

Ecclesiastical investment funds

SHORT REPORT



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Management contact details

Authorised Corporate Director

The Authorised Corporate Director (ACD) is Ecclesiastical Investment Management Limited (EIM).

The investments of Ecclesiastical Investment Funds (EIF) are managed by the ACD. The ACD has prepared financial statements that comply with the Statement of Recommended Practice for Open-Ended Investment Companies issued by the Investment Management Association in November 2008.

Constitution

EIF is an Open-Ended Investment Company (OEIC).

It has variable capital and was incorporated with limited liability under the Open-Ended Investment Companies Regulations 2001 (OEIC Regulations) in Great Britain under registered number IC 00037. It is authorised and regulated by the Financial Services Authority.

EIF is an 'umbrella' company and comprises six authorised investment securities sub-funds.

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Beaufort House, Brunswick Road,
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Tel 0845 777 3322
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www.ecclesiastical.com

Authorised and regulated by the
Financial Services Authority

Directors of Ecclesiastical Investment Management Limited

M Hews, BSc, FIA (Chairman)
SA Wood, BSc, FCII

Ultimate Parent Company of the ACD

Allchurches Trust Limited
Beaufort House, Brunswick Road,
Gloucester GL1 1JZ.

Depository

BNY Mellon Trust and Depository (UK) Limited
The Bank of New York Mellon Centre,
160 Queen Victoria Street,
London EC4V 4LA.

Authorised and regulated by the
Financial Services Authority

Registrar

Northern Trust Global Services Limited
50 Bank Street, Canary Wharf,
London E14 5NT.

Auditors

Deloitte LLP
2 New Street Square,
London EC4A 3BZ.

This Short Report is for the period from 1 January 2010 to 30 June 2010. Included in the Report by the Authorised Corporate Director (ACD), you will find information on the performance of the sub-funds and the Funds' prospects, as well as information on the performance record and major holdings of each sub-fund.

The ACD will send a copy of the interim and annual Short Report to any shareholder whose name appears on the share register at the relevant accounting reference date or interim accounting reference date as permitted by the Financial Services Authority regulations.

Full copies of the interim and annual Long Reports will be available free of charge on request from the ACD and to download from www.ecclesiastical.com/longreport.

Copies of all reports to shareholders will be available for inspection by the general public at the ACD's offices.

Report of the Authorised Corporate Director – Investment Environment

After contracting by 1.9% in 2009, global GDP looks set to rebound to growth of over 3% in 2010 though with large differentials between developed and developing countries. The major Western economies have emerged from recession but are struggling to return to sustainable growth burdened with budget deficits, weak banking sectors and high levels of private sector indebtedness. In contrast, many Asian economies are achieving strong growth rates due to expansionary fiscal policies, the recovery in global trade and growth in domestic demand.

The equity markets recovered strongly in 2009 but have given up some of those gains in the first half of 2010 due to concern over the fragility of the US recovery and the impact on growth of public spending cuts and tax rises. In contrast the bond markets performed well as inflationary pressures remain subdued and the demand for low risk assets remains high amid heightened economic and financial uncertainty.

The UK

The UK equity market performed well for the first four months of 2010 before falling back sharply as the Sovereign debt crisis swept across Europe. This highlighted the need for fiscal consolidation and the new government coalition soon announced plans to cut the UK's high budget deficit through public spending cuts and tax rises. For the first half of the year, the FTSE 100 Index of leading companies ended down 9.2% whilst the FTSE Index for smaller companies fell by 3.1% and the Index for medium-sized companies actually rose by 0.6%. The poor performance of the FTSE 100 Index compared to the rest of the market can partly be ascribed to the collapse in value of BP, a major constituent of the Index, which struggled to cope with the fallout from the Deepwater Horizon oil spill in the Gulf of Mexico.

With the prospect of substantial fiscal tightening in the UK hitting domestic demand, the best performing sectors included those operating in global markets which were well placed to benefit from the recovery in global trade. In this environment the engineering, chemical and IT hardware sectors numbered among the best performing. The worst performing sector was oil & gas though this was heavily influenced by the poor performance of its largest constituent BP. Other sectors which performed badly included life assurance which was hit both by the impact of the fall in the equity market on their investment portfolios and the aborted takeover attempt of AIA by Prudential.

The General Election saw the creation of a new government coalition which appears committed to taking tough action to reduce the deficit. The Bank of England maintained base rates at 0.5% throughout the period and the fiscal squeeze is expected to allow rates to stay low for longer. The low inflation environment and outlook and the increased investment market volatility has benefited the gilt market as investors have sought the security. Corporate bonds fared well for most of the period but the turbulence in the investment markets caused by the sovereign debt crisis led to corporate bonds to underperform gilts, particularly financial company bonds.

Europe

Greece may not be among the largest or most important members of the Eurozone, but its growing budget deficit, large trade deficit and poor growth prospects led to fears

of a possible government debt default which rapidly spread across Europe. The Eurozone did manage to stabilise the situation with a support package but this may have only papered over the cracks rather than solved the situation. The consequences were far reaching with countries across Europe cutting spending in an attempt to strengthen their finances. Some countries in Southern Europe may see GDP contract as fiscal austerity reduces demand in the domestic economy but most of European economies should continue to expand led by Germany and the Scandinavian countries which are experiencing strong demand for their capital goods from China and other emerging markets.

The US

The US economy is burdened by high levels of public and private sector debt and efforts by the Obama administration to stimulate the economy appear to be running out of steam. The State and local governments are pressing forward with deep and painful budget cuts and despite huge government support the housing market is showing few signs of recovery. The Dow Jones Index declined by 6.3% over the first half of the year whilst the broader S&P 500 Index declined by 7.6% as the US equity market suffered from a slower than expected recovery in the US economy.

Japan

Over the period the Nikkei Index fell 11.2% though this was cancelled out in Sterling terms by the strength of the Yen. During the credit crisis, the Japanese economy experienced one of the sharpest downturns due to its heavy dependence on global trade. Japan has, since its property crash in the early 1990's, normally generated the lowest growth among the major developed economies but it is well positioned to benefit from the recovery in global trade.

China and the rest of Asia

China has continued to enjoy strong growth especially from domestic demand as the Chinese government has increased spending to support the economy though the equity market fared less well with the Hang Seng China Enterprises Index down 10.4%. On the whole countries in the S.E. Asian region continue to benefit from prudent macroeconomic policies and a healthy banking sector. These countries have benefited from strong savings cultures, with low levels of actual debt in both the corporate and consumer sectors, and continue to offer attractive investment opportunities.

Outlook

Outlook for global growth remains mixed. The US and Europe may only achieve modest growth as they attempt to deal with the aftermath of housing and asset price bubbles including high levels of private and public indebtedness and under-capitalised banking sectors. In contrast the prospects for Asian and developing economies appear strong. The Chinese economy may slow down a bit as the government eases back on its efforts to stimulate the economy but is still expected to continue to achieve growth rates far in excess of those in the West. The Japanese economy may not enjoy the kind of growth experienced by its neighbours but should still grow faster than many other developed economies and the equity market appears attractive.

