

# Alternative Investments Fund

half-yearly short report for the period  
1 January 2009 to 26 June 2009

Due to a number of fund changes over the period for certain other funds available from Skandia Investment Management Limited, we have changed the end date of the reporting period from 30 June to 26 June for this interim report only.

Some of the terms in this document are of a technical nature. We have highlighted these in bold type and you can find definitions in the glossary near the end of this document. If anything is unclear, we recommend you speak to your financial adviser who will be able to explain further.

## fund objective

The Fund aims to provide investors with long-term capital growth by investing in a diversified range of assets.

## investment policy

The Fund will primarily invest in **collective investment schemes** in order to gain exposure to a diversified portfolio of investments including, but not limited to, cash, **fixed interest, commodities** (indirectly), currency, equities and **derivatives**.

The Fund may invest in collective investment schemes that are managed or operated by the **Authorised Corporate Director** (ACD) or an associate of the ACD. The Fund may also invest in **transferable securities**.

Derivatives (primarily **contracts for difference**) may be used with the aim of creating positions which increase in value as the price of the underlying investment falls, or alternatively positions which increase in value as the price of the underlying investment rises.

The Fund may also use derivatives (primarily contracts for difference and exchange traded **futures**) with the aim of reducing the market exposure of the Fund. **Forward transactions** may also be used with the aim of reducing currency risk for currency **hedged** share classes.

## risk profile

The Fund invests in a diversified range of non-traditional investments. These investments are blended with the aim of keeping the variability of returns comparatively low and the performance is expected to be very different from that of traditional investments such as equities (shares) and fixed interest securities. This means that the Fund is likely to underperform traditional investments when stock markets are rising strongly. Some of the investments are accessed indirectly through companies operating in the relevant area.

To reduce the resultant exposure to the normal ups and downs of the stock market, the Fund has the ability to take **'short' positions** in market indices. This should enhance returns when stock markets are falling but is likely to reduce them when stock markets are rising. The Fund aims to achieve positive returns over any twelve month period, but this cannot be guaranteed as it depends on investment performance. The Fund holds investments from the UK and overseas. This includes some exposure to emerging markets, which tend to be less well regulated and more volatile than more established markets, so increasing the potential risk to investors. The Fund offers sterling hedged and Swedish krona hedged share classes to protect investors against the risk of adverse currency movements. However, where the currency exposure is not fully hedged, the value may rise or fall purely as a result of exchange rate fluctuations.

## fund manager's report

After reaching exceptional levels in late 2008, volatility across global financial markets eased somewhat during the period. While economic data remained generally weak, tentative signs of improvement emerged and became more broad-based as the period progressed, boosting investor confidence and appetite for risk. Stock markets recorded sharp declines during the first two months of 2009 before staging a very strong recovery from March onwards on hopes that the worst of the economic downturn may be over. Similarly, corporate bonds had a poor start to the year but later benefited from the improving economic backdrop and better-than-expected company results, notably within the banking sector. The high yield segment of the corporate bond market performed particularly well. In contrast, government bonds struggled for much of the period on concerns over the level of debt that governments have accumulated in funding stimulus packages and as demand for lower risk assets declined. In commodity markets, the price of oil and metals, both industrial and precious, rose.

*continued*

## fund manager's report *continued*

Over the period under review, the Alternative Investments Fund recorded a loss, but fared better than global equity markets (as measured by the MSCI World Index in sterling terms). There were very strong gains from the Morgan Stanley Commodities Fund and BlackRock Gold & General Fund, both of which benefited from the recovery in commodity prices.

The Commerzbank UK Premia and Aviva Investors Tactical Asset Allocation Fund also performed well. These gains were offset by losses from the TG Rare Infrastructure Fund and the exposure to timber stocks. The Fulcrum Alternative Beta Fund and Morgan Stanley FX Alpha RC400 Fund also fell in value.

**The mention of any particular fund should not be taken as a recommendation to buy or sell investments.**

## fund facts

The Fund offers accumulation shares only, which automatically reinvest any income to increase the capital value of your investment.

Fund accounting dates (ex-dividend dates)	Fund payment/ accumulation dates
31 December	28 February
26 June	31 August

The table below shows the net accumulations in pence/öre/cents per share distributed for the calendar year indicated. The Alternative Investments Fund was launched on 23 June 2008, offering sterling and USD shares. SEK shares were added to the fund on 28 October 2008.

Calendar year	Pence/öre/cents per share
2008 Accumulation*	–
2008 Accumulation SEK**	–
2008 Accumulation USD*	–
2009 Accumulation***	–
2009 Accumulation SEK***	–
2009 Accumulation USD***	–

\* from 23 June

\*\* from 28 October

\*\*\* to 31 August

## total expense ratio (TER)

The Total Expense Ratio represents all operating charges and expenses as a percentage of a fund's value. It includes the Annual Management Charge as well as all the regular administrative costs incurred by a fund.

TER as at 26 June 2009	TER as at 31 December 2008*
2.76%	2.42%

\* estimated

## share price performance

The table below shows the highest and lowest share prices in pence/öre/cents per share for the calendar years indicated.

