

Global Fixed Interest Blend 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 Global Fixed Interest Blend Fund aims to provide long-term total return from capital growth and income through investment predominantly in global **fixed interest securities**. Investment may also be made in currencies and global variable rate **debt securities**.

investment policy

Investment will be in a diversified portfolio, predominantly of global (including the UK) fixed interest securities in a variety of currencies. Investment may also be made in currencies and global (including the UK) variable rate debt securities. Investment will be either directly in **transferable securities** or through regulated **collective investment schemes**, including those managed and operated by the **Authorised Corporate Director (ACD)**.

For efficient portfolio management purposes only, investment may also be made into **derivatives** or **forward transactions**.

risk profile

This Fund aims to maximise total return through investment in global fixed interest securities and therefore the level of income will fluctuate. Exchange rate movements between sterling and other currencies may increase or decrease the underlying value of this Fund's holdings. This Fund 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 interest rate on corporate bonds and most government bonds will not increase in line with inflation so the real value of your income is likely to fall. The Fund invests partly in high yielding corporate bonds. A high yield is the reward for lending money to companies that present a higher risk of default than those issuing lower yielding bonds. Defaulting can adversely affect the capital and income return from this Fund.

fund manager's report

Most government bond markets suffered in early 2009 on concerns over the level of debt that governments have accumulated in funding stimulus packages and providing support to the banking sector. This was followed by a recovery

in February, when worries about the economic outlook took precedence and investors favoured safe-haven assets. The rally continued in March, as central banks announced further measures to tackle the credit crisis. However, as signs of improvement in the economic backdrop emerged, investors' appetite for risk rose markedly and demand for government bonds waned, leading to weakness in the major markets during the second quarter of the year.

Corporate bonds continued to struggle during the first quarter of 2009, dragged lower by the financial segment of the market, which suffered on concerns over the health of the banking sector. This trend reversed during the second half of the period and corporate bonds staged a strong recovery, driven by signs of stabilisation in economic data and improving corporate results. Bonds issued by financial institutions led the rally as many banks were deemed to be in a better position than previously feared. High yield corporate bonds generated strong returns over the period, boosted by a recovery in equity markets and an increase in demand for riskier assets. Emerging market debt also performed well on optimism surrounding the economic outlook and a recovery in commodity prices.

The Global Fixed Interest Blend Fund performed well compared to the IMA Global Bond sector, which fell 2.9%, and ended the period broadly flat. The main contributors to performance were the Threadneedle European High Yield Bond, Aegon Strategic Bond and Baring Absolute Return Global Bond funds, all of which posted double-digit gains. The Threadneedle Fund benefited from the marked pick-up in investors' appetite for risk, which drove the strong performance of the high yield bond market. Aegon's Strategic Bond Fund (previously known as Aegon Global Bond) had a weak start to the year due to its high exposure to corporate bonds, notably those issued by banks, but later made a very strong recovery as conditions in the financial sector and broader economy began to improve. The Aegon Fund also benefited from a sizeable weighting in high yield bonds during the latter part of the period. These gains were offset by losses from the Fidelity International Bond Fund, the Wellington mandate and the PIMCO Global Bond Fund, which suffered from their greater exposure to government bonds and their exposure to the US dollar, which weakened against sterling.

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

fund facts

The Fund offers income shares in sterling and accumulation shares in US dollars.

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

The table below shows the net income and accumulations in pence/cents per share distributed for the calendar years indicated. The Global Fixed Interest Blend Fund was launched on 8 April 2005 and the US Dollar Share Class was launched on 1 November 2005.

Calendar year	Pence or cents per share
2005 Income*	–
2005 Accumulation USD**	–
2006 Income	1.0294 pence
2006 Accumulation USD	1.3784 cents
2007 Income	1.2568 pence
2007 Accumulation USD	3.1578 cents
2008 Income	1.4032 pence
2008 Accumulation USD	2.9467 cents
2009 Income***	2.0274 pence
2009 Accumulation USD***	3.4311 cents

* from 8 April

** from 1 November

*** 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
2.05%	1.99%

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
2005 Income*	52.28 pence	49.55 pence
2005 Accumulation USD**	90.90 cents	90.38 cents
2006 Income	52.25 pence	49.26 pence
2006 Accumulation USD	101.00 cents	90.20 cents
2007 Income	50.44 pence	46.99 pence
2007 Accumulation USD	107.60 cents	97.99 cents
2008 Income	53.50 pence	47.43 pence
2008 Accumulation USD	109.70 cents	79.50 cents
2009 Income***	54.53 pence	50.48 pence
2009 Accumulation USD***	95.44 cents	77.90 cents

* from 8 April

** from 1 November

*** 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
Income	51.52 pence	52.94 pence	-2.68%
Accumulation USD	57.84 pence	57.19 pence	1.14%

