

# **Santander Premium Fund**

**(Formerly Inscape Investment Fund)**

**Interim Report and Accounts  
for the Period  
Ended 30 April 2008**

## Contents

	<b>Page Number</b>
UK Equities	2
Europe (excluding UK) Equities	5
United States Equities	8
Japan Equities	11
Pacific Basin (excluding Japan) Equities	14
Sterling Bond	17

### **Change of Name**

On 1 November 2007, Inscape Investment Fund changed name to Santander Premium Fund and the Authorised Corporate Director (ACD) changed name to Santander Portfolio Management UK Limited.

If you have any questions about your investment with us, would like further information or would like to obtain a copy of the Long Form Report and Accounts, please call 0845 605 5600. Our lines are open between 8a.m. and 8p.m. Monday to Friday, 9a.m. and 5p.m. on Saturday. Calls may be recorded or monitored.

The maximum cost of a call for BT customers, from a landline is 4p per minute (subject to a minimum call charge of 6.5p). The cost of calls for non-BT customers or from mobiles may vary.

# UK Equities

## Fund Facts

### Investment Objective and Policy

The sub-fund's investment objective is to achieve a long term total return of capital appreciation and income receipts from investment primarily in UK equities, with the appointment of sub-fund advisers, and the selection of securities to achieve high risk-adjusted returns over the longer term.

### Investment Advisers

AXA Rosenberg Investment Management Limited  
 State Street Global Advisors Limited  
 JP Morgan Fleming Asset Management (UK) Limited

## Fund Profile

### Portfolio of Investments

Spread of investments	% of total net assets as at 30/04/08	% of total net assets as at 31/10/07
Basic Materials	9.93	8.43
Business & Public Services	4.54	5.03
Consumer Goods	6.52	5.86
Consumer Services	6.86	8.43
Financials	20.19	24.07
Generic	-	0.01
Health Care	5.15	6.06
Industrials	6.34	7.55
Multi Industry	6.58	4.63
Oil & Gas	16.88	14.95
Technology	0.16	0.06
Telecommunications	7.21	7.57
Utilities	<u>5.38</u>	<u>5.34</u>
Total Equities	95.74	97.99
Collective Investment Schemes	0.87	1.01
Future contracts	0.08	0.01
Net other assets	<u>3.31</u>	<u>0.99</u>
<b>Net Assets</b>	<b>100.00</b>	<b>100.00</b>

### Major Holdings

The top 10 holdings at the end of this period and the previous period are shown below.

Holding	% of Sub-fund as at 30/04/08	Holding	% of Sub-fund as at 31/10/07
BP	6.12	HSBC Holdings	5.86
Vodafone Group	5.97	Royal Dutch Shell 'B'	5.77
Royal Dutch Shell 'B'	5.82	Vodafone Group	5.77
HSBC Holdings	4.52	BP	5.40
Rio Tinto	3.22	Royal Bank of Scotland Group	3.82
BHP Billiton	3.09	BHP Billiton	3.26
Anglo American	2.74	GlaxoSmithKline	3.10
Royal Dutch Shell 'A'	2.67	Royal Dutch Shell 'A'	2.57
Royal Bank of Scotland Group	2.54	Rio Tinto	2.54
British American Tobacco	2.20	Lloyds TSB Group	2.08

## Risk Profile

The main risks within the portfolio relate to changes in the prices of securities held. Other risks include risks of bankruptcy of companies held, risks from foreign exchange and risks of adverse effects from changes in interest rates. The sub-fund does not borrow in the normal course of business and has no material exposure to unlisted securities. The manager reviews policies for managing these risks regularly as part of the process for achieving the investment objective.

# UK Equities

## Fund Performance

Percentage Price Change from 31 October 2002 to 30 April 2008				
	6 Months to 30/04/08	1 Year to 31/10/07	3 Years to 31/10/07	5 Years to 31/10/07
UK Equities Sub-fund	-10.14	10.03	59.85	97.79
FTSE All Share	-8.52	13.62	65.59	110.03

*Source: Lipper – bid to bid, net income reinvested, net of fees  
Past performance is not a guarantee of future returns.*

### Market Review

Interest rates were kept on hold until December when unexpectedly, the Bank of England cut them for the first time in two years saying inflation was likely to slow down as higher credit costs hurt economic growth. The bank rate was reduced by 0.25% to 5.5%. Also in December, the Bank of England, Federal Reserve, European Central Bank, Bank of Canada and the Swiss National Bank announced a co-ordinated plan which was aimed to alleviate the credit crunch in the financial markets. The Bank of England stated it would make available £10 billion of three-month funds in two auctions in December and January. The loans would be secured against a wider range of collateral than previously allowed and could include mortgage-backed securities, credit card securities and non Sterling denominated collateral. Rates were cut again in February and April by 0.25% respectively, to 5.00%, amid signs that the economy was slowing down. April's decision came not long after most gas and electricity companies raised their prices.

January retail sales rose 0.9% versus December, leaving the annualised figure at 5.60%. January inflation increased to a seven month high, taking the rate to +2.2% versus a year earlier. This increase was helped by soaring gasoline and food costs which blunted the impact of discounting by fashion stores. Despite this increase in prices, house prices indicators fell.

Retail sales rose again in February led by food and clothing, taking the annual rate to 5.5%. Mortgage approvals fell by 33% from the previous year, as growing economic fears and the shrinking of available mortgage finance deterred homebuyers. House prices also felt this impact and slowed down in February for the first time in three months. However, prices at factory gates increased and raw costs had their biggest increase at 19.4%, since 1986.

At the end of the period under review inflation remained at 2.5%, still above the Government target of 2%. The labour market continued to support the economy and the unemployment rate remained steady in the three months to February. However, the housing market continued to struggle, with the Halifax index showing an annual growth of 1.1%, the slowest rate in the last 12 years.

### Policy Review

The portion of the assets under the management of each investment adviser is chosen by the ACD and varies at the ACD's discretion. The portfolio remained fully invested.

During the period under review the ACD monitored the investment activities of each of the appointed investment advisers to ensure consistent application of investment techniques, processes and compliance with the terms of their Investment Management Agreement.

