditors (Note 8)	(177)		(9,052)	
Distribution payable on income units	(400)		(876)	
Total other liabilities		(577)		(9,928)
Total liabilities		(577)		(9,929)
Net assets attributable to unitholders		45,715		96,176

The notes to these financial statements are shown on pages 25 to 27.
Registered Charity Number: 1014756

Certification of Accounts

The Manager's Report has been prepared in accordance with the Charities Act 1993 and the Charities (Accounts and Reports) Regulations 2008.



Mr J Broderick
Director
JPMorgan Asset Management (UK) Limited
London
23 August 2011



Mr R Thompson
Director
JPMorgan Asset Management (UK) Limited
London
23 August 2011

Notes to the financial statements for the year ending 30 June

1. Accounting policies

The accounts of the Fund, which is a Common Investment Fund for charities, are presented in accordance with the following accounting policies:

- (a) The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with applicable accounting standards, the Charities Act 1993 and the Charities (Accounts and Reports) Regulations 2008 and with the Statement of Recommended Practice for Authorised Funds issued by the IMA in October 2010. The comparative figures were prepared in accordance with the Statement of Recommended Practice for Authorised Funds issued by the IMA in November 2008 and no restatement has been necessary. Under SORP 2010 there is no longer a requirement to disclose the Portfolio turnover rate figure. However, this figure is still being disclosed to provide unitholders with additional information. The Fund is exempt from complying with the Accounting and Reporting for Charities Statement of Recommended Practice 2005 due to paragraph 449 of that document.
- (b) Revenue on debt securities is recognised on the effective interest rate basis which takes account of the amortisation of any discounts or premium arising on the purchase price, compared to the final maturity value, over the remaining life of the security. Accrued interest purchased or sold is excluded from the cost of the security and is dealt with as revenue.
- (c) The Fund has elected to pay a coupon distribution based on coupon revenue earned by the Fund less deductible expenses charged to revenue. This income is distributed quarterly to unitholders on 30 November, 28 February, 31 May and 31 August. The impact of the coupon distribution election against the effective interest rate accounting treatment on distributable revenue can be seen in note 6.
- (d) Interest on deposits is accounted for on an accruals basis. Other revenue is accounted for on an accruals basis.
- (e) All expenses, except those relating to the purchase and sale of investments, are charged to the revenue property of the Fund.
- (f) The listed investments of the Funds and investments traded on regulated markets have been valued at market value at close of business on 30 June 2011. Market value is defined, by the SORP, as fair value which generally is the bid value of each security excluding any accrued interest in the case of floating or fixed rate securities.
- (g) All transactions in foreign currencies are converted into sterling at the rates of exchange ruling at the date of such transactions. Foreign currency assets and liabilities at the end of the accounting year are translated at the exchange rate at close of business on 30 June 2011.
- (h) Where appropriate, certain permitted financial instruments such as derivatives or forward currency contracts are used for efficient portfolio management.

Where such financial instruments are used to protect or enhance revenue, the revenue and expenses derived there from are included in Revenue or Expenses in the Statement of total return. Where such financial instruments are used to protect or enhance capital, the gains and losses derived there from are included in Net capital (losses)/gains in the Statement of total return.

2. Net capital (losses)/gains

	2011	2010
	£'000	£'000
Currency losses	-	(3)
Forward currency contracts	1	76
Non-derivative securities	(567)	3,590
Net capital (losses)/gains	(566)	3,663

3. Revenue

	2011	2010
	£'000	£'000
Interest on bank and term deposits	2	3
Interest on fixed-interest securities	2,328	3,949
Total revenue	2,330	3,952

4. Expenses

	2011	2010
	£'000	£'000
Payable to the Manager or associate of the Manager:		
Management fee	169	271
Payable to the Trustee or associate of the Trustee:		
Trustee fee	14	27
Payable other related parties and third parties:		
Audit fee	11	7
Irrecoverable VAT	37	49
Price publication	2	2
Printing and mailing costs	3	5
	53	63
Total expenses	236	361

5. Finance costs

Distributions

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

	2011	2010
	£'000	£'000
First interim interest distribution	816	1,058
Second interim interest distribution	480	1,074
Third interim interest distribution	449	878
Final interest distribution	400	876
	2,145	3,886
Add: Amounts payable on cancellation of units	309	149
Deduct: Amounts receivable on issue of units	(23)	(37)
Total finance costs	2,431	3,998

Details of the distribution per unit are set out on page 28.

