

UK Strategic Best Ideas 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 UK Strategic Best Ideas Fund aims to provide long-term total return through investment in predominantly UK securities.

investment policy

The Fund will predominantly invest in a portfolio of equities and equity-related **securities** (including **derivatives**).

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.

Units in **collective investment schemes** (funds) may also be held.

risk profile

With this Fund, the underlying managers are given a high degree of freedom to pursue their best stock ideas, so the Fund is likely to perform very differently from traditional funds. This Fund invests mainly in the shares of UK companies and will therefore be largely unaffected by 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. This Fund also has the ability to take **'short' positions** in companies, indices or market sectors, with the aim of making money from assets that fall in value. However, the Fund may lose money from such positions if the related assets rise in value. Moreover, if it has high exposure to such positions when markets are rising, it is likely to underperform traditional funds. At times, the Fund may be heavily invested in smaller companies, which may carry a higher degree of risk and be more difficult to sell than larger companies. The managers each have the flexibility to hold up to 25% of their portfolios in cash and, if the Fund has high cash exposure at a time when markets are rising, the investment return could be less than if it were fully invested in shares.

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.

Following strong performance compared to the UK equity market in 2008, the UK Strategic Best Ideas Fund struggled in the first half of 2009 and recorded a loss for the period. Some of the Fund's 'short' positions, which enable it to benefit from falling share prices, acted as a drag on performance during the strong market upswing from March onwards. Poor stock selection among financials and a relatively low exposure to mining companies, which performed well, also had a negative impact.

On the positive side, the Fund's positions in the more defensive sectors, including telecommunications, utilities and healthcare, added value. A low exposure to Vodafone, BP and Royal Dutch Shell (no holding at all) proved beneficial, as did the Fund's positions in power generator manufacturer Aggreko and pub group Enterprise Inns.

The mention of any particular stock 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 accumulation in pence per share for the calendar years indicated. The UK Strategic Best Ideas Fund was launched on 19 September 2007.

Calendar year	Pence per share
2007 Accumulation*	–
2008 Accumulation	0.2763 pence
2009 Accumulation**	0.1891 pence

* from 19 September

** 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
2.55%	2.46%

share price performance

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

Calendar year	Highest price	Lowest price
2007 Accumulation*	52.26 pence	49.19 pence
2008 Accumulation	51.54 pence	40.03 pence
2009 Accumulation**	45.73 pence	40.07 pence

* from 19 September

** 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	42.32 pence	44.71 pence	-5.35%

Date	Net asset value of Fund	Shares in issue	Net asset value per share
31 December 2007	£87,041,644	173,404,596	50.20 pence
31 December 2008	£80,023,686	178,973,364	44.71 pence
26 June 2009	£63,678,004	150,456,398	42.32 pence

	Percentage change to 26 June 2009		
	6 months	1 year	Since launch*
Fund performance	-5.24%	-16.21	-15.36%

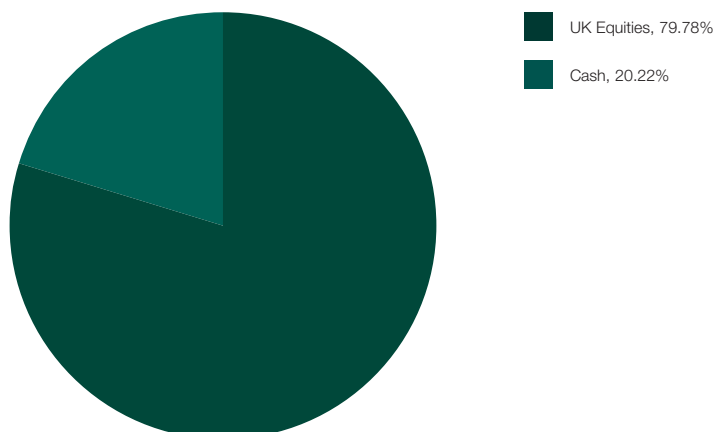
*from 19 September 2007

Source: Financial Express. Figures are calculated on a total return and single price basis, with net income reinvested in sterling terms.

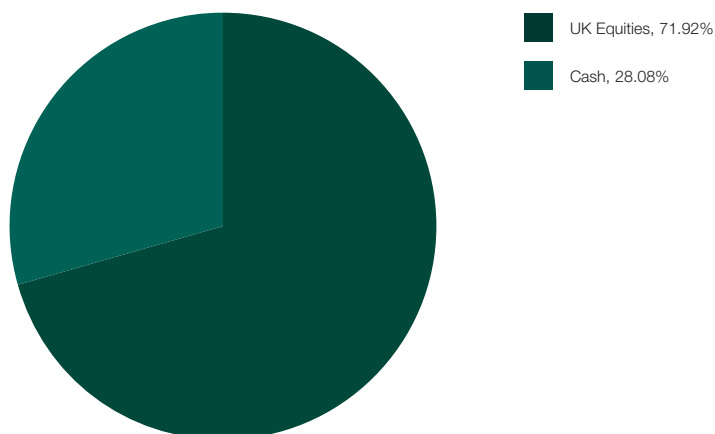
Six months' performance is from 31 December 2008 to 26 June 2009. Yearly comparatives are from previous half-yearly period end dates to 26 June.

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.

portfolio information as at 26 June 2009



portfolio information 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	%
GlaxoSmithKline	4.34	BP	4.80
Royal Sun Alliance	3.97	AstraZeneca	4.45
BG	3.26	BG	4.16
Morris (Wm) Supermarkets	3.01	Imperial Tobacco	2.46
BAE Systems	2.72	Centrica	2.37
Babcock International	2.54	Babcock International	2.30
Cable & Wireless	2.42	Legal & General	2.27
Rio Tinto	2.20	BAE Systems	2.17
Segro	2.18	British American Tobacco	2.06
BHP Billiton	2.13	Cable & Wireless	1.91

glossary

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

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.

Securities – any investments that can be assigned a value and traded such as bonds or shares, where there is a right to receive interest or dividends from the investment.

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

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
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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 UK Strategic Best Ideas 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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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

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