### Investment Outlook

At the end of the period under review inflation remained at 2.5%, still above the Government target of 2%. The labour market continued to support the economy and the unemployment rate remained steady in the three months to February. However, the housing market continued to struggle, with the Halifax index showing an annual growth of 1.1%, the slowest rate in the last 12 years.

# UK Equities

## Summary of Accounts

Fund Accounting Dates	Distribution Payment Dates
30 April / 31 October	30 June / 31 December

### Distribution Statement

On 30 June 2008 an interim distribution of 2.5025p will be reinvested on behalf of Sterling Accumulation A shareholders and an amount of 2.4582p will be reinvested on behalf of Sterling Accumulation B shareholders.

### Total Expense Ratio

Expense Type	as at 31/10/07	as at 31/10/06
<b>Sterling Accumulation A shares</b>		
Manager's periodic charge	1.00%	1.00%
Other expenses	0.01%	0.01%
Total expense ratio	1.01%	1.01%
<b>Sterling Accumulation B shares</b>		
Manager's periodic charge	1.00%	1.00%
Other expenses	0.01%	0.03%
Total expense ratio	1.01%	1.03%

### Net Asset Values

Accounting Date	Share Description	Net Value Per Share (pence)	Number of Shares in Issue	Net Asset Value
31 October 2005	Sterling Accumulation A shares	160.2	278,194,534	445,530,263
	Sterling Accumulation B shares	160.1	386,381	618,723
31 October 2006	Sterling Accumulation A shares	195.2	319,850,034	624,455,510
	Sterling Accumulation B shares	195.3	5,126,519	10,010,828
31 October 2007	Sterling Accumulation A shares	214.9	330,456,134	710,018,088
	Sterling Accumulation B shares	214.9	5,209,834	11,194,222
30 April 2008	Sterling Accumulation A shares	193.1	329,558,238	636,490,690
	Sterling Accumulation B shares	193.1	5,421,035	10,470,172

### Share Price & Distribution

Calendar Year	Share Description	Highest Share Price (pence)	Lowest Share Price (pence)	Distribution per Share (pence)
2003	Sterling Accumulation A shares	125.6	91.40	2.3828
2003	Sterling Accumulation B shares	125.6	91.40	2.5212
2004	Sterling Accumulation A shares	142.2	123.8	2.6946
2004	Sterling Accumulation B shares	142.2	123.8	2.8315
2005	Sterling Accumulation A shares	174.8	141.5	3.0990
2005	Sterling Accumulation B shares	174.8	141.5	4.0836
2006	Sterling Accumulation A shares	202.8	173.1	3.8262
2006	Sterling Accumulation B shares	202.8	173.1	2.1407
2007	Sterling Accumulation A shares	216.9	189.3	4.6726
2007	Sterling Accumulation B shares	217.0	189.4	4.5989
2008*	Sterling Accumulation A shares	205.2	175.5	2.5025
2008*	Sterling Accumulation B shares	205.2	175.5	2.4582

\*to 30 April 2008

# Europe (excluding UK) Equities

## Fund Facts

### Investment Objective and Policy

The sub-fund's investment objective is to achieve a long term total return of capital appreciation and income receipts from investment primarily in Europe (excluding UK) equities, with the appointment of sub-fund advisers, and the selection of securities to achieve high risk-adjusted returns over the longer term.

### Investment Advisers

AXA Rosenberg Investment Management Limited  
State Street Global Advisors Limited

## Fund Profile

### Portfolio of Investments

Spread of investments	% of total net assets as at 30/04/08	% of total net assets as at 30/10/07
Austria	1.36	1.17
Belgium	1.58	2.70
Denmark	3.23	1.71
Finland	2.60	3.70
France	19.67	18.19
Greece	2.09	1.59
Germany	18.09	20.78
Ireland	1.89	2.25
Italy	8.92	7.93
Luxembourg	0.41	1.08
Netherlands	8.28	5.96
Norway	4.28	3.39
Portugal	1.56	0.83
Spain	7.93	10.01
Sweden	4.20	6.15
Switzerland	<u>12.60</u>	<u>10.82</u>
Total Equities	98.69	98.26
Net other assets	<u>1.31</u>	<u>1.74</u>
<b>Net Assets</b>	<b>100.00</b>	<b>100.00</b>

### Major Holdings

The top 10 holdings at the end of this period and the previous period are shown below.

Holding	% of Sub-fund as at 30/04/08	Holding	% of Sub-fund as at 31/10/07
Total	4.06	Telefonica	3.37
ENI	3.23	Banco Santander	2.48
Nestle	2.98	Nokia	2.41
Banco Santander	2.52	E.ON	2.19
BASF	2.16	Allianz	2.14
Arcelor Mittal	1.99	Total	2.11
Enel	1.94	DaimlerChrysler	2.11
France Telecom	1.93	RWE	2.07
Banco Bilbao Vizcaya Argentaria	1.86	ENI	1.95
Daimler	1.83	ING Groep	1.94

# Europe (excluding UK) Equities

## Risk Profile

The main risks within the portfolio relate to changes in the prices of securities held. Other risks include risks of bankruptcy of companies held, risks from foreign exchange and risks of adverse effects from changes in interest rates. The sub-fund does not borrow in the normal course of business and has no material exposure to unlisted securities. The manager reviews policies for managing these risks regularly as part of the process for achieving the investment objective.

## Fund Performance

Percentage Price Change from 31 October 2002 to 30 April 2008				
	6 months to 30/04/08	1 Year to 31/10/07	3 Years to 31/10/07	5 Years to 31/10/07
Europe (excluding UK) Equities Sub-fund	-4.68	17.87	83.62	148.86
FT World Europe ex UK	-2.57	20.45	84.45	149.30

*Source: Lipper – bid to bid, net income reinvested, net of fees.  
Past performance is not a guarantee of future returns.*

### Market Review

Growth in the European region was positive during the period under review, with the Euro region growth for Q4 2007 showing a 0.4% increase versus Q3 2007. Both German indicators of business and investors expectation (IFO and ZEW indices) rose unexpectedly in February and March, strengthening the case for the European Central Bank (ECB) to leave interest rates on hold at 4% as it has done during the whole period. In December retail sales fell by the most significant amount within a 13 year period due to higher food prices and energy costs. European industrial production rose for the first time in three months in January.

