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# Unaudited semi-annual report

**30 June 2009**

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Alpha CIF for Endowments

Alpha Fund for Income & Reserves

**for the period 1 January 2009 to 30 June 2009**

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# Introduction

The Alpha Common Investment Fund for Endowments and the Alpha Fund for Income & Reserves (the 'Funds') are Common Investment Funds constituted with a Manager, a Trustee and The Board which are all independent of each other. The Schemes were established and approved by the Charity Commission for England and Wales under the provision of Section 24 (7) of the Charities Act 1993.

The Scheme for the Alpha CIF for Endowments came into force on 30 June 1993 and was updated on 23rd October 2006.

The Scheme for the Alpha Fund for Income & Reserves came into force on 3rd August 2005 and was updated on 3rd August 2006.

**Alpha CIF for Endowments,  
The Board**

Mr. C.C. Surtees (Chairman)  
Prof. H.M. Brown (Deputy Chairman)  
Mr. E. A. Vallis  
Dr. G.R. Screaton  
Mr. J. Harbord-Hamond  
Mr. J.J. Foster  
Mr. J.B. Lake  
Ms. A. Burns  
Brigadier A.F. Gordon

**Alpha CIF for Income & Reserves,  
The Board**

Mr. C.C. Surtees (Chairman)  
Mr. J.B. Lake (Deputy Chairman)  
Mr. J.J. Foster  
Prof. H.M. Brown  
Mr. E. A. Vallis  
Dr. G.R. Screaton  
Mr. J. Harbord-Hamond  
Ms. A. Burns  
Brigadier A.F. Gordon

The Board has a range of responsibilities which are set out on page 61.

In particular it represents the interests of Participating Charities through regular meetings with the Manager.

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# Professional Service Providers' Details

## **Corporate Trustee**

The Royal Bank of Scotland plc  
Trustee & Depositary Services  
The Broadstone  
50 South Gyle Crescent  
Edinburgh EH12 9UZ

The Trustee has a supervisory role regarding certain aspects of administration and management of the Funds. These responsibilities include oversight of the Manager, its compliance with the Scheme and the Scheme Particulars, oversight of the Registrar and for the custody and control of the property of the Funds which in this instance, it has delegated to Northern Trust. Full details of the Trustee's responsibilities are set out on page 63.

The Trustee Reports can be found on pages 6 and 34.

## **Manager**

Sarasin Investment Funds Limited  
Juxon House  
100 St. Paul's Churchyard  
London EC4M 8BU  
Tel: 020 7038 7000  
Fax: 020 7038 6851  
(Authorised and regulated by the Financial Services Authority)

## **Investment Manager**

Sarasin & Partners LLP  
Juxon House  
100 St. Paul's Churchyard  
London EC4M 8BU  
Tel: 020 7038 7000  
Fax: 020 7038 6851  
(Authorised and regulated by the Financial Services Authority)

The Manager is responsible for certain aspects of administration and management of the Funds as set out in full on page 62. These responsibilities include the Management of the Investments of the Funds and a duty to carry out regular valuations of the property of the Funds. Sarasin Investment Funds Limited, as Manager, have appointed Sarasin & Partners LLP as Investment Manager to the Alpha Common Investment Funds. Both companies are members of the Bank Sarasin Group.

The Manager's Reports can be found on pages 9 and 37.

## **Auditors**

Ernst & Young LLP  
1 More London Place  
London SE1 2AF

The Independent Auditors audit the Annual Financial Statements for the Alpha Common Investment Funds.

## **Registrars**

Northern Trust Global Services Limited  
PO Box 55736  
50 Bank Street  
Canary Wharf  
London E14 1BT  
Tel: 0870 870 8430  
Fax: 020 7982 3924

**Solicitors**

Burgess Salmon  
Narrow Quay House  
Narrow Quay  
Bristol B51 4AH

**Scheme Particulars**

Full details of the Funds are contained in the Scheme Particulars. Copies of the Scheme Particulars are available free of charge from the Manager, and the Scheme is available for inspection at the offices of the Manager.

# Alpha Common Investment Funds

## Interim Report and Accounts for the period 1 January 2009 to 30 June 2009

### Investment Advisor's Review

The first six months of 2009 have proven a roller coaster ride for investors: the period to early March was very poor indeed. Since then there has been a marked recovery in performance such that as at 30 June, the Endowments Fund has produced a total return of -2.4% while the Income & Reserves Fund had produced a total return of -1.4%.

The return of the Endowments Fund was a little worse than the bespoke benchmark return of -1.2%. This was a result of our strategic holding in corporate bonds, which performed poorly – the benchmark simply contains an allocation to government bonds. This was painful over the opening months of the year, but the trend has now begun to reverse as credit spreads narrow relative to government bond yields.

The Income & Reserves Fund performed a little better than its benchmark over the period of -3.5%. We were able to own a little less in equities when markets were falling and add to our holdings in mid March, which was beneficial. As with the Endowments Fund, the corporate bond holdings have helped performance recently.

Within the equity content of both funds, we have concentrated on our "Strong Get Stronger" theme, which includes companies like Barclays, BG Group, Pearson and Tesco. We have also increased exposure to stocks listed in and with profits emanating from the Emerging Markets.

From a currency point of view, the Income & Reserves Fund is always likely to have a very high Sterling weight: as at 30 June, this stood at 93%. The Endowments Fund has a more actively managed currency exposure: during 2008 we allowed the Sterling exposure to fall to a little over 60% throughout the period of Sterling weakness. Since then, we have significantly increased our currency hedging programme, with the Sterling weight varying between 80% and 85% over the period.

Looking forward, we believe that the significant action taken by Central Banks and Governments to stabilise and turn around the banking and credit crisis and economic malaise is working. Leading economic indicators and company results suggests that after the dark days of early 2009, matters are improving and getting less bad.

That said, we do not expect a rapid return to economic well-being with government and personal debt levels still at historically high levels. While we expect the world economy to be boosted by rising activity levels in Asia and the Pacific, growth in Europe, the US and UK is likely to be much more anaemic.

Consequently, while we have rebuilt our equity levels and maintained exposure to corporate bonds, we are very much focussed on earnings coming from Asia and other Emerging regions of the world. We have very low exposure to government bonds and the overall maturity profile of the bonds we do hold is relatively short.

Within the alternative investments, we have diversified exposure to listed hedge funds (trading at discounts to their underlying net asset values), infrastructure and both soft and hard commodities through Exchange Traded Funds.

We are also looking to rebuild our investment in property. We have avoided the asset class for some time but feel that after a significant fall in capital values, yields are beginning to look attractive once again.

In conclusion, the last 6 months have been a torrid time for investors. We are disappointed to have lost unit holders capital, but after increasing distributions from the Endowments Fund by 5% during 2008, we expect to be able to increase them again in 2009. This is an indication of the underlying quality of the Fund's assets.

Richard Maitland  
Partner & Head of Charities, Sarasin & Partners LLP  
August 2009

# Alpha Common Investment Fund for Endowments

**Unaudited semi-annual report and accounts**

**for the period 1 January 2009 to 30 June 2009**

# Alpha Common Investment Fund for Endowments

## **Interim Report and Accounts for the period 1 January 2009 to 30 June 2009**

### **Report of the Corporate Trustee to the Unitholders of the Alpha Common Investment Fund for Endowments for the period ended 30 June 2009**

We confirm that in the Trustee's opinion, the Manager has invested the Scheme in all material respects in accordance with the limitations imposed on the investment and borrowing powers of the Manager and Trustee by the Scheme, by The Scheme Particulars, and otherwise in accordance with the provisions of the Scheme and the Scheme Particulars.

The Royal Bank of Scotland plc  
Trustee & Depositary Services  
Edinburgh  
August 2009

### Investment Objective of the Fund as set by the Board

The investment objective of the Fund is to achieve long term capital and revenue growth. It is intended that this will be achieved by investment in a broadly diversified global portfolio covering the world's principal stock, bond and currency markets, together with investments in "alternative" assets such as property related securities and units and hedge funds.

The equity content will be diversified both by geography and by major investment themes. The Fund may hold cash deposits from time to time where it would be in the interests of efficient management of the Fund's assets. It is anticipated that this strategy will provide a conservative investment vehicle with potential for achieving attractive long term total returns.

### Investment Policy of the Fund

To achieve the Fund's Investment Objective the Fund will be invested in a range of actively managed securities, the majority of which are likely to be liquid "real" assets in most normal market conditions.

The **equity** content will be diversified both by geography, sector and by major investment themes, with a bias towards UK equities.

A smaller part of the Fund will be invested in **bonds**, for their revenue producing and capital security qualities. The bond content will be diversified across both government and corporate issues. Where the Fund invests in corporate issues, there will be diversification across a range of industry types and bond (quality) ratings.

The UK and international **property** investments, together with any investment in alternative asset classes such as **private equity, hedge funds, structured products and commodities** will be used to help lower the volatility of the Fund and to enhance long-term returns.

The Fund may also hold **cash** deposits from time to time where it would be in the interests of efficient management of the Fund's assets.

Where non-sterling assets are held, the Fund may choose to hedge these back into sterling to reduce some or all of the exposure to foreign currencies.

The Fund also has the ability to allocate its assets actively and dynamically between the various asset classes. The current strategic asset allocation of the Fund is set out in the adjacent table, which shows the balance between the different types of

investment, together with the current tactical operating parameters which the Fund will normally operate within.

The **Benchmark** for the Fund, against which investment performance is measured is based upon this strategic asset allocation is shown in the table below. (The current benchmark is shown on Page 11 of this Report.)

In terms of **Risk Management**, the Manager, together with the Board, will monitor the performance of the Fund and its investments (individually and in relation to one another) on a regular basis.

The long-term investment policy of the Fund is to achieve "real" capital and revenue appreciation, i.e. returns ahead of inflation. The "normal" asset mix has been designed to produce a "real" return of approximately 4.5% per annum over the longer term. In any one single year, the return may differ significantly from this figure.

The Fund is for long-term monies and as such is invested in some relatively illiquid securities. However, monies can be invested/disinvested from the Fund on a daily basis. Consequently, Sarasin & Partners LLP monitors the liquidity of the underlying securities to ensure that any likely withdrawal of monies from the Fund could be met. It should be noted that the Investment manager has the ability to impose a Dilution Levy on either entry or exit to ensure that the value of unitholders' investments are not harmed by the creation/cancellation of units.

	Strategic (Normal) Weight %	Normal Operating Parameters	
		Low %	High %
Cash	0.0	0.0	10.0
UK Bonds	12.5	10.0	20.0
Overseas Bonds	5.0	0.0	15.0
Index-Linked	0.0	0.0	10.0
<b>Total Cash and Bonds</b>	<b>17.5</b>	<b>10.0</b>	<b>40.0</b>
UK Equities	50.0	40.0	60.0
Overseas Equities	20.0	10.0	40.0
<b>Total Equities</b>	<b>70.0</b>	<b>50.0</b>	<b>80.0</b>
UK Direct Property	4.0	0.0	7.5
Global REITs	3.5	0.0	7.5
<b>Total Property</b>	<b>7.5</b>	<b>0.0</b>	<b>15.0</b>
Hedge Funds	5.0	0.0	15.0
Other	0.0	0.0	10.0
<b>Total Alternatives</b>	<b>5.0</b>	<b>0.0</b>	<b>20.0</b>

### **The Socially Responsible Investment Policy**

The Alpha CIF for Endowments will not invest in companies manufacturing tobacco related products.

In addition, they will avoid investment in companies with more than 10% of their turnover in:

Alcohol Manufacture  
Armaments  
Gambling  
Pornography

The Manager does not believe that these restrictions will materially impact on the performance of the Alpha Common Investment Fund for Endowments and expects them to increase their appeal to charities.

The Fund will be active in voting on company resolutions and will engage in direct dialogue with companies where appropriate.

### **Sustainable Investment Portfolio Audit**

A Sustainable Investment Portfolio Audit is also carried out on the Alpha Common Investment Fund and is available online in the closed user section of [www.alphacif.com](http://www.alphacif.com)

The Manager and Board of the Alpha CIF for Endowments Fund recognise that social and environmental responsibility are increasingly important and sensitive issues for charities.

The Bank Sarasin Group, the majority shareholder of Sarasin & Partners LLP, is one of the leading SRI (Socially Responsible Investing) managers in Europe. Bank Sarasin has a 48 strong team of dedicated managers and analysts that was founded in 1989 and currently manages just under CHF10.1bn of SRI funds (as at 30.06.09).

The sustainability audit screens for both negative and positive criteria and has been designed to increase awareness of the various social and ethical risks being taken in the Fund.

The analysis not only considers working practices, but also looks at each company's products through their entire life cycle. It reviews the social and environmental impact of manufacturing a product, together with the impact the product has during its life and on its ultimate disposal.

### **Report of the Manager**

Sarasin Investment Funds Limited is the Manager of Alpha CIF for Endowments (the Scheme) and in accordance with the Scheme, is solely responsible for the selection of the investments, subject to the Fund's investment objective, investment policy and the terms of the Scheme.

The Manager has appointed Sarasin & Partners LLP as the investment manager to the Fund (the "Investment Manager"). The Investment Manager provides discretionary investment dealing services together with the related research and valuation facilities in a wide range of investments. The Investment Manager has the authority to make decisions on our behalf, subject to the provisions of the Scheme, the Scheme Particulars, the investment objective and the investment policy of the Fund.

The Board of Directors of Sarasin Investment Funds limited meets at least 4 times a year to consider the status of the Funds and the performance of the Investment Manager, including review of the investment guidelines and the risk management and controls in place. In addition, the Manager reviews a quarterly report from the Corporate Trustee and a Compliance Report that details any issues over the year.

Under the Charities (Accounts and Reports) Regulations 1995 and the Scheme, the Manager is required to prepare financial statements for each accounting year, which give a true and fair view of the financial position of the Fund at the end of the year, the amounts to be distributed and the movement in net assets for the year.

In preparing the financial statements, the Manager is required to use suitable accounting policies and apply them consistently and to make reasonable and prudent judgments and estimates. The financial statements are prepared in accordance with applicable accounting standards and on the basis that the Fund will continue in operation.

The Manager is responsible for the administration and management of the Fund including its investments. The Manager must carry out regular valuations of the Fund's property and will ensure that the units are properly priced.

