

Equity Income 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 Equity Income Fund aims to provide investors with an above average level of income together with the potential for capital growth. This Fund invests predominantly in the UK.

investment policy

The Equity Income Fund will invest in **collective investment schemes** ('funds') that invest mainly in equities. Investment will be through regulated funds managed or operated by the **Authorised Corporate Director** (ACD) or its associates, and also through funds not managed or operated by the ACD or its associates. These funds have specialist investment advisers which are continuously monitored by the ACD.

risk profile

Although aiming to provide an above average level of income, this Fund does not have a particular income target and therefore the level of income will fluctuate. Annual charges and expenses are taken out of the Fund's capital rather than income. This may restrict or reduce the capital value of your investment.

fund manager's report

UK equities experienced heavy losses in early 2009 before staging a strong recovery from March onwards on hopes that the worst of the economic downturn may be over. Although the UK economy remained weak, with growth in the first quarter confirmed as the worst in 50 years, tentative signs of improvement emerged as the period progressed. Consumer confidence rose, despite unemployment reaching its highest level in a decade, while data on the housing market began to stabilise. The Bank of England cut interest rates from 2% to just 0.5% and pumped more money into the financial system to encourage bank lending.

The FTSE All Share Index ended the period broadly unchanged, returning 0.6%. In a marked reversal on the previous six months, small- and medium-sized companies significantly outperformed their larger counterparts. Cyclical sectors, such as technology and basic resources, generally fared well as these areas of the market tend to benefit most during periods of economic recovery. Meanwhile, the more defensive sectors, notably telecommunications and utilities, suffered as investors took profits.

The Equity Income Fund recorded a small loss over the period, lagging the IMA Equity Income sector. The main detractors from performance were the Newton Global Higher Income Fund and the Newton UK Equity Income mandate. The latter suffered from its low exposure to mining companies, notably Anglo American, Rio Tinto and Xstrata, which performed well as commodity prices rose. Its holdings in telecommunications companies such as BT and Vodafone also proved detrimental. Meanwhile, performance of Newton's Global Fund was undermined by a low weighting in information technology companies, as well as weak stock selection within this sector.

On the positive side, performance of the Schroder Income Maximiser Fund was very strong, boosted by excellent stock selection within the industrials sector during the second half of the period. Both the UBS and Origin mandates also ended the period well ahead of the UK equity market.

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

fund facts

The Fund offers income shares only.

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

The table below shows the net income in pence per share distributed for the calendar years indicated. The Equity Income Fund was launched on 22 August 2003.

Calendar year	Pence per share
2004 Income	0.9846 pence
2005 Income	2.1495 pence
2006 Income	2.7808 pence
2007 Income	2.5484 pence
2008 Income	3.2506 pence
2009 Income*	3.0478 pence

* 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
1.99%	1.93%

share price performance

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

Calendar year	Highest price	Lowest price
2004 Income	57.66 pence	51.06 pence
2005 Income	66.83 pence	56.63 pence
2006 Income	73.56 pence	64.22 pence
2007 Income	76.21 pence	63.65 pence
2008 Income	65.46 pence	39.31 pence
2009 Income*	46.16 pence	36.61 pence

* to 26 June

fund performance

Net asset value per share as at 26 June 2009	Net asset value per share as at 31 December 2008	% change
36.61 pence	39.31 pence	-6.87%

Date	Net asset value of Fund	Shares in issue	Net asset value per share
31 December 2006	£135,521,843	187,931,601	72.11 pence
31 December 2007	£112,549,625	173,808,702	64.75 pence
31 December 2008	£67,428,119	151,208,929	44.59 pence
26 June 2009	£61,662,187	144,236,316	42.75 pence

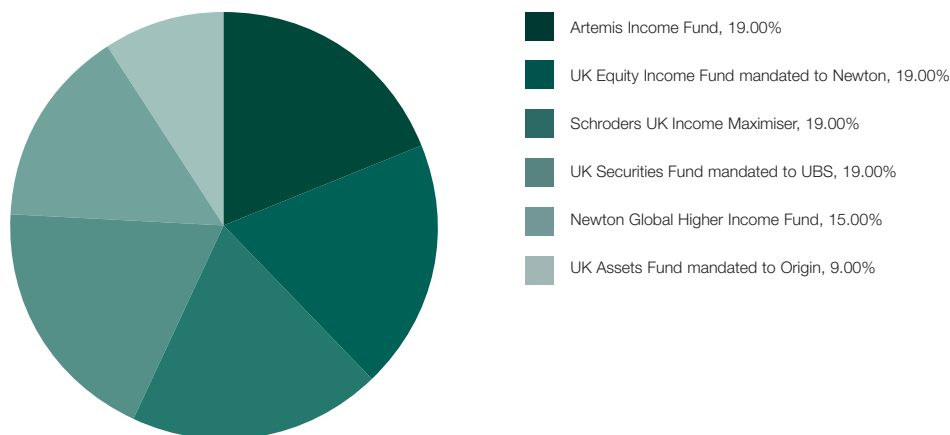
	Percentage change to 26 June 2009						
	6 months	1 year	2 years	3 years	4 years	5 years	Since launch*
Fund performance	-1.55%	-15.37%	-32.98%	-26.57%	-14.07%	-1.04%	10.38%

*from 22 August 2003

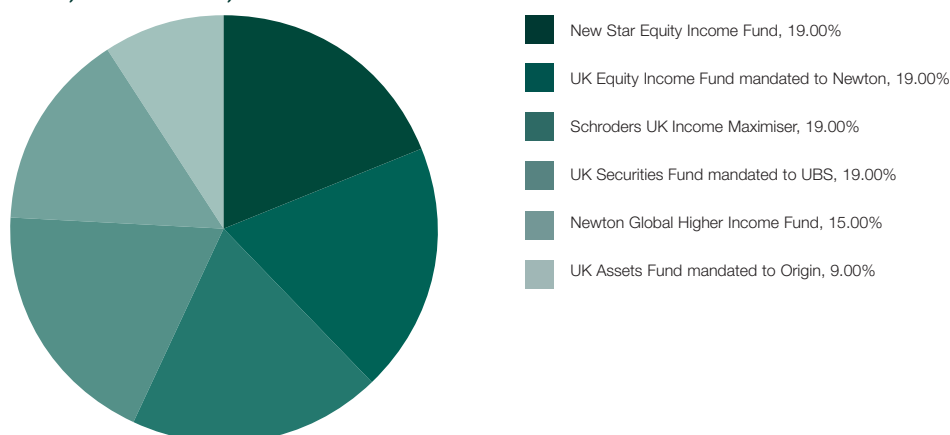
Source: Financial Express. Figures are calculated on a total return and single price basis. Prices are quoted in sterling. Six months' performance is from 31 December 2008 to 26 June 2009. Yearly comparatives are from previous half-yearly period end dates to 26 June.

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 manager allocation as at 26 June 2009



target manager 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	%
UK Equity Income Fund mandated to Newton	19.05	UK Securities Fund mandated to UBS	18.97
UK Securities Fund mandated to UBS	19.02	UK Equity Income Fund mandated to Newton	18.95
Artemis Income Fund	18.99	Schroder UK Income Maximiser	18.79
Schroder UK Income Maximiser	18.94	New Star Equity Income Fund	18.73
Newton Global Higher Income Fund	14.95	Newton Global Higher Income Fund	15.34
UK Assets Fund mandated to Origin	9.13	UK Assets Fund mandated to Origin	8.95

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.

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 Equity Income 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:

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

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

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

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

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