Inflation in the Euro area remains over the Central Bank target, but the April figure was lower than expected after the acceleration to 3.3% in February. Business confidence fell again due to higher oil prices and the strong Euro which has not helped company profit expectations. The good news came from the unemployment data which remained low.

### Policy Review

The portion of the assets under the management of each investment adviser is chosen by the ACD and varies at the ACD's discretion. The portfolio remained fully invested.

During the period under review the ACD monitored the investment activities of each of the appointed investment advisers to ensure consistent application of investment techniques, processes and compliance with the terms of their Investment Management Agreement.

### Investment Outlook

Although recent weeks have been positive for the markets, we expect market volatility to continue on account of the overall weak tone of the economic data, the ongoing credit crisis and high inflation which undermines hopes for rate cuts. Global, as well as local economic data, will have a strong influence on the overall market. In general, we continue to favour larger companies which should profit from greater risk aversion and should continue to close the gap which had opened versus smaller caps.

## Europe (excluding UK) Equities

### Summary of Accounts

Fund Accounting Dates	Distribution Payment Dates
30 April / 31 October	30 June / 31 December

#### Distribution Statement

On 30 June 2008 an interim distribution of 1.9742p will be reinvested on behalf of Sterling Accumulation A shareholders and a distribution of 1.9452p will be reinvested on behalf of Sterling Accumulation B shareholders.

#### Total Expense Ratio

Expense Type	as at 31/10/07	as at 31/10/06
<b>Sterling Accumulation A shares</b>		
Manager's periodic charge	1.00%	1.00%
Other expenses	0.03%	0.03%
Total expense ratio	1.03%	1.03%
<b>Sterling Accumulation B shares</b>		
Manager's periodic charge	1.00%	1.00%
Other expenses	0.03%	0.01%
Total expense ratio	1.03%	1.01%

#### Net Asset Values

Accounting Date	Share Description	Net Value Per Share (pence)	Number of Shares in Issue	Net Asset Value
31 October 2005	Sterling Accumulation A shares	148.2	57,077,705	84,577,662
	Sterling Accumulation B shares	147.7	145,566	214,994
31 October 2006	Sterling Accumulation A shares	189.9	63,115,505	119,841,483
	Sterling Accumulation B shares	189.3	145,566	275,496
31 October 2007	Sterling Accumulation A shares	224.1	63,378,105	142,030,141
	Sterling Accumulation B shares	223.5	145,566	325,279
30 April 2008	Sterling Accumulation A shares	213.6	60,584,764	129,388,270
	Sterling Accumulation B shares	212.9	145,566	309,979

#### Share Price & Distribution

Calendar Year	Share Description	Highest Share Price (pence)	Lowest Share Price (pence)	Distribution per Share (pence)
2003	Sterling Accumulation A shares	114.6	104.9	1.2104
2003	Sterling Accumulation B shares	114.6	104.9	1.4473
2004	Sterling Accumulation A shares	131.4	108.3	1.6266
2004	Sterling Accumulation B shares	131.4	108.4	1.7119
2005	Sterling Accumulation A shares	166.1	127.6	1.9916
2005	Sterling Accumulation B shares	165.5	127.4	1.4434
2006	Sterling Accumulation A shares	200.0	162.0	2.7006
2006	Sterling Accumulation B shares	199.4	161.5	2.7879
2007	Sterling Accumulation A shares	226.9	197.1	3.7086
2007	Sterling Accumulation B shares	226.3	196.6	3.7001
2008*	Sterling Accumulation A shares	223.0	189.0	1.9742
2008*	Sterling Accumulation B shares	223.0	188.0	1.9452

\*to 30 April 2008



# United States Equities

## Fund Facts

### Investment Objective and Policy

The sub-fund's investment objective is to achieve a long term total return of capital appreciation and income receipts from investment primarily in United States equities, with the appointment of sub-fund advisers, and the selection of securities to achieve high risk-adjusted returns over the longer term.

### Investment Advisers

Goldman Sachs Asset Management International  
DB Absolute Return Strategies Limited

## Fund Profile

### Portfolio of Investments

Spread of investments	% of total net assets as at 30/04/08	% of total net assets as at 30/10/07
Basic Materials	4.69	2.47
Consumer Goods	6.43	5.90
Consumer Services	18.72	20.36
Financials	16.79	18.98
Generic	0.14	-
Healthcare	8.50	10.46
Industrials	18.44	18.97
Oil & Gas	9.80	9.03
Technology	5.70	4.48
Telecommunications	4.22	5.08
Utilities	<u>3.09</u>	<u>2.32</u>
Total Equities	96.52	98.05
Future Contracts	0.17	0.03
Net other assets	<u>3.31</u>	<u>1.92</u>
<b>Total Assets</b>	<b>100.00</b>	<b>100.00</b>

### Major Holdings

The top 10 holdings at the end of this period and the previous period are shown below.

Holding	% of Sub-fund as at 30/04/08	Holding	% of Sub-fund as at 31/10/07
Verizon Communications	1.69	Exxon Mobil	3.41
AT&T	1.51	Microsoft	3.05
Chevron	1.43	Chevron	1.90
Texas Instruments	1.28	Wells Fargo	1.76
Bank of America	1.25	Bank of America	1.65
ConocoPhillips	1.25	Citigroup	1.60
Bank of New York Mellon	1.18	General Electric	1.58
Wells Fargo	1.16	AT&T	1.58
PepsiCo	1.14	JPMorgan Chase	1.38
Hewlett-Packard	1.12	Gilead Sciences	1.36

## Risk Profile

The main risks within the portfolio relate to changes in the prices of securities held. Other risks include risks of bankruptcy of companies held, risks from foreign exchange and risks of adverse effects from changes in interest rates. The sub-fund does not borrow in the normal course of business and has no material exposure to unlisted securities. The manager reviews policies for managing these risks regularly as part of the process for achieving the investment objective.

