

Scottish Friendly UK Growth Fund

Short Report

For the year ended ended 30 November 2009

Fund Facts		
Launch Date	16 May 2001	
Fund Status	ICVC	
Domicile	UK	
Share Type	Accumulation	
Accounts Dates	31 May (interim) 30 November (final)	
Distribution Dates	30 September (interim) 31 March (final)	
Annual Charge	1.00%	
Initial Charge	4.00%	
	30 November 2009	30 November 2008
	%	%
Total Expense Ratio ¹	1.43	1.53
Portfolio Turnover Rate ²	265.2	229.4

¹ The total expense ratio (TER) takes into account the ACD fee and all other operating expenses over the relevant financial period and is expressed as a percentage of average daily net assets over that period.

² The portfolio turnover rate (PTR) takes into account the total purchases and sales less the total subscriptions and redemptions over the relevant financial period and is expressed as a percentage of average daily net assets over that period.

Net Asset Value		
Net Asset Value Per Share (p)		
30 November 2009	30 November 2008	Change (%)
146.0	109.7	33.1
	30 November 2009	30 November 2008
Fund Size	£7,288,254	£5,249,654

Summary Fund Performance		
Calendar Year	Highest Price (p)	Lowest Price (p)
2004	105.0	90.66
2005	128.2	104.4
2006	157.5	127.5
2007	185.8	153.9
2008	169.6	96.96
2009*	156.0	96.29

* to 31 May 2009

Top Ten Holdings (%)	30 November 2009
HSBC	6.83
Tullow Oil	5.10
Barclays	4.43
Compass	3.63
Antofagasta	3.46
Charter International	3.44
Rio Tinto	3.43
Petropavlovsk	3.32
Prudential	3.29
Imperial Tobacco	3.12
Top Ten Holdings (%)	30 November 2008
BP	6.48
Royal Dutch Shell 'B'	4.83
BAE Systems	4.75
HSBC	4.22
Serco	3.63
British American Tobacco	3.36
AstraZeneca	3.35
Babcock International	3.28
Vodafone	3.15
Compass	3.10

Report of the Authorised Corporate Director (ACD):

Investment Objective and Policy

The aim of the Fund is to achieve medium to long term capital growth.

The investment policy will be to invest in a diversified portfolio of UK listed equities.

Market Background

After a roller coaster journey through the first half of 2009, equity markets provided a smoother ride for investors in the second half. Following the near collapse of the global financial system in 2008 and the prospect that most major economies had plunged into recession, it has been surprising to many investors that equity markets have regained losses as quickly as has been the case.

Over the reporting period the FTSE All Share Index delivered a return of 29.3%. Medium and smaller companies outperformed strongly as investors' appetite for risk increased.

Over the period many companies reported better than expected profits as the effects of cost cutting began to emerge alongside an increase in confidence and demand. The US economy expanded in the third quarter and Chinese and other emerging market economies continue to grow strongly.

Portfolio Review

The portfolio benefited from good UK stock selection over the period. The portfolio's exposure to companies likely to benefit from an improvement in economic growth was positive to performance. Industrial stocks were particularly helpful for UK Growth; both Cookson and Morgan Crucible were notable outperformers. UK Growth's exposure to medium and smaller companies was increased in the second quarter and proved timely, benefiting performance.

The fund also benefited from its exposure to resources, particularly medium sized oil exploration and production companies. We continue to believe that significant value resides in this area of the market as companies continue to grow reserves, often with attractive production profiles. Tullow Oil and Afren Energy were both helpful to performance.

The UK Growth Fund returned 35.0% compared to a return of 32.7% for the IMA UK All Companies Sector Average ('UK Sector Average') and 29.3% for the FTSE All Share Index. Over the year the fund ranked 92/310 funds. Over three years the UK Growth Fund has returned -2.1% versus -9.9% for the UK Sector Average and ranks 62/279 funds.*

* Source: Lipper. Past performance is not a guide to future performance. The value of shares and the income from them can go down as well as up and the original investment is not guaranteed. The basis of taxation may change.