Investment Objective and Policies

Fund Name & Investment Objectives	Investment Policy
<p>Amity UK</p> <p>The Fund aims to achieve long-term capital appreciation and a reasonable level of income by investing principally in UK companies.</p>	
<p>Amity European</p> <p>To achieve long-term capital growth with a reasonable level of income primarily through a diversified portfolio of European companies.</p>	<p>These Funds seek to invest in a portfolio of companies which make a positive contribution to society and the environment through sustainable and socially responsible practices.</p> <p>These Funds seek to avoid investment in certain areas such as companies which have a material involvement in alcohol, tobacco and weapon production, gambling and publication of violent or explicit materials.</p>
<p>Amity International</p> <p>To achieve long-term capital growth with a reasonable level of income primarily through a diversified portfolio of International companies.</p>	
<p>Amity Sterling Bond</p> <p>The Fund aims to provide an attractive level of income.</p>	<p>The Amity Sterling Bond Fund seeks to invest in a highly diversified portfolio of Government and good quality fixed interest securities issued by companies which make a positive contribution to society and the environment through sustainable and socially responsible practices.</p> <p>The Fund seeks to avoid investment in certain areas such as companies which have a material involvement in alcohol, tobacco and weapon production, gambling and publication of violent or explicit materials.</p>
<p>Higher Income</p> <p>To provide an above average and growing level of income together with capital growth over the longer term.</p>	<p>The Manager will seek to achieve the investment objective by investing in a mix of equities, fixed interest securities and such other investments that the Manager considers suitable.</p>
<p>UK Equity Growth</p> <p>To achieve long-term capital growth with a reasonable level of income.</p>	<p>The UK Equity Growth Fund is designed to invest primarily in a range of UK incorporated and/or listed companies which the Manager believes offer good potential for long-term capital growth.</p>

	Risks
	<ul style="list-style-type: none"> ■ Most of the assets will be invested in the UK stock market so could be affected by any change in this market. ■ Selecting stocks due to our ethical criteria means that the choice of stocks is limited to a sub set of the stock market and this could lead to greater volatility.
<p>These Funds are marketable to all retail investors.</p>	<ul style="list-style-type: none"> ■ The investment's value may be affected by changes in exchange rates. ■ The entire market of European stocks and shares might decline thus affecting the prices and values of the assets. ■ Selecting stocks due to our ethical criteria means that the choice of stocks is limited to a sub set of the stock market and this could lead to greater volatility.
<p>These Funds are managed in line with the requirements for inclusion in an ISA. The portfolio will consist primarily of transferable securities but the Manager may also invest in units in collective investment schemes, money-market instruments, derivatives and forward transactions, deposits, nil and partly paid securities, bonds, convertible bonds, cash and near cash as deemed economically appropriate to meet the Funds' objectives.</p>	<ul style="list-style-type: none"> ■ The investment's value may be affected by changes in exchange rates. ■ The equity markets invested in might decline thus affecting the prices and values of the assets. ■ Some of the investments may be in emerging markets, which can be more volatile and carry risks associated with changes in their economies and political status. Also they may not offer the same level of investor protection as would apply in more developed jurisdictions. ■ Selecting stocks due to our ethical criteria means that the choice of stocks is limited to a sub set of the stock market and this could lead to greater volatility.
<p>The Manager does not currently intend to use derivatives for any purpose other than the efficient portfolio management of the Funds, although it may, subject to obtaining and maintaining the requisite permissions from the FSA under the Financial Services and Markets Act 2000 and on giving not less than 60 days notice to shareholders in the Funds, use derivatives in pursuit of their investment objectives in the future. If derivatives are used for the purpose of meeting the investment objectives of the Funds it is not intended that the use of derivatives would cause the Net Asset Value of the Funds to have higher volatility or otherwise cause the existing risk profiles of the Funds to change.</p>	<ul style="list-style-type: none"> ■ The Fund holds a variety of different fixed interest securities including government and corporate bonds, preference shares and permanent interest bearing shares with a spread of durations. The Fund may invest in index or inflation linked bonds as well as conventional fixed interest instruments. Some of the bonds hold credit ratings however the Fund also invests in unrated bonds and other fixed interest instruments. ■ The investment's value may be affected by changes in inflation and interest rates. ■ An issuer of fixed interest stock may default, so causing a reduction in the capital value and income value of the Fund. ■ The annual management charge is taken from capital not income so the capital value of the Fund could be reduced over time. ■ Selecting stocks due to our ethical criteria means that the choice of stocks is limited to a sub set of the stock market and this could lead to greater volatility.
	<ul style="list-style-type: none"> ■ Most of the assets will be invested in the UK stock market so could be affected by any change in this market. ■ The Fund holds Corporate and Government bonds of a spread of durations. The various bonds have a spread of different security ratings as the investment managers do not set minimum security standards for such bonds. ■ The annual management charge is taken from capital not income so the capital value of the Fund could be reduced over time. ■ An issuer of fixed interest stock may default, so causing a reduction in the capital and income value of the Fund. ■ The investment's value may be affected by changes in exchange rates and interest rates.
	<ul style="list-style-type: none"> ■ Most of the assets will be invested in the UK stock market so could be affected by any change in this market.

Amity UK Fund

Report of the Authorised Corporate Director

This review covers the period from 1 January 2010 to 30 June 2010.

- Over the course of the period the share price of the Amity UK Fund declined by 0.5%* compared to a fall in the FTSE All-Share Index of 6.1% measured on a similar basis and a decline of 4.2%* in the IMA UK All Companies sector Average.
- The Fund benefited from the strong performance of holdings in some smaller UK companies including Volex Group, Devro, Oxford Instruments, Holidaybreak and Elementis. Two distribution companies, Menzies (John) and Smiths News also performed well. Engineering companies also performed well including Halma, Aveva and Smiths Group which benefited from the recovery in the global economy and weakness in Sterling. In contrast, some companies exposed to the UK consumer recorded negative returns including the media companies Yell Group and Trinity, and the retailer, Marks & Spencer. Holdings in the construction stocks Bellway, Taylor Wimpey and Keller also fared poorly as the sector continued to face difficult trading conditions.
- BP's oil leak in the Gulf of Mexico, which is now the biggest environmental disaster in US history had a significant negative impact on the whole market given the size of BP as a proportion of the market. The Amity Fund had no holdings as BP failed to pass the Amity UK Fund's ethical screening process and consequently this had a positive impact on the performance of the Fund compared to the market.
- Portfolio activity included additional purchases of Elementis, National Grid, HSBC, GlaxoSmithKline and Severn Trent. The Fund also increased its holding in National Grid through a rights issue. The Fund received Kraft shares and cash from the takeover of Cadbury Schweppes. The Kraft shares were subsequently sold. The Fund took profits through the sale of China Shineway which had performed strongly during the period.

Prospects

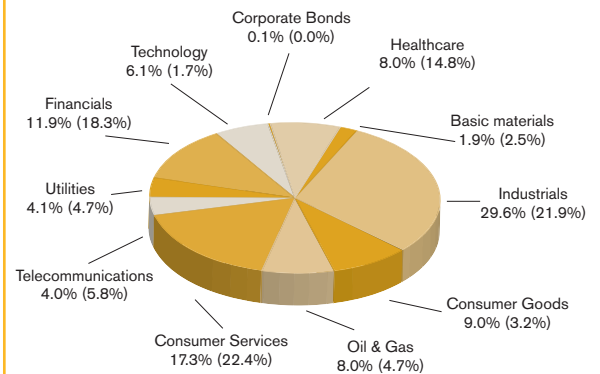
The equity markets are likely to experience further volatility as cuts in public expenditure, tax rises, weak bank balance sheets and the high level of indebtedness make hopes of even a lacklustre economic recovery appear optimistic. Even in this environment the UK equity market continues to offer attractive investment opportunities particularly among companies with exposure to rapidly growing markets in Asia and other emerging markets. Some sectors with robust earnings streams, strong balance sheets and strong cash generation remain at low valuations such as pharmaceuticals and food retailing. Overall the Fund will maintain its bias towards companies with resilient revenue streams or with exposure to faster growing industries or geographies.

*mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer

Please note: Stocks and shares should be viewed as a medium to long-term investment, usually for a period of 5 years or more. The value of investments can fall as well as rise. Past performance should not be seen as an indication of future performance.

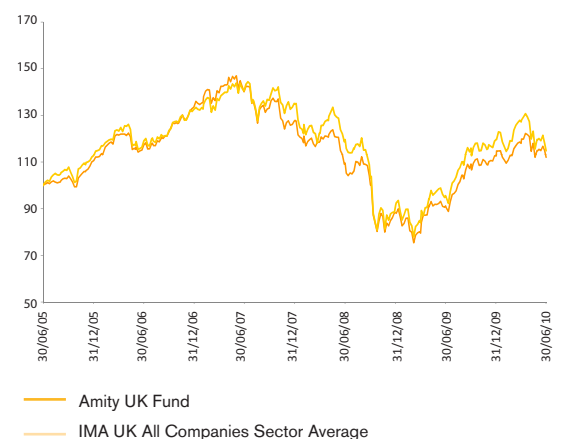
Asset allocation by sector at 30 June 2010

The figures in brackets show allocation at 31 December 2009



Figures exclude cash

Performance



Graph showing the growth of the Amity UK Fund compared to IMA UK All Companies Sector Average from 30 June 2005 to 30 June 2010, mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer. Prices re-based to 100. Source: Morningstar.