Date	Net asset value of Fund	Shares in issue		Net asset value per share	
		Income	Accumulation USD	Income	Accumulation USD
31 December 2006	£36,857,426	57,806,491	16,747,049	49.21 pence	50.22 pence
31 December 2007	£42,380,715	61,647,924	22,391,186	49.76 pence	52.27 pence
31 December 2008	£46,616,389	68,171,515	18,401,907	52.94 pence	57.19 pence
26 June 2009	£43,621,132	65,475,051	17,102,664	51.52 pence	57.84 pence

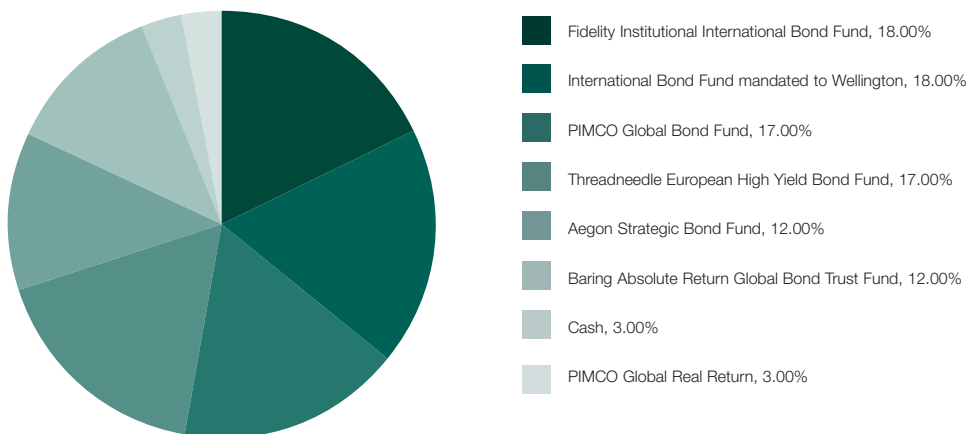
	Percentage change to 26 June 2009					
	6 months	1 year	2 years	3 years	4 years	Since launch*
Fund performance	0.05%	7.57%	16.28%	13.18%	13.46%	15.39%

*from 8 April 2005

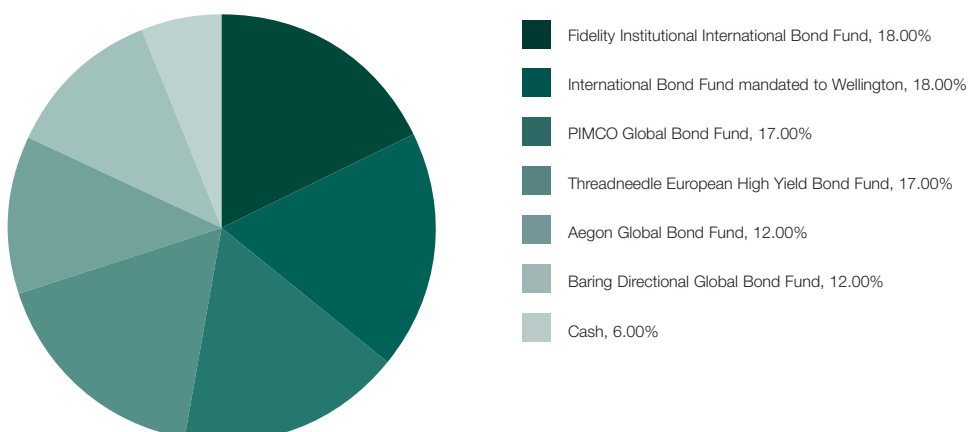
Source: Financial Express. Figures are calculated on a total return and single price basis, with net income reinvested in sterling terms. Six months' performance is from 31 December 2008 to 26 June 2009. Yearly comparatives are from previous half-yearly period end dates to 26 June.

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 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	%
International Bond Fund mandated to Wellington	17.89	International Bond Fund mandated to Wellington	18.80
Fidelity Institutional International Bond Fund	17.51	Fidelity Institutional International Bond Fund	18.46
PIMCO Global Bond Fund	16.94	PIMCO Global Bond Fund	17.93
Threadneedle European High Yield Bond Fund	16.86	Threadneedle European High Yield Bond Fund	17.55
Baring Absolute Return Global Bond Trust Fund	11.97	Aegon Global Bond Fund	11.07
Aegon Strategic Bond Fund	11.87	Baring Directional Global Bond Fund	10.72
PIMCO Global Real Return Bond Fund	3.01		

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.

Debt securities – IOUs created through loan-type transactions such as commercial paper, bank certificates of deposit, bills, bonds, and other investment instruments.

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 securities – 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 (also known as forward transactions).

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
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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 Global Fixed Interest Blend Fund is managed by Skandia Investment Management Limited, which is the Authorised Corporate Director (ACD) of the Fund. Its registered address is:

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Skandia House
Portland Terrace
Southampton
SO14 7EJ

Skandia Investment Management Limited is a company limited by shares, incorporated in England and Wales and regulated and authorised 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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If you would like general information on the funds or on Skandia Investment Management Limited you can visit our website:

www.skandiainvestmentmanagement.com

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