6. Movement between net revenue and distributions

	2011	2010
	£'000	£'000
Net revenue	2,094	3,591
Add: Amortised interest on fixed-interest securities	337	407
	2,431	3,998

7. Debtors

	2011	2010
	£'000	£'000
Accrued income	464	826
Due from brokers for sales awaiting settlement	-	9,765
Due from the Manager for units created	-	923
Overseas tax recoverable	20	20
Prepaid expenses	1	-
Total debtors	485	11,534

8. Creditors

	2011	2010
	£'000	£'000
Accrued expenses	17	29
Due to brokers for purchases awaiting settlement	157	8,993
Due to the Manager for units cancelled	-	25
Irrecoverable VAT	3	5
Total creditors	177	9,052

9. Portfolio transaction costs

No portfolio transactions costs were incurred during the current or prior year.

Notes to the financial statements – continued

10. Units in issue

The number of units in issue at the end of the year was 38,176,092 (30.06.10: 79,765,183).

11. Related party transactions

Under the management contract, fees payable to the Manager exclude charges made by JPMorgan Asset Management (UK) Limited ("JPMAM") on the Fund for any investments made in JPMAM Managed Funds.

Management fees paid to JPMorgan Asset Management (UK) Limited and their associates are shown in Note 4 and details of units created and cancelled by JPMorgan Asset Management (UK) Limited are shown in the Statement of change in net assets attributable to unitholders. The balance due from JPMorgan Asset Management (UK) Limited and their associates at the year end in respect of these transactions was £9,644 (30.06.10: £877,743 balance due to JPMorgan Asset Management (UK) Limited).

Trustee fees paid to The Royal Bank of Scotland plc are shown in Note 4. The balance due to The Royal Bank of Scotland plc at the year end in respect of these transactions was £771 (30.06.10: £1,595).

The following parties held a material interest in the Fund at the year end date:
Chase Nominees Limited a/c 295670 17.50% (30.06.10: 7.82%)
Chase Nominees Limited a/c 295731 11.59% (30.06.10: 6.24%)

12. Financial instruments

The main risks arising from the Fund's financial instruments and the manager's policies for managing these risks are summarised below. These policies have been applied throughout the year and the previous year.

Market price risk

Market price risk is the risk that the value of the Fund's investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises mainly from uncertainty about future prices of financial instruments the fund holds. It represents the potential loss the Fund might suffer through holding market positions in the face of price movements. The Fund's investment portfolio is exposed to market price fluctuations which are monitored by the manager in pursuance of the investment objective and policy as set out in the Scheme Particulars. Adherence to investment guidelines and to investment and borrowing powers set out in the Trust Deed, the Scheme Particulars, and the Charities Act 1993 mitigates the risk of excessive exposure to any particular type of security or issuer.

Counterparty risk

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Fund has fulfilled its responsibilities. The Fund only buys and sells investments through brokers which have been approved by the manager as an acceptable counterparty. In addition limits, which may include the financial rating, are set and monitored for individual brokers.

Liquidity risk

The Fund's assets comprise mainly of readily realisable securities. The main liability of the Fund is the redemption of any units that investors wish to sell. Assets of the fund may need to be sold if insufficient cash is available to finance such redemptions.

The risk of low market liquidity, through reduced trading volumes, may affect the ability of the Fund to trade financial instruments at values indicated by market data vendors. From time to time, liquidity may also be affected by stock specific or economic events.

To manage these risks the Manager undertakes detailed research to select appropriate investment opportunities in line with the Fund's objective. All stocks are valued daily but those stocks identified as being less liquid are reviewed on a regular basis for pricing accuracy.

Foreign currency risk

Foreign currency risk is the risk that the value of the Fund's investment holdings will fluctuate as a result of changes in foreign currency exchange rates. The Manager may seek to manage exposure to currency movements by using forward foreign exchange contracts. At the balanced sheet date the Fund's assets by value are not exposed to movements in foreign currency exchange rates.