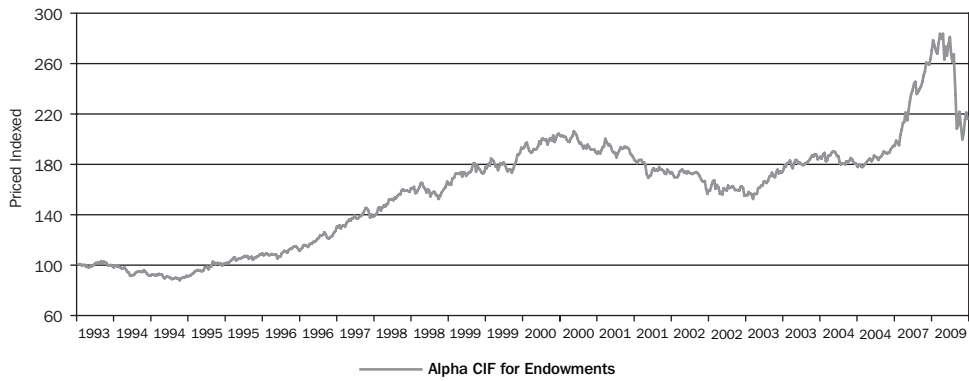
Guy Matthews  
Chairman of Sarasin Investment Funds Limited  
August 2009

**Values at 30 June 2009**

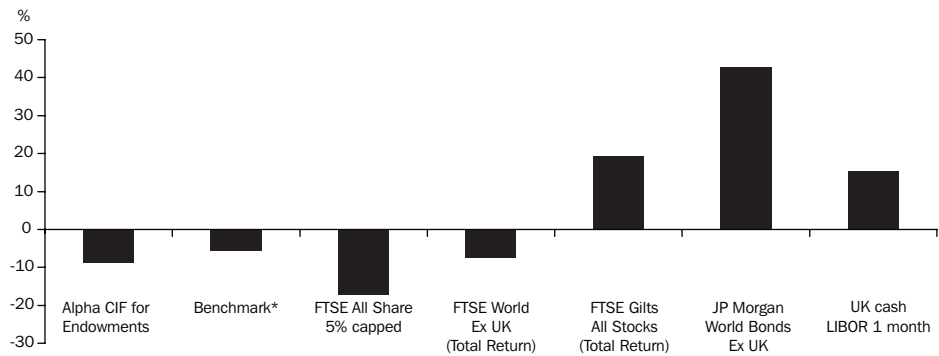
Size (Units)	Unit Type	Mid Price	Yield*
564,905,139	Income	60.52 pence	4.16%
6,711,661	Accumulation	106.30 pence	4.16%
Launch Date	28 September 1993		
Launch Price	50 pence		
Management Charges	Annual:	0.75%	
	Initial:	Up to 1.0%	
Unit Types:	Income & Accumulation Units		
Accounting Period Ends	Annual:	31 December	
	Interim:	31 March	
	Interim:	30 June	
	Interim:	30 September	
Initial Minimum Investment:	£1,000		
Minimum Additional Investment:	£250		

\*The yield shown is the historic yield and is calculated by taking the distribution rate for the last 4 distributions, multiplied by 100 and divided by the mid price of the income units, which for the period end was 60.52 pence.

**Performance since 28.09.93 (Accumulation units in Sterling)**



**1 Year Performance**



\*Benchmark: FTSE All Share 5% Capped (Total Return) 50%, FTSE World Ex-UK (Total Return) 20%, FTSE Gilts All Stocks (Total Return) 12.5%, JP Morgan World Bonds Ex UK 5%, UK cash LIBOR 1 month (Total Return) 5%, IPD Monthly 4%, EPRA/NAREIT Total Return (GBP) 3.5%. Source: Sarasin & Partners LLP as at 01.07.09. Performance is for accumulation units, sterling, Bid to Bid.

Past performance does not guarantee future returns. The value of investments and the income from them can go down as well as up and you may not get back the amount you originally invested. This can be as a result of market movements and also of variations in the exchange rates between currencies. There is no minimum investment period although we recommend that you view your investment as a medium to long term one (i.e. 5 to 10 years). 70% of the Manager's annual and administration charges are deducted from the Fund's capital, which may constrain future capital growth. The Fund is subject to an initial charge of up to 1%.

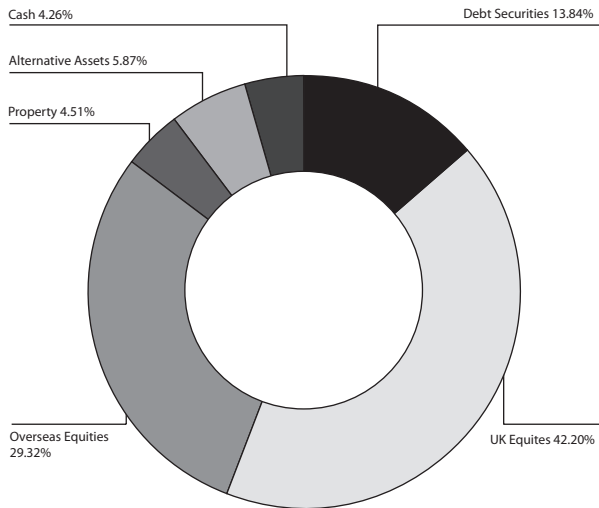
### Sterling Performance as at 30 June 2009

	6 months	1 Year	3 Years	5 Years
<b>Alpha CIF for Endowments</b>	<b>-2.4</b>	<b>-18.8</b>	<b>-8.8</b>	<b>17.2</b>
Benchmark*	-1.2	-10.2	-5.4	21.0
FTSE All Share 5% capped	2.3	-19.8	-17.1	19.2
FTSE World Ex UK (Total Return)	-5.4	-12.8	-7.4	19.3
FTSE Gilts All Stocks (Total Return)	-2.1	12.9	19.1	33.9
JP Morgan World Bonds Ex UK	-15.1	27.6	42.7	49.3
UK Cash LIBOR 1 month	0.6	3.2	15.3	26.7

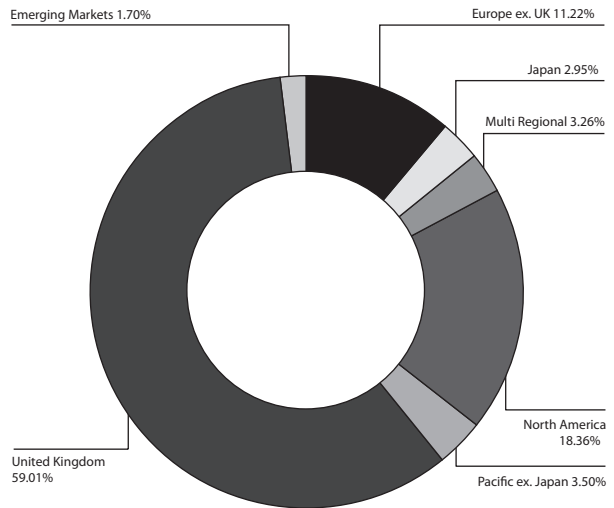
\*Benchmark: FTSE All Share 5% Capped (Total Return) 50%, FTSE World Ex-UK (Total Return) 20%, FTSE Gilts All Stocks (Total Return) 12.5%, JP Morgan World Bonds Ex UK 5%, UK cash LIBOR 1 month (Total Return) 5%, IPD Monthly 4%, EPRA/NAREIT Total Return (GBP) 3.5%. Source: Sarasin & Partners LLP as at 01.07.09. Performance is for accumulation units, STG, Bid to Bid.

Past performance does not guarantee future returns. The value of investments and the income from them can go down as well as up and you may not get back the amount you originally invested. This can be as a result of market movements and also of variations in the exchange rates between currencies. There is no minimum investment period although we recommend that you view your investment as a medium to long term one (i.e. 5 to 10 years). 70% of the Manager's annual and administration charges are deducted from the Fund's capital, which may constrain future capital growth. The Fund is subject to an initial charge of up to 1%.

### Asset Allocation



### Geographical Equity Allocation



**Historic Net Asset Values**

As at	Net Asset Values £	Net Asset Values per Income Unit (p)	Total number of base Units in Issue
31 December 2006	159,766,832	77.64	205,790,319
31 December 2007	318,158,150	82.10	387,509,144
31 December 2008	322,402,583	62.08	519,358,713
30 June 2009	343,439,033	59.55	576,690,910

**Historic Highest Offer (Buy) & Lowest Bid (Sell) Prices/Mid Prices**

Calendar Year	Highest Offer Price (p)		Highest Mid Price (p)		Lowest Bid Price (p)		Lowest Mid Price (p)	
	Acc	Inc	Acc	Inc	Acc	Inc	Acc	Inc
2004	96.50	64.11	–	–	87.23	57.81	–	–
2005*	102.30	66.96	–	–	94.79	62.01	–	–
2005**	–	–	112.32	71.73	–	–	102.06	65.22
2006	–	–	127.04	78.78	–	–	111.25	70.07
2007	–	–	139.20	83.48	–	–	124.40	75.06
2008	–	–	140.30	82.95	–	–	95.28	55.33
2009***	–	–	111.80	64.17	–	–	93.38	53.62

\* To 2 August 2005

\*\* From 3 August 2005 to 31 December 2005

The Fund changed from bid &amp; offer pricing to single pricing on 3 August 2005

\*\*\* To 30 June 2009

**Distribution History**

Calendar Year	Allocation per Unit		Per £1,000 investment 31 December 2003	
	(p) Inc	(p) Acc	(£) Inc	(£) Acc
2004	2.2409	3.2894	35.58	35.88
2005	2.3996	3.6521	38.09	39.84
2006	2.1003	3.3344	33.34	36.37
2007	2.6835	4.3728	42.60	47.70
2008	2.4425	4.1193	38.77	44.94
2009*	2.0350	3.5430	32.31	38.65

\* To 31 August 2009

**Total Expense Ratio**

The TER of the Fund was 0.90% for the accounting period ending 30 June 2009 (31 December 2008: 0.95%).

**Portfolio Turnover Rate**

The PTR of the Fund was 149.53% for the accounting period ending 30 June 2009 (31 December 2008: 170.47%).

**Portfolio Statement as at 30 June 2009**

Holding	Investment	Bid Market Value (£)	% of Net Assets
<b>Debt Securities 13.84% (31 December 2008 – 16.69%)</b>			
£450,000	Anheuser-Busch 6.5% 23/06/2017	445,860	0.13
£1,000,000	AT&T 5.875% 28/04/2017	1,027,940	0.30
£900,000	Australia & New Zealand Bank 6.54% Perpetual Floating Rate Note	682,500	0.20
£450,000	Aviva 5.9021% Floating Rate Note Perpetual	246,374	0.07
£1,500,000	Barclays 14% Perpetual Floating Rate Note	1,702,302	0.50
£1,500,000	BG Energy 5.125% 07/12/2017	1,495,140	0.44
£700,000	BNP Paribas 5.945% Perpetual Floating Rate Note	435,217	0.13
£2,000,000	CADES 3.75% 09/08/2014	1,993,400	0.58
£1,000,000	Centrica 6.375% 10/03/2022	1,035,810	0.30
€ 700,000	Centrica 7.125% 09/12/2013	665,878	0.19
€1,000,000	Citigroup 4.75% Variable 10/02/2019	569,025	0.17
£2,000,000	Council of Europe 3.375% 12/08/2014	1,967,416	0.57
£500,000	Deutsche Telekom 6.5% 08/04/2022	512,555	0.15
£300,000	Dignity Finance 8.151% 31/12/2031	260,238	0.07
£1,200,000	Diversification 6.34% Floating Rate Note 31/01/2012	481,356	0.14
£1,000,000	E.On 5.125% 27/01/2014	1,021,731	0.30
BRL 1,700,000	EIB 12.25% 08/09/2010	542,373	0.16
£900,000	EIB 4.75% 06/06/2012	948,622	0.28
£2,000,000	Eksportfinans 6.0% 06/09/2010	2,071,422	0.60
£750,000	ELM 6.3024% Perpetual Floating Rate Note	406,410	0.12
£500,000	ENI Coordination Centre 6.125% 17/12/2018	544,683	0.16
£1,250,000	European Credit Lux 4.82% Variable 26/05/2021	714,352	0.21
£1,400,000	Export Development Canada 3.625% 07/09/2015	1,386,700	0.40
£400,000	F&C Commercial 5.23% Floating Rate Note 30/06/2017	380,252	0.11
£500,000	France Telecom 5% 12/05/2016	497,561	0.14
€1,000,000	GDF Suez 5.625% 18/01/2016	924,628	0.27
BRL 1,850,000	KFW 10% 15/05/2012	589,686	0.17
£500,000	KFW 5.5% 07/12/2015	544,174	0.16
£92,000	Koninklijke 5.75% 18/03/2016	93,482	0.03
€2,000,000	Koninklijke 6.25% 16/09/2013	1,847,176	0.54
£420,000	LCR Finance 4.5% 07/12/2028	412,779	0.12
£900,000	Merrill Lynch & Co 7.75% 30/04/2018	888,161	0.26
£500,000	National Grid Electric 7.375% 13/01/2031	578,386	0.17
£500,000	National Grid Gas 6% 13/05/2038	490,261	0.14
£200,000	Nationwide Building Society 6% Perpetual Floating Rate Note	130,000	0.04
£2,300,000	New South Wales Treasury 5% 25/02/2039	2,212,188	0.64
£2,000,000	Rabobank 4.625% 31/05/2012	2,073,548	0.60
£800,000	Rentenbank 5.25% 18/01/2012	845,314	0.25
£750,000	RWE Finance 5.5% 06/07/2022	752,152	0.22
£600,000	Scotland Gas Networks 4.75% 21/02/2017	571,878	0.17
£650,000	Scottish & Southern 5.75% 05/02/2014	676,089	0.20
£600,000	Siemens 6.125% 14/09/2066 Floating Rate Note	493,086	0.14
£1,000,000	StatoilHydro 6.875% 11/03/2031	1,147,944	0.33
£500,000	Swedish Export Credit 5.75% 12/07/2011	531,603	0.15
£600,000	Term Loans 3.51375% Floating Rate Note 25/05/2011	104,404	0.03
£600,000	Toronto Dominion 6.875% 24/06/2011	640,857	0.19
BRL 2,000,000	Toyota Motor Credit 11.5% 21/12/2009	614,632	0.18
£1,250,000	UK Treasury 2.5% Index-Linked 16/08/2013	3,080,000	0.90
£750,000	Unilever 4% 19/12/2014	746,455	0.22
£500,000	United Utilities Water 6.125% 29/12/2015	536,707	0.16
€1,000,000	Verizon Wireless 8.75% 18/12/2015	1,019,138	0.30
£950,000	Vodafone 5.375% 05/12/2017	932,520	0.27
£1,500,000	Wellcome Trust 4.625% 25/07/2036	1,368,886	0.40
£600,000	Wellcome Trust 4.75% 28/05/2021	600,570	0.17
		<b>47,481,821</b>	<b>13.84</b>

**Portfolio Statement as at 30 June 2009 (continued)**

Holding	Investment	Bid Market Value (£)	% of Net Assets
<b>UK Equities 42.20% (31 December 2008 – 39.96%)</b>			
260,961	3i	626,959	0.18
3,000,000	3i Infrastructure	2,767,500	0.81
322,013	Admiral	2,798,293	0.81
600,000	Aggreko	3,117,000	0.91
430,000	Amlin	1,314,725	0.38
264,000	Anglo American	4,740,120	1.38
1,650,000	Arm	1,975,875	0.58
900,000	Barclays	2,573,100	0.75
655,801	BG	6,813,772	1.98
246,170	BHP Billiton	3,414,378	0.99
960,000	BP	4,653,120	1.35
1,499,255	British Land	5,779,628	1.68
900,000	BT	924,300	0.27
58,569	Burberry	246,429	0.07
400,000	Cadbury	2,080,000	0.61
250,000	Ceres Power	473,125	0.14
30,000	Dana Petroleum	425,100	0.12
500,000	Drax	2,200,000	0.64
2,840,000	Fenner	2,705,100	0.79
4,345,000	Friends Provident	2,845,975	0.83
780,000	GlaxoSmithKline	8,447,400	2.46
350,000	Hammerson	1,088,500	0.32
800,000	Home Retail	2,062,000	0.60
2,850,000	HSBC	14,446,650	4.21
1,124,296	ICAP	5,028,414	1.46
942,880	International Power	2,262,912	0.66
50,830	Land Securities	240,807	0.07
1,201,383	Lloyds Banking	8,636,745	2.51
1,700,000	London & Stamford Property	1,989,000	0.58
128,172	Lonmin	1,523,965	0.44
500,000	Man	1,387,500	0.40
400,000	National Grid	2,202,000	0.64
495,000	Pearson	3,004,650	0.88
710,000	Pennon	3,489,650	1.02
383,800	Petrofac	2,540,756	0.74
60,000	Premier Oil	672,600	0.20
665,000	Prudential	2,756,425	0.80
86,000	Reckitt Benckiser	2,394,240	0.70
73,233	Rio Tinto	1,587,325	0.46
46,118	Rio Tinto Rights	343,579	0.10
237,546	Rotork	1,962,130	0.57
2,087,000	Royal Bank of Scotland	819,878	0.24
395,000	Royal Dutch Shell 'B'	6,118,550	1.78
470,950	Schroders	3,885,338	1.13
150,000	Shire	1,253,250	0.36
888,270	Standard Life	1,637,082	0.48
1,716,605	Tesco	6,051,033	1.76
265,000	Unilever	3,808,050	1.11
70,000	Venture Production	570,150	0.17
46,661	Victrex	264,568	0.08
		<b>144,949,646</b>	<b>42.20</b>