Performance and ranking

	Amity UK Fund		IMA UK All Companies Sector Average	
	Growth	Rank	Growth	Number
31/12/09 - 30/06/10	-0.5%	39	-4.2%	305
31/12/08 - 31/12/09	27.6%	169	30.6%	296
31/12/07 - 31/12/08	-30.9%	157	-31.5%	288
31/12/06 - 31/12/07	-4.3%	243	2.5%	272
31/12/05 - 31/12/06	20.7%	51	17.8%	250
31/12/04 - 31/12/05	16.6%	214	21.3%	231

Table showing % growth and ranking of the Amity UK Fund against IMA UK All Companies Sector Average and total number of funds. Figures compared on a mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer. Source: Morningstar.

Major holdings

Top ten holdings	Percentage of total net assets at 30 June 2010
1 Morrison (Wm) Supermarkets	2.82%
2 GlaxoSmithKline	2.47%
3 Tesco	2.42%
4 BG Group	2.08%
5 Dunelm Group	2.07%
6 Centrica	2.00%
7 Halma	1.99%
8 Dechra Pharmaceuticals	1.93%
9 AstraZeneca	1.74%
10 Smith & Nephew	1.72%

Total expense ratio at 30 June 2010

Share Class A	Share Class B	Share Class C
1.62%	0.87%	1.37%

Total expense ratio at 31 December 2009

Share Class A	Share Class B	Share Class C
1.63%	0.88%	1.38%

Portfolio turnover rate

30/06/10	31/12/09
-5.09%	6.86%

Net income distribution/accumulation

Net income distribution/accumulation	Pence per share	Per £1,000 invested at 4 January 2005 (£)
2010		
Share Class A*	1.1000	9.6491
Share Class B*	1.3000	11.3636
Share Class C*	1.9500	11.5865
2009		
Share Class A	1.8699	16.4026
Share Class B	2.7581	24.1093
Share Class C	3.7065	22.0232
2008		
Share Class A	3.1623	27.7395
Share Class B	5.0377	44.0358
Share Class C	5.6199	33.3922
2007		
Share Class A	2.0667	18.1289
Share Class B	3.2175	28.1250
Share Class C	4.0555	24.0969
2006		
Share Class A	2.3102	20.2649
Share Class B	3.3217	29.0358
Share Class C	4.1832	24.8556
2005		
Share Class A	1.6453	14.4325
Share Class B	2.4476	21.3951
Share Class C	3.1334	18.6179

*In respect of period from 1 January 2010 to 30 June 2010.

Share prices and Fund size

	Share price range		Fund size		
	Highest for the year (pence)	Lowest for the year (pence)	Net asset value (£)	Net asset value (pence per share)	Number of shares in issue
30 June 2010					
Share Class A*	134.20	119.30	22,429,725	120.98	18,539,843
Share Class B*	133.70	118.60	3,709,525	120.43	3,080,319
Share Class C*	221.00	196.30	29,294,535	201.14	14,564,580
31 December 2009					
Share Class A	124.30	82.43	21,711,794	122.57	17,713,365
Share Class B	124.00	81.92	2,793,589	121.70	2,295,436
Share Class C	202.90	132.90	29,678,683	201.59	14,722,436
31 December 2008					
Share Class A	147.40	89.93	16,205,291	97.58	16,607,885
Share Class B	147.90	90.62	2,222,012	96.80	2,295,436
Share Class C	229.40	141.00	22,867,597	157.18	14,548,736
31 December 2007					
Share Class A	170.90	141.90	24,632,455	145.87	16,886,673
Share Class B	172.00	143.20	725,537	146.30	495,935
Share Class C	261.70	218.30	35,642,809	226.96	15,704,525
31 December 2006					
Share Class A	157.00	130.70	26,455,387	153.26	17,002,224
Share Class B	158.40	131.20	774,358	153.78	495,935
Share Class C	237.20	196.20	37,342,172	234.37	15,696,669
31 December 2005					
Share Class A	131.70	113.40	21,082,753	131.02	16,091,862
Share Class B	132.70	113.70	654,959	132.07	495,935
Share Class C	195.90	167.40	30,609,906	194.93	15,702,963

*In respect of period from 1 January 2010 to 30 June 2010.

Amity European Fund

Report of the Authorised Corporate Director

This review covers the period from 1 January 2010 to 30 June 2010.

- Over the course of the period the share price of the Amity European Fund declined by 5.1%*, compared to a fall of 11.0%* in the FTSE World Europe ex UK Index (£ terms) measured on a similar basis and a fall of 10.0%* in the IMA Europe (excluding UK) Sector Average.
- Cash balances were reduced from 8.8% at the start of the year to 4.4% on 30 June 2010.
- Amid recovery in global trade and the rally in the equity markets, good performances came from some industrial cyclical equities such as Zodiac Aerospace, Indus Holdings, Philips Electronics and Siemens. Other equities to perform well included Ossur and Ericsson whilst Sperian Protection rose sharply in value after attracting two competing bid approaches. In contrast holdings in some banking equities such as Credit Agricole and Societe Generale performed poorly as the sovereign debt crisis spread across Europe. Telefonica and Gas Natural also recorded negative returns due to investor concerns over the debt problems faced by Southern European economies.
- Fund activity during the period included the purchase of Tesserlo and Alstom which should both benefit from the recovery in the global growth. The sovereign debt crisis led to sharp declines in the Southern European equity markets leaving many companies on low valuations. The Fund sought to take advantage of this situation through purchases of a number of companies offering high yields and with resilient revenue streams from Spain and Italy. These included A2A, Atlantia, Gas Natural, ENEL and Telefonica. The banking sector also suffered sharp declines as investors grew concerned over bank's exposure to sovereign debt and the impact of the new Basel III accounting regulations. The Fund was very underweight to the banking sector compared to the European equity market and took advantage of this share price correction to purchase Banco Santander and add to holdings in Credit Agricole and Societe Generale.
- On the sale side the Fund took some profits in a number of strong performers, where valuations appeared full, including Kemira, Getinge, Suez Environnement, Zodiac Aerospace and Ossur. Energias de Portugal was also sold on concerns that Portugal with its large budget and trade deficits was particularly exposed to the sovereign debt crisis.

Prospects

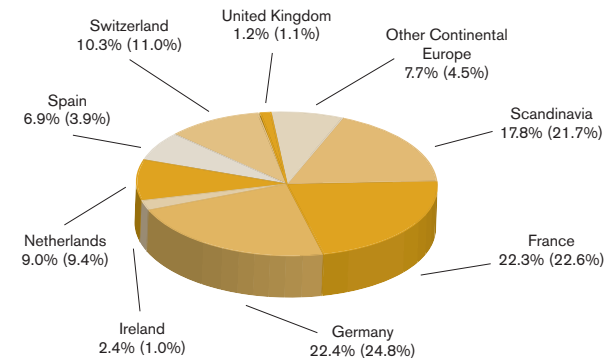
The European equity markets are likely to remain volatile as European economic recovery remains imperilled by concerted fiscal tightening as governments, particularly in Southern Europe, attempt to bring budget deficits back under control. The sovereign debt crisis has led to the sharp declines in many Southern European markets leaving some high quality companies, often with a large proportion of revenues outside their domestic markets or with defensive earnings streams at low valuations. The Eurozone region also provides access to many strong, profitable engineering and other companies with global footprints with exposure to the fast growing Asian economies and the emerging markets. Thus despite the difficult economic outlook for the Eurozone, the region continues to offer attractive investment opportunities.

*mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer

Please note: Stocks and shares should be viewed as a medium to long-term investment, usually for a period of 5 years or more. The value of investments can fall as well as rise. Past performance should not be seen as an indication of future performance.

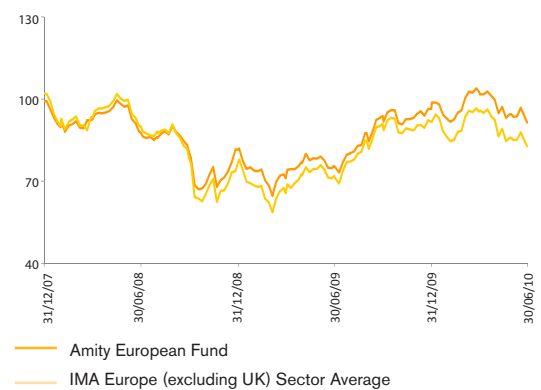
Asset allocation by geographical area at 30 June 2010

The figures in brackets show allocation at 31 December 2009



Figures exclude cash

Performance**



Graph showing the growth of the Amity European Fund compared to IMA Europe (excluding UK) Sector Average from 31 Dec 2007 to 30 June 2010, mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer. Prices re-based to 100. Source: Morningstar.

Performance and ranking**

	Amity European Fund		IMA Europe (excluding UK) Sector Average	
	Growth	Rank	Growth	Number
31/12/09 - 30/06/10	-5.1%	13	-10.0%	113
31/12/08 - 31/12/09	18.2%	55	19.5%	104
31/12/07 - 31/12/08	-17.8%	8	-24.1%	102
	Amity European Fund		IMA Europe (Including UK) Sector Average	
	Growth	Rank	Growth	Number
31/12/06 - 31/12/07	8.4%	14	11.1%	17
31/12/05 - 31/12/06	17.5%	6	17.1%	16
31/12/04 - 31/12/05	20.1%	12	22.1%	16

Table showing % growth and ranking of the Amity European Fund against IMA Europe (excluding UK) Sector Average and IMA Europe (including UK) Sector Average and total number of funds. Figures compared on a mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer. Prior to the 31 December 2007 figures compared on a bid-to-bid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer. Source: Morningstar.

**On the 1st July 2008 The Amity European Fund transferred from the IMA Europe (including UK) Sector to the IMA Europe (excluding UK) Sector. From the 31st December 2007 the portfolio had been rebalanced to meet the new sector requirements which is reflected in the performance graph above.

Major holdings

Top ten holdings		Percentage of total net assets at 30 June 2010
1	Roche	3.24%
2	Statoil Hydro	2.82%
3	Swatch	2.35%
4	Ericsson 'B'	2.30%
5	Siemens	2.24%
6	Carbone Lorraine	2.23%
7	Banco Santander Central Hispano	2.21%
8	Credit-Agricole	2.19%
9	Smurfit Kappa	2.18%
10	Metro	2.11%

Total expense ratio at 30 June 2010

Share Class A	Share Class B	Share Class C
1.62%	0.87%	1.37%

Total expense ratio at 31 December 2009

Share Class A	Share Class B	Share Class C
1.62%	0.87%	1.37%

Portfolio turnover rate

30/06/10	31/12/09
20.71%	29.60%

Net income distribution/accumulation

Net income distribution/accumulation	Pence per share	Per £1,000 invested at 4 January 2005 (£)
2010		
Share Class A*	1.0000	9.2764
Share Class B*	1.4000	12.9032
Share Class C*	1.2000	11.5830
2009		
Share Class A	1.8157	16.8432
Share Class B	2.7406	25.2590
Share Class C	2.2898	22.1023
2008		
Share Class A	2.3917	22.1865
Share Class B	3.6317	33.4719
Share Class C	2.9783	28.7481
2007		
Share Class A	1.4973	13.8896
Share Class B	2.9780	27.4470
Share Class C	1.9729	19.0434
2006		
Share Class A	1.1847	10.9898
Share Class B	2.4454	22.5382
Share Class C	1.6927	16.3388
2005		
Share Class A	0.8557	7.9378
Share Class B	2.0418	18.8184
Share Class C	1.4100	13.6100

*In respect of period from 1 January 2010 to 30 June 2010.

Share prices and Fund size

	Share price range		Fund size		
	Highest for the year (pence)	Lowest for the year (pence)	Net asset value (£)	Net asset value (pence per share)	Number of shares in issue
30 June 2010					
Share Class A*	162.70	140.60	4,256,214	141.91	2,999,211
Share Class B*	164.30	142.20	27,725,291	143.17	19,365,050
Share Class C*	168.70	146.00	548,916	148.36	370,000
31 December 2009					
Share Class A	154.40	102.50	3,502,311	150.63	2,325,058
Share Class B	156.00	103.40	29,201,429	151.76	19,242,265
Share Class C	159.00	104.60	543,101	156.11	347,900
31 December 2008					
Share Class A	161.60	105.10	2,285,970	128.92	1,773,153
Share Class B	163.00	106.40	24,980,111	129.82	19,242,265
Share Class C	161.00	105.30	405,031	131.38	308,300
31 December 2007					
Share Class A	166.40	146.70	2,777,851	159.98	1,736,353
Share Class B	168.10	148.00	31,004,613	161.13	19,242,264
Share Class C	164.10	144.30	400,601	156.00	256,800
31 December 2006					
Share Class A	149.70	125.40	2,480,635	148.60	1,669,298
Share Class B	151.70	126.70	28,795,312	149.65	19,242,265
Share Class C	146.40	122.10	360,138	146.22	246,300
31 December 2005					
Share Class A	129.10	106.10	2,034,598	126.85	1,603,956
Share Class B	130.80	107.20	24,742,397	128.58	19,242,265
Share Class C	124.90	102.20	277,630	122.82	226,050

*In respect of period from 1 January 2010 to 30 June 2010.

Amity International Fund

Report of the Authorised Corporate Director

This review covers the period from 1 January 2010 to 30 June 2010.

- Over the course of the period the share price of the Amity International Fund rose by 1.6%*, compared to a fall of 2.5%* in the IMA Global Growth sector and a fall of 2.5% in the FTSE World Index measured on a similar basis.
- Cash balances were maintained at high levels throughout the period due to concerns over sustainability of the global recovery amid increasing sovereign debt problems in the developed world and at 30 June 2010 stood at 17.9%.
- The recovery in the global economy and world trade proved helpful to cyclical sectors. In Europe, the Fund benefited from the strong performance of equities in industrial companies including Zodiac Aerospace, Indus Holdings, Ericsson and Siemens. The watch manufacturer Swatch Group also performed well as demand from Asia remained strong. The Fund maintained a relatively high exposure to Asian equities which performed well included Jardine Matheson, China Shineway, Goodpack, Hop Fung and SIA Engineering. Heightened concern over government finances following the Greek sovereign debt crisis led to falls in European equity markets especially those in Southern Europe and led many holdings in this region to decline in value including Portugal Telecom, Vivendi, Banco Santander and Telefonica.
- Fund activity included purchases in Europe particularly in defensive high yielding equities which are likely to hold well in the difficult economic climate in the region. These included Metro, Telefonica, Tesco and Vodafone.
- The Fund continues to have a high exposure to the fast growing Asian region but with the Chinese companies looking fully valued, investment was targeted elsewhere in the region. Singapore is developing into the region's dominant hub. It has an outward looking, cosmopolitan population, benefiting from a relatively clean and safe environment, with good legal and financial systems and close associations with both China and India. Purchase in Singapore included Cache Logistics Trust, Goodpack, HI-P International, Oversea-Chinese Banking Corp, SembCorp Marine and SIA Engineering. The Fund also invested in other countries in the region including Thailand, Malaysia and Vietnam.
- The Fund has historically had little exposure to the Japanese region but with the outlook for growth improving and the equity market looking better value, purchases were made in range of Japanese companies including Amada, Sekisui Jushi, TV Asahi and Sony.
- The Amity International Fund has been recognised with a number of fund awards including the 2009 Moneywise and the 2010 Money Observer awards both in the Global Growth category, as well as picking up the Lipper Best Fund Award 2010 for the Global Equity category over a 3 year period. The Fund Manager Robin Hepworth also recently won the Investment Week Fund Manager of the Year award in the Global Equity category for the Amity International Fund.