Credit risk

The Fund holds bonds issued by companies and governments in order to achieve its investment objective. The borrower receives from the Fund a principal amount. The Fund will then receive interest based on the coupon rate of the bond and repayment of the initial principal amount on the bond's maturity date. Any impairment to the borrower's ability to repay amounts due may result in changes to the tradable value of the bond and the amount to be received upon maturity on the bond. The ability of the borrower to repay not only the principal value but also any interest due on the bond, referred to as the borrower's credit rating, is monitored by the Manager. The Manager may undertake its own research of the borrower's financial position in order to assess the ability of the borrower to repay amounts due.

Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

Notes to the financial statements - continued

Interest rate risk

Interest rate risk is the risk that the value of the Fund's investment holdings will fluctuate as a result of changes in interest rates.

The Fund invests in fixed and floating rate securities. The income of the Fund may be affected by changes to interest rates relevant to particular securities or as a result of the manager being unable to secure similar returns on the

expiry of contracts or sale of securities. The value of fixed interest securities may be affected by interest rate movements or the expectation of such movements in the future. Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates.

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

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

Currency	Total assets £'000	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying any interest £'000
30.06.11				
UK Sterling	46,292	1,177	44,630	485
30.06.10				
Euro	86	-	-	86
UK Sterling	106,018	3,635	90,936	11,447

Currency	Total liabilities £'000	Floating rate financial liabilities £'000	Financial liabilities not carrying any interest £'000
30.06.11			
UK Sterling		577	577
30.06.10			
UK Sterling		9,928	9,928

Currency	Weighted average interest rate	Weighted average period for which rate is fixed (years) ^a
30.06.11		
UK Sterling	3.1%	14.2
30.06.10		
UK Sterling	3.2%	14.0

The floating rate financial assets comprise investments in variable interest rate paying corporate bonds and sterling denominated bank balances that bear interest at rates based on LIBOR.

The weighted average interest rate is calculated on a yield to maturity basis.

^a The Fund held certain stocks with no redemption date which were excluded when this figure was calculated.

Distribution table

Distribution in pence per unit

	£'000	2010/11 pence per unit	£'000	2009/10 pence per unit
Distribution paid 30 November 2010 for the quarter ending 30 September 2010 (2009/10: Paid 30 November 2009)				
Total revenue	896	1.267936	1,149	1.194714
Less: expenses	80	0.113246	91	0.094714
Distribution	816	1.154690	1,058	1.100000
Distribution paid 28 February 2011 for the quarter ending 31 December 2010 (2009/10: Paid 28 February 2010)				
Total revenue	543	1.217437	1,182	1.244174
Less: expenses	63	0.142141	108	0.113159
Distribution	480	1.075296	1,074	1.131015
Distribution paid 31 May 2011 for the quarter ending 31 March 2011 (2009/10: Paid 31 May 2010)				
Total revenue	495	1.184446	954	1.107576
Less: expenses	46	0.110626	76	0.088427
Distribution	449	1.073820	878	1.019149
Distribution payable 31 August 2011 for the quarter ending 30 June 2011 (2009/10: Paid 31 August 2010)				
Total revenue	447	1.167767	962	1.207388
Less: expenses	47	0.119242	86	0.108674
Distribution	400	1.048525	876	1.098714
Total distribution for the year ending 30 June				
Total revenue	2,381	4.837586	4,247	4.753852
Less: expenses	236	0.485255	361	0.404974
Distribution	2,145	4.352331	3,886	4.348878

The Fund makes four distributions each year in February, May, August and November of its total revenue less revenue expenses for the quarterly periods ending the previous 31 December, 31 March, 30 June and 30 September respectively. (See Note 1(c)). A distribution voucher is provided to each unitholder.

Statements of responsibilities

in relation to the Financial Statements of the Fund

Statement of the Manager's Responsibilities

The Manager is required under The Charities Act 1993 and The Charities (Accounts and Reports) Regulations 2008 and the Scheme Particulars to prepare financial statements for each accounting year which give a true and fair view of the financial position of the Fund at the end of the year, the amounts to be distributed and the change in net assets for the year.

