

FUND AIM

The aim of the fund is to provide an above average income from a diversified portfolio of interest bearing securities.

INVESTMENT APPROACH

The policy is to invest in a wide range of investment grade interest-bearing securities, mainly in the UK and Europe, to obtain a yield in excess of the FTSE Government Securities All Stocks Index.

PERCENTAGE ANNUAL PERFORMANCE %

Q4 †	Q4 2004 - Q4 2005	Q4 2005 - Q4 2006	Q4 2006 - Q4 2007	Q4 2007 - Q4 2008	Q4 2008 - Q4 2009
OEIC	7.1	0.2	-1.6	-16.5	16.0

Source of all returns : Lipper, a REUTERS company. Returns are shown after the deduction of annual management charges only, with net income reinvested. OEIC fund returns are calculated using share class C, launched on 12/10/2000.

Past performance is not a guide to future performance. Market and exchange rate movements may cause the value of investments to go down as well as up and you may get back less than you invested. Cash on deposit is secure, generally more accessible and provides greater certainty of growth.

FUND MANAGER'S COMMENTS

UK bond markets fell over December, with yields rising across most of the curve as economic data continued to be more positive, and concerns remained over the UK's creditworthiness. 10 year gilt yields rose 49bps to 4.02%, while 30-year yields gained 33bps to 4.11%. Comments from Moody's highlighted the potential weakness of the UK's AAA rating, though there was some good news in that the DMO announced a smaller-than-expected increase in gilt issuance for the remainder of fiscal year, of £5.1 billion. Still, total gilt supply will reach a record of £225.1 billion by the end of March. The Bank of England left rates on hold at 0.5% and the quantitative easing programme was left at £200 billion after the £25 billion increase in November. Third quarter GDP was revised up from -0.3% to -0.2%, while unemployment unexpectedly dipped in November – its first decrease since February 2008. Service industries grew in November, consumer and producer prices rose, while consumer confidence remained buoyant. In credit, corporate bond spreads continued to tighten, with spreads narrowing by 10bps to 189bps over the month.

FUND FACTS

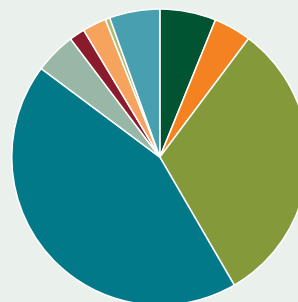
Fund manager	Peter Bentley	IMA Sector	UK Corporate Bond
Launch date	12 Oct 2000	Distribution dates	31 March
Annual Management Charge (Dependent on product)	0.75% to 1.0%	Net Red. Yield/Inc. Yield	4.8% / 5.3%
		Availability	OEIC

† as at 31 December 2009

† 31 December to 31 December

HBOS Investment Fund Managers Limited (Registered in England No. 941082) and Halifax Life Limited (Registered in England No. 2233654). Registered offices: Trinity Road, Halifax, West Yorkshire, HX1 2RG. Clerical Medical Investment Group Limited. Registered Office: 33 Old Broad Street London EC2N 1HZ. Registered in England No. 3196171. St. Andrew's Life Assurance plc. Registered Office: St Andrews House, Portsmouth Road, Esher Surrey KT109SA. Registered in England No. 3104670. Authorised and regulated by the Financial Services Authority.

OEIC Size: £2,811.8m¹



FUND CREDIT BREAKDOWN

AAA	6.1%
AA	4.1%
A	31.4%
BBB	43.6%
BB	4.5%
B	1.7%
No rating	2.6%
Other	0.5%
Cash	5.5%

TEN LARGEST HOLDINGS

Unicredito Italian	1.3%
European Investment Bank	1.2%
Edf Energy Networks	1.1%
Banca Intesa Spa	1.0%
Gazprom	0.9%
HSBC Bank	0.9%
Santander	0.9%
Glencore	0.9%
Hutchison Ports Finance	0.9%
Delamare Finance	0.9%
Total % of Funds	10.0%

For details on all our fund ranges or to obtain any literature please contact Adviser Services on 0870 607 6771 or visit www.bankofscotland.co.uk/privateclients