# United States Equities

## Fund Performance

Percentage Price Change from 30 October 2002 to 30 April 2008				
	6 months to 30/04/08	1 Year to 31/10/07	3 Years to 31/10/07	5 Years to 31/10/07
United States Equity Sub-fund	-5.99	0.84	25.26	37.28
FT World USA	-5.10	5.47	29.84	46.43

*Source: Lipper – bid to bid, net income reinvested, net of fees.  
Past performance is not a guarantee of future returns.*

### Market Review

During the period under review the US economy slowed down. January saw one of the most volatile months in recent history. To reassure markets, the US Federal Reserve cut interest rates by 0.75% to 3.5%, outside the normal schedule and then again at the end of the month by half a point to 3%. The period ended with interest rates at 2%. April saw the last cut within the period, the seventh cut in seven months. The decision was also accompanied with a reduction in the discount rate (the rate the Fed charges banks) going from 2.5% to 2.25%. There were no explicit signs that a further cut will happen again soon, and many economists think this is the last reduction in the cycle.

Retail sales unexpectedly rose in January boosting hopes that the US might avoid a recession despite the pressure of a weakening housing market. Industrial production also increased in January. Sentiment indices of business conditions and consumer expectations declined during the period under review. Factory activity in the Mid-Atlantic region shrank for the fourth consecutive month in March. The Consumer Price Index ended flat after rising 0.4% in January, the first unchanged reading since August.

The housing market continues to slow down, and figures on new home sales and building starts fell to their lowest level in 17 years in March. Sales of existing houses also fell, as did home prices. Confidence remains very weak, but despite this the US economy expanded 0.6% in the first quarter of the year and unemployment data showed that the economy was not yet in recession.

### Policy Review

The portion of the assets under the management of each investment adviser is chosen by the ACD and varies at the ACD's discretion. The portfolio remained fully invested.

During the period under review the ACD monitored the investment activities of each of the appointed investment advisers to ensure consistent application of investment techniques, processes and compliance with the terms of their Investment Management Agreement.

### Investment Outlook

The outlook for US markets has improved recently thanks to a consensus view that the worst of the credit crisis might be over. For this rally to continue, sound quarter's earnings numbers, a strengthening of economic outlook (especially the unemployment numbers), and an improvement in the housing sector are required. We remain cautious in the short term and expect volatility to continue.

# United States Equities

## Summary of Accounts

<b>Fund Accounting Dates</b>	<b>Distribution Payment Dates</b>
30 April / 31 October	30 June / 31 December

### Distribution Statement

On 30 June 2008 an interim distribution of 0.4585p will be reinvested on behalf of Sterling Accumulation A shareholders and an amount of 0.4640p will be reinvested on behalf of Sterling Accumulation B shareholders.

### Total Expense Ratio

Expense Type	as at 31/10/07	as at 31/10/06
Sterling Accumulation A shares		
Manager's periodic charge	1.00%	1.00%
Other expenses	0.03%	0.02%
Total expense ratio	1.03%	1.02%
Sterling Accumulation B shares		
Manager's periodic charge	1.00%	1.00%
Other expenses	0.02%	0.02%
Total expense ratio	1.02%	1.02%

### Net Asset Values

Accounting Date	Share Description	Net Value Per Share (pence)	Number of Shares in Issue	Net Asset Value
31 October 2005	Sterling Accumulation A shares	118.7	68,450,700	81,235,779
	Sterling Accumulation B shares	118.7	496,075	588,981
31 October 2006	Sterling Accumulation A shares	130.7	84,420,700	110,356,541
	Sterling Accumulation B shares	130.8	496,075	648,951
31 October 2007	Sterling Accumulation A shares	131.8	97,978,600	129,176,080
	Sterling Accumulation B shares	131.9	496,075	654,524
30 April 2008	Sterling Accumulation A shares	123.9	99,302,193	123,062,952
	Sterling Accumulation B shares	124.0	496,075	615,237

### Share Price & Distribution

Calendar Year	Share Description	Highest Share Price (pence)	Lowest Share Price (pence)	Distribution per Share (pence)
2003	Sterling Accumulation A shares	107.4	102.6	0.2939
2003	Sterling Accumulation B shares	107.4	102.6	0.2155
2004	Sterling Accumulation A shares	110.3	98.53	0.3281
2004	Sterling Accumulation B shares	110.3	98.54	0.4083
2005	Sterling Accumulation A shares	130.8	101.7	0.5907
2005	Sterling Accumulation B shares	130.8	101.7	1.8689
2006	Sterling Accumulation A shares	135.1	118.8	0.7800
2006	Sterling Accumulation B shares	135.2	118.9	0.8708
2007	Sterling Accumulation A shares	139.2	120.1	0.7143
2007	Sterling Accumulation B shares	139.3	120.2	0.7565
2008*	Sterling Accumulation A shares	130.1	112.3	0.4585
2008*	Sterling Accumulation B shares	130.2	112.4	0.4640

\*to 30 April 2008

# Japan Equities

## Fund Facts

### Investment Objective and Policy

The sub-fund's investment objective is to achieve a long term total return of capital appreciation and income receipts from investment primarily in Japanese equities, with the appointment of sub-fund advisers, and the selection of securities to achieve high risk-adjusted returns over the longer term.

### Investment Advisers

Schroder Investment Management Limited – resigned 13/02/07

DIAM International Limited – appointed 21/02/08

CPR Asset Management – appointed 21/02/2008

State Street Global Advisors Limited – transition period 14/02/08 to 20/02/08

## Fund Profile

### Portfolio of Investments

Spread of investments	% of total net assets as at 30/04/08	% of total net assets as at 31/10/07
Basic Industrials	0.32	-
Basic Materials	8.65	10.34
Business & Public Sector	3.45	1.10
Consumer Goods	11.58	17.54
Consumer Services	13.08	10.67
Financials	16.07	15.74
Health Care	3.56	8.43
Industrial	21.29	17.25
Pharmaceutical	0.51	-
Technology	1.65	4.61
Telecommunications	1.40	5.85
Utilities	<u>8.01</u>	<u>3.59</u>
Total Equities	89.57	95.12
Future Contracts	0.07	-
Collective Investment Schemes	5.99	2.46
Net other assets	<u>4.37</u>	<u>2.42</u>
<b>Net Assets</b>	<b>100.00</b>	<b>100.00</b>

### Major Holdings

The top 10 holdings at the end of this period and the previous period are shown below.