In preparing the financial statements, the Manager is required to:

- comply with the Statement of Recommended Practice for Authorised Funds issued by the IMA in 2010;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in operation for the foreseeable future; and
- take reasonable steps for the prevention and detection of fraud, error and non-compliance with law or regulations.

The financial statements are prepared in accordance with applicable accounting standards and on the basis that the Fund will continue in operation.

The Manager is also responsible for the administration and management of the Fund including its investments. The Manager must carry out regular valuations of the Fund's property and will ensure that the units are correctly priced.

The Manager is required to keep proper accounting records and to manage the fund in accordance with the regulations and the Scheme documents.

The report has been prepared in accordance with the Financial Services Authority's Collective Investment Schemes Sourcebook.



Mr R Thompson
Director
JPMorgan Asset Management (UK) Limited
23 August 2011

Statement of the Trustee's Responsibilities

Under the Scheme which came into force on 31 March 2000, the Trustee is responsible for the custody and control of the property of the Fund, the collection of all revenue due to the Fund, and the claiming of any repayment of tax which may be due. The Trustee may create and cancel units in accordance with the instructions of the Manager (except where permitted not to by the Scheme Particulars). The Trustee will make distributions and allocations of revenue to unitholders as applicable.

The Trustee also has the duty of supervision and oversight of the Manager's compliance with the Scheme and the Scheme Particulars. In particular, the Trustee must be satisfied that the Manager is not exceeding his powers and that the Manager is maintaining adequate and proper records.

The Trustee is required to take all steps and execute all documents which are necessary to ensure that purchases and sales of investments of the Fund are properly completed, and is required to exercise voting rights attaching to such investments as properly instructed by the Manager.

The Trustee is responsible for the appointment of the registrar and the custodian and for the supervision and oversight of them. The Trustee is responsible for supervision and oversight of any other delegate which it appoints. In addition, the Trustee is responsible for the appointment and dismissal of persons engaged in connection with the Fund and for the making of an annual report on the discharge of its responsibilities for the management of the Fund.

Finally, the Trustee is responsible for the winding up of the Fund.

Report of the Trustee to unitholders of The Bond Fund for Charities for the year ending 30 June 2011

We confirm that in the Trustee's opinion the Manager has managed the Scheme in all material respects in accordance with the limitations imposed on the investment and borrowing powers of the Manager and Trustee by the Scheme and by the Scheme Particulars, and otherwise in accordance with the provisions of the Scheme and the Scheme Particulars.



The Royal Bank of Scotland plc
Trustee and Depositary Services
Edinburgh
23 August 2011

Independent Auditors' report

to the Unitholders of The Bond Fund for Charities ("the Fund")

We have audited the financial statements of The Bond Fund for Charities (the "Fund") for the year ending 30 June 2011 which comprise the statement of total return, the statement of change in net assets attributable to unitholders, the balance sheet, the related notes and the distribution table. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice 'Financial Statements of Authorised Funds' issued by the Investment Management Association (the "Statement of Recommended Practice for Authorised Funds").

Respective responsibilities of Authorised Fund Manager and auditors

As explained more fully in the Statement of the Manager's Responsibilities the Manager is responsible for the preparation of financial statements which give a true and fair view.

We have been appointed as auditors under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Fund's Unitholders as a body in accordance with Regulation 24 of The Charities (Accounts and Reports) Regulations 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes as assessment of whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Manager; and the overall presentation of the financial statements. In addition, we read the information in the Manager's Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Fund at 30 June 2011 and of the net revenue and the net gains of the property of the Fund for the year then ending; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Charities Act 1993.

Opinion on other matters prescribed by the Collective Investment Schemes sourcebook

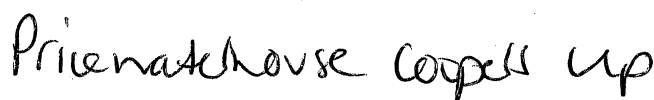
In our opinion:

- we have obtained all the information and explanations we consider necessary for the purposes of the audit; and
- the information given in the Manager's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 1993 requires us to report to you if, in our opinion:

- the information given in the Manager's Report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and Manager's Report; or
- we have not received all the information and explanations we require for our audit.



PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
23 August 2011

The maintenance and integrity of the J.P. Morgan Asset Management web site is the responsibility of the Manager; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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