**Portfolio Statement as at 30 June 2009 (continued)**

Holding	Investment	Bid Market Value (£)	% of Net Assets
<b>Overseas Equities 29.32% (31 December 2008 – 35.94%)</b>			
146,400	ABB	1,420,036	0.41
24,000	Apple	2,053,853	0.60
80,000	Bank of Nova Scotia	1,851,421	0.54
60,000	Bayerische Motoren Werke	1,381,301	0.40
135,000	Boskalis Westminster	1,889,855	0.55
50,000	Bunge	1,867,095	0.54
700,000	China Life Insurance	1,562,590	0.45
288,471	China Overseas Land & Investment	401,426	0.12
200,400	Cisco Systems	2,296,788	0.67
137,700	CSL	2,171,878	0.63
79,000	Deere & Co	2,007,858	0.58
25,000	Deutsche Boerse	1,179,014	0.34
66,302	EDF	1,949,044	0.57
100,000	Emerson Electric	2,008,999	0.58
398,941	ETFS Agriculture (GBP)	1,492,039	0.43
415,801	ETFS Agriculture (USD)	1,551,676	0.45
24,000	ETFS Physical Platinum	1,710,095	0.50
950,000	ETFS Wheat	1,406,888	0.41
20,000	Exelon	608,919	0.18
90,000	Fred Olsen Energy	1,889,206	0.55
30,000	Goldman Sachs	2,705,536	0.79
6,000	Google	1,534,774	0.45
580,000	Hengan International	1,640,427	0.48
209,950	Home Depot	3,023,648	0.88
119,300	Intel	1,179,278	0.34
21,300	International Business Machines	1,360,665	0.40
105,000	Inverness Medical Innovations	2,243,231	0.65
93,800	Investor	883,189	0.26
50,700	ITT	1,365,431	0.40
72,500	Lyxor Gold Bullion	4,029,411	1.17
180,000	Macy's	1,297,788	0.38
30,000	Merck	1,841,820	0.54
15,500	Merrill Lynch Warrants 08/08/2009 (Water Scarcity Basket)	1,836,750	0.53
160,600	Microsoft	2,310,982	0.67
36,000	Monsanto	1,656,473	0.48
7,000	Nintendo	1,171,565	0.34
280,000	Nissan Motor	1,032,387	0.30
26,550	Novozymes 'B'	1,354,482	0.40
15,400	Occidental Petroleum	614,959	0.18
102,100	Peabody Energy	1,879,177	0.55
70,000	Petroleo Brasileiro ADR	1,747,835	0.51
67,100	Qualcomm	1,866,670	0.55
66,400	Quimica Y Minera ADR	1,473,106	0.43
20,400	Roche	1,707,304	0.50
41,050	Sanofi-Aventis	1,488,189	0.43
399	Simon Property	12,358	-
119,400	StatoilHydro	1,452,497	0.42
100,000	Tele Norte Leste Participacoes ADR	948,644	0.28
163,500	Tokio Marine	2,736,442	0.80
169,100	Toll Bros	1,750,174	0.51
154,583	UBS	1,174,465	0.34
18,800	Unibail-Rodamco	1,727,543	0.50
50,000	Uni-Charm	2,315,446	0.67
59,100	VF	1,981,005	0.58
131,910	Vivendi	1,944,468	0.57
59,131	Vornado Realty Trust	1,586,413	0.46
5,000,000	Want Want China	1,706,344	0.50
200,000	Westfield Stapled Units	1,114,337	0.33
250,000	Xstrata	1,678,750	0.49
23,800	Zurich Financial Services	2,609,237	0.76
		<b>100,683,181</b>	<b>29.32</b>

**Portfolio Statement as at 30 June 2009 (continued)**

Holding	Investment	Bid Market Value (£)	% of Net Assets
<b>Property 4.51% (31 December 2008 – 2.69%)</b>			
1,400,323	Charities Property Fund	1,207,639	0.35
1,416,132	Mayfair Property Income Trust for Charities	880,834	0.26
1,540,141	Sarasin CI Real Estate Equity (Income)	11,631,149	3.39
45,317	Schroder Property Investment	1,267,063	0.37
810	Threadneedle Property	184,768	0.05
240	UBS Triton Property Trust	309,389	0.09
		<b>15,480,842</b>	<b>4.51</b>
<b>Collective Investment Schemes (inc. Hedge Funds) 5.89% (31 December 2008 – 4.13%)</b>			
14,700	Aberforth UK Small Companies (Accumulation)	1,086,771	0.32
80,000	Findlay Park American Smaller Companies (Ire)	1,525,559	0.44
750,000	FRM Credit Alpha (CI)	534,375	0.16
1,750,000	FRM Credit Alpha (Ire)	1,246,875	0.36
6,000,000	Jupiter China (Accumulation)	4,191,600	1.22
3,550,000	Jupiter India (Accumulation)	1,710,035	0.50
1,985,000	Sarasin AgriSar 'B'	1,652,910	0.48
47,500	Sarasin EmergingSar (Distribution) (Lux)	6,759,370	1.97
220,000	Sarasin GCC Equity Opportunities 'A' (Lux)	1,502,492	0.44
		<b>20,209,987</b>	<b>5.89</b>
<b>Derivatives -0.08% (31 December 2008 – 0.04%)</b>			
(1,464)	ABB CHF19 Call Option July 2009	(1,637)	-
(20)	Anglo American GBP17.50 Put Option July 2009	(14,200)	-
(140)	BG GBP9.80 Put Option July 2009	(14,700)	-
(90)	ICAP GBP4 Put Option September 2009	(17,320)	(0.01)
59	LIFFE Long Gilt Future September 2009	32,244	0.01
(200)	National Grid GBP5.20 Put Option September 2009	(25,000)	(0.01)
(2,260)	Nestle CHF40 Put Option August 2009	(92,234)	(0.03)
(125)	Prudential GBP3.80 Put Option July 2009	(4,370)	-
(86)	Reckitt Benckiser GBP30 Call Option September 2009	(25,800)	(0.01)
(70)	Shire GBP8 Put Option September 2009	(20,650)	(0.01)
(185)	Westfield AUD11 Put Option July 2009	(19,525)	(0.01)
(125)	Xstrata GBP6.40 Put Option July 2009	(30,000)	(0.01)
		<b>(233,192)</b>	<b>(0.08)</b>
<b>Forward Exchange Contracts 0.06% (31 December 2008 – 0.57%)</b>			
CHF (10,900,000)	Sold CHF bought GBP 6,112,949 for settlement 24/09/2009	11,426	-
EUR (18,800,000)	Sold EUR bought GBP 15,859,680 for settlement 24/09/2009	(172,547)	(0.05)
YEN (1,035,000,000)	Sold YEN bought GBP 6,500,766 for settlement 24/09/2009	(19,058)	(0.01)
USD 23,100,000	Bought USD sold GBP 14,093,960 for settlement 24/09/2009	(142,816)	(0.04)
USD (11,200,000)	Sold USD bought GBP 6,974,499 for settlement 24/09/2009	210,309	0.06
USD (74,300,000)	Sold USD bought GBP 45,219,953 for settlement 24/09/2009	346,795	0.10
		<b>234,109</b>	<b>0.06</b>
<b>Total Value of Investments 95.74% (31 December 2008 – 98.80%)</b>		328,806,394	95.74
<b>Net Other Assets</b>		14,632,639	4.26
<b>Net Assets</b>		<b>343,439,033</b>	<b>100.00%</b>

**Portfolio Statement as at 30 June 2009 (continued)**

Holding	Investment	Bid Market Value (£)	% of Net Assets
	All holdings are ordinary shares of stock unless otherwise stated.		
	Asset Allocation of Portfolio of Investments is as follows:		
	Equities	245,632,827	74.70
	Bonds	47,481,821	14.44
	Derivatives	(233,192)	(0.07)
	Forward Exchange Contracts	234,109	0.07
	Collective Investment Schemes	35,690,829	10.86
		<b>328,806,394</b>	<b>100.00%</b>
	Debt Security Allocation is as follows:		
	Percentage of Debt Securities investment grade or above		99.30
	Percentage of Debt Securities below investment grade (sub BBB or unrated)		0.70
			<b>100.00%</b>

**Statement of Total Return (unaudited)  
for the period ended 30 June 2009**

	Notes	£	01.01.2009 to 30.06.2009 £	£	01.01.2008 to 30.06.2008* £
Income					
Net capital losses	2		(16,957,779)		(23,859,101)
Revenue	3	13,902,282		6,370,034	
Expenses	4	(1,542,329)		(1,555,721)	
Finance costs: Interest	6	(2,359)		(2,592)	
Net revenue before taxation		12,357,594		4,811,721	
Taxation	5	(432,881)		(294,375)	
<b>Net revenue after taxation for the period</b>			<b>11,924,713</b>		<b>4,517,346</b>
<b>Total return before distributions</b>			<b>(5,033,066)</b>		<b>(19,341,755)</b>
Finance costs: Distributions	6		(7,190,754)		(5,120,288)
<b>Change in net assets attributable to unitholders from investment activities</b>			<b>£(12,223,820)</b>		<b>£24,462,043</b>

**Statement of Change in Net Assets Attributable to Unitholders (unaudited)  
for the period ended 30 June 2009**

	£	01.01.2009 to 30.06.2009 £	£	01.01.2008 to 30.06.2008* £
<b>Opening net assets attributable to unitholders</b>		<b>322,402,583</b>		<b>318,158,150</b>
Movement due to sales and repurchases of units:				
Amounts received on issue of units	40,312,666		59,485,284	
Amounts paid on cancellation of units	(7,195,198)		(22,074,426)	
		33,117,468		37,410,858
Dilution Levy		-		69,988
Stamp Duty Reserve Tax		(9,649)		(9,844)
Change in net assets attributable to unitholders from investment activities (see above)		(12,223,820)		(24,462,043)
Retained distribution on accumulation units		152,451		123,327
<b>Closing net assets attributable to unitholders</b>		<b>£343,439,033</b>		<b>£331,290,436</b>


\* Restated see Note 1 a)

**Balance Sheet as at 30 June 2009 (unaudited)**

	Notes	30.06.2009 £	31.12.2008 £
<b>Assets</b>			
<b>INVESTMENT ASSETS</b>		329,406,251	320,512,783
<b>Other Assets</b>			
Debtors	8	9,110,743	3,159,353
Cash and bank balances	9	26,728,399	5,345,106
Total other assets		<b>35,839,142</b>	<b>8,504,459</b>
Total assets		<b>365,245,393</b>	<b>329,017,242</b>
<b>Liabilities</b>			
<b>INVESTMENT LIABILITIES</b>		<b>599,857</b>	<b>2,061,819</b>
<b>Other Liabilities</b>			
Creditors	10	15,583,756	312,620
Bank overdraft		722,195	690,172
Distribution payable on income units		4,900,552	3,550,048
Total other liabilities		<b>21,206,503</b>	<b>4,552,840</b>
Total liabilities		<b>21,806,360</b>	<b>6,614,659</b>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<b>343,439,033</b>	<b>322,402,583</b>

The notes on pages 21 to 31 form part of these Financial Statements.

Thomas Service



Director  
August 2009

Guy Matthews



Director  
August 2009

# Notes

## **Notes to the financial statements (unaudited) For the period ended 30 June 2009**

### **1. Accounting Policies**

#### *a) Basis of accounting*

The financial statements have been prepared under the historic cost basis, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for Authorised Funds issued by the IMA in November 2008 and The Charities (Accounts and Reports) Regulations 2005. Previously, the requirements of the Statement of Recommended Practice for Authorised Funds issued by the IMA in December 2005 had been applied. As a result of this change, certain items have been re-analysed in the Statement of Total Return as set out below. This re-analysis has been treated as a change in the accounting policies and accordingly the comparative figures have been re-stated. The changes do not affect either the Total Return or Net Assets Attributable to Unitholders in either the current or previous year.

#### *Other gains/(losses)*

Other gains/(losses) were previously included as a separate line in the Statement of Total Return but have now been included in net capital gains/(losses). The effect of this change has been to increase other gains by £188,452 (2008 reduce by £102,827) and to reduce (2008 increase) net capital gains/(losses) by the same amount.

#### *Expenses*

Charges deemed to be capital in nature such as transaction charges associated with the costs of buying and selling securities were previously included in expenses but have now been included in net capital gains/(losses). The effect of this change has been to reduce expenses by £11,800 (2008 £8,766) and to reduce net capital gains/(losses) by the same amount.

#### *b) Valuations*

Quoted investments have been valued at bid-market value at 12 midday on the last working day of the accounting period net of any accrued interest which is included in the balance sheet as revenue. Investments in Collective Investment Schemes operated by the Manager are valued at their single price, those managed by other management groups are valued at their contractual bid price.

The valuation of unlisted investments is based on the Manager's assessment of their estimated realisable value. Suspended securities are valued initially at the suspended price but are subject to constant review.

Structured plans are valued at the latest price from the product provider.

#### *c) Revenue*

Dividends on United Kingdom ordinary securities are accrued on the day when investments are quoted ex-dividend. Dividends on ordinary foreign securities are accrued on the day when ex-dividend information is available. Interest on bank deposits is accrued on a day to day basis. Interest on debt securities is recognised on an accruals basis, taking into account the effective yield on the investment. The effective yield basis amortises any discount or premium on the purchase of an investment over its remaining life.

#### *d) Management fee rebates*

Rebates on the underlying funds' management fees are accounted for on an accruals basis and are subsequently attributed to the Fund's revenue or capital consistent with the fee structure of the underlying fund.

## **1. Accounting Policies (continued)**

### *e) Exchange rates*

Where applicable, transactions during the period have been translated into sterling at the rate of exchange ruling at the date of transaction. Revenue received in currency has been translated into sterling at the rates of exchange ruling on the date of receipt by the Trustee. Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the period end.

### *f) Scrip dividends*

Ordinary scrip dividends are wholly recognised as revenue and are based on the market value of the shares on the date they are quoted ex-dividend. Where an enhancement is offered, the enhancement element is taken to capital.

### *g) Special dividends and share buy-backs*

Special dividends and proceeds from share buy-backs are reviewed on a case by case basis in determining whether the amount is revenue or capital in nature. Where there is evidence to treat all or some of such receipts as revenue, such amounts are recognised as dividend revenue of the Fund. Any tax treatment would follow the accounting treatment of the principal amount.

### *h) Distribution*

Revenue produced by the Fund's investments accumulates during each accounting period. In order to conduct a controlled distribution flow to unitholders, distributions may be made at the Manager's discretion, up to a maximum of the distributable revenue available for the year, and subject to the provisions of the Scheme. Distributions to unitholders will be made on a coupon basis, when it will enable a higher distribution to be paid to unitholders than on the effective yield basis.

### *i) Expenses*

All expenses and fees have been apportioned between capital and revenue in the ratio of 70:30 for the Endowments Fund. This has been decided by the Board due to the dual purpose of the Fund objectives of both long-term capital growth and to provide slightly above average revenue. Details of expenses can be found in note 4 on page 23.

