

allchurches  
investment funds

INTERIM SHORT REPORT



30 June 2007

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## Management contact details

### Authorised Corporate Director

The Authorised Corporate Director (ACD) is Allchurches Investment Management Services Limited (AIMS). The investments of Allchurches Investment Funds (AIF) 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 December 2005 (revised 2006).

### Constitution

AIF 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.

AIF is an 'umbrella' company and comprises five authorised investment securities sub-funds.

Allchurches Investment  
Management Services Limited  
Beaufort House, Brunswick Road,  
Gloucester GL1 1JZ.

Tel 0845 777 3322  
Email [information@eigmail.com](mailto:information@eigmail.com)  
[www.ecclesiastical.com](http://www.ecclesiastical.com)

Authorised and Regulated by the  
Financial Services Authority

### Directors of Allchurches Investment Management Services Limited (AIMS)

N J E Sealy, FCA (Chairman)  
M H Tripp, BSc, A.R.C.S., FIA  
G A Prescott, BA, FCA

### Ultimate Parent Company of the ACD

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

### Depositary

The Bank of New York Trust and  
Depositary Company Limited  
One Canada Square,  
London E14 5AL.

Authorised and Regulated by the  
Financial Services Authority

### Registrar

Northern Trust International Fund  
Administration Services (UK) Limited  
50 Bank Street, Canary Wharf,  
London E14 5NT.

### Auditors

Deloitte & Touche LLP  
Stonecutter Court,  
One Stonecutter Street,  
London EC4A 4TR.

# Introduction

Allchurches Investment Funds – with its five investment sub-funds, is offered by Allchurches Investment Management Services Limited (AIMS).

The philosophy behind the Allchurches Investment Funds is one of performance and personal client service.

This Short Report is for the period from 1 January 2007 to 30 June 2007. 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 on request from the ACD and to download from [www.ecclesiastical.com/longreport](http://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

1 January 2007 to 30 June 2007

**Global equity markets generally produced solid positive returns over the course of the first half of 2007, and many markets traded at all-time highs. The underlying reason for the strength was the enduring broad based global economic expansion which continued to outweigh rising doubts about inflationary pressures.**

Looking forward, there is little to suggest that the current rate of progress cannot be maintained for the rest of the year, though shrinking spare capacity may yet mean that fears of higher inflation and attendant tighter interest rate policies are realised. Under such circumstances, it is likely that strength in share prices will be accompanied by greater volatility.

## The United Kingdom

The FTSE All Share Index rose by 5.7% over the period, its performance led by the 6.2% rise of the FTSE 100 Index of larger companies which was ahead of Mid Cap and Smaller companies which rose 3.1% and 3.0% respectively. The improvement in the fortunes of the larger companies reflected a belated acknowledgement that they were attractively valued, a greater number of larger companies featuring as bid targets, and a rising level of caution from investors regarding the prospects of the domestic economy to which medium and smaller companies are more exposed.

Among the best performing sectors were mining, chemicals and engineering, all reflecting buoyant trading conditions in the global economy.

Sectors at the bottom of the performance table generally reflected rising interest rates and the prospect of slowing UK consumer demand, and included real estate, general retailers and banks.

Corporate takeover activity continued at the frenetic levels seen in late 2006. Notable names to attract predatory interest were Alliance Boots, Hanson, ICI, and Reuters. UK companies were not just targets, however, with Barclays and Royal Bank of Scotland squaring up to each other in a tussle over the ownership of the Dutch bank ABN Amro.

The economic variable subject to the most comment was the rate of inflation. After several months on a rising trend the Consumer Price Index (CPI) registered an annual gain of 3.1% in March, more than one percentage point over its target of 2.0%. In accordance with its terms of reference the Monetary Policy Committee (MPC) was obliged to write a letter to the Chancellor of the Exchequer. The MPC had been attempting to dampen domestic demand, with interest rates increased twice in the first six months of the year, but its efforts were undermined by external factors such as high food price inflation.

Rising inflation and interest rates bore down on fixed interest issues which meant that the FTA All Stocks Index fell 5.6%.

## Europe

Over the first six months of 2007 the FTSEurofirst 300 Index rose 8.2%. The core economies of the region continued their strong performance of recent months. Strong global growth continued to provide good demand for exports and the knock-on effect was falling unemployment and buoyant consumer confidence, so providing extra demand at the domestic level. Under these conditions it was no surprise to see the stock markets of Germany and France close to the top of the regional performance table.

In contrast, some of the more peripheral economies such as Ireland and Spain, where much of their recent growth had been fuelled by very buoyant property and construction sectors, suffered as rising interest rates curtailed activity.

The European Central Bank (ECB) remained vigilant regarding inflationary pressures – noting elevated energy and producer prices – and raised its core borrowing rate twice to leave it at 5.0% by the period end, and retained a bias to further increases.

## United States of America

The Dow Jones Industrial Average rose 7.6% and the 6.0% rise of the broader S&P 500 Index pushed it close to a new all-time high. Despite negative news from the housing market,

economic conditions in the wider economy generally remained encouraging.

The main negative was the state of the housing market. Reflecting previous interest rate rises, activity and prices in this sector dropped sharply, and these developments highlighted several cases of lax lending criteria over recent years, with defaults reported at several lenders to the sub-prime market.

In light of the conflicting economic signals, therefore, the Federal Reserve (Fed) elected to keep its key interest rates unchanged at 5.25% over the period.

The economic factor to attract most attention was the declining value of the US Dollar which fell to its lowest level for a quarter of a century. The slightly lower pace of domestic economic expansion and the fact that interest rates remained unchanged when many other regions of the world increased theirs may have played a part in its decline, but there was also evidence that sovereign lenders were beginning to look beyond US instruments for their reserve requirements.

### Japan & Asia Pacific

The outstanding story in the region over the first part of 2007 was the rise of the Chinese stock market. Shanghai A shares for domestic investors rose 96.0%, and the Shanghai B share index for foreign investors rose 42.4%. Though economic conditions for Chinese companies remained very encouraging, with growth in excess of 11.0%, there were real fears that share prices were being driven to unsustainable levels by frantic dealing on the part of domestic day traders, many of whom were first-time investors.

Large gains were not restricted to Chinese stocks, however, with the markets in Singapore, Korea and Malaysia rising by 18.7%, 21.6% and 23.6% respectively.

In Japan, the slow and steady rehabilitation of the Japanese economic and financial system continued. The Nikkei Index rose 5.3% over the six months to 30 June 2007.

### Outlook

The extended and broad based expansion of the world economy continues to provide a very supportive environment for equity investors, and the immediate outlook would suggest that this trend can be maintained. This benign assessment does not come without risks, however. There are signs that spare capacity is becoming increasingly hard to find and there is a chance that price inflation may prove to be more elevated and enduring than has been the case in recent years. This in turn will probably require interest rates at levels above those currently anticipated by many investors. The effects of higher interest rates on, for example, the US housing market have, to date, remained relatively self-contained, but there can be no guarantee that this will remain the case indefinitely.

All told, further upward progress in share prices is likely to be accompanied by greater stock market volatility. Any dislocation in the relative prices of differing assets will offer long-term investors attractive investment opportunities.

## Key Points

### ■ First half of 2007 Summary

Global equity markets have produced positive returns and despite inflationary pressures strong market performances were seen over the first half of the year.

### ■ UK

FTSE All Share Index rose 5.7% and FTSE 100