Investment Outlook

An improvement in economic conditions and the stabilisation of the global financial system are welcome news for investors. Underlying problems within the global economy do remain, not least the high level of government and personal indebtedness and the banking system's ongoing exposure to fragile property markets. The recent emergence of problems within Dubai highlights the risk.

The rise in the equity market indicates there are reasons to be positive. Many companies reduced their cost base significantly as the financial storm passed; as consumer confidence began to return in 2009 an improvement in sales has resulted in improved profitability. Furthermore, we believe that operating margins in the current downturn are likely to bottom out higher than in previous recessions, which suggests that companies have efficiently reduced their cost base.

Currently investors get little return for leaving their money in the bank or investing in government bonds. The equity market, where some companies continue to offer attractive dividend yields, is an attractive investment for anyone requiring income. For that reason and in the absence of rising interest rates and bond yields, we believe equities should continue to perform well.

We believe resources and selected industrials should continue to perform well as global growth accelerates and the portfolios have good exposure to this area. Recent economic indicators all point to continued expansion of the Chinese economy and the country's insatiable appetite for resources remains strong.

Scottish Friendly UK Growth Fund

Short Report

For the year ended ended 30 November 2009

Portfolio Breakdown (%)	30 November 2009
Oil & Gas Producers	17.95
Mining	13.16
Banks	13.05
Support Services	6.97
Electronic & Electrical Equipment	6.79
Aerospace & Defence	5.89
Insurance	5.85
Technology Hardware & Equipment	4.08
Travel & Leisure	3.63
Industrial Engineering	3.44
Other sectors	14.25
Net other assets	4.94
Total assets	100.00

Portfolio Breakdown (%)	30 November 2008
Oil & Gas Producers	16.20
Travel & Leisure	7.77
Support Services	7.57
Banks	7.25
Tobacco	6.37
Pharmaceuticals	6.16
Gas, Water & Multiutilities	5.39
Aerospace & Defence	4.75
Telecommunications	4.47
Food & Drug Retailers	3.91
Other sectors	17.24
Net other assets	12.92
Total assets	100.00

Investment Outlook (continued)

In some sectors reliant on exports, the fall in value of Sterling is likely to have a positive impact on sales. Indeed many British companies now also look attractive to potential foreign acquirers, as the recent bid for Cadbury Schweppes has proved. UK engineering companies look particularly interesting to potential acquirers with good balance sheets and strong margins.

We remain nervous of the consumer, particularly in economies such as the UK and Ireland where personal indebtedness remains high. Rising unemployment, increased levels of taxation and the need for households to repair balance sheets all point to a difficult environment for cyclical services and other domestic consumer businesses. The UK Growth portfolio has a preference for companies with significant overseas earnings.

Rising impairments and a tougher regulatory environment will continue to impact bank profitability, although those banks that lent more prudently are in a better position. Generally we remain cautious on the banking sector.

The fall in equity markets in 2008 presented us with many opportunities to purchase companies on truly exceptional valuations. Although value, in the broader market, is no longer as apparent, we continue to believe that individual businesses have the potential to surprise positively in the months ahead and as stock pickers the current market is providing us with many interesting opportunities.

Revenue Record

Accounting Year	Accumulation pence per share (p)
2004	0.4463
2005	1.2754
2006	1.5418
2007	1.1169
2008	2.4789
2009 *	1.9669

* 1 December 2008 to 30 November 2009

Risk Profile

- As your money is invested in shares and other securities, its value, and the income from it, will go up and down and you may not get back the amount invested.
- Current tax law and practice may change.
- If you are saving regularly for a particular purpose, you may not achieve your target if you do not keep up your payments.
- In the exceptional event that a sub-fund's liabilities exceed its net assets, the OEIC structure allows for these liabilities to be allocated across other sub-funds in the OEIC.
- Details of all risks are available within the full Prospectus, which is available on request.