The annual management fee is calculated on the total net assets of the Fund: to the extent that any of the net assets are separately managed by subsidiaries of Sarasin Investment Funds Limited, then the periodic charge is rebated to the value of the subsidiaries' periodic charge made to the underlying holding.

## 2. Net capital losses

	30.06.2009	30.06.2008
	£	£*
Net capital losses comprise:		
Losses on non-derivative securities	(27,530,513)	(23,366,092)
Gains on derivative contracts	3,086,280	389,716
Gains/(losses) on forward currency contracts	7,644,476	(976,786)
Currency (losses)/gains	(188,452)	102,827
Management fee rebates	42,230	-
Transaction charges	(11,800)	(8,766)
	<b>(16,957,779)</b>	<b>(23,859,101)</b>

\* Restated see Note 1 a)

## 3. Revenue

	30.06.2009	30.06.2008
	£	£
UK dividends	3,590,626	2,086,592
Overseas dividends	2,684,249	1,997,833
Bank interest	14,417	391,940
Interest on debt securities	1,353,352	1,070,474
Gross PID	45,500	39,360
Franked PID	29,500	-
Option premia	5,683,082	598,117
Franked CIS revenue	14,348	1,207
Unfranked CIS revenue	469,109	184,511
Management fee rebates	18,099	-
	<b>13,902,282</b>	<b>6,370,034</b>

## 4. Expenses

	30.06.2009	30.06.2008
	£	£*
<b>Payable to the Manager, associates of the Manager and agents of either of them:</b>		
Management fees	1,330,936	1,398,940
	<b>1,330,936</b>	<b>1,398,940</b>
<b>Payable to the Trustee, associates of the Trustee and agents of either of them:</b>		
Safe custody fees	22,430	26,284
Trustee's fees	93,354	93,752
	<b>115,784</b>	<b>120,036</b>
<b>Other Expenses</b>		
Administration fee	82,452	35,545
Printing expenses	3,103	2,149
Board expenses	833	(5,784)
Audit fee	3,304	3,777
Registration fees	2,581	-
Listing fee	1,976	1,058
Miscellaneous expenses	1,360	-
	<b>95,609</b>	<b>36,745</b>
<b>Total Expenses</b>	<b>1,542,329</b>	<b>1,555,721</b>

\* Restated see Note 1 a)

## 5. Taxation

	30.06.2009	30.06.2008
	£	£*
a) Analysis of tax charge in period		
Overseas tax	405,530	289,780
Irrecoverable CIS income tax	18,251	4,595
Irrecoverable PID income tax	9,100	–
<b>Total tax for the period</b>	<b>432,881</b>	<b>294,375</b>

b) As the Scheme is a Common Investment Fund it is exempt from United Kingdom tax on capital gains realised on the disposal of investments held within the Fund and any UK corporation tax.

The Fund is also excluded from the normal tax rules which apply to revenue allocations to units and payments on redemption of units made to unitholders in an authorised unit trust scheme. For the purposes of the Fund, revenue of the Fund is not considered to be dividends in the hands of the unitholders and therefore no income tax is payable in respect of the revenue allocated to each unit.

In addition, any gains on the redemption of units in the Fund are not to be treated as chargeable gains for Capital Gains Tax purposes and therefore no Capital Gains Tax is payable on redemption of units.

## 6. Finance costs

The distributions take account of revenue received on the creation of units and revenue deducted on the cancellation of units, and comprise:

	30.06.2009	30.06.2008
	£	£
First Interim	2,610,982	1,859,032
Second interim	5,002,791	3,598,704
	7,613,773	5,457,736
Add: Revenue deducted on cancellation of units	120,961	203,049
Deduct: Revenue received on creation of units	(543,980)	(540,497)
<b>Net distribution for the period</b>	<b>7,190,754</b>	<b>5,120,288</b>
Finance costs: Interest	2,359	2,592
<b>Total finance costs</b>	<b>7,193,113</b>	<b>5,122,880</b>

## 7. Movement between net revenue and distribution

	30.06.2009	30.06.2008
	£	£
Net revenue after tax	11,924,713	4,517,346
Add: Undistributed revenue brought forward	1,343,841	869,241
Less: Undistributed revenue carried forward	(7,182,618)	(1,419,259)
Add: Benefit of coupon basis distribution	25,287	61,387
Add: Expenses payable from capital	1,079,531	1,091,573
<b>Net distribution for the period</b>	<b>7,190,754</b>	<b>5,120,288</b>

**8. Debtors**

	30.06.2009	31.12.2008
	£	£
Amounts receivable for creation of units	555,205	560,433
Sales awaiting settlement	4,405,494	439,112
Currency sales awaiting settlement	1,697,523	–
Accrued revenue	2,090,512	1,708,373
Overseas tax recoverable	223,612	165,713
Tax recoverable	7,500	–
CIS income tax recoverable	74,225	51,696
Fee rebate receivable	55,591	230,969
Prepaid expenses	1,081	3,057
	<b>9,110,743</b>	<b>3,159,353</b>

**9. Cash and bank balances**

	30.06.2009	31.12.2008
	£	£
Cash and bank balances	23,520,953	3,085,806
Cash held at clearing houses	3,207,446	2,259,300
	<b>26,728,399</b>	<b>5,345,106</b>

**10. Creditors**

	30.06.2009	31.12.2008
	£	£
Purchases awaiting settlement	13,429,585	–
Currency purchases awaiting settlement	1,703,285	–
Accrued expenses	330,886	309,669
Amounts payable for cancellation of units	120,000	2,951
	<b>15,583,756</b>	<b>312,620</b>

**11. Contingent Assets/(Liabilities)**

The Fund had a contingent liability as at 30 June 2009 of £645,652 in respect of Rio Tinto Rights (31 December 2008: no contingent liability).

**12. Equalisation**

Equalisation applies only to units purchased during the distribution period (Group 2 Units). It is the average amount of the revenue included in the purchase price of all Group 2 Units, and is refunded to holders of these units as a return of capital.

**13. Units in Issue**

The total number of units in issue as at 30 June 2009 was:

Income Units	564,905,139
Accumulation Units	6,711,661

#### 14. Related Party Transactions

Management fees are paid to Sarasin & Partners LLP and Sarasin Investment Funds Limited and are shown in note 4 and details of units created and cancelled by Sarasin Investment Funds Limited are shown in the Statement of Change in Net Assets Attributable to Unitholders. The balance due from Sarasin Investment Funds Limited at the period end in respect of these transactions was £202,156 (31 December 2008: £229,359).

Trustee's fees, safe custody fees and transaction charges paid to The Royal Bank of Scotland plc are shown in note 4 and bank interest payable and receivable is shown in notes 8 and 10. The balance due to The Royal Bank of Scotland at the period end in respect of these transactions was £27,987 (31 December 2008: £28,229).

At the period end, the Fund held units in the following Collective Investment Schemes, managed by associated companies of Sarasin Investment Funds Limited:

1,540,141 units in Sarasin CI Real Estate Equity (GBP) with a Bid Market Value of £11,631,149 (31 December 2008: 6,133,800 units in Sarasin Real Estate 'X' with a Bid Market Value of £3,799,889), 1,985,000 units in Sarasin AgriSar 'B' with a Bid Market Value of £1,652,910 (31 December 2008: 3,000,000 units with a Bid Market Value of £2,444,100), 47,500 units in Sarasin EmergingSar (Lux) with a Bid Market Value of £6,759,370 (31 December 2008: Nil units with a Bid Market Value of £Nil), 220,000 units in Sarasin GCC Equity Opportunities 'A' (Lux) with a Bid Market Value of £1,502,492 (31 December 2008: Nil units with a Bid Market Value of £Nil) and Nil units in Sarasin EquiSar IIID 'X' with a Bid Market Value of £Nil (31 December 2008: 6,800,000 units with a Bid Market Value of £7,078,800).

No initial charges were applied to the purchases of these Collective Investment Schemes.

#### 15. Financial Instruments

In pursuing its investment objectives as stated on page 7, the Fund holds a number of financial instruments. The Fund's financial instruments, other than derivatives, comprise securities and other investments, cash balances, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for creations and payable for redemptions and debtors for accrued revenue.

The main risks arising from the Fund's financial instruments and the Manager's policies for managing these risks are summarised below. These policies have been applied throughout the period.

##### Market price risk

Market price risk is the risk that the value of the Fund's investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises mainly from uncertainty about future prices of financial instruments the Fund holds. It represents the potential loss the Fund might suffer through holding market positions in the face of price movements. The Fund's investment portfolio is exposed to market price fluctuations which are monitored by the Manager in pursuance of the investment objectives and policy as set out in the Scheme Particulars.

Adherence to investment guidelines and to investment and borrowing powers set out in The Charities (Accounts and Reports) Regulations 2005 mitigates the risk of excessive exposure to any particular type of security or issuer.

##### Derivative risk

Derivatives are comprised of forward foreign currency contracts, futures and options contracts. Forward foreign currency contracts are used to manage currency risk arising from the Fund's investment activities (and related financing). Open positions at the balance sheet date, which are all covered, are included in the portfolio statement. Gains/(losses) on forward foreign exchange transactions are taken to capital. Futures contracts are used to reduce the risks associated with the market risk of the equity portfolio and to align the Fund's exposures to market movements with that of the Fund's benchmarks.

## **15. Financial Instruments (continued)**

The Fund is able to use traded options for Efficient Portfolio Management purposes only, thus always hedging up to the amount of stock which is physically owned. The purpose of undertaking these contracts is to protect the Portfolio from a downturn in the market as far as possible.

### **Sensitivity analysis**

The Fund invests in equities and bonds. The exposure to equity markets is then reduced through the use of short futures and options. Exposure to foreign currencies is also altered through the use of forwards and occasionally options. The level of equity exposure varies over time depending on how positive the manager is; generally the level has been in the range of 60-80%.

Options are used on individual stocks to implement views on specific stocks. Listed options or futures on bond indices are occasionally used to implement yield curve views.

The Value at Risk (VaR) is independently calculated by RBS Luxembourg (RBSL) who evaluates the volatility and correlation of the Fund's holdings over a period of 250 days. RBSL assess the sensitivity of each of the holdings to various factors, such as global stock-markets, currencies, interest rates and commodity prices and then run a series of simulations to determine the responses of the overall Fund.

The VaR statistic adopted for Sarasin Funds is the "99% / 20-day VaR" model. To calculate this figure RBSL produce one thousand, 20-day simulations, and the "99% / 20-day VaR" figure is the result exceeded only by the worst 1% of those 1,000 simulations.

The "99% / 20-day VaR" for Alpha CIF for Endowments, as at 30.06.09, was 18.71% (31.12.08 10.61%).

### **Currency risk**

Currency risk is the risk that the value of the Fund's investment holdings will fluctuate as a result of changes in foreign currency exchange rates.

A proportion of the Fund's investment portfolios are invested in overseas securities and the balance sheet can be affected by movements in foreign exchange rates. The Manager may seek to manage exposure to currency movements by using forward exchange contracts or by hedging the sterling value of investments that are priced in other currencies. Revenue received in other currencies is converted to sterling on or near the date of receipt.

## 15. Financial Instruments (continued)

Currency exposure as at 30 June 2009:

	Monetary Exposure £	Non-Monetary Exposure £	Total £	%
Australian Dollars	70,095	3,266,690	3,336,785	0.97
Brazilian Real	–	1,228,994	1,228,994	0.36
Canadian Dollars	–	1,851,421	1,851,421	0.54
Danish Kroner	–	1,354,482	1,354,482	0.39
Euros	(447,447)	2,633,408	2,185,961	0.64
Hong Kong Dollars	47,078	5,591,701	5,638,779	1.64
Japanese Yen	12,429	480,484	492,913	0.14
Norwegian Kroner	–	3,341,703	3,341,703	0.97
Sterling	25,265,665	272,898,215	298,163,880	86.82
Swedish Krona	–	883,189	883,189	0.26
Swiss Francs	795,790	324,232	1,120,022	0.33
US Dollars	262,594	23,578,310	23,840,904	6.94
	<b>26,006,204</b>	<b>317,432,829</b>	<b>343,439,033</b>	<b>100.00</b>

Currency exposure as at 31 December 2008:

	Monetary Exposure £	Non-Monetary Exposure £	Total £	%
Australian Dollars	–	2,580,691	2,580,691	0.80
Canadian Dollars	–	2,178,921	2,178,921	0.68
Danish Kroner	–	1,393,308	1,393,308	0.43
Euros	618,363	7,693,295	8,311,658	2.58
Hong Kong Dollars	–	2,362,658	2,362,658	0.73
Japanese Yen	–	14,783,388	14,783,388	4.58
Norwegian Kroner	–	3,619,343	3,619,343	1.12
Singapore Dollars	–	1,470,435	1,470,435	0.46
Sterling	3,787,037	230,057,533	233,844,570	72.53
Swiss Francs	196,577	8,923,457	9,120,034	2.83
US Dollars	52,957	42,684,620	42,737,577	13.26
	<b>4,654,934</b>	<b>317,747,649</b>	<b>322,402,583</b>	<b>100.00</b>

### Credit risk

Certain transactions in securities that the Fund enters into exposes it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Fund has fulfilled its responsibilities. The Fund only buys and sells investments through brokers which have been approved by the Manager as an acceptable counterparty. In addition, limits are set to the exposure to any individual broker that may exist at any time and changes in brokers' financial ratings are reviewed.

### Liquidity risk

The Fund's assets comprise mainly of readily realisable securities. The main liability of the Fund is the redemption of any units over and above the cash holdings that investors wish to sell. Assets of the Fund may need to be sold if insufficient cash is available to finance such redemptions.

### Interest rate risk

Interest rate risk is the risk that the value of the Fund's investment holdings will fluctuate as a result of changes in interest rates. The Fund invests in fixed and floating rate securities. The revenue of the Fund may be affected by changes to interest rates relevant to particular securities or as a result of the Manager being unable to secure similar returns on the expiry of contracts or sale of securities. The value of fixed interest securities may be affected by interest rate movements or the expectation of such movements in the future. Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates.