Prospects

The 'Great Recession' of 2009 proved less catastrophic than many had feared. However though growth has now stabilised, it still remains fragile and anaemic. Across Europe countries have reacted to the sovereign debt crisis by cutting public expenditure creating concern that this region could stagnate. In the US, increased public expenditure by the Federal Government is balanced by cost cutting by the states and whilst recovery is under way, growth remains low and unemployment high. The outlook in China is brighter. Growth is expected to remain strong even if it slows slightly from the heady levels achieved so far this year. The Asian region and other emerging markets as a whole should continue to perform well and ensure that global growth remains positive and global trade will continue to expand. It appears a more attractive region for investment.

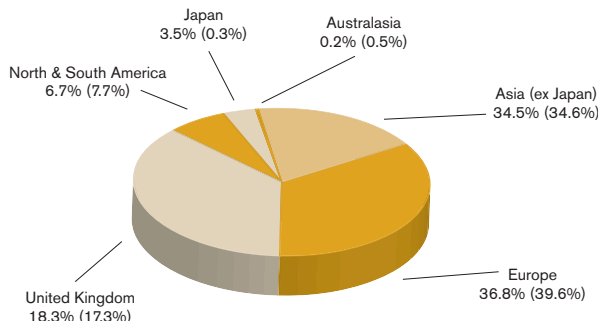
Given the difficult economic outlook in the West, the Fund will continue to hold higher than normal cash balances and our intention is to adopt a gradual and selective strategy, endeavouring to increase the levels of net investment when the outlook appears darkest.

*mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer

Please note: Stocks and shares should be viewed as a medium to long-term investment, usually for a period of 5 years or more. The value of investments can fall as well as rise. Past performance should not be seen as an indication of future performance.

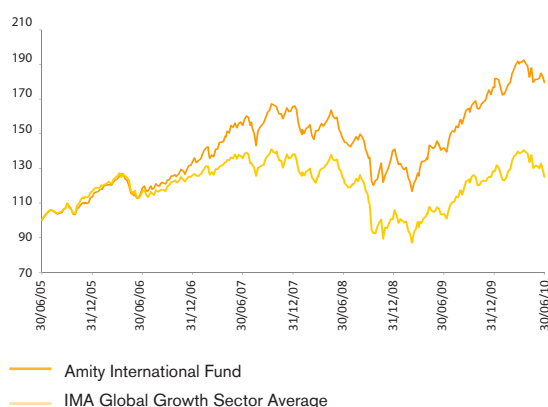
Asset allocation by geographical area at 30 June 2010

The figures in brackets show allocation at 31 December 2009



Figures exclude cash

Performance



Graph showing the growth of the Amity International Fund compared to IMA Global Growth Sector Average from 30 June 2005 to 30 June 2010, mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer. Prices re-based to 100. Source: Morningstar.

Performance and ranking

Period	Amity International Fund		IMA Global Growth Sector Average	
	Growth	Rank	Growth	Number
31/12/09 - 30/06/10	1.6%	15	-2.5%	198
31/12/08 - 31/12/09	26.0%	58	23.0%	189
31/12/07 - 31/12/08	-15.3%	12	-24.5%	176
31/12/06 - 31/12/07	24.0%	5	9.8%	159
31/12/05 - 31/12/06	17.6%	6	8.2%	146
31/12/04 - 31/12/05	23.3%	92	26.2%	133

Table showing % growth and ranking of the Amity International Fund against IMA Global Growth Sector Average and total number of funds. Figures compared on a mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer. Source: Morningstar.

Major holdings

Top ten holdings	Percentage of total net assets at 30 June 2010
1 Ericsson 'B'	1.37%
2 Swatch	1.40%
3 SIA Engineering	1.63%
4 Advanced Information Services	1.63%
5 SIA Engineering	1.63%
6 GlaxoSmithKline	1.67%
7 Vodafone	1.72%
8 Oversea-Chinese Banking	1.86%
9 Lonking Holdings	1.92%
10 Statoil Hydro	1.93%

Total expense ratio at 30 June 2010

Share Class A	Share Class B	Share Class C
1.60%	0.85%	1.35%

Total expense ratio at 31 December 2009

Share Class A	Share Class B	Share Class C
1.59%	0.84%	1.34%

Portfolio turnover rate

30/06/10	31/12/09
-11.34%	9.82%

Net income distribution/accumulation

Net income distribution/accumulation	Pence per share	Per £1,000 invested at 4 January 2005 (£)
2010		
Share Class A*	1.4000	14.9893
Share Class B*	1.7000	18.0736
Share Class C*	1.5000	17.6741
2009		
Share Class A	2.4639	26.3801
Share Class B	3.3116	35.2073
Share Class C	2.6526	31.2549
2008		
Share Class A	2.8781	30.8148
Share Class B	4.0841	43.4202
Share Class C	3.3096	38.9961
2007		
Share Class A	0.9397	10.0610
Share Class B	2.4907	26.4799
Share Class C	1.5531	18.2998
2006		
Share Class A	1.0769	11.5300
Share Class B	2.3119	24.5790
Share Class C	1.4923	17.5834
2005		
Share Class A	0.8131	8.7056
Share Class B	1.9441	20.6687
Share Class C	1.3000	15.3175

*In respect of period from 1 January 2010 to 30 June 2010.

Share prices and Fund size

	Share price range		Fund size		
	Highest for the year (pence)	Lowest for the year (pence)	Net asset value (£)	Net asset value (pence per share)	Number of shares in issue
30 June 2010					
Share Class A*	183.30	163.60	44,343,185	168.79	26,270,956
Share Class B*	184.70	164.70	36,467,264	170.01	21,449,771
Share Class C*	180.20	160.80	871,021	167.34	520,508
31 December 2009					
Share Class A	170.40	112.70	19,276,414	167.14	11,532,949
Share Class B	171.90	113.50	35,314,297	168.65	20,939,672
Share Class C	166.40	108.80	708,049	164.74	429,808
31 December 2008					
Share Class A	164.20	118.40	2,280,854	134.84	1,691,583
Share Class B	165.20	119.80	28,174,598	135.63	20,773,269
Share Class C	154.50	111.90	498,201	130.13	382,850
31 December 2007					
Share Class A	166.20	131.70	1,974,871	162.92	1,212,188
Share Class B	168.30	132.90	34,107,029	164.19	20,773,269
Share Class C	155.50	123.00	450,983	147.94	304,850
31 December 2006					
Share Class A	133.30	109.60	1,392,443	131.96	1,055,235
Share Class B	135.20	110.90	27,618,711	132.95	20,773,269
Share Class C	123.20	101.10	353,791	122.95	287,750
31 December 2005					
Share Class A	114.70	92.66	1,055,239	113.57	929,184
Share Class B	116.40	93.33	23,702,311	114.10	20,773,269
Share Class C	104.80	84.21	263,958	102.81	256,750

*In respect of period from 1 January 2010 to 30 June 2010.

Amity Sterling Bond Fund

Report of the Authorised Corporate Director

This review covers the period from 1 January 2010 to 30 June 2010.

- Over the course of the period the share price of the Amity Sterling Bond Fund rose by 4.3%*, compared to a rise of 3.8%* in the IMA £ Strategic bond Sector Average. The FTSE All-Stocks Index rose by 5.7% measured on a similar basis.
- Government bond yields declined over the period as unemployment rose and there was little evidence of inflationary pressures in the domestic economy. The prospect of fiscal retrenchment through tax rises and public spending cuts also lowered inflationary expectations. The Sovereign debt crisis which erupted in Greece and spread across the Southern Eurozone countries and other heavily indebted economies led to a rise in the yield premium on non-government debt. Consequently corporate bonds, preference shares and permanent interest bearing shares tended to underperform gilts in capital terms.
- The Fund continues to look for investment in bonds offering a good pick up in yield compared to government bonds and investments included bonds from London Stock Exchange, Henderson, Royal Sun Alliance, Brit Insurance, Co-op Bank and John Lewis. A purchase was made in a new Bradford & Bingley bond which was AAA rated and possessed a government guarantee. The Fund also increased its holdings in preference shares issued by Aviva and Premier Farnell.