Calendar year	Highest price	Lowest price
2008 Accumulation*	50.25 pence	41.61 pence
2008 Accumulation SEK**	11.04 öre	9.93 öre
2008 Accumulation USD*	52.77 cents	41.02 cents
2009 Accumulation***	46.21 pence	43.52 pence
2009 Accumulation SEK***	11.17 öre	10.51 öre
2009 Accumulation USD***	45.10 cents	42.30 cents

\* from 23 June

\*\* from 28 October

\*\*\* to 26 June

## fund performance

Share class	Net asset value per share as at 26 June 2009	Net asset value per share as at 31 December 2008	% change
Accumulation	45.43 pence	45.97 pence	-1.17%
Accumulation SEK	85.48 pence	97.50 pence	-12.33%
Accumulation USD	26.74 pence	31.18 pence	-14.24%

Date	Net asset value of Fund	Shares in issue (Accum)	Shares in issue (Accum SEK)	Shares in issue (Accum USD)	Net asset value per share (Accum)	Net asset value per share (Accum SEK)	Net asset value per share (Accum USD)
31 Dec 2008	£30,459,429	38,450,398	4,601,482	26,607,148	45.97 pence	97.50 pence	31.18 pence
26 June 2009	£69,444,565	125,166,711	6,650,933	25,780,788	45.43 pence	85.48 pence	26.74 pence

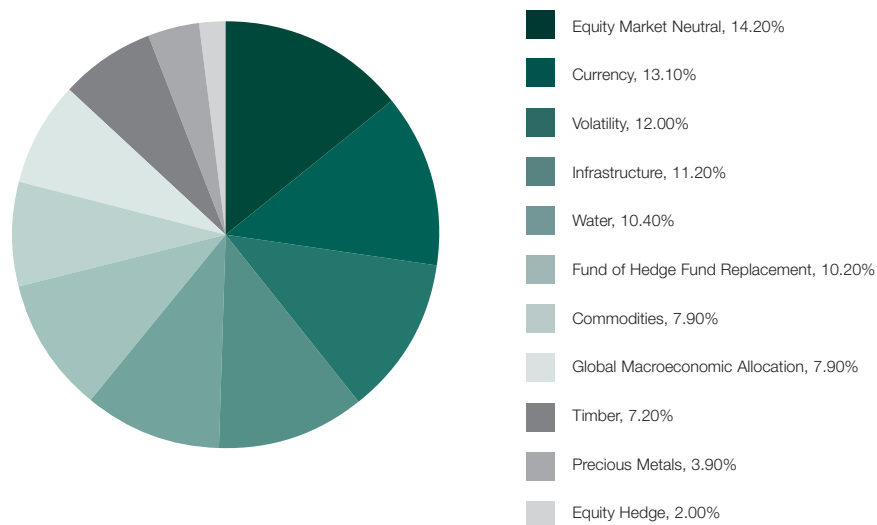
	Percentage change to 26 June 2009		
	6 months	1 year	Since launch*
Fund performance	-1.07%	-9.79%	-9.36%

\* from 23 June 2008

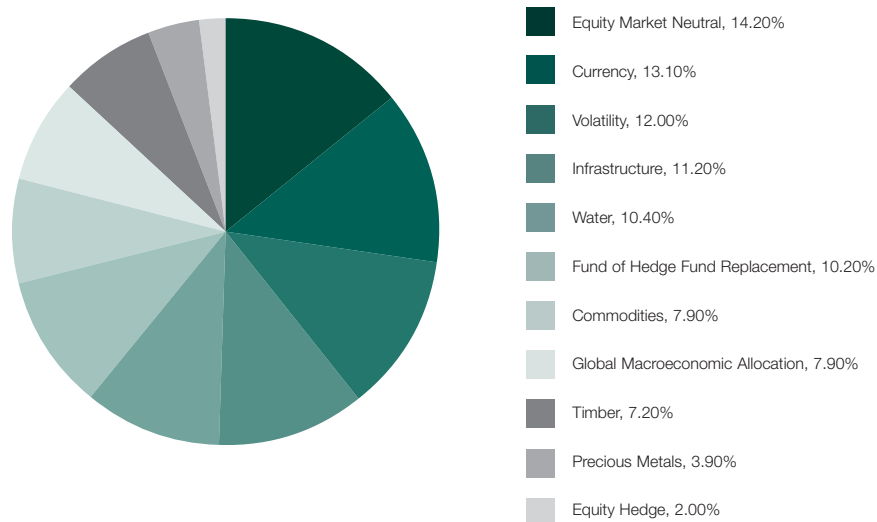
Source: Financial Express. Figures are calculated on a total return and single price basis, with net income reinvested in sterling terms. Six months' performance is from 31 December 2008 to 26 June 2009. Yearly comparatives are from previous half-yearly period end dates to 26 June.

You should not view past performance as an indication of future performance. The value of investments and any income from them may fall as well as rise and you may not get back the amount you invested. Where a fund invests in securities designated in a different currency to the Fund, the value of the Fund may rise and fall purely as a result of exchange rate fluctuations.