**15. Financial Instruments (continued)**

Interest Rate Risk Profile of the Fund's Assets and Liabilities

	Floating Rate Financial Assets £	Fixed Rate Financial Assets £	Financial Assets not carrying Interest £	Total £
<b>30 June 2009</b>				
Australian Dollars	70,095	–	3,286,215	3,356,310
Brazilian Real	–	1,132,059	96,935	1,228,994
Canadian Dollars	–	–	1,851,421	1,851,421
Danish Kroner	–	–	1,354,482	1,354,482
Euros	676,479	4,456,820	13,639,790	18,773,089
Hong Kong Dollars	47,078	–	5,825,546	5,872,624
Japanese Yen	12,429	–	8,048,240	8,060,669
Norwegian Kroner	–	–	3,341,703	3,341,703
Sterling	34,121,918	32,467,664	263,795,335	330,384,917
Swedish Krona	–	–	883,189	883,189
Swiss Francs	795,790	–	7,076,963	7,872,753
US Dollars	429,888	–	75,885,815	76,315,703
	<b>36,153,677</b>	<b>38,056,543</b>	<b>385,085,634</b>	<b>459,295,854</b>

	Floating Rate Financial Assets £	Fixed Rate Financial Assets £	Financial Assets not carrying Interest £	Total £
<b>31 December 2008</b>				
Australian Dollars	–	–	2,580,691	2,580,691
Canadian Dollars	–	–	2,178,921	2,178,921
Danish Kroner	–	–	1,393,308	1,393,308
Euros	618,363	5,302,375	12,927,096	18,847,834
Hong Kong Dollars	–	–	2,362,658	2,362,658
Japanese Yen	–	–	14,783,388	14,783,388
Norwegian Kroner	–	1,978,481	1,640,862	3,619,343
Singapore Dollars	–	–	1,470,435	1,470,435
Sterling	9,127,095	41,956,729	187,316,918	238,400,742
Swiss Francs	196,577	–	16,134,032	16,330,609
US Dollars	77,375	–	56,231,939	56,309,314
	<b>10,019,410</b>	<b>49,237,585</b>	<b>299,020,248</b>	<b>358,277,243</b>

**15. Financial Instruments (continued)**

	Floating Rate Financial Liabilities	Fixed Rate Financial Liabilities	Financial Liabilities not carrying Interest	Total
	£	£	£	£
<b>30 June 2009</b>				
Australian Dollars	–	–	19,525	19,525
Euros	554,901	–	16,032,227	16,587,128
Hong Kong Dollars	–	–	233,845	233,845
Japanese Yen	–	–	7,567,756	7,567,756
Sterling	–	–	32,221,037	32,221,037
Swiss Francs	–	–	6,752,731	6,752,731
US Dollars	167,294	–	52,307,505	52,474,799
	<b>722,195</b>	<b>–</b>	<b>115,134,626</b>	<b>115,856,821</b>

	Floating Rate Financial Liabilities	Fixed Rate Financial Liabilities	Financial Liabilities not carrying Interest	Total
	£	£	£	£
<b>31 December 2008</b>				
Euros	–	–	10,536,176	10,536,176
Japanese Yen	665,754	–	3,890,418	4,556,172
Sterling	–	–	7,210,575	7,210,575
US Dollars	24,418	–	13,547,319	13,571,737
	<b>690,172</b>	<b>–</b>	<b>35,184,488</b>	<b>35,874,660</b>

	Weighted Average Interest Rate*† %	Weighted Average Fixed Rate Period* (Years)
<b>30 June 2009</b>		
Brazilian Real	9.47 (–)	1.51 (–)
Euros	4.25 (3.00)	5.25 (5.81)
Euros – Floating	10.08 (–)	9.62 (–)
Norwegian Kroner	– (2.81)	– (0.37)
Sterling	4.54 (4.37)	10.12 (12.28)
Sterling – Floating	3.29 (9.85)	10.27 (21.39)
Sterling – Perpetual	11.26 (8.86)	n/a (n/a)

\*Figures in brackets denote the comparatives as at 31 December 2008

†Weighted average for fixed interest coupons

The floating rate financial assets and liabilities comprise: sterling denominated bank balances and overdrafts that bear interest rates based on the six month LIBOR.

**Fair value of financial assets and liabilities**

There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet and their fair value.

**16. Portfolio Transaction Costs**

	30.06.2009	30.06.2008
	£	£
Purchases in year before transaction costs	276,679,151	191,276,325
Commissions	365,606	151,636
Other costs	77,983	251
Total purchase costs	<b>443,589</b>	<b>151,887</b>
Gross purchase costs	<b>277,122,740</b>	<b>191,428,212</b>
Analysis of total sale costs:		
Gross sales before transaction costs	253,106,706	140,953,512
Commissions	(258,392)	(129,734)
Other costs	(7,960)	(383)
Total sale costs	<b>(266,352)</b>	<b>(130,117)</b>
Total sales net of transaction costs	<b>252,840,354</b>	<b>140,823,395</b>

# Distribution Table

## For the period ended 30 June 2009

### First Interim – Pay date is 31 May 2009

Group 1 – Units purchased prior to 1 January 2009

Group 2 – Units purchased between 1 January 2009 and 31 March 2009

Unit	Revenue 2009 Pence per Unit	Equalisation (note 12) 2009 Pence per Unit	1st Interim Distribution Paid 2009 Pence per Unit	1st Interim Distribution Paid 2008 Pence per Unit
First Interim Allocation (Income units)				
Group 1	0.4700	–	0.4700	0.4500
Group 2	0.0000	0.4700	0.4700	0.4500
First Interim Allocation (Accumulation units)				
Group 1	0.8185	–	0.8185	0.7567
Group 2	0.0000	0.8185	0.8185	0.7567

### Second Interim – Pay date is 31 August 2009

Group 1 – Units purchased prior to 1 April 2009

Group 2 – Units purchased between 1 April 2009 and 30 June 2009

Unit	Revenue 2009 Pence per Unit	Equalisation (note 12) 2009 Pence per Unit	2nd Interim Distribution Payable 2009 Pence per Unit	2nd Interim Distribution Paid 2008 Pence per Unit
Second Interim Allocation (Income units)				
Group 1	0.8675	–	0.8675	0.8260
Group 2	0.0000	0.8675	0.8675	0.8260
Second Interim Allocation (Accumulation units)				
Group 1	1.5233	–	1.5233	1.3971
Group 2	0.0000	1.5233	1.5233	1.3971

# Alpha Fund for Income & Reserves

**Unaudited semi-annual report and accounts**

**for the period 1 January 2009 to 30 June 2009**

# Alpha Fund for Income & Reserves

## **Interim Report and Accounts for the period 1 January 2009 to 30 June 2009**

### **Report of the Corporate Trustee to the Unitholders of the Alpha Fund for Income & Reserves for the period ended 30 June 2009**

We confirm that in the Trustee's opinion, the Manager has invested the Scheme in all material respects in accordance with the limitations imposed on the investment and borrowing powers of the Manager and Trustee by the Scheme, by The Scheme Particulars, and otherwise in accordance with the provisions of the Scheme and the Scheme Particulars.

The Royal Bank of Scotland plc  
Trustee & Depositary Services  
Edinburgh  
August 2009

### Investment Objective of the Fund as set by the Board

The investment objective of the Fund is to achieve a consistently attractive level of revenue coupled with the potential for long term capital appreciation, whilst aiming to preserve the value of capital over the shorter term. The portfolio will be fixed interest orientated with the remainder in a mix of global equities, convertible bonds and cash.

### Investment Policy of the Fund

To achieve the Fund's Investment Objective the Fund will be invested in a range of actively managed securities, the majority of which are likely to be liquid monetary assets in most normal market conditions.

The **bond** content will be diversified across both government and corporate issues. Where the Fund invests in corporate issues, we will ensure diversification across a range of industry types and bond ratings.

The **equity** content will be diversified both by geography, sector and by major investment themes.

We will also consider investing in certain other alternative assets if they are liquid and can be used to enhance the risk and return profile of the Fund.

Where non-sterling assets are held, the Fund may choose to hedge these back into sterling to reduce some or all of the exposure to foreign currencies.

The Fund also has the ability to allocate its assets actively and dynamically between the various asset classes. The current strategic asset allocation of the Fund is set out in the table below, which shows the balance between the different types of investment, together with the current tactical operating parameters which the Fund will normally operate within:

The **Benchmark** for the Fund, against which investment performance is measured is based upon this strategic asset allocation shown in the table below. (The current benchmark is shown on Page 39 of this Report.)

In terms of **Risk Management**, the Manager, together with the Board, will monitor the performance of the Fund and its investments (individually and in relation to one another) on a regular basis.

The Fund is for medium term monies and a small part of the Fund might, from time-to-time, be invested in some relatively illiquid securities. However, monies can be invested/disinvested

from the Fund on a daily basis. Consequently, Sarasin & Partners LLP monitors the liquidity of the underlying securities to ensure that any likely withdrawal of monies from the Fund could be met. It should be noted that the Investment manager has the ability to impose a Dilution Levy on either entry or exit to ensure that the value of unitholders' investments are not harmed by the creation/cancellation of units.

	Strategic (Normal) Weight %	Normal Operating Parameters	
		Low %	High %
Cash	5.0	0.0	50.0
UK Bonds	60.0	50.0	95.0
Overseas Bonds	15.0	0.0	25.0
Index-Linked	0.0	0.0	10.0
<b>Total Cash and Bonds</b>	<b>80.0</b>	<b>65.0</b>	<b>100.0</b>
UK Equities	10.0	0.0	25.0
Overseas Equities	10.0	0.0	25.0
<b>Total Equities</b>	<b>20.0</b>	<b>0.0</b>	<b>35.0</b>
<b>Total Property &amp; Alternatives</b>	<b>0.0</b>	<b>0.0</b>	<b>10.0</b>

### The Socially Responsible Investment Policy

The Alpha Fund for Income & Reserves will not invest in companies manufacturing tobacco related products.

In addition, they will avoid investment in companies with more than 10% of their turnover in:

- Alcohol Manufacture
- Armaments
- Gambling
- Pornography

The Manager does not believe that these restrictions will materially impact on the performance of the Alpha Common Investment Fund for Income and Reserves and expects them to increase their appeal to charities.

The Fund will be active in voting on company resolutions and will engage in direct dialogue with companies where appropriate.

### Sustainable Investment Portfolio Audit

A Sustainable Investment Portfolio Audit is also carried out on the Alpha Common Investment Funds and is available online in the closed user section of [www.alphacif.com](http://www.alphacif.com).

The Manager and the Board of the Alpha Fund for Income & Reserves recognise that social and environmental responsibility are increasingly important and sensitive issues for charities.

The Bank Sarasin Group, the majority shareholder of Sarasin & Partners LLP, is one of the leading SRI (Socially Responsible

Investing) managers in Europe. Bank Sarasin has a 48 strong team of dedicated managers and analysts that was founded in 1989 and currently manages just under CHF10.1bn of SRI funds (as at 30.06.09).

The sustainability audit screens for both negative and positive criteria and has been designed to increase awareness of the various social and ethical risks being taken in the Fund.

The analysis not only considers working practices, but also looks at each company's products through their entire life cycle. It reviews the social and environmental impact of manufacturing a product, together with the impact the product has during its life and on its ultimate disposal.

### **Report of the Manager**

Sarasin Investment Funds Limited is the Manager of Alpha Fund for Income & Reserves (the Scheme) and in accordance with the Scheme, is solely responsible for the selection of the investments, subject to the Fund's investment objectives, investment policy and the terms of the Scheme.

The Manager has appointed Sarasin & Partners LLP as the investment manager to the Fund (the "Investment Manager"). The Investment Manager provides discretionary investment dealing services together with the related research and valuation facilities in a wide range of investments. The Investment Manager has the authority to make decisions on our behalf, subject to the provisions of the Scheme, the Scheme Particulars, the investment guidelines, the investment policy and the investment objective of the Fund.

The Board of Directors of Sarasin Investment Funds convenes at least 4 times a year to consider the status of the Funds and the performance of the Investment Manager, including review of the investment guidelines and the risk management and controls in place. In addition, the Manager reviews a quarterly report from the Corporate Trustee and a Compliance Report that details any issues over the year.

Under the Charities (Accounts and Reports) Regulations 1995 and the Scheme, the Manager is required to prepare financial statements for each accounting year, which give a true and fair view of the financial position of the Fund at the end of the year, the amounts to be distributed and the movement in net assets for the year.

In preparing the financial statements, the Manager is required to use suitable accounting policies and apply them consistently and to make reasonable and prudent judgments and estimates. The financial statements are prepared in accordance with applicable accounting standards and on the basis that the Fund will continue in operation.

The Manager is responsible for the administration and management of the Fund including its investments. The Manager must carry out regular valuations of the Fund's property and will ensure that the units are properly priced.

Guy Matthews  
Chairman of Sarasin Investment Funds Limited  
August 2009

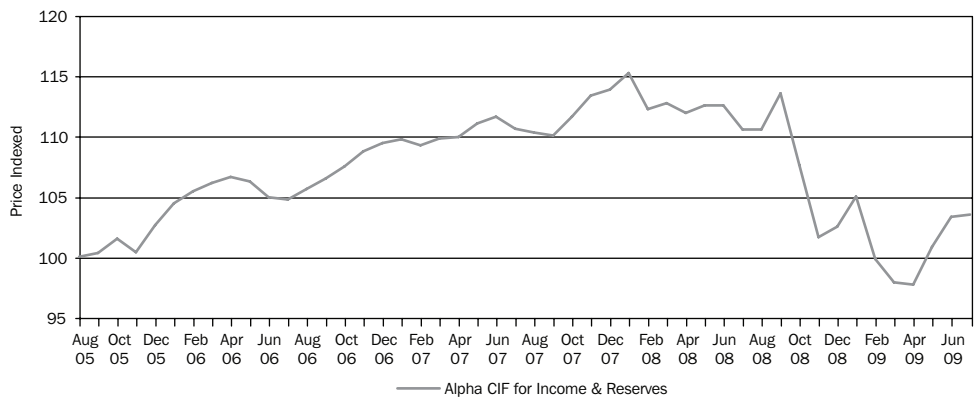
**Values at 30 June 2009**

Size (Units)	Unit Type	Mid Price	Yield*
36,720,389	Income	87.31 pence	5.71%
155,875	Accumulation	103.70 pence	5.71%

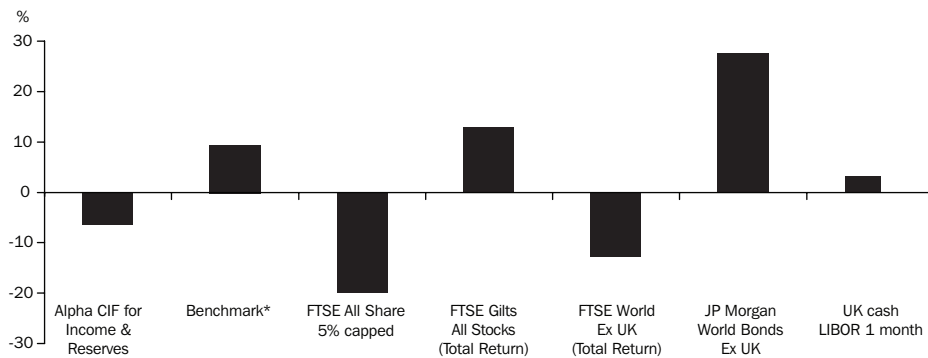
Launch Date	3 August 2005		
Launch Price	100 pence		
Management Charges	Annual:	0.75%	
	Initial:	Up to 1.0%	
Unit Types:	Income & Accumulation Units		
Accounting Period Ends	Annual:	31 December	
	Interim:	31 March	
		30 June	
		30 September	
Initial Minimum Investment:	£1,000		
Minimum Additional Investment:	£250		

\*The yield shown is the historic yield and is calculated by taking the distribution rate for the last 4 distributions, multiplied by 100 and divided by the mid price of the income units, which for the period end was 87.31 pence.

**Performance since 03.08.05 (Accumulation units in Sterling)**



**1 Year Performance**



\*Benchmark: FTSE Gilts All Stocks (Total Return) 60%, JP Morgan World Bonds Ex UK 15%, FTSE All Share 5% Capped (Total Return) 10%, FTSE World Ex-UK (Total Return) 10%, UK cash LIBOR 1 month (Total Return) 5%. Source: Sarasin & Partners LLP as at 01.07.09. Performance is for accumulation units, sterling, Bid to Bid.

Past performance does not guarantee future returns. The value of investments and the income from them can go down as well as up and you may not get back the amount you originally invested. This can be as a result of market movements and also of variations in the exchange rates between currencies. There is no minimum investment period although we recommend that you view your investment as a medium to long term one (i.e. 5 to 10 years). 80% of the Manager's annual and administration charges are deducted from the Fund's capital, which may constrain future capital growth. The Fund is subject to an initial charge of up to 1%.

