skandia:
Investment Management

UK 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 funds available from Skandia Investment Management Limited, we have changed the end date for 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 UK Fixed Interest Blend Fund aims to provide long-term total return from capital growth and income through investment predominantly in UK **fixed interest securities**. Investment may also be made in UK variable rate **debt securities**.

investment policy

Investment will be in a diversified portfolio, predominantly of UK fixed interest securities. Investment may also be made in UK variable rate debt securities and international debt securities. Both fixed interest and variable rate debt securities will be predominantly sterling denominated (or **hedged** back to sterling). 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 and therefore the level of income will fluctuate. This Fund invests in UK **fixed interest securities** only and is therefore not exposed to exchange rate movements between sterling and other currencies. By the same token, however, it does not benefit from geographical diversity so you should consider your degree of exposure to this Fund in the context of all your investments. Additionally, 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

UK government bonds (gilts) had a weak start to the year, suffering on concerns over the level of debt that the government has 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 the Bank of England announced further measures to tackle the credit crisis. However, as signs of improvement in the economic backdrop emerged during the second quarter of the year, investors' appetite for risk rose markedly and demand for gilts weakened. The UK gilt market recorded a negative return for the period as a whole, with the FTSE British Government All Stocks Index falling 2.0%.

The UK corporate bond market continued to struggle during the first quarter of 2009, dragged lower by the financial sector, which suffered on fears of further bank nationalisations. 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 as a whole, boosted by a recovery in equity markets and an increase in demand for riskier assets. Against this backdrop, the IMA Sterling Corporate Bond sector gained 1.9%.

The UK Fixed Interest Blend Fund had a strong start to the year, finishing well ahead of the IMA Sterling Corporate Bond sector. The J.P.Morgan High Yield Bond mandate recorded very strong gains, driven by the marked improvement in investors' risk appetite. M&G's Optimal Income Fund performed consistently well, recording impressive, double-digit returns. The M&G Fund benefited from a low weighting in financial corporate bonds during the first half of the period (although the manager increased the position as the outlook improved), while the low exposure to government bonds added value.

continued

fund manager's report *continued*

Old Mutual's Corporate Bond Fund also performed well. After struggling during the first half of the period, the fund benefited from a much less defensive positioning than many of its peers when markets recovered, with holdings in bonds issued by banks and in the pub sector in particular contributing to returns.

The Invesco Perpetual Corporate Bond Fund was added to the UK Fixed Interest Blend Fund in early February and subsequently had a significant positive impact on performance.

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 for the calendar years indicated. The UK Fixed Interest Blend Fund was launched on 8 April 2005.

Calendar year	Pence
2005 Income*	0.2061 pence
2006 Income	1.6336 pence
2007 Income	1.7321 pence
2008 Income	1.7991 pence
2009 Income**	1.9027 pence

* from 8 April
** 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
1.86%	1.82%

share price performance

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

Calendar year	Highest price	Lowest price
2005 Income*	53.06 pence	49.78 pence
2006 Income	52.91 pence	50.09 pence
2007 Income	50.82 pence	47.90 pence
2008 Income	48.59 pence	38.29 pence
2009 Income**	39.99 pence	35.08 pence

* from 8 April
** 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	39.25 pence	38.18 pence	2.80

Date	Net asset value of Fund	Shares in issue	Net asset value per share
31 December 2006	£103,574,557	205,880,429	50.31 pence
31 December 2007	£107,567,413	223,821,880	48.06 pence
31 December 2008	£75,153,655	196,845,420	38.18 pence
26 June 2009	£72,637,640	185,045,206	39.25 pence

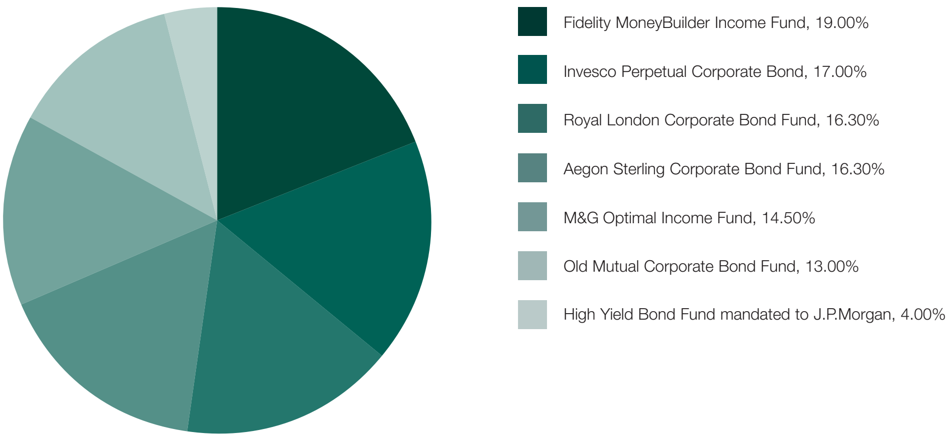
	Percentage change to 26 June 2009					
	6 months	1 year	2 years	3 years	4 years	Since launch*
Fund performance	3.43%	-7.84%	-12.11%	-12.27%	-11.60%	-8.73%

*from 8 April 2005

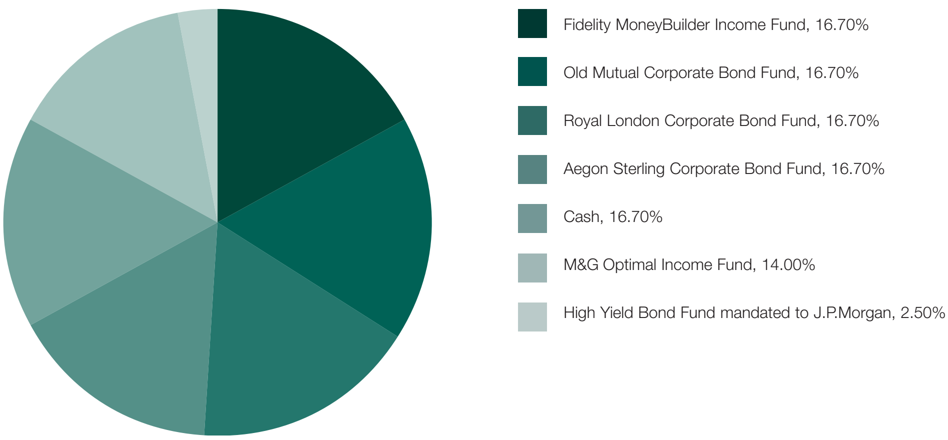
Source: Financial Express. Figures are calculated on a total return and single price basis, with net income reinvested in sterling terms. Six months' performance is from 31 December to 26 June 2009. Yearly comparatives are from previous half-yearly period end dates to 26 June.

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	%
Fidelity MoneyBuilder Income Fund	17.76	Fidelity MoneyBuilder Income Fund	17.01
Invesco Perpetual Corporate Bond Fund	17.25	Aegon UK Sterling Bond Fund	16.74
Aegon UK Sterling Bond Fund	16.90	Royal London Corporate Bond Fund	16.59
Royal London Corporate Bond Fund	16.34	Old Mutual Corporate Bond Fund	15.77
M&G Optimal Income Fund	14.68	M&G Optimal Income Fund	14.33
Old Mutual Corporate Bond Fund	13.17	High Yield Bond Fund mandated to J.P.Morgan	2.71
High Yield Bond Fund mandated to J.P.Morgan	4.01		

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.

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.

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

depositary

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

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

The Depositary 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 UK 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:

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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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.*

www.skandiainvestmentmanagement.com

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

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