

Japanese Fund

Fund Objective

The aim of the Fund is to seek long term capital appreciation through investment in securities of Japan.

Investment Manager

Scottish Widows Investment Partnership ("SWIP")

Manager: Fraser Laird

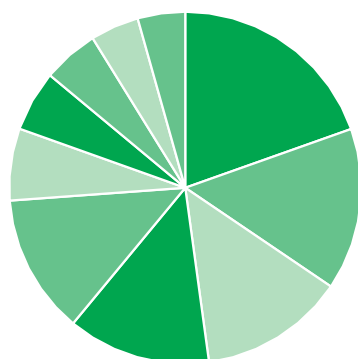
Fund Performance

	30/06/09 to 30/06/10 (%)	30/06/08 to 30/06/09 (%)	30/06/07 to 30/06/08 (%)	30/06/06 to 30/06/07 (%)	30/06/05 to 30/06/06 (%)
Sterling (£)	8.52	-10.15	-14.65	-8.64	33.41
Euro (€)	13.04	-15.90	-27.66	-5.76	29.08
US dollar (\$)	-2.03	-25.08	-14.97	-0.21	35.83

Past performance should not be seen as an indication of future performance.

The figures show the performance growth over 5 years as discrete 12 month periods, on a mid price basis with gross income reinvested. Source: Financial Express. Sector is Lipper OS Japan Sector.

Sector Breakdown (%)



Others	19.58
Industrial Goods & Services	14.90
Technology	13.36
Banks	13.16
Automobiles & Parts	12.84
Personal & Household Goods	6.61
Financial Services	5.59
Retail	5.14
Healthcare	4.46
Utilities	4.36

Largest Investments (%)

Toyota Motor	8.31
Sumitomo Mitsui Financial Group	5.24
East Japan Railway	3.75
Mitsubishi UFJ Financial Group	3.12
Mitsui	3.02
Nomura Holdings	2.97
Tokyo Gas	2.90
Sony	2.71
Shionogi	2.65
Mitsubishi Estate	2.63

Market Overview

- Japan's equity markets, along with those in most of the rest of the developed world, had a tough quarter. The Topix index plunged 13.9% in yen terms over the three months. The bulk of the index's losses came in May: Japanese exporters suffered for much of the month as the yen's strength increased. Investors flocked to the perceived safety of the currency as the debt crisis in Europe wore on.
- Political uncertainty triggered further losses as June began. Polls revealing that Yukio Hatoyama's approval rating as prime minister had fallen sharply were swiftly followed by news of his resignation. Mr Hatoyama left office after only eight months in power. He was replaced by the finance minister, Naoto Kan. Mr Kan announced that he plans to reduce Japan's huge public debt, which currently amounts to twice the country's Gross Domestic Product.
- Mining and construction equipment makers also suffered losses, as concerns increased that China's economic growth is slowing. The People's Bank of China raised the reserve requirements ratio for banks for the third time this year. This is expected to have a detrimental effect on construction activity, as banks feel less able to lend freely.
- At individual asset level, our holding in Shionogi & Co, the pharmaceutical company had a positive effect on returns. Shionogi's share price rose after it won a court case to uphold the patent on the Crestor cholesterol pill, one of its key products.
- Other strong performers included Tokyo Gas and East Japan Railway. The defensive nature of these companies led to their outperformance as the market slid over the quarter.
- In contrast, falling commodity prices and the BP oil disaster were among the reasons for a disappointing performance by Mitsui & Co and Sumitomo Metal Industries.



Future Policy

- Our outlook for the Japanese market over the medium to long term remains cautiously positive. This is supported by strong external demand and a vigorous rebound in the industrial sector.
- We believe that banking and other financial stocks are in a strong position to take advantage of Japan's continued economic recovery. Last year, performance was held back by equity issuance as the big banks strove to improve their balance sheets. This process is now almost complete and falling credit costs should help their earnings to beat expectations.
- Looking ahead, we expect to retain a moderately underweight exposure to the typically defensive sectors, such as consumer staples and utilities. In contrast, our outlook for the financials sector remains positive. Finally, current demand levels combined with a shortage of components leaves us with a positive outlook for the technology sector.

General Information

Value of Fund as at 30th June 2010
£1.77m

Dealing Price as at 30th June 2010
£ 0.8052
€ 0.9897
\$ 1.2090

Current Yield as at 30th June 2010
0.00%

Distribution Dates
22nd November

XD Dates
1st October

Launch Date
27th July 2001

Minimum Investment
£1,000 or currency equivalent

Subsequent Investment
£50 or currency equivalent

Initial Charge
5%

Annual Management Charge
1.5%

Total Holdings
44

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Contact Details

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