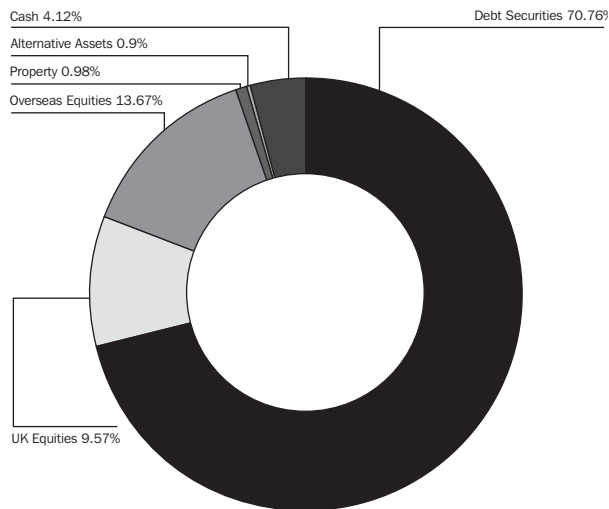
### Sterling Performance as at 30 June 2009

	6 months	1 Year	Since Launch on 3.08.05
<b>Alpha Fund for Income &amp; Reserves</b>	<b>-1.4</b>	<b>-6.3</b>	<b>3.5</b>
Benchmark*	-3.5	9.4	21.3
FTSE All Share 5% capped	2.3	-19.8	-3.9
FTSE Gilts All Stocks (Total Return)	-2.1	12.9	22.1
FTSE World Ex UK (Total Return)	-5.4	-12.8	-0.3
JP Morgan World Bonds Ex UK	-15.1	27.6	36.6
UK cash LIBOR 1 month	0.6	3.2	20.2

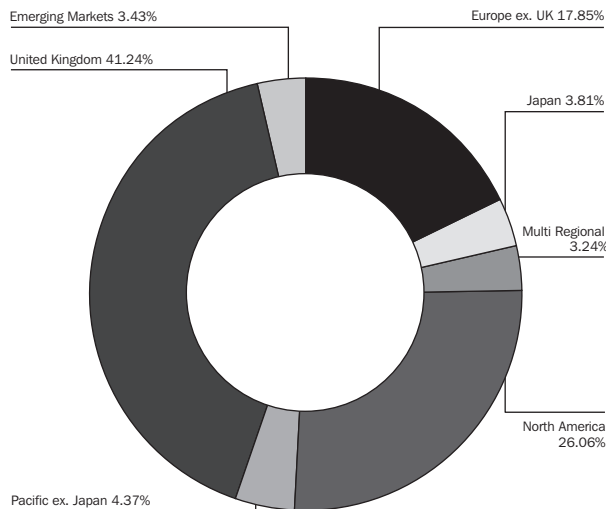
\*Benchmark: FTSE Gilts All Stocks (Total Return) 60%, JP Morgan World Bonds Ex UK 15%, FTSE All Share 5% Capped (Total Return) 10%, FTSE World Ex-UK (Total Return) 10%, UK cash LIBOR 1 month (Total Return) 5%. Source: Sarasin & Partners LLP as at 01.07.09. Performance is for accumulation units, STG, Bid to Bid.

Past performance does not guarantee future returns. The value of investments and the income from them can go down as well as up and you may not get back the amount you originally invested. This can be as a result of market movements and also of variations in the exchange rates between currencies. There is no minimum investment period although we recommend that you view your investment as a medium to long term one (i.e. 5 to 10 years). 80% of the Manager's annual and administration charges are deducted from the Fund's capital, which may constrain future capital growth. The Fund is subject to an initial charge of up to 1%.

### Asset & Thematic Equity Allocation



### Geographical Equity Allocation



**Historic Net Asset Values**

As at	Net Asset Values £	Net Asset Values per Income Unit (p)	Total number of base Units in Issue
31 December 2006	40,236,768	103.01	39,062,530
31 December 2007	43,482,623	103.28	42,102,218
31 December 2008	36,679,533	88.99	41,219,088
30 June 2009	31,495,398	85.34	36,905,349

**Historic Highest & Lowest Mid Prices**

Calendar Year	Highest Mid Price (p)		Lowest Mid Price (p)	
	Acc	Inc	Acc	Inc
2005*	104.40	104.40	68.94	68.94
2006	109.90	105.30	103.60	100.20
2007	115.20	104.50	109.90	100.20
2008	115.90	104.10	99.87	86.50
2009**	105.50	90.11	95.52	81.62

\* 3 August 2005 to 31 December 2005

\*\* To 30 June 2009

**Distribution History**

Calendar Year	Allocation per Unit		Per £1,000 investment 3 August 2005	
	(p) Inc	(p) Acc	(£) Inc	(£) Acc
2005*	-	-	-	-
2006	5.0750	5.1689	50.75	51.69
2007	4.9090	5.2505	49.09	52.51
2008	4.5104	5.0572	45.10	50.57
2009**	3.8843	4.5516	38.84	45.52

\* 3 August 2005 to 31 December 2005

\*\* to 31 August 2009

**Total Expense Ratio**

The TER of the Fund was 1.01% for the accounting period ending 30 June 2009 (31 December 2008: 1.05%).

**Portfolio Turnover Rate**

The PTR of the Fund was 90.92% for the accounting period ending 30 June 2009 (31 December 2008: 174.97%).

**Portfolio Statement as at 30 June 2009**

Holding	Investment	Bid Market Value (£)	% of Net Assets
<b>Debt Securities 70.76% (31 December 2008 – 78.74%)</b>			
£250,000	Alliance & Leicester 4.75% 01/03/2011	249,627	0.79
£400,000	AT&T 5.875% 28/04/2017	411,176	1.31
€250,000	Bank of America 4% 28/03/2018 Floating Rate Note	146,568	0.46
£250,000	Bank of Scotland 12.0% Perpetual Floating Rate Note	165,000	0.52
£150,000	Bank of Scotland 4.625% 04/11/2011	156,900	0.50
£300,000	Barclays Bank 14% Perpetual Floating Rate Note	340,460	1.08
£250,000	Barclays Bank 9.75% 30/09/2009	466,375	1.48
£500,000	BG Energy 5.125% 07/12/2017	498,380	1.58
£500,000	BNP Paribas 5.945% Perpetual Floating Rate Note	310,869	0.99
£350,000	BP Capital 4% 29/12/2014	347,690	1.10
£250,000	CADES 3.75% 09/08/2014	249,175	0.79
£400,000	Centrica 5.125% 10/12/2014	402,043	1.28
€500,000	Citigroup 4.75% Variable 10/02/2019	284,512	0.90
£500,000	Citigroup 5.5% 18/11/2015	433,446	1.38
£600,000	Council of Europe 3.375% 12/08/2014	590,225	1.87
£200,000	Deutsche Telekom 6.5% 08/04/2022	205,022	0.65
£300,000	Dignity Finance 8.151% 31/12/2031	260,238	0.83
£700,000	Diversification 6.3412% 31/01/2012 Floating Rate Note	280,791	0.89
€150,000	Dresdner HT1 Funding 6.352% Perpetual Floating Rate Note	43,493	0.14
€300,000	E.On 5.5% 19/01/2016	273,415	0.87
£150,000	EDF 6.875% 12/12/2022	171,614	0.54
BRL 200,000	EIB 12.25% 08/09/2010	63,809	0.20
£500,000	EIB 4.75% 06/06/2012	527,012	1.67
£400,000	EIB 4.75% 15/10/2018	420,832	1.34
£400,000	Eksporthfinans 6.0% 06/09/2010	414,284	1.32
£350,000	European Credit Bank 6.2075% Variable 25/05/2011	199,039	0.63
£850,000	European Credit Lux 3.51375% Variable 18/05/2011	434,600	1.38
£400,000	Export Development Canada 3.625% 07/09/2015	396,200	1.26
£600,000	F&C Commercial 5.23% 30/06/2017 Floating Rate Note	570,378	1.81
£200,000	France Telecom 5% 12/05/2016	199,024	0.63
€200,000	GDF Suez 5.625% 18/01/2016	184,926	0.59
£350,000	GE Capital 5.875% 26/04/2010	355,530	1.13
£300,000	International Bank of Reconstruction & Development 5.4% 06/07/2021	327,529	1.04
£50,000	Keystone Investment Trust 11.375% 01/10/2015	56,146	0.18
BRL 200,000	KFW 10% 15/05/2012	63,750	0.20
£500,000	KFW 5.5% 07/12/2015	544,174	1.73
£74,000	Koninklijke 5.75% 18/03/2016	75,192	0.24
£650,000	Merrill Lynch & Co 7.75% 30/04/2018	641,449	2.04
£250,000	National Australia Bank 5.375% 08/12/2014	251,837	0.80
€300,000	National Grid Electric 6.625% 28/01/2014	278,406	0.88
£500,000	Nationwide Building Society 6.0% 29/03/2049 Floating Rate Note	325,000	1.03
£600,000	Nationwide Building Society 6.024% Perpetual Floating Rate Note	275,239	0.87
USD 550,000	Natixis 10% Perpetual Floating Rate Note	197,609	0.63
NOK 2,500,000	Norway (Govt of) 6.5% 15/05/2013	265,825	0.84
£300,000	Rentenbank 5.25% 18/01/2012	316,993	1.01
£400,000	RL Finance 6.125% Perpetual Floating Rate Note	180,000	0.57
£200,000	RWE Finance 5.5% 06/07/2022	200,574	0.64
€350,000	RWE Finance 5.75% 20/11/2013	324,779	1.03
£400,000	Scotland Gas Networks 4.75% 21/02/2017	381,252	1.21
£200,000	Scottish & Southern 5.75% 05/02/2014	208,027	0.66
£300,000	Spain (Govt of) 11.75% 24/03/2010	322,965	1.03
£250,000	Stockland Finance 5.625% 25/10/2013	205,000	0.65
£300,000	Swedish Export Credit 5.75% 12/07/2011	318,962	1.01
£650,000	Term Loans 3.51375% Floating Rate Note 25/05/2011	113,104	0.36
£250,000	Tesco 5% 24/02/2014	254,702	0.81
€400,000	Tesco 5.625% 12/09/2012	363,860	1.16
£300,000	Toronto Dominion 6.875% 24/06/2011	320,428	1.02
BRL 200,000	Toyota Motor Credit 11.5% 21/12/2009	61,463	0.19

**Portfolio Statement as at 30 June 2009 (continued)**

Holding	Investment	Bid Market Value (£)	% of Net Assets
£200,000	UK Treasury 2.5% Index-Linked 16/08/2013	492,800	1.56
£400,000	UK Treasury 4.25% 07/03/2011	419,474	1.33
£1,200,000	UK Treasury 4.5% 07/03/2013	1,273,020	4.04
£500,000	UK Treasury 4.5% 07/03/2019	534,155	1.70
£500,000	UK Treasury 5% 07/09/2014	551,115	1.75
£600,000	UK Treasury 8% 27/09/2013	722,915	2.30
£100,000	Unilever 4% 19/12/2014	99,527	0.32
£150,000	Unilever 4.75% 16/06/2017	150,810	0.48
£200,000	Verizon Wireless 8.875% 18/12/2018	244,440	0.78
£600,000	Wellcome Trust 4.625% 25/07/2036	547,555	1.74
£350,000	West Bromwich Building Society 6.15% Variable Perpetual	70,000	0.22
£250,000	Yorkshire Building Society 2.25% 07/02/2011	250,982	0.80
		<b>22,283,711</b>	<b>70.76</b>

**UK Equities 9.57% (31 December 2008 – 6.36%)**

40,773	3i	97,957	0.31
8,000	Admiral	69,520	0.22
15,000	Aggreko	77,925	0.25
20,000	Amlin	61,150	0.19
8,485	Anglo American	152,348	0.48
80,000	Arm	95,800	0.30
12,000	BG	124,680	0.40
5,200	BHP Billiton	72,124	0.23
30,000	BP	145,410	0.46
1,207	British Land	4,653	0.01
30,000	Cadbury	156,000	0.50
11,000	GlaxoSmithKline	119,130	0.38
50,000	Home Retail	128,875	0.41
38,000	HSBC	192,622	0.61
27,568	ICAP	123,298	0.39
36,000	International Power	86,400	0.27
333,987	Lloyds Banking	240,103	0.76
13,000	National Grid	71,565	0.23
10,000	Pearson	60,700	0.19
40,000	Pennon	196,600	0.63
3,000	Reckitt Benckiser	83,520	0.27
1,586	Rio Tinto	34,377	0.11
998	Rio Tinto Rights	7,435	0.02
10,000	Rotork	82,600	0.26
99,000	Royal Bank of Scotland	38,892	0.12
8,750	Royal Dutch Shell 'B'	135,538	0.43
10,000	Schroders	82,500	0.26
6,000	Shire	50,130	0.16
44,000	Tesco	155,100	0.49
5,000	Unilever	71,850	0.23
		<b>3,018,802</b>	<b>9.57</b>

**Overseas Equities 13.67% (31 December 2008 – 12.24%)**

1,100	Apple	94,135	0.30
3,000	Bank of Nova Scotia	69,428	0.22
5,700	Boskalis Westminster	79,794	0.25
3,900	Bucyrus International	67,965	0.22
13,315	China Overseas Land & Investment	18,529	0.06
5,000	Cisco Systems	57,305	0.18
3,000	Coca-Cola	87,443	0.28
4,000	CSL	63,090	0.20
4,000	Deere & Co	101,664	0.32
1,500	Deutsche Boerse	70,741	0.22
3,500	EDF	102,888	0.33

**Portfolio Statement as at 30 June 2009 (continued)**

Holding	Investment	Bid Market Value (£)	% of Net Assets
4,000	Emerson Electric	80,360	0.26
3,000	Exelon	91,338	0.29
3,000	Fred Olsen Energy	62,974	0.20
600	Goldman Sachs	54,111	0.17
26,000	Hengan International	73,536	0.23
12,000	Home Depot	172,821	0.55
13,000	Intel	128,505	0.41
1,800	International Business Machines	114,986	0.37
8,000	Investor	75,325	0.24
5,341	Itau Unibanco ADR	51,699	0.16
1,750	Lyxor Gold Bullion	97,262	0.31
1,300	Merck	79,812	0.25
2,000	Merrill Lynch Warrants 08/08/2009 (Water Scarcity Basket)	237,000	0.75
7,000	Microsoft	100,728	0.32
24,000	Mitsubishi UFJ	90,151	0.29
1,400	Monsanto	64,418	0.21
6,500	Nestle	149,280	0.47
400	Nintendo	66,947	0.21
15,000	Nissan	55,306	0.18
3,500	Peabody Energy	64,418	0.20
2,500	Petroleo Brasileiro ADR	62,423	0.20
3,000	Qualcomm	83,458	0.27
3,600	Quimica Y Minera ADR	79,867	0.25
1,000	Roche	83,691	0.27
2,500	Sanofi-Aventis	90,633	0.29
7,000	Southern	134,543	0.43
7,250	StatoilHydro	88,196	0.28
15,000	Sun Hung Kai Properties	113,484	0.36
6,000	Tele Norte Leste Participacoes ADR	56,919	0.18
4,000	Tokio Marine	66,947	0.21
7,000	Toll Bros	72,450	0.23
2,800	Total	93,354	0.30
7,016	UBS	53,305	0.17
3,000	United States Steel	66,955	0.21
5,000	Vivendi	73,704	0.24
150,000	Want Want China	51,190	0.16
6,000	Waste Management	103,294	0.33
9,000	Xstrata	60,435	0.19
1,300	Zurich Financial Services	142,521	0.45
		<b>4,301,328</b>	<b>13.67</b>
<b>Collective Investment Schemes 1.00% (31 December 2008 – 0.33%)</b>			
45,000	Invesco Perpetual UK Smaller Companies	114,327	0.36
160,000	Jupiter India (Accumulation)	77,072	0.24
150,000	Sarasin AgriSar 'B'	124,905	0.40
		<b>316,304</b>	<b>1.00</b>
<b>Global Property 0.98% (31 December 2008 – 0.25%)</b>			
41,000	Sarasin CI Real Estate Equity (GBP)	<b>309,632</b>	<b>0.98</b>
<b>Derivatives 0.00% (31 December 2008 – 1.10%)</b>			
(27)	Schneider Electric EUR 52 Put Option July 2009	<b>(645)</b>	<b>0.00</b>
<b>Forward Exchange Contracts -0.10% (31 December 2008 – 0.94%)</b>			
EUR 760,000	Bought EUR sold GBP 655,409 for settlement 24/09/2009	(7,297)	(0.02)
EUR 770,000	Bought EUR sold GBP 654,361 for settlement 24/09/2009	2,278	0.01
EUR (4,725,000)	Sold EUR bought GBP 3,986,010 for settlement 24/09/2009	(43,366)	(0.14)
USD (3,400,000)	Sold USD bought GBP 2,069,285 for settlement 24/09/2009	15,869	0.05

**Portfolio Statement as at 30 June 2009**

Holding	Investment	Bid Market Value (£)	% of Net Assets
		<b>(32,516)</b>	<b>(0.10)</b>
	<b>Total Value of Investments 95.88%</b>		
	<b>(31 December 2008 – 98.08%)</b>	30,196,616	95.88
	<b>Net Other Assets</b>	1,298,782	4.12
	<b>Net Assets</b>	<b>31,495,398</b>	<b>100.00%</b>

All holdings are ordinary shares of stock unless otherwise stated.