Other Information

The information in this report is designed to enable shareholders to make an informed judgment on the activities of the Fund during the period it covers and the result of those activities at the end of the period. The full Report and Accounts are available on request from the ACD. For more information about the activities and performance of the Fund during the period and previous periods, please contact the ACD at the address noted above.

ACD

Scottish Friendly Asset Managers Limited
16 Blythswood Square
Glasgow
G2 4HJ

Tel: 0141 275 5000
Fax: 0141 221 4864

Investment Managers

SVM Asset Management Limited
7 Castle Street
Edinburgh EH2 3AH

Authorised and regulated by the
Financial Services Authority.

Registrar

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16 Blythswood Square
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G2 4HJ

Tel: 0141 275 5000
Fax: 0141 221 4864

Authorised and regulated by the Financial Services
Authority.

Depository

HSBC Bank plc
Level 29
8 Canada Square
London
E14 5HQ

Authorised and regulated by the
Financial Services Authority.

Auditor

KPMG Audit Plc
191 West George Street
Glasgow
G2 2LJ

The ACD is a member of the Investment Management Association
and is authorised and regulated by the Financial Services Authority.

Scottish Friendly Managed Growth Fund

Short Report

For the year ended 30 November 2009

Fund Facts		
Launch Date	17 May 1999	
Fund Status	ICVC	
Domicile	UK	
Share Type	Accumulation	
Accounts Dates	31 May (interim) 30 November (final)	
Distribution Dates	30 September (interim) 31 March (final)	
Annual Charge	1.00%	
Initial Charge	4.00%	
	30 November 2009	30 November 2008
	%	%
Total Expense Ratio ¹	1.46	1.46
Portfolio Turnover Rate ²	80.61	62.37

¹ The total expense ratio (TER) takes into account the ACD fee and all other operating expenses over the relevant financial period and is expressed as a percentage of average daily net assets over that period.

² The portfolio turnover rate (PTR) takes into account the total purchases and sales less the total subscriptions and redemptions over the relevant financial period and is expressed as a percentage of average daily net assets over that period.

Net Asset Value		
Net Asset Value Per Share (p)		
30 November 2009	30 November 2008	Change (%)
149.3	118.5	26.0
	30 November 2009	30 November 2008
Fund Size	£56,298,232	£37,270,285

Summary Fund Performance		
Calendar Year	Highest Price (p)	Lowest Price (p)
2004	128.2	112.6
2005	163.2	128.5
2006	187.1	164.6
2007	205.8	181.6
2008	201.1	111.3
2009*	154.1	108.6

* to 30 November 2009

Top Ten Holdings (%)	30 November 2009
HSBC	5.89
Treasury 2.5% Index Linked 17/07/2024	4.75
Tullow Oil	4.28
Randgold Resources	3.53
Tesco	3.49
Antofagasta	3.19
BlackRock World Mining Trust	2.84
Treasury 4.25% 07/06/2032	2.80
Vodafone	2.57
BP	2.45
Top Ten Holdings (%)	30 November 2008
Treasury 5.75% 07/12/2009	10.17
HSBC	5.85
AstraZeneca	4.49
BG	4.08
Tesco	3.68
Vodafone	3.59
Treasury 9% 12/07/2011	3.25
Tullow Oil	3.07
Babcock International	2.49
Royal Dutch Shell 'B'	2.48

Report of the Authorised Corporate Director (ACD):

Investment Objective and Policy

The aim of the Fund is to achieve medium to long term capital growth.

The investment policy will be to invest in equities and fixed interest securities both in the UK and in other international stock markets. Fixed interest securities will comprise UK gilts or fixed interest securities denominated in sterling or foreign currencies issued by sovereign governments, supranational bodies, or local authorities. The Fund may also invest in corporate bonds denominated in sterling and other foreign currencies. The use of derivatives, stock lending or borrowing as permitted by the regulations for efficient portfolio management purposes may also take place when deemed appropriate for the achievement of the objectives of the Fund.