Prospects

The coalition government has committed itself to an unexpectedly tough program of fiscal austerity attempting to cut the budget deficit to zero by the end of the current parliament. This will have a deflationary impact on the UK economy reducing the danger of inflation. The low or even negative inflationary outlook has resulted in Gilt yields falling to historically very low levels. Indeed the 10 year gilt yield is only slightly higher than the level reached at the height of the credit crisis. In this environment we will continue to concentrate on opportunities in the corporate bonds and preference shares to take advantage of the extra yield available in these markets.

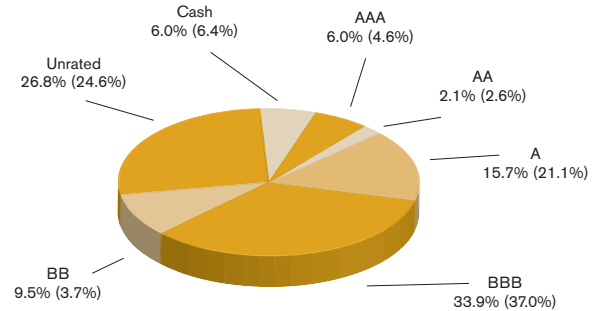
*mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer

Please note: Stocks and shares should be viewed as a medium to long-term investment, usually for a period of 5 years or more.

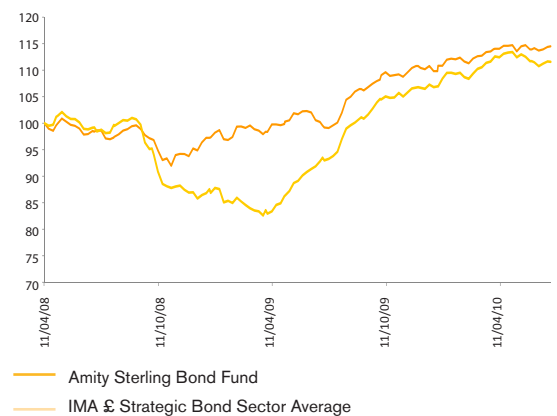
The value of investments can fall as well as rise. Past performance should not be seen as an indication of future performance.

Asset allocation by Bond Rating at 30 June 2010

The figures in brackets show allocation at 31 December 2009



Performance



Graph showing the growth of the Amity Sterling Bond Fund compared to IMA £ Strategic Bond Sector Average from 11 April 2008 to 30 June 2010, mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer. Prices re-based to 100. Source: Morningstar.

Performance and ranking

	Amity Sterling Bond Fund		IMA £ Strategic Bond Sector Average	
	Growth	Rank	Growth	Number
31/12/09 - 30/06/10	4.3%	38	3.8%	65
31/12/08 - 31/12/09	12.9%	42	22.7%	60
31/12/07 - 31/12/08	N/A	N/A	N/A	N/A

Table showing % growth and ranking of the Amity Sterling Bond Fund against IMA £ Strategic Bond Sector Average and total number of funds. Figures compared on a mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer. Source: Morningstar.

Major holdings

Top ten holdings		Percentage of total net assets at 30 June 2010
1	Aviva 8.75%	3.68%
2	Lewis (John) 10.5% 23/01/2014	2.98%
3	IFFIM 3.375% 15/05/2014	2.58%
4	Marks & Spencer 5.625% 24/03/2014	2.58%
5	BUPA 7.5% 07/04/2016	2.52%
6	Henderson 6.5% 02/05/2012	2.48%
7	British Sugar 10.75% 02/07/2013	2.36%
8	Standard Life 6.546% Call 2020	2.29%
9	British Telecom 4.5% I/L 25/04/2025	2.25%
10	Smith Industries 7.25% 30/06/2016	2.25%

Total expense ratio at 30 June 2010

Share Class A	Share Class B	Share Class C
1.40%	0.80%	N/A*

Total expense ratio at 31 December 2009

Share Class A	Share Class B	Share Class C
1.37%	0.77%	N/A*

Portfolio turnover rate

30/06/10	31/12/09
1.49%	7.70%

Share prices and Fund size

	Share price range		Fund size		
	Highest for the year (pence)	Lowest for the year (pence)	Net asset value (£)	Net asset value (pence per share)	Number of shares in issue
30 June 2010					
Share Class A*	101.50	97.95	8,952,693	98.39	9,099,138
Share Class B*	106.10	102.30	11,324,738	102.95	11,000,000
Share Class C*	N/A	N/A	N/A	N/A	N/A
31 December 2009					
Share Class A	99.81	90.15	5,312,065	96.34	5,513,606
Share Class B	104.16	93.80	11,159,189	101.45	11,000,000
Share Class C**	N/A	N/A	N/A	N/A	N/A
31 December 2008					
Share Class At†	101.75	86.99	373,688	89.87	415,789
Share Class B†	101.61	90.52	10,281,283	93.47	11,000,000
Share Class C**	N/A	N/A	N/A	N/A	N/A

†Fund launched on 18 February 2008

*In respect of period from 1 January 2010 to 30 June 2010.

**Share Class C is currently inactive

Net income distribution/accumulation

Net income distribution/accumulation	Pence per share	Per £1,000 invested at launch (£)
2010		
Share Class A*	1.0584	10.5840
Share Class B*	1.0619	10.6190
Share Class C*	N/A**	N/A**
2009		
Share Class A	5.0780	50.7800
Share Class B	5.3374	53.3740
Share Class C**	N/A**	N/A**
2008		
Share Class At†	5.6112	56.1120
Share Class B†	2.3530	23.5300
Share Class C**	N/A**	N/A**

†Fund launched on 18 February 2008

*In respect of period from 1 January 2010 to 30 June 2010.

**Share Class C is currently inactive

Higher Income Fund

Report of the Authorised Corporate Director

This review covers the period from 1 January 2010 to 30 June 2010.

- Over the course of the period the share price of the Higher Income Fund rose by 2.2%*, compared to a fall in the IMA UK Equity & Bond Income Sector Average of 2.0%*. The FTSE All-Share Index fell by 6.1% whilst the FT All-Stock Index rose by 5.7% both measured on a similar basis.
- The Higher Income Fund maintained a relatively high exposure to the fixed interest investments which will have had a positive impact on performance over a period in which equity markets declined and gilts delivered positive returns. The bond market has been supported by the coalition government's intention to eliminate the budget deficit within five years which has lowered inflationary expectations. The increased economic and financial uncertainty generated by the sovereign debt crisis also proved supportive to the gilt market as investors sought lower risk investments.
- The general decline in the equity markets did impact the performance of the equity holdings but the Fund was well positioned for the difficult economic environment. The best performing UK equities tended to come from companies from cyclical sectors with exposure to the recovery in the global economy including Volex, Electrocomponents, Menzies (John), Bodycote and Fenner. In contrast, companies exposed to the domestic economy performed less well including Northern Foods, Marks & Spencer and Segro. The life assurance companies Prudential and Aviva were also among the worst performers. In terms of international equities, some of our Asian equities were top performers including China Shineway Pharmaceuticals, Hop Fung Group, Krung Thai Bank and SIA engineering. The worst performing equities included some defensive sectors in the developed markets including the pharmaceutical companies, Pfizer and Roche, and the telecom companies Telefonica and France Telecom.
- Portfolio activity included the purchase of corporate bonds issued by BUPA and Co-operative Bank and preference shares issued by Aviva, Bristol Water and Premier Farnell. The Fund added to holdings in defensive sectors with resilient earnings streams including Diageo, GlaxoSmithKline, Severn Trent, Tescos, and Vodafone. A few purchases were also undertaken in overseas equities Tessengerlo and Hi-P International.
- The Ecclesiastical Higher Income Fund, managed by Robin Hepworth has also been recognised with a series of awards this year, the highlight being the 2010 Lipper Best Fund Award over the periods 3, 5 and 10 years for the mixed asset GBP Balanced category. This is the fourth consecutive year the Fund has won a Lipper award.