Holding	% of Sub-fund as at 30/04/08	Holding	% of Sub-fund as at 31/10/07
Mitsubishi UFJ Financial Group	4.09	Toyota Motor	8.42
Toyota Motor	2.90	Mizuho Financial Group	3.77
Toshiba	2.57	Sumitomo Mitsui Financial Group	3.68
Mizuho Financial Group	2.36	Mitsui	3.49
Sharp	2.24	KDDI	3.22
Nintendo	2.22	Canon	3.16
Mitsubishi Estate	1.73	Hoya	2.76
Sony	1.65	Mitsubishi	2.56
Marubeni	1.63	Daiwa House Industry	2.55
Central Japan Railway	1.62	Chiba Bank	2.47

## Risk Profile

The main risks within the portfolio relate to changes in the prices of securities held. Other risks include risks of bankruptcy of companies held, risks from foreign exchange and risks of adverse effects from changes in interest rates. The sub-fund does not borrow in the normal course of business and has no material exposure to unlisted securities. The manager reviews policies for managing these risks regularly as part of the process for achieving the investment objective.

# Japan Equities

## Fund Performance

Percentage Price Change from 31 October 2002 to 30 April 2008				
	6 months to 30/04/08	1 Year to 31/10/07	3 Years to 31/10/07	5 Years to 31/10/07
Japan Equities Sub-fund	-5.56	-8.06	17.98	35.79
FT World Japan	-1.50	-4.92	29.52	61.48

*Source: Lipper – bid to bid, net income reinvested, net of fees.  
Past performance is not a guarantee of future returns.*

### Market Review

The Japanese economy grew at double the expected rate in the last quarter of 2007. Strong capital spending and exports helped drive quarterly growth to 0.9%, compared with a forecast 0.4% rise. Japan's current account surplus fell 4.7% in December from the same month a year earlier. Manufacturing activity slowed in February due to weaker exports. The NTCResearch/Nomura/JMMA Purchasing Managers Index, which gives an early snapshot of the health of manufacturing, declined to a seasonally adjusted 50.8 in February from 52.3 in January

Japanese manufacturers' sentiment fell to a four-year low in March, battered by high raw materials costs, slack domestic demand, the Yen's rise and worries over the US economic outlook. Corporate optimism in the service sector also stayed near the four-year low registered in January as many firms were feeling the pinch from rising crude oil and food prices and sluggish personal consumption. Japan's inflation level hit a decade high 1% in February.

In March, consumer prices rose at their fastest pace in nine years as higher oil and food prices affected the economy. Industrial production remains very low, with March figures weaker than expected. At the end of the period under review, the Bank of Japan cut its economic growth forecast in response to the poor data released previously.

### Policy Review

The portion of the assets under the management of each investment adviser is chosen by the ACD and varies at the ACD's discretion. The portfolio remained fully invested.

During the period under review the ACD monitored the investment activities of the appointed investment advisers to ensure consistent application of investment techniques, processes, and compliance with the terms of their Investment Management Agreement.

### Investment Outlook

In this period, the Japanese stock market seems to have already discounted a possible economic and corporate earnings slowdown. Japan is benefiting from the growth of the emerging countries, especially of the Chinese economy. Inflation could also be a positive factor for Japanese stocks. Foreign investors account for 70% of trading value of Japanese stock market, and in the last month we have seen that they are beginning to increase the exposure in the Japanese markets, so we could see positive returns in this market in the near future.

# Japan Equities

## Summary of Accounts

Fund Accounting Dates	Distribution Payment Dates
30 April / 31 October	30 June / 31 December

### Distribution Statement

On 30 June 2008 an interim distribution of 0.3706p will be reinvested on behalf of Sterling Accumulation A shareholders, 1.4447p on behalf of Sterling Accumulation B shareholders and 0.6758p on behalf of Sterling Accumulation D shareholders.

### Total Expense Ratio

Expense Type	as at 31/10/07	as at 31/10/06
Sterling Accumulation A shares		
Manager's periodic charge	1.00%	1.00%
Other expenses	0.03%	0.03%
Total expense ratio	1.03%	1.03%
Sterling Accumulation B shares		
Manager's periodic charge	1.00%	1.00%
Other expenses	0.03%	0.03%
Total expense ratio	1.03%	1.03%
Sterling Accumulation D shares		
Manager's periodic charge	0.40%	0.40%
Other expenses	0.03%	0.03%
Total expense ratio	0.43%	0.43%

### Net Asset Values

Accounting Date	Share Description	Net Value Per Share (pence)	Number of Shares in Issue	Net Asset Value
31 October 2005	Sterling Accumulation A shares	136.4	34,720,900	47,362,857
	Sterling Accumulation B shares	136.7	64,994	88,844
	Sterling Accumulation D shares	137.7	19,047,458	26,226,872
31 October 2006	Sterling Accumulation A shares	142.5	38,496,900	54,856,191
	Sterling Accumulation B shares	142.8	64,994	92,834
	Sterling Accumulation D shares	144.5	23,928,558	34,581,567
31 October 2007	Sterling Accumulation A shares	131.2	49,075,300	64,406,181
	Sterling Accumulation B shares	131.4	64,994	85,434
	Sterling Accumulation D shares	133.8	31,869,958	42,627,018
30 April 2008	Sterling Accumulation A shares	124.0	51,250,180	63,556,660
	Sterling Accumulation B shares	125.3	64,994	81,438
	Sterling Accumulation D shares	126.7	34,594,156	43,824,515

### Share Price & Distribution

Calendar Year	Share Description	Highest Share Price (pence)	Lowest Share Price (pence)	Distribution per Share (pence)
2003	Sterling Accumulation A shares	114.4	83.87	0.0837
2003	Sterling Accumulation B shares	114.4	83.87	0.3197
2003	Sterling Accumulation D shares	114.5	103.0	-
2004	Sterling Accumulation A shares	121.2	101.1	0.1303
2004	Sterling Accumulation B shares	121.2	101.1	0.0795
2004	Sterling Accumulation D shares	121.5	101.3	0.2992
2005	Sterling Accumulation A shares	159.2	107.2	0.1732
2005	Sterling Accumulation B shares	159.6	107.4	-
2005	Sterling Accumulation D shares	160.9	107.9	0.7617
2006	Sterling Accumulation A shares	169.9	134.6	0.2174
2006	Sterling Accumulation B shares	170.3	134.9	0.1976
2006	Sterling Accumulation D shares	171.8	136.5	0.9121
2007	Sterling Accumulation A shares	146.9	123.8	0.2070
2007	Sterling Accumulation B shares	147.2	124.1	0.1596
2007	Sterling Accumulation D shares	149.3	126.3	0.8572
2008*	Sterling Accumulation A shares	133.2	109.7	0.3706
2008*	Sterling Accumulation B shares	133.5	109.9	1.4447
2008*	Sterling Accumulation D shares	136.0	112.1	0.6758

\*to 30 April 2008

# Pacific Basin (excluding Japan) Equities

## Fund Facts

### Investment Objective and Policy

The sub-fund's investment objective is to achieve a long term total return of capital appreciation and income receipts from investment primarily in Pacific Basin (excluding Japan) equities, with the appointment of sub-fund advisers, and the selection of securities to achieve high risk-adjusted returns over the longer term.