Market Background

After a roller coaster journey through the first half of 2009, equity markets provided a smoother ride for investors in the second half. Following the near collapse of the global financial system in 2008 and the prospect that most major economies had plunged into recession, it has been surprising to many investors that equity markets have regained losses as quickly as has been the case.

Over the reporting period the FTSE All Share Index delivered a return of 29.3%. Medium and smaller companies outperformed strongly as investors' appetite for risk increased.

Over the period many companies reported better than expected profits as the effects of cost cutting began to emerge alongside an increase in confidence and demand. The US economy expanded in the third quarter and Chinese and other emerging market economies continue to grow strongly.

Portfolio Review

The portfolio benefited from good UK stock selection over the period. The portfolio's exposure to companies likely to benefit from an improvement in economic growth was positive to performance.

The fund also benefited from its exposure to resources, particularly medium sized oil exploration and production companies. We continue to believe that significant value resides in this area of the market as companies continue to grow reserves, often with attractive production profiles. Tullow Oil and Afren Energy were both helpful to performance.

The Managed Growth Fund's performance gained through its exposure to specialist emerging market funds. After underperforming in 2008, it was pleasing to see holdings including JP Morgan Russian Securities and Advance Developing Markets Trust bounce back strongly.

Over the year the Managed Growth Fund's return of 26.3% outperformed the IMA Balanced Managed Sector Average ('Sector Average') return of 23.3% - the fund ranked 46/143 funds over the reporting period. Over three years the Fund has returned -17.2% compared to a return for the Sector Average of -2.6 with a ranking of 107/108 funds.*

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Investment Outlook

An improvement in economic conditions and the stabilisation of the global financial system are welcome news for investors. Underlying problems within the global economy do remain, not least the high level of government and personal indebtedness and the banking system's ongoing exposure to fragile property markets. The recent emergence of problems within Dubai highlights the risk.

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Scottish Friendly Managed Growth Fund

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For the year ended 30 November 2009

Portfolio Breakdown (%)	30 November 2009
Investment Companies	18.04
Mining	15.36
Oil & Gas Producers	12.49
Government Securities	10.07
Banks	8.19
Industrial Engineering	3.50
Food & Drug Retailers	3.49
Support Services	3.47
Telecommunications	2.57
General Financial	2.43
Other sectors	14.32
Net other assets	6.07
Total assets	100.00

Portfolio Breakdown (%)	30 November 2008
Investment Companies	17.18
Government Securities	14.65
Oil & Gas Producers	9.63
Banks	8.87
Support Services	5.64
Food & Drug Retailers	5.50
Pharmaceuticals & Biotechnology	4.49
Telecommunications	3.59
General Financial	2.33
Tobacco	2.28
Other sectors	13.16
Net other assets	12.68
Total assets	100.00

Investment Outlook (continued)

We believe resources and selected industrials should continue to perform well as global growth accelerates and the portfolios have good exposure to this area. Recent economic indicators all point to continued expansion of the Chinese economy and the country's insatiable appetite for resources remains strong.

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Revenue Record	
Accounting Year	Accumulation pence per share (p)
2004	1.3823
2005	1.6986
2006	0.4153
2007	1.0918
2008	2.2089
2009 *	1.8126

* 1 December 2008 to 30 November 2009

Risk Profile

- As your money is invested in shares and other securities, its value, and the revenue from it, will go up and down and you may not get back the amount invested.
- The Managed Growth Fund is exposed to and can hold currencies other than sterling. As a result, exchange rate movements may affect your investment as well as price movements.
- Current tax law and practice may change.
- If you are saving regularly for a particular purpose, you may not achieve your target if you do not keep up your payments.
- In the exceptional event that a sub-fund's liabilities exceed its net assets, the OEIC structure allows for these liabilities to be allocated across other sub-funds in the OEIC.
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