Asset Allocation of Portfolio of Investments is as follows:

Equities	7,320,130	24.24
Bonds	22,283,711	73.80
Derivatives	(645)	–
Forward Exchange Contracts	(32,516)	(0.11)
Collective Investment Schemes	625,936	2.07
	<b>30,196,616</b>	<b>100.00%</b>

Debt Security Allocation is as follows:

Percentage of Debt Securities above investment grade	94.30
Percentage of Debt Securities below investment grade (sub BBB or unrated)	5.70
	<b>100.00%</b>

**Statement of Total Return (unaudited)  
for the period ended 30 June 2009**

	Notes	£	01.01.2009 to 30.06.2009 £	£	01.01.2008 to 30.06.2008 £
Income					
Net capital losses	2		(1,456,085)		(2,579,394)
Revenue	3	1,091,958		1,004,578	
Expenses	4	(180,673)		(212,582)	
Finance costs: Interest	6	(792)		(3,283)	
Net revenue before taxation		910,493		788,713	
Taxation	5	(20,634)		(19,655)	
<b>Net revenue after taxation for the period</b>			<b>889,859</b>		<b>769,058</b>
<b>Total return before distribution</b>			<b>(566,226)</b>		<b>(1,810,336)</b>
Finance costs: Distributions	6		(1,052,277)		(983,817)
<b>Change in net assets attributable to unitholders from investment activities</b>			<b>£(1,618,503)</b>		<b>£(2,794,153)</b>

**Statement of Change in Net Assets Attributable to Unitholders (unaudited)  
for the period ended 30 June 2009**

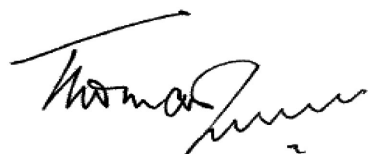
	£	01.01.2009 to 30.06.2009 £	£	01.01.2008 to 30.06.2008* £
<b>Opening net assets attributable to unitholders</b>		<b>36,679,533</b>		<b>43,482,623</b>
Movement due to sales and repurchases of units:				
Amounts received on issue of units	949,033		3,857,427	
Amounts paid on cancellation of units	(4,543,700)		(3,969,152)	
		(3,594,667)		(111,725)
Dilution Levy		24,700		-
Stamp Duty Reserve Tax (SDRT)		(38)		-
Change in net assets attributable to unitholders from investment activities (see above)		(1,618,503)		(2,794,153)
Retained distribution on accumulation units		4,373		3,088
<b>Closing net assets attributable to unitholders</b>		<b>£31,495,398</b>		<b>£40,579,833</b>

**Balance Sheet as at 30 June 2009 (unaudited)**

	Notes	30.06.2009 £	31.12.2008 £
<b>Assets</b>			
<b>INVESTMENT ASSETS</b>			
<b>Other Assets</b>			
Debtors	8	1,037,043	598,051
Cash and bank balances	9	2,058,557	662,614
Total other assets		<b>3,095,600</b>	<b>1,260,665</b>
Total assets		<b>33,343,524</b>	<b>37,581,747</b>
<b>Liabilities</b>			
<b>INVESTMENT LIABILITIES</b>			
<b>Other Liabilities</b>			
Creditors	10	1,123,976	47,206
Bank overdraft		113,737	4,083
Distribution payable on income units		559,105	501,026
Total other liabilities		<b>1,796,818</b>	<b>552,315</b>
Total liabilities		<b>1,848,126</b>	<b>902,214</b>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<b>31,495,398</b>	<b>36,679,533</b>

The notes on pages 48 to 58 form part of these Financial Statements.

Thomas Service



Director  
August 2009

Guy Matthews



Director  
August 2009

**Notes to the financial statements (unaudited)  
For the period ended 30 June 2009**

**1. Accounting Policies**

a) *Basis of accounting*

The financial statements have been prepared under the historic cost basis, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for Authorised Funds issued by the IMA in November 2008 and The Charities (Accounts and Reports) Regulations 2005. Previously, the requirements of the Statement of Recommended Practice for Authorised Funds issued by the IMA in December 2005 had been applied. As a result of this change, certain items have been re-analysed in the Statement of Total Return as set out below. This re-analysis has been treated as a change in the accounting policies and accordingly the comparative figures have been re-stated. The changes do not affect either the Total Return or Net Assets Attributable to Unitholders in either the current or previous year.

*Other gains/(losses)*

Other gains/(losses) were previously included as a separate line in the Statement of Total Return but have now been included in net capital gains/(losses). The effect of this change has been to reduce other gains by £455,272 (2008 £217,194) and to increase net capital gains/(losses) by the same amount.

*Expenses*

Charges deemed to be capital in nature such as transaction charges associated with the costs of buying and selling securities were previously included in expenses but have now been included in net capital gains/(losses). The effect of this change has been to reduce expenses by £5,295 (2008 £5,571) and to reduce net capital gains/(losses) by the same amount.

b) *Valuations*

Quoted investments have been valued at bid-market value at 12 midday on the last working day of the accounting period net of any accrued interest which is included in the balance sheet as revenue. Investments in Collective Investment Schemes operated by the Manager are valued at their single price, those managed by other management groups are valued at their contractual bid price.

The valuation of unlisted investments is based on the Manager's assessment of their estimated realisable value. Suspended securities are valued initially at the suspended price but are subject to constant review.

Structured plans are valued at the latest price from the product provider.

c) *Revenue*

Dividends on United Kingdom ordinary securities are accrued on the day when investments are quoted ex-dividend. Dividends on ordinary foreign securities are accrued on the day when ex-dividend information is available. Interest on bank deposits is accrued on a day to day basis. Interest on debt securities is recognised on an accruals basis, taking into account the effective yield on the investment. The effective yield basis amortises any discount or premium on the purchase of an investment over its remaining life.

d) *Management fee rebates*

Rebates on the underlying funds' management fees are accounted for on an accruals basis and are subsequently attributed to the Fund's revenue or capital consistent with the fee structure of the underlying fund.

## **1. Accounting Policies (continued)**

### *e) Exchange rates*

Where applicable, transactions during the period have been translated into sterling at the rate of exchange ruling at the date of transaction. Revenue received in currency has been translated into sterling at the rate of exchange ruling on the date of receipt by the Trustee. Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the period end.

### *f) Scrip dividends*

Ordinary scrip dividends are wholly recognised as revenue and are based on the market value of the shares on the date they are quoted ex-dividend. Where an enhancement is offered, the enhancement element is taken to capital.

### *g) Special dividends and share buy-backs*

Special dividends and proceeds from share buy-backs are reviewed on a case by case basis in determining whether the amount is revenue or capital in nature. Where there is evidence to treat all or some of such receipts as revenue, such amounts are recognised as dividend revenue of the Fund. Any tax treatment would follow the accounting treatment of the principal amount.

### *h) Distribution*

Revenue produced by the Fund's investments accumulates during each accounting period. In order to conduct a controlled distribution flow to unitholders, distributions may be made at the Manager's discretion, up to a maximum of the distributable revenue available for the year, and subject to the provisions of the Scheme. Distributions to unitholders will be made on a coupon basis, when it will enable a higher distribution to be paid to unitholders than on the effective yield basis.

### *i) Expenses*

All expenses and fees have been apportioned between capital and revenue in the ratio of 80:20 for the Income & Reserves Fund. This has been decided by the Board due to the Fund objective of an attractive level of revenue coupled with the potential for long term capital appreciation. Details of expenses can be found in note 4 on page 50.

The annual management fee is calculated on the total net assets of the Fund: to the extent that any of the net assets are separately managed by subsidiaries of Sarasin Investment Funds Limited, then the periodic charge is rebated to the value of the subsidiaries' periodic charge made to the underlying holding.

**2. Net capital (losses)/gains**

	30.06.2009	30.06.2008
	£	£*
Net capital (losses)/gains comprise:		
(Losses)/gains on non-derivative securities	(2,458,763)	(2,566,690)
Gains on derivative contracts	(125,186)	126,154
Losses on forward currency contracts	677,498	(350,481)
Currency gains	455,272	217,194
Management fee rebates	389	-
Transaction charges	(5,295)	(5,571)
	<b>(1,456,085)</b>	<b>(2,579,394)</b>

\* Restated see Note 1 a)

**3. Revenue**

	30.06.2009	30.06.2008
	£	£
UK dividends	57,005	75,455
Overseas dividends	134,952	139,795
Bank interest	1,956	23,646
Interest on debt securities	789,671	789,238
Unfranked CIS revenue	2,245	2,238
Net loss on Credit Default Swap	(2,117)	(25,794)
Option premia	108,149	-
Management fee rebates	97	-
	<b>1,091,958</b>	<b>1,004,578</b>

**4. Expenses**

	30.06.2009	30.06.2008
	£	£*
<b>Payable to the Manager, associates of the Manager and agents of either of them:</b>		
Management fees	144,370	183,159
	<b>144,370</b>	<b>183,159</b>
<b>Payable to the Trustee, associates of the Trustee and agents of either of them:</b>		
Safe custody fees	2,014	3,058
Trustee's fees	9,694	12,211
	<b>11,708</b>	<b>15,269</b>
<b>Other Expenses</b>		
Administration fee	14,620	5,305
Printing expenses	1,719	3,583
Audit fee	3,304	3,777
Registration fees	1,725	-
Listing fee	1,977	1,979
Miscellaneous expenses	1,250	(490)
	<b>24,595</b>	<b>14,154</b>
<b>Total Expenses</b>	<b>180,673</b>	<b>212,582</b>

\* Restated see Note 1 a)

## 5. Taxation

	30.06.2009	30.06.2008
	£	£
a) Analysis of tax charge in period		
Overseas tax	20,561	19,207
Irrecoverable income tax	73	448
<b>Total tax for the period</b>	<b>20,634</b>	<b>19,655</b>

b) As the Scheme is a Common Investment Fund it is exempt from United Kingdom tax on capital gains realised on the disposal of investments held within the Fund and any UK corporation tax.

The Fund is also excluded from the normal tax rules which apply to revenue allocations to units and payments on redemption of units made to unitholders in an authorised unit trust scheme. For the purposes of the Fund, revenue of the Fund is not considered to be dividends in the hands of the unitholders and therefore no income tax is payable in respect of the revenue allocated to each unit.

In addition, any gains on the redemption of units in the Fund are not to be treated as chargeable gains for Capital Gains Tax purposes and therefore no Capital Gains Tax is payable on redemption of units.

## 6. Finance costs

The distributions take account of revenue received on the creation of units and revenue deducted on the cancellation of units, and comprise:

	30.06.2009	30.06.2008
	£	£
First Interim	476,461	444,204
Second interim	561,921	550,029
	1,038,382	994,233
Add: Revenue deducted on cancellation of units	23,771	28,443
Deduct: Revenue received on creation of units	(9,876)	(38,859)
<b>Net distribution for the period</b>	<b>1,052,277</b>	<b>983,817</b>
Finance costs: Interest	792	3,283
<b>Total finance costs</b>	<b>1,053,069</b>	<b>987,100</b>

## 7. Movement between net revenue and distributions

	30.06.2009	30.06.2008
	£	£
Net revenue after tax	889,859	769,058
Add: Undistributed revenue brought forward	26	9
Less: Undistributed revenue carried forward	(11)	(19)
Add: Benefit of coupon basis distribution	18,101	45,810
Add: Expenses payable from capital	144,302	168,959
<b>Net distribution for the period</b>	<b>1,052,277</b>	<b>983,817</b>

**8. Debtors**

	30.06.2009	30.06.2008
	£	£
Sales awaiting settlement	540,585	–
Currency sales awaiting settlement	51,899	–
Accrued revenue	427,252	565,037
Fee rebate receivable	335	13,398
Overseas tax recoverable	15,892	16,559
Prepaid expenses	1,080	3,057
	<b>1,037,043</b>	<b>598,051</b>

**9. Cash and bank balances**

	30.06.2009	30.06.2008
	£	£
Cash and bank balances	1,690,747	401,752
Cash held at clearing houses	367,810	260,862
	<b>2,058,557</b>	<b>662,614</b>

**10. Creditors**

	30.06.2009	30.06.2008
	£	£
Amounts payable for cancellation of units	280,000	–
Purchases awaiting settlement	748,468	–
Currency purchases awaiting settlement	52,259	–
Accrued expenses	43,249	44,809
Swaps awaiting settlement	–	2,397
	<b>1,123,976</b>	<b>47,206</b>

**11. Contingent Assets/(Liabilities)**

The Fund had a contingent liability as at 30 June 2009 of £13,972 in respect of Rio Tinto Rights (31 December 2008: no contingent liability).

**12. Equalisation**

Equalisation applies only to units purchased during the distribution period (Group 2 Units). It is the average amount of the revenue included in the purchase price of all Group 2 Units, and is refunded to holders of these units as a return of capital.

**13. Units in Issue**

The total number of units in issue as at 30 June 2009 was:

Income Units	36,720,389
Accumulation Units	155,875

#### **14. Related Party Transactions**

Management fees are paid to Sarasin & Partners LLP and Sarasin Investment Funds Limited and are shown in note 4 and details of units created and cancelled by Sarasin Investment Funds Limited are shown in the Statement of Change in Unitholders' Net Assets. The balance due to Sarasin Investment Funds Limited at the period end in respect of these transactions was £302,707 (31 December 2008: £26,904).

Trustee's fees, safe custody fees and transaction charges paid to The Royal Bank of Scotland plc are shown in note 4 and bank interest payable and receivable is shown in notes 8 and 10. The balance due to The Royal Bank of Scotland at the period end in respect of these transactions was £2,595 (31 December 2008: £3,069).

At the period end, the Fund held units in the following Collective Investment Schemes, managed by associated companies of Sarasin Investment Funds Limited:

41,000 units in Sarasin CI Real Estate Equity (GBP) with a Bid Market value of £309,632 (31 December 2008: 11,000 units with a Bid Market Value of £91,740), and 150,000 units of Sarasin AgriSar 'B' with a Bid Market Value of £124,905 (31 December 2008: 150,000 units with a Bid Market Value of £122,205).