Prospects

The 'Great Recession' of 2009 proved less catastrophic than many had feared. However, though growth has stabilised, it still appears fragile and anaemic. If it were not for government support, demand in the West at least would probably still be falling.

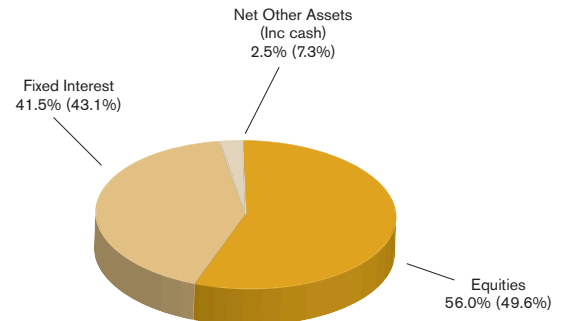
In this environment the Fund will continue to follow its existing strategy of having a higher than normal fixed interest exposure and overweight positions to sectors which should prove resilient in the event that there is a further economic downturn. The depreciation of Sterling over the last couple of years should continue to produce attractive investment opportunities for UK companies with significant overseas earnings. The Fund will also maintain some overseas equity exposure particularly in Asia which should continue to experience more rapid economic growth than the heavily indebted 'Western' economies.

*mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer

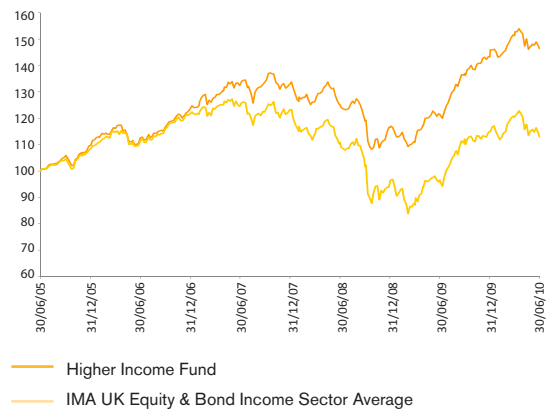
Please note: Stocks and shares should be viewed as a medium to long-term investment, usually for a period of 5 years or more. The value of investments can fall as well as rise. Past performance should not be seen as an indication of future performance.

Asset allocation at 30 June 2010

The figures in brackets show allocation at 31 December 2009



Performance



Graph showing the growth of the Higher Income Fund compared to IMA UK Equity & Bond Income Sector Average from 30 June 2005 to 30 June 2010, mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer. Prices re-based to 100. Source: Morningstar.

Performance and ranking

Period	Higher Income Fund		IMA UK Equity & Bond Income Sector Average	
	Growth	Rank	Growth	Number
31/12/09 - 30/06/10	2.2%	1	-2.0%	20
31/12/08 - 31/12/09	23.0%	2	19.2%	20
31/12/07 - 31/12/08	-12.4%	2	-22.2%	19
31/12/06 - 31/12/07	7.7%	1	0.5%	19
31/12/05 - 31/12/06	12.5%	11	13.3%	19
31/12/04 - 31/12/05	17.9%	7	17.4%	18

Table showing % growth and ranking of the Higher Income Fund against IMA UK Equity & Bond Income Sector Average and total number of funds. Figures compared on a mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer. Source: Morningstar.

Major holdings

Top ten holdings		Percentage of total net assets at 30 June 2010
1	Treasury 4.5% 07/03/2013	7.41%
2	Conversion 9% 12/07/2011	4.46%
3	Treasury 5.25% 07/06/2012	4.30%
4	GlaxoSmithKline	2.08%
5	National Grid 4.1875% I/L 14/12/2022	1.97%
6	Vodafone	1.86%
7	Fenner	1.85%
8	National Grid	1.68%
9	Severn Trent	1.62%
10	BP	1.51%

Total expense ratio at 30 June 2010

Share Class A	Share Class B	Share Class C
1.37%	0.87%	1.12%

Total expense ratio at 31 December 2009

Share Class A	Share Class B	Share Class C
1.38%	0.88%	1.13%

Portfolio turnover rate

30/06/10	31/12/09
19.43%	14.27%

Net income distribution/accumulation

Net income distribution/accumulation	Pence per share	Per £1,000 invested at 4 January 2005 (£)
2010		
Share Class A*	1.5000	18.0723
Share Class B*	1.5500	18.5718
Share Class C*	2.8000	22.2576
2009		
Share Class A	3.7933	45.7024
Share Class B	3.8714	46.3863
Share Class C	7.0482	56.0270
2008		
Share Class A	4.7734	57.5108
Share Class B	4.7072	56.4007
Share Class C	8.3452	66.3370
2007		
Share Class A	3.8319	46.1675
Share Class B	5.5871	66.9434
Share Class C	6.3119	50.1741
2006		
Share Class A	4.2744	51.7954
Share Class B	4.4063	52.7954
Share Class C	6.8243	54.2472
2005		
Share Class A	3.2060	38.6265
Share Class B	3.1797	38.0985
Share Class C	5.0947	40.4984

*In respect of period from 1 January 2010 to 30 June 2010.

Share prices and Fund size

	Share price range		Fund size		
	Highest for the year (pence)	Lowest for the year (pence)	Net asset value (£)	Net asset value (pence per share)	Number of shares in issue
30 June 2010					
Share Class A*	111.10	103.10	52,066,999	103.54	50,286,182
Share Class B*	111.80	103.60	15,640,747	104.19	15,012,451
Share Class C*	209.10	193.90	7,663,600	197.71	3,876,094
31 December 2009					
Share Class A	106.10	81.53	42,072,173	102.80	40,927,969
Share Class B	106.60	81.66	15,159,549	103.39	14,662,423
Share Class C	194.90	147.10	7,021,025	193.52	3,627,994
31 December 2008					
Share Class A	105.50	83.41	25,703,717	86.42	29,742,478
Share Class B	105.20	83.24	12,088,200	86.49	13,976,476
Share Class C	180.70	144.20	4,692,880	155.99	3,008,394
31 December 2007					
Share Class A	111.70	101.00	27,889,243	104.11	26,788,998
Share Class B	112.80	101.70	13,689,532	103.56	13,218,959
Share Class C	185.30	166.20	4,389,221	168.18	2,609,894
31 December 2006					
Share Class A	104.60	92.55	23,379,118	100.82	23,188,583
Share Class B	105.20	92.88	1,267,627	101.40	1,250,129
Share Class C	166.10	145.60	3,534,766	165.66	2,132,894
31 December 2005					
Share Class A	96.41	82.66	17,347,997	93.30	18,593,451
Share Class B	96.49	83.59	1,166,778	93.33	1,250,129
Share Class C	146.20	125.20	2,654,065	142.47	1,862,894

*In respect of period from 1 January 2010 to 30 June 2010.

UK Equity Growth Fund

Report of the Authorised Corporate Director

This review covers the period from 1 January 2010 to 30 June 2010.