### target asset allocation as at 26 June 2009



### target asset allocation as at 31 December 2008



## major holdings

The table below shows the top ten holdings of the Fund. All holdings will be shown if there are less than ten holdings.

As at 26 June 2009	%	As at 31 December 2008	%
JPM Highbridge Statistical Market Neutral Fund	14.25	JPM Highbridge Statistical Market Neutral Fund	13.52
Morgan Stanley FX Alpha Plus RC400 Fund	12.96	Morgan Stanley FX Alpha Plus RC400 Fund	12.96
Commerzbank UK Premia Fund	12.09	Commerzbank UK Premia Fund	12.49
Fulcrum Alternative Beta Plus Fund	10.05	KBC ECO Water Fund	10.76
KBC ECO Water Fund	9.98	Fulcrum Alternative Beta Plus Fund	9.78
Macquarie Global Infrastructure Securities Fund	8.99	Macquarie Global Infrastructure Securities Fund	9.34
Morgan Stanley Commodities Alpha Plus Fund	8.41	Aviva Absolute Tactical Asset Allocation (TAA) Fund	8.29
Aviva Absolute Tactical Asset Allocation (TAA) Fund	7.39	Morgan Stanley Commodities Alpha Plus Fund	6.43
BlackRock Gold & General Fund	3.89	BlackRock Gold & General Fund	6.08
TG Rare Infrastructure Fund	0.96	TG Rare Infrastructure Fund	2.55

## glossary

**Authorised Corporate Director (ACD)** – the Authorised Corporate Director provides a professional investment management service in respect of the open-ended investment companies (OEICs) and controls the assets and operation of each fund. The ACD of the Skandia Investment Management OEICs is Skandia Investment Management Limited.

**Collective investment schemes** – are investments, such as OEICs or unit trusts, in which money from individual investors is pooled into a professionally managed fund.

**Commodities** – a tradeable item that can generally be further processed and sold (eg metals, wheat, sugar, coal).

**Contracts for difference** are types of derivative (see below) that can be used with the aim of making money out of assets that either rise in value or those that fall in value.

**Derivatives** – derivatives are contracts between two or more parties whose value is derived from a related asset. The most common related assets include shares, fixed interest securities, commodities, currencies, interest rates and market indices. Derivatives can be used for speculative purposes but in investment funds they are generally used to reduce risk.

**Fixed interest** – a fixed term investment that pays interest at a rate that does not change with any external variable, known as the coupon. Coupons are known in advance and are almost always all for the same amount and paid at regular intervals.

**Forward transactions** – forward transactions are also known as futures.

**Futures** – are agreements to buy or sell assets for delivery at a certain time in the future for a certain price.

**Hedge** – making an investment to reduce the risk of adverse price movements in an asset. Although hedging can reduce potential losses, it can also tend to reduce potential profits.

**Short position** – the purchase of a contract against a security, commodity or currency, with the expectation that the asset will fall in value.

**Transferable securities** – a security whose ownership can be transferred between parties.

## report and accounts

Copies of the annual and half-yearly Long Form Report and Accounts are available on request, free of charge, from our Edinburgh office. To contact us please call 0844 892 0996\* or write to:

Skandia Investment Management Limited  
PO Box 23486  
12 Blenheim Place  
Edinburgh  
EH7 5YB

## depository

The independent Depository is the Royal Bank of Scotland, whose address is:

Royal Bank of Scotland plc  
Waterhouse Square  
138-142 Holborn  
London  
EC1N 2TH

The Depository is authorised and regulated by the Financial Services Authority, whose address is:

25 The North Colonnade  
Canary Wharf  
London  
E14 5HS

## auditors

The Fund's independent auditors are KPMG Audit plc, whose registered address is:

KPMG Audit plc  
One Canada Square  
London  
E14 5AG

## authorised corporate director (ACD)

The Alternative Investments Fund is managed by Skandia Investment Management Limited, which is the Authorised Corporate Director (ACD) of the Fund. Its registered address is:

Skandia Investment Management Limited  
Skandia House  
Portland Terrace  
Southampton  
SO14 7EJ

Skandia Investment Management Limited is a company limited by shares, incorporated in England and Wales and authorised and regulated by the Financial Services Authority.

## how to contact us

If you have any questions please contact us or call your financial adviser. Our offices are open on business days between the hours of 8.30am and 5.30pm.

To contact us please call 0844 892 0996\* or write to:

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12 Blenheim Place  
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If you would like general information on the funds or on Skandia Investment Management Limited you can visit our website:

**[www.skandiainvestmentmanagement.com](http://www.skandiainvestmentmanagement.com)**

*\* Calls cost 3 pence per minute from a BT landline. Customers who have telephone services with other providers may have different call charges. Calls from mobiles or internet services may be considerably higher.*

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[www.skandiainvestmentmanagement.com](http://www.skandiainvestmentmanagement.com)

Calls may be monitored and recorded for training purposes and to avoid misunderstandings.

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SK6601/29-1560/August 2009

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