No initial charges were applied to the purchases of these Collective Investment Schemes.

#### **15. Financial Instruments**

In pursuing its investment objectives as stated on page 35, the Fund holds a number of financial instruments. The Fund's financial instruments, other than derivatives, comprise securities and other investments, cash balances, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for creations and payable for redemptions and debtors for accrued income.

The main risks arising from the Fund's financial instruments and the Manager's policies for managing these risks are summarised below. These policies have been applied throughout the period.

##### **Market price risk**

Market price risk is the risk that the value of the Fund's investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises mainly from uncertainty about future prices of financial instruments the Fund holds. It represents the potential loss the Fund might suffer through holding market positions in the face of price movements. The Fund's investment portfolios are exposed to market price fluctuations which are monitored by the Manager in pursuance of the investment objectives and policy as set out in the Scheme Particulars.

Adherence to investment guidelines and to investment and borrowing powers set out in The Charities (Accounts and Reports) Regulations 2005 mitigates the risk of excessive exposure to any particular type of security or issuer.

##### **Derivative risk**

Derivatives are comprised of forward foreign currency contracts, futures and options contracts and swaps. Forward foreign currency contracts are used to manage currency risk arising from the Fund's investment activities (and related financing). Open positions at the balance sheet date, which are all covered, are included in the net current assets. Gains/(losses) on forward foreign exchange transactions are taken to capital. Futures contracts are used to reduce the risks associated with the market risk of the equity portfolio and to align the Fund's exposures to market movements with that of the Fund's benchmarks.

## **15. Financial Instruments (continued)**

The Fund is able to use traded options for Efficient Portfolio Management purposes only, thus always hedging up to the amount of stock which is physically owned. The purpose of undertaking these contracts is to protect the Portfolio from a downturn in the market as far as possible.

### **Sensitivity analysis**

The Fund invests in equities and bonds. The exposure to equity markets is then reduced through the use of short futures and options. Exposure to foreign currencies is also altered through the use of forwards and occasionally options. The level of equity exposure varies over time depending on how positive the manager is; generally the level has been in the range of 30-70%.

Options are used on individual stocks to implement views on specific stocks. Listed options or futures on bond indices are occasionally used to implement yield curve views.

The Value at Risk (VaR) is independently calculated by RBS Luxembourg (RBSL) who evaluates the volatility and correlation of the Fund's holdings over a period of 250 days. RBSL assess the sensitivity of each of the holdings to various factors, such as global stock-markets, currencies, interest rates and commodity prices and then run a series of simulations to determine the responses of the overall Fund.

The VaR statistic adopted for Sarasin Funds is the "99% / 20-day VaR" model. To calculate this figure RBSL produce one thousand, 20-day simulations, and the "99% / 20-day VaR" figure is the result exceeded only by the worst 1% of those 1,000 simulations.

The "99% / 20-day VaR" for Alpha CIF for Income & Reserves, as at 30.06.09, was 6.29% (31.12.08 2.45%).

### **Currency risk**

Currency risk is the risk that the value of the Fund's investment holdings will fluctuate as a result of changes in foreign currency exchange rates.

A proportion of the Fund's investment portfolios are invested in overseas securities and the balance sheet can be affected by movements in foreign exchange rates. The Manager may seek to manage exposure to currency movements by using forward exchange contracts or by hedging the sterling value of investments that are priced in other currencies. Revenue received in other currencies is converted to sterling on or near the date of receipt.

**15. Financial Instruments (continued)**

Currency exposure as at 30 June 2009:

	Monetary Exposure £	Non-Monetary Exposure £	Total £	%
Australian Dollar	–	63,090	63,090	0.20
Brazilian Real	–	199,696	199,696	0.63
Canadian Dollar	–	69,428	69,428	0.22
Euros	36,018	81,516	117,534	0.37
Hong Kong Dollar	9	267,657	267,666	0.85
Japanese Yen	–	266,000	266,000	0.85
Norwegian Kroner	–	418,971	418,971	1.33
Sterling	1,998,461	27,523,533	29,521,994	93.73
Swedish Krona	–	75,325	75,325	0.24
Swiss Francs	24,069	412,664	436,733	1.39
US Dollars	(113,737)	172,698	58,961	0.19
	<b>1,944,820</b>	<b>29,550,578</b>	<b>31,495,398</b>	<b>100.00</b>

Currency exposure as at 31 December 2008:

	Monetary Exposure £	Non-Monetary Exposure £	Total £	%
Australian Dollar	–	63,721	63,721	0.17
Euros	855	804,977	805,832	2.20
Hong Kong Dollar	–	155,504	155,504	0.42
Japanese Yen	–	480,458	480,458	1.31
Norwegian Kroner	–	392,629	392,629	1.07
Sterling	646,475	33,383,619	34,030,094	92.78
Swiss Francs	7,101	706,981	714,082	1.95
US Dollars	4,100	33,113	37,213	0.10
	<b>658,531</b>	<b>36,021,002</b>	<b>36,679,533</b>	<b>100.00</b>

**Credit risk**

Certain transactions in securities that the Fund enters into exposes it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Fund has fulfilled its responsibilities. The Fund only buys and sells investments through brokers which have been approved by the Manager as an acceptable counterparty. In addition, limits are set to the exposure to any individual broker that may exist at any time and changes in brokers' financial ratings are reviewed.

**Liquidity risk**

The Fund's assets comprise mainly of readily realisable securities. The main liability of the Fund is the redemption of any units over and above the cash holdings that investors wish to sell. Assets of the Fund may need to be sold if insufficient cash is available to finance such redemptions.

**Interest rate risk**

Interest rate risk is the risk that the value of the Fund's investment holdings will fluctuate as a result of changes in interest rates. The Fund invests in fixed and floating rate securities. The revenue of the Fund may be affected by changes to interest rates relevant to particular securities or as a result of the Manager being unable to secure similar returns on the expiry of contracts or sale of securities. The value of fixed interest securities may be affected by interest rate movements or the expectation of such movements in the future. Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates.

**15. Financial Instruments (continued)**

Interest Rate Risk Profile of the Fund's Assets and Liabilities

	Floating Rate Financial Assets	Fixed Rate Financial Assets	Financial Assets not carrying Interest	Total
	£	£	£	£
<b>30 June 2009</b>				
Australian Dollar	–	–	63,090	63,090
Brazilian Real	–	189,022	10,674	199,696
Canadian Dollar	–	–	69,428	69,428
Euros	510,591	1,425,386	2,210,933	4,146,910
Hong Kong Dollar	9	–	276,753	276,762
Japanese Yen	–	–	322,143	322,143
Norwegian Kroner	–	265,825	153,146	418,971
Sterling	5,755,741	15,974,016	10,624,722	32,354,479
Swedish Krona	–	–	75,325	75,325
Swiss Francs	24,069	–	441,024	465,093
US Dollars	197,609	–	2,095,917	2,293,526
	<b>6,488,019</b>	<b>17,854,249</b>	<b>16,343,155</b>	<b>40,685,423</b>

	Floating Rate Financial Assets	Fixed Rate Financial Assets	Financial Assets not carrying Interest	Total
	£	£	£	£
<b>31 December 2008</b>				
Australian Dollar	–	–	63,721	63,721
Euros	989,535	2,675,984	1,483,385	5,148,904
Hong Kong Dollar	–	–	155,504	155,504
Japanese Yen	–	–	480,458	480,458
Norwegian Kroner	–	277,076	115,553	392,629
Sterling	4,835,737	20,163,167	9,579,872	34,578,776
Swiss Francs	7,101	–	711,660	718,761
US Dollars	263,900	327,788	1,782,314	2,374,002
	<b>6,096,273</b>	<b>23,444,015</b>	<b>14,372,467</b>	<b>43,912,755</b>

**15. Financial Instruments (continued)**

	Floating Rate Financial Liabilities	Fixed Rate Financial Liabilities	Financial Liabilities not carrying Interest	Total
	£	£	£	£
<b>30 June 2009</b>				
Euros	–	–	4,029,376	4,029,376
Hong Kong Dollar	–	–	9,096	9,096
Japanese Yen	–	–	56,143	56,143
Sterling	–	–	2,832,485	2,832,485
Swiss Franc	–	–	28,360	28,360
US Dollars	113,737	–	2,120,828	2,234,565
	<b>113,737</b>	<b>–</b>	<b>9,076,288</b>	<b>9,190,025</b>

	Floating Rate Financial Liabilities	Fixed Rate Financial Liabilities	Financial Liabilities not carrying Interest	Total
	£	£	£	£
<b>31 December 2008</b>				
Euros	4,083	–	4,338,989	4,343,072
Sterling	–	–	548,682	548,682
Swiss Franc	–	–	4,679	4,679
US Dollars	–	–	2,336,789	2,336,789
	<b>4,083</b>	<b>–</b>	<b>7,229,139</b>	<b>7,233,222</b>

	Weighted Average Interest Rate* †	Weighted Average Fixed Rate Year*
	%	(Years)
<b>30 June 2009</b>		
Brazilian Reals	9.41 (-)	1.53 (-)
Euros	3.80 (5.25)	4.82 (5.25)
Euros - Floating	9.74 (13.69)	9.32 (22.11)
Euros - Perpetual	14.96 (20.52)	n/a (n/a)
Norwegian	2.98 (3.20)	3.88 (4.37)
Sterling	4.23 (4.45)	6.41 (8.63)
Sterling - Floating	4.47 (7.58)	8.97 (22.93)
Sterling - Perpetual	12.70 (10.26)	n/a (n/a)
US Dollars	– (3.89)	– (4.85)
US Dollars - Perpetual	16.55 (19.09)	n/a (n/a)

\*Figures in brackets denote the comparatives as at 31 December 2008

†Weighted average for fixed interest coupons

The floating rate financial assets and liabilities comprise: sterling denominated bank balances and overdrafts that bear interest rates based on the six month LIBOR.

**Fair value of financial assets and liabilities**

There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet and their fair value.

**16. Portfolio Transaction Costs**

	30.06.2009	30.06.2008
	£	£
Purchases in year before transaction costs	16,316,647	24,184,238
Commissions	7,554	5,513
Other costs	1,588	24
Total purchase costs	<b>9,142</b>	<b>5,537</b>
<b>Gross purchase costs</b>	<b>16,325,789</b>	<b>24,189,775</b>
Analysis of total sale costs:		
Gross sales before transaction costs	19,983,467	24,862,708
Commissions	(4,144)	(6,233)
Other costs	(139)	(16)
Total sale costs	<b>(4,283)</b>	<b>(6,249)</b>
<b>Total sales net of transaction costs</b>	<b>19,979,184</b>	<b>24,856,459</b>

**Distribution Table**

For the period ended 30 June 2009

**First Interim – Pay date is 31 May 2009**

Group 1 – Units purchased prior to 1 January 2009

Group 2 – Units purchased between 1 January 2009 and 31 March 2009

Unit	Revenue 2009 Pence per Unit	Equalisation (note 12) 2009 Pence per Unit	1st Interim Distribution Paid 2009 Pence per Unit	1st Interim Distribution Paid 2008 Pence per Unit
First Interim Allocation (Income units)				
Group 1	1.1422	–	1.1422	1.0576
Group 2	0.5888	0.5534	1.1422	1.0576
First Interim (Accumulation units)				
Group 1	1.3367	–	1.3367	1.1775
Group 2	1.3367	0.0000	1.3367	1.1775

**Second Interim - Pay date is 31 August 2009**

Group 1 - Units purchased prior to 1 April 2009

Group 2 - Units purchased between 1 April 2009 and 30 June 2009

Unit	Revenue 2009 Pence per Unit	Equalisation (note 12) 2009 Pence per Unit	2nd Interim Distribution Payable 2009 Pence per Unit	2nd Interim Distribution Paid 2008 Pence per Unit
Second Interim Allocation (Income units)				
Group 1	1.5226	–	1.5226	1.3085
Group 2	0.2519	1.2707	1.5226	1.3085
Second Interim Allocation (Accumulation units)				
Group 1	1.8067	–	1.8067	1.4734
Group 2	1.3404	0.4663	1.8067	1.4734

# Alpha Common Investment Funds

## **Statements of Responsibilities for the Alpha Common Investment Funds**

### **Statement of the Board's Responsibilities**

The Board members are charity trustees for the purposes of charity law. The Board has a range of duties and powers under Clause 34 of the Schemes relating to structural issues affecting the Funds. These are:

- Making and revising the written statement of the investment objectives
- Determining the criteria and methods of evaluating the performance of the Fund
- Giving prior written approval to the Manager to the exercise of particular powers of borrowing
- Appointment of the auditor and settling the terms of engagement
- Determining the rate of remuneration of the Trustee and the Manager in accordance with the Scheme and Scheme Particulars
- Making an annual report on the discharge of the Board's responsibilities

In addition, the Board has further powers and duties of an interventionist nature:

- Informing the Commission promptly in writing if the Board is not satisfied at any time as to the compliance of the Trustee or the Manager with the Scheme or the Scheme Particulars
- Applying for an order to discharge the Manager or the Trustee and the appointment of a new Manager or Trustee if the Board is of the opinion for good and sufficient reason it is in the interests of unitholders that a change be made
- Making representations on the winding up of the Fund

**Statement of the Manager's Responsibilities**

The Manager of the Funds is a charity trustee of the Funds for the purposes of charity law. The Manager has a range of duties and powers under Clause 19 of the Schemes relating to the administration and management of the Funds. These are:

- Management of the investments of the Funds in conformity with the written statement of the investment objectives of the Funds.
- Giving instructions to the Trustee with respect to the creation and cancellation of units.
- Ensuring that the units are priced correctly.
- Keeping a daily record of units, including the type of such units, which the Manager has purchased or sold on behalf of the Trustee.
- Carrying out regular valuations of the Funds as required by the Scheme.
- Producing and revising the Scheme Particulars in accordance with Clause 60 of the Schemes.
- Making all records held by the Manager in respect of the Funds available for inspection by the Trustee free of charge at all times during a business day and supplying the Trustee with a copy or copies of any record without charge.
- Preparing the report and accounts of the Funds in respect of the accounting period.
- Taking all other actions as are necessary for the administration and management of the Funds other than those duties or powers.
- Maintaining such records as are necessary to enable the Manager to comply with the Schemes and with section 41 of the Charities Act.

In addition, the Manager may delegate any function to any person, including the Trustee.

**Statement of the Trustee's Responsibilities**

The Trustee has a range of duties and powers under Clause 9 of the Schemes including being responsible for the custody and control of the property of the Funds, the collection of all revenue due to the Funds, and the claiming of any repayment of tax which may be due. The Trustee may create and cancel units in accordance with the instructions of the Manager (except where not permitted by the Scheme Particulars). The Trustee will make distributions and allocations of revenue to unitholders as applicable.

The Trustee also has the duty of supervision and oversight of the Manager's compliance with the Scheme and the Scheme Particulars. In particular, the Trustee must be satisfied that the Manager is not exceeding its powers and that the Manager is maintaining adequate and proper records. The Trustee is required to take all steps and execute all documents which are necessary to secure that purchases and sales of investments of the Funds are properly completed, and is required to exercise voting rights attached to such investments as properly instructed by the Manager.

The Trustee is responsible for the appointment of the registrar and for the supervision and oversight of the registrar. The Trustee is responsible for supervision and oversight of any other delegate which it appoints. In addition, the Trustee is responsible for the appointment and dismissal of persons engaged in connection with the Funds, for the making of an annual report on the discharge of its responsibilities for the management of the Funds, and is responsible for the authorisation of payments out of the property of the Funds of reasonable costs and expenses of the Board, including the remuneration of a secretary to the Board.

The Trustee is responsible for the winding up of the Funds.