- Over the period the share price of the UK Equity Growth Fund declined by 2.5%*. The FTSE All-Share Index fell by 6.1% and the IMA All Companies Sector Average declined by 4.2%* on a similar basis.
- At the 30 June 2010, 54.1% of the Fund was invested in FTSE 100 companies, 24.2% was invested in medium sized companies and 19.1% in smaller UK companies. Cash balances were maintained at low levels finishing the period at 2.1% on 30 June 2010 compared to 5.5% at the start of the period.
- Good performances came from many small and medium-sized industrial companies such as Volex, Aggreko, Oxford Instruments, IMI and Rolls-Royce which benefited from the recovery in the global trade and the weakness of sterling. Walker Greenbank, a wallpaper and fabric manufacturer, also performed strongly despite the poor outlook for domestic UK consumption. Companies with exposure to the construction and property sectors tended to perform poorly and holdings in Galiform, Bellway and Quintain Estates fell in value. The sharp fall in BP had a negative impact on the Fund though it was considerably underweight compared to the wider market. The life insurers Prudential and Aviva fell sharply in value, partly driven by concerns over bond portfolios amid the sovereign debt crisis but Prudential also suffered from its failed bid for AIG's Asian business.
- The Fund added to its holdings in equities from defensive sectors with resilient earning streams such as Imperial Tobacco and Centrica. The Fund also purchased holdings in Ashted and IMI which should benefit from the gradual recovery in the global economy. Reckitt Benckiser was sold as the company was trading on a high valuation and may suffer from weakening consumer spending in the UK and Europe. Babcock International and Balfour Beatty were sold as the austerity budget threatens capital spending on infrastructure projects in the UK. A holding of United Business Media was disposed of as discretionary spending by corporations and public sector bodies is likely to come under pressure in this difficult economic environment. A holding in Cadbury was disposed of in the market before the takeover was completed so that the Fund did not acquire shares in the US company, Kraft.

Prospects

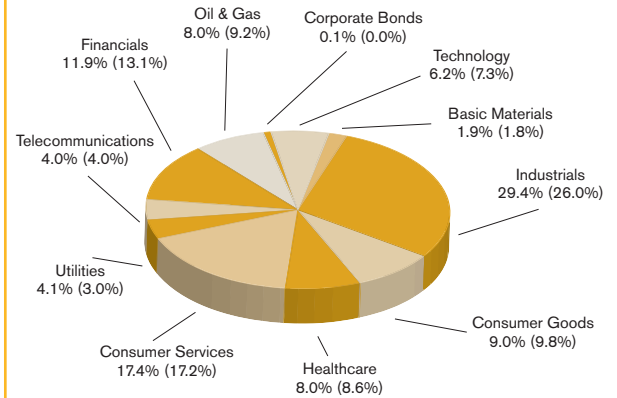
Doubts over the sustainability of the economic recovery engineered by governments over the last year or so and the debate between those who fear deflation and those who predict inflation have moved centre stage, leading to increased volatility and weakness. In this environment it takes little new news to lead to sharp falls in the equity market even as the underlying economic indicators continue to improve. With strong growth from Asia and emerging markets but only the prospect of sclerotic growth in domestic demand, we continue to prefer exposure to global companies rather than those focussed on the domestic consumer and to sustainable growth over cyclical recovery though we keep the situation under constant review.

*mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer

Please note: Stocks and shares should be viewed as a medium to long-term investment, usually for a period of 5 years or more. The value of investments can fall as well as rise. Past performance should not be seen as an indication of future performance.

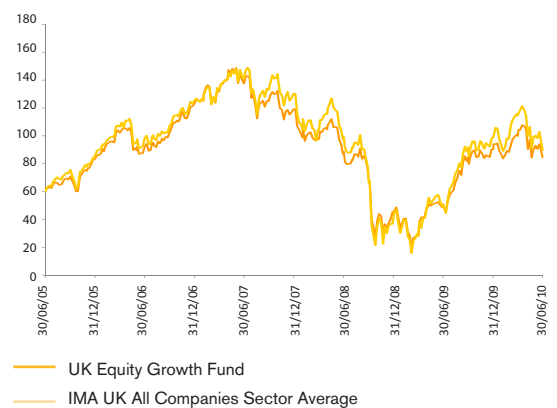
Asset allocation at 30 June 2010

The figures in brackets show allocation at 31 December 2009



Figures exclude cash

Performance



Graph showing the growth of the UK Equity Growth Fund compared to IMA UK All Companies Sector Average from 30 June 2005 to 30 June 2010, mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer. Prices re-based to 100. Source: Morningstar.

Performance and ranking

	UK Equity Growth Fund		IMA UK All Companies Sector Average	
	Growth	Rank	Growth	Number
31/12/09 - 30/06/10	-2.5%	78	-4.2%	305
31/12/08 - 31/12/09	24.2%	226	30.6%	296
31/12/07 - 31/12/08	-28.4%	80	-31.5%	288
31/12/06 - 31/12/07	-1.4%	213	2.5%	272
31/12/05 - 31/12/06	17.5%	106	17.8%	250
31/12/04 - 31/12/05	18.4%	196	21.3%	231

Table showing % growth and ranking of the UK Equity Growth Fund against IMA UK All Companies Sector Average and total number of funds. Figures compared on a mid-to-mid basis excluding initial charges with net income reinvested for a basic rate UK taxpayer. Source: Morningstar.

Major holdings

Top ten holdings		Percentage of total net assets at 30 June 2010
1	GlaxoSmithKline	2.94%
2	Pace	2.92%
3	BG Group	2.87%
4	Compass	2.77%
5	British American Tobacco	2.69%
6	AstraZeneca	2.40%
7	Next	2.35%
8	Rolls Royce	2.16%
9	Vodafone	2.10%
10	National Grid	2.04%

Total expense ratio at 30 June 2010

Share Class A	Share Class B	Share Class C
1.59%	0.84%	1.34%

Total expense ratio at 31 December 2009

Share Class A	Share Class B	Share Class C
1.61%	0.86%	1.36%

Portfolio turnover rate

30/06/10	31/12/09
9.02%	39.30%

Net income distribution/accumulation

Net income distribution/accumulation	Pence per share	Per £1,000 invested at 4 January 2005 (£)
2010		
Share Class A*	0.8000	8.0792
Share Class B*	1.0800	10.7249
Share Class C*	0.8000	7.0922
2009		
Share Class A	1.4307	14.4486
Share Class B	2.4095	23.9275
Share Class C	2.3486	20.8209
2008		
Share Class A	2.5371	25.6221
Share Class B	3.7039	36.7815
Share Class C	3.5753	31.6959
2007		
Share Class A	1.4932	15.0798
Share Class B	2.8197	28.0010
Share Class C	2.4733	21.9264
2006		
Share Class A	2.4795	25.0404
Share Class B	3.6243	35.9911
Share Class C	3.4104	30.2340
2005		
Share Class A	1.3765	13.9012
Share Class B	2.4749	24.5770
Share Class C	2.1684	19.2234

*In respect of period from 1 January 2010 to 30 June 2010.

Share prices and Fund size

	Share price range		Fund size		
	Highest for the year (pence)	Lowest for the year (pence)	Net asset value (£)	Net asset value (pence per share)	Number of shares in issue
30 June 2010					
Share Class A*	119.80	106.10	6,474,811	106.48	6,080,639
Share Class B*	122.10	108.20	43,594,072	108.40	40,214,269
Share Class C*	151.80	134.40	10,096,965	136.01	7,423,915
31 December 2009					
Share Class A	111.70	77.30	6,795,703	109.82	6,188,284
Share Class B	114.00	78.60	44,777,812	111.56	40,138,383
Share Class C	140.30	96.02	10,523,474	138.94	7,573,915
31 December 2008					
Share Class A	130.00	82.37	5,340,586	89.72	5,952,503
Share Class B	132.20	84.20	36,548,042	91.06	40,138,383
Share Class C	156.40	100.20	8,228,024	111.36	7,388,515
31 December 2007					
Share Class A	145.90	124.40	7,660,856	128.82	5,946,983
Share Class B	148.90	127.40	50,948,859	130.88	38,927,667
Share Class C	173.20	148.80	12,993,472	154.96	8,385,254
31 December 2006					
Share Class A	134.40	114.20	7,666,392	132.06	5,805,148
Share Class B	137.50	116.60	52,338,729	134.29	38,974,952
Share Class C	157.20	132.50	13,123,900	156.51	8,385,254
31 December 2005					
Share Class A	115.90	98.12	6,406,473	114.91	5,575,041
Share Class B	118.60	99.92	45,306,602	116.25	38,974,952
Share Class C	133.50	112.00	11,351,651	135.38	8,385,254

*In respect of period from 1 January 2010 to 30 June 2010.

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