### Investment Adviser

RCM (UK) Limited

## Fund Profile

### Portfolio of Investments

Spread of investments	% of total net assets as at 30/04/08	% of total net assets as at 30/10/07
Australia	21.78	19.27
China	4.46	6.68
Hong Kong	22.89	22.36
India	6.13	8.29
Indonesia	-	0.63
Korea	17.50	17.64
Malaysia	3.30	4.04
Pakistan	-	0.52
Philippines	-	0.83
Singapore	5.11	5.37
Taiwan	13.03	11.44
Thailand	2.08	2.03
Total Equities	96.28	99.10
Net other assets	3.72	0.90
<b>Net Assets</b>	<b>100.00</b>	<b>100.00</b>

### Major Holdings

The top 10 holdings at the end of this period and the previous period are shown below.

Holding	% of Sub-fund as at 30/04/08	Holding	% of Sub-fund as at 31/10/07
BHP Billiton	5.80	BHP Billiton	4.77
China Mobile	4.26	China Mobile	4.38
Samsung Electronics	3.32	Larsen & Toubro	2.72
CNOOC	2.87	CNOOC	2.59
Westpac Banking	2.85	HON HAI Precision Industry	2.49
China Construction Bank	2.56	Bharat Heavy Electricals	2.45
HON HAI Precision Industry	2.48	China Construction Bank	2.32
Hopewell Holdings	2.46	Hong Kong Exchanges and Clearing	2.30
IOI	2.35	POSCO	2.20
Shinhan Financial Group	2.33	Samsung Electronics	2.17

## Risk Profile

The main risks within the portfolio relate to changes in the prices of securities held. Other risks include risks of bankruptcy of companies held, risks from foreign exchange and risks of adverse effects from changes in interest rates. The sub-fund does not borrow in the normal course of business and has no material exposure to unlisted securities. The manager reviews policies for managing these risks regularly as part of the process for achieving the investment objective.

# Pacific Basin (excluding Japan) Equities

## Fund Performance

Percentage Change and Sector Ranking from 31 October 2002 to 30 April 2008				
	6 months to 30/4/08	1 Year to 31/10/2007	3 Years to 31/10/07	5 Years to 31/10/07
Pacific Basin (excluding Japan) Equities Sub-fund	-14.38	65.63	163.60	226.00
FT All World Pacific ex Japan	-10.21	55.04	145.50	234.69

*Source: Lipper – bid to bid, net income reinvested, net of fees.  
Past performance is not a guarantee of future returns.*

### Market Review

The Asia region continues to grow at a fast pace and in the first quarter of 2008 China's GDP grew 10.6% year-on-year, while Korea lagged on lower domestic consumption. In Hong Kong, the Gross Domestic Product increased by 7.1% in real terms over a year earlier, compared with the 6.9% growth in the fourth quarter of 2007.

China's export growth bounced back to 30.6% in March from 6.5% growth in February, while manufacturing accelerated to 18.0% from 15% in the previous month.

Inflation remained at record highs across Asia. In China, prices raised a high of 8.7% in February with food prices rising more than 23%. The People's Bank of China responded by raising interest rates twice, with the latest 0.5% hike taking the rate to 16.0% at the end of the period under review. This was the third increase in 2008, and the thirteenth since the beginning of 2007.

### Policy Review

The portion of the assets under the management of each investment adviser is chosen by the ACD and varies at the ACD's discretion. The portfolio remained fully invested.

During the period under review the ACD monitored the investment activities of the appointed investment adviser to ensure consistent application of investment techniques, processes, and compliance with the terms of their Investment Management Agreement.

### Investment Outlook

Higher inflation, concerns over the credit market and the slowing US economy are still impacting the Asian Pacific markets this year. On the other hand, all the Asian countries have increasingly diversified their trading partners and depend less on the US, so they should be less impacted by a weaker global economy.

The valuations in some Asian markets are historically higher, but reasonable considering earnings upgrades, increased GDP growth, market liberation - along with the greater investment flows from institutional investors and pension funds. The drivers for this period, until now, have been domestic investment, elections, consumption, infrastructure, commodities and international flows.



## Pacific Basin (excluding Japan) Equities

### Summary of Accounts

Fund Accounting Dates	Distribution Payment Dates
30 April / 31 October	30 June / 31 December

### Distribution Statement

On 30 June 2008 a final distribution of 1.7834p will be reinvested on behalf of Sterling Accumulation A shareholders, 1.6855p on behalf of Sterling Accumulation B shareholders and 2.5850p on behalf of Sterling Accumulation D shareholders.

### Total Expense Ratio

Expense Type	as at 31/10/07	as at 31/10/06
Sterling Accumulation A shares		
Manager's periodic charge	1.00%	1.00%
Other expenses	0.05%	0.04%
Total expense ratio	1.05%	1.04%
Sterling Accumulation B shares		
Manager's periodic charge	1.00%	1.00%
Other expenses	0.05%	0.06%
Total expense ratio	1.05%	1.06%
Sterling Accumulation D shares		
Manager's periodic charge	0.40%	0.40%
Other expenses	0.05%	0.04%
Total expense ratio	0.45%	0.44%

### Net Asset Values

Accounting Date	Share Description	Net Value Per Share (pence)	Number of Shares in Issue	Net Asset Value
31 October 2005	Sterling Accumulation A shares	206.3	13,075,600	26,971,703
	Sterling Accumulation B shares	206.5	161,350	333,190
	Sterling Accumulation D shares	208.1	13,178,503	27,419,500
31 October 2006	Sterling Accumulation A shares	263.9	14,200,900	37,480,203
	Sterling Accumulation B shares	264.2	161,350	426,266
	Sterling Accumulation D shares	267.5	15,532,603	41,553,643
31 October 2007	Sterling Accumulation A shares	437.1	14,002,800	61,201,646
	Sterling Accumulation B shares	437.4	161,350	705,789
	Sterling Accumulation D shares	445.1	12,894,968	57,389,420
30 April 2008	Sterling Accumulation A shares	374.2	12,481,533	46,708,938
	Sterling Accumulation B shares	374.8	161,350	604,770
	Sterling Accumulation D shares	382.3	12,760,281	48,777,158

### Share Price & Distribution

Calendar Year	Share Description	Highest Share Price (pence)	Lowest Share Price (pence)	Distribution per Share (pence)
2003	Sterling Accumulation A shares	166.0	109.1	1.4955
2003	Sterling Accumulation B shares	166.0	109.1	1.4464
2003	Sterling Accumulation D shares	166.0	109.1	0.1690
2004	Sterling Accumulation A shares	177.1	147.4	2.3447
2004	Sterling Accumulation B shares	176.8	147.2	2.4591
2004	Sterling Accumulation D shares	177.9	147.7	1.7662
2005	Sterling Accumulation A shares	236.6	175.6	3.7213
2005	Sterling Accumulation B shares	236.8	175.6	4.6502
2005	Sterling Accumulation D shares	238.9	176.6	4.7217
2006	Sterling Accumulation A shares	285.1	231.3	3.4031
2006	Sterling Accumulation B shares	285.4	231.5	3.4197
2006	Sterling Accumulation D shares	289.2	234.0	4.5369
2007	Sterling Accumulation A shares	445.0	273.9	4.1066
2007	Sterling Accumulation B shares	445.4	274.2	3.9826
2007	Sterling Accumulation D shares	453.2	278.1	5.9599
2008*	Sterling Accumulation A shares	407.8	324.4	1.7834
2008*	Sterling Accumulation B shares	408.1	324.7	1.6855
2008*	Sterling Accumulation D shares	415.7	330.9	2.5850

\*to 30 April 2008

# Sterling Bond

## Fund Facts

### Investment Objective and Policy

The sub-fund's investment objective is to achieve a long term total return of capital appreciation and income receipts from investment primarily in Sterling fixed interest securities, with the appointment of sub-fund advisers, and the selection of securities to achieve high risk-adjusted returns over the longer term.

### Investment Advisers

Blackrock Investment Managers Limited  
 Western Asset Management Company Limited  
 Barclays Global Investors Limited  
 Royal London Asset Management  
 Baillie Gifford & Company

## Fund Profile

### Portfolio of Investments

Spread of investments Fixed interest securities grouped by ratings *	% of total net assets as at 30/04/08	% of total net assets as at 31/10/07
AAA to AA	30.61	31.37
AA- to A+	18.09	15.08
A to A-	21.90	18.87
BBB+ to BBB	16.16	15.85
below BBB to unrated	<u>9.54</u>	<u>12.70</u>
Total fixed interest securities	96.30	93.87
Collective Investment Schemes	1.54	1.41
Net other assets	<u>2.16</u>	<u>4.72</u>
<b>Net Assets</b>	<b>100.00</b>	<b>100.00</b>

\* source: S&P / Moody's / Fitch

### Major Holdings

The top 10 holdings at the end of this period and the previous period are shown below.

Holding	% of Sub-fund as at 30/04/08	Holding	% of Sub-fund as at 31/10/07
Treasury 4.75% 2020	1.46	Bundesrepublik Deutschland 4% 2037	2.05
Treasury 4.75% 2038	1.44	Treasury 5% 2025	1.48
Bundesrepublik Deutschland 5.5% 2031	1.16	Treasury 7.25% 2007	1.33
Bundesrepublik Deutschland 4% 2037	1.08	Treasury 4.75% 2038	1.24
European Investment Bank 5.625% 2032	1.00	European Investment Bank 5.625% 2032	1.06
BAA 5.75% 2031	0.97	BAA 5.75% 2031	1.04
France Government Bond OAT 4% 2038	0.93	Standard Life Funding 6.14% Perpetual	1.02
Legg Mason WA US High Yield Bond Income Fund	0.89	Bundesrepublik Deutschland 5.5% 2031	0.95
Treasury 5% 2025	0.88	Society of Lloyd's 7.421% Perpetual	0.85
Treasury 4.25% 2027	0.86	Legg Mason WA US High Yield Bond Income Fund	0.79

## Risk Profile

The main risks within the portfolio relate to changes in the prices of securities held. Other risks include risks of bankruptcy of companies held, risks from foreign exchange and risks of adverse effects from changes in interest rates. The sub-fund does not borrow in the normal course of business and has no material exposure to unlisted securities. The manager reviews policies for managing these risks regularly as part of the process for achieving the investment objective.

# Sterling Bond

## Fund Performance

Percentage Price Change and Sector Ranking from 31 October 2002 to 30 April 2008				
	6 months to 30/04/08	1 Year to 31/10/07	3 Years to 31/10/07	5 Years to 31/10/07
Sterling Bond Sub-fund	-2.85	-1.89	7.19	17.85
20% FT All Stocks 80% IBoxx £ Non Gilt	-0.04	-0.29	12.59	25.98

*Source: Lipper – bid to bid, net income reinvested, net of fees.  
Past performance is not a guarantee of future returns.*

### Market Review

Six months ago, we were at the start of the credit crunch, and were witnessing a near meltdown in money market liquidity that had seen the collapse and the resulting nationalisation of Northern Rock. Over the following months the financial markets continually suffered from a lack of confidence as major institutions around the world reported large write-downs on assets affected by the deterioration in the US sub prime mortgage sector.

This lack of trust in financial systems led to a rise in corporate bond yields as credit spreads widened. Over the same period, government securities rallied strongly as they were increasingly seen as one of the few remaining safe havens.

Against this background, Central Banks conducted aggressive, co-ordinated actions to inject liquidity back into the money markets and to raise investor confidence. In addition, to help offset the risk of an economic growth downturn, the Federal Reserve in America and the Bank of England reduced official interest rates. US rates were cut times five from 4.50% to 2%. In the same period, the Bank of England reduced interest rates twice to bring official rates down to 5%.

However, market trust and liquidity remained at dangerously low levels. Indeed, it took another major financial institution to collapse, this time in the United States, before we began to see market conditions improve. In March, Bear Stearns, a major US Investment House could not meet client money withdrawals and the Federal Reserve brokered a take over of the company by JP Morgan Chase. This decision was taken positively by the fixed income markets as it was seen as a clear assurance that the Central Banks would stand behind the banking system and would do all that was needed to ensure market stability. Following these events corporate bond prices began to recover from their earlier lows as investors moved back to buying higher yielding quality securities.

### Policy Review

The portion of the assets under the management of each investment adviser is chosen by the ACD and varies at the ACD's discretion. The portfolio remained fully invested.

During the period under review the ACD monitored the investment activities of each of the appointed investment advisers to ensure consistent application of investment techniques, processes, and compliance with the terms of their Investment Management Agreement.

### Investment Outlook

The start of 2008 has been a turbulent period for the corporate bond markets as the well documented credit crunch continued to take hold. Credit spreads, the additional net yield an investor can earn from a security with more credit risk relative to one with less credit risk, over Government bonds have increased markedly over the period leading to some extremely attractive valuations appearing for investors with a medium term outlook. We have started to see some stability coming into credit markets over recent weeks and would favour credit over Government bonds, albeit we could see further periods of short term volatility.

# Sterling Bond

## Summary of Accounts

Fund Accounting Dates	Distribution Payment Dates
30 April / 31 October	30 June / 31 December

### Distribution Statement

On 30 June 2008 an interim distribution of 4.0763p will be reinvested on behalf of Sterling Accumulation A shareholders.

### Total Expense Ratio

Expense Type	as at 31/10/07	as at 31/10/06
Sterling Accumulation A shares		
Manager's periodic charge	1.00%	1.00%
Other expenses	0.02%	0.01%
Total expense ratio	1.02%	1.01%
Sterling Accumulation B shares		
Manager's periodic charge	1.00%	1.00%
Other expenses	0.01%	0.01%
Total expense ratio	1.01%	1.01%

### Net Asset Values

Accounting Date	Share Description	Net Value Per Share (pence)	Number of Shares in Issue	Net Asset Value
31 October 2005	Sterling Accumulation A shares	195.4	238,508,300	465,966,048
	Sterling Accumulation B shares	193.9	61,611	119,459
31 October 2006	Sterling Accumulation A shares	200.3	326,845,300	654,593,837
31 October 2007	Sterling Accumulation A shares	196.0	327,238,800	641,456,386
30 April 2008	Sterling Accumulation A shares	190.1	305,126,801	579,981,442

### Share Price & Distribution

Calendar Year	Share Description	Highest Share Price (pence)	Lowest Share Price (pence)	Distribution per Share (pence)
2003	Sterling Accumulation A shares	181.2	166.6	5.7617
2003	Sterling Accumulation B shares	181.2	166.6	6.6150
2003	Sterling Accumulation C shares	183.9	168.2	1.2392
2004	Sterling Accumulation A shares	189.4	173.6	6.4172
2004	Sterling Accumulation B shares	189.7	173.9	6.6673
2005	Sterling Accumulation A shares	200.7	186.5	6.0934
2005	Sterling Accumulation B shares	199.0	186.9	11.2488
2006	Sterling Accumulation A shares	204.2	194.2	6.2084
2006	Sterling Accumulation B shares*	202.5	192.6	3.2058
2007	Sterling Accumulation A shares	200.9	191.4	6.8476
2008**	Sterling Accumulation A shares	199.7	188.3	4.0763

\* All shares in Sterling Accumulation B share class were cancelled on 30 June 2006.

\*\*to 30 April 2008

## **Appointments**

### **ACD and Registrar**

Santander Portfolio Management UK Limited (formerly Inscap Investments Limited)  
Abbey National House  
2 Triton Square  
Regent's Place  
London NW1 3AN, United Kingdom  
Authorised and regulated by the Financial Services Authority

### **Directors**

Jose Ignacio Izquierdo Saugar  
John Christopher Bearman  
Alan Mathewson  
Nicolas Edward Merigo Cook  
Keith Morgan  
Eduardo Suarez Alvarez Novoa  
Antonio Lorenzo

### **Depositary**

Royal Bank of Scotland  
Trustee & Depositary Services  
The Broadstone  
50 South Gyle Crescent  
Edinburgh EH12 9UZ, United Kingdom  
Authorised and regulated by the Financial Services Authority

### **Independent Auditors**

Deloitte & Touche LLP  
Lomond House  
9 George Square  
Glasgow G2 1QQ, United Kingdom

### **Investment advisers:-**

#### **RCM (UK) Limited**

155 Bishopsgate  
London EC2M 3AD, United Kingdom

#### **AXA Rosenberg Investment Management Limited**

9a Devonshire Square  
London EC2M 4YY, United Kingdom

#### **Baillie Gifford & Co**

Calton Square  
1 Greenside Row  
Edinburgh EH1 3AN, United Kingdom

#### **Barclays Global Investors Limited**

Murray House, 1 Royal Mint Court  
London EC3N 4HH, United Kingdom

#### **DB Absolute Return Strategies Limited**

One Appold Street  
London EC2A 2UU, United Kingdom

#### **Goldman Sachs Asset Management International**

4<sup>th</sup> Floor, Peterborough Court  
133 Fleet Street  
London EC4A 7RF, United Kingdom

## **Appointments (continued)**

### **JP Morgan Fleming Asset Management (UK) Limited**

10 Aldermanbury  
London EC2V 7RF, United Kingdom

### **Blackrock Investment Managers Limited**

33 King William Street  
London EC4R 9AS, United Kingdom

### **Royal London Asset Management**

55 Gracechurch Street  
London EC3V 0UF, United Kingdom

### **State Street Global Advisors Limited**

21 St James Street  
London SW1Y 4SS, United Kingdom

### **Western Asset Management Company Limited**

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### **Santander Asset Management UK Limited**

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London NW1 3AN, United Kingdom

### **DIAM International Limited**

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### **CPR Asset Management**

10 Place des Martyrs du Lycee Buffon  
75015 Paris

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Abbey National plc advises on mortgages, a limited range of life assurance, pension and collective investment scheme products and acts as an insurance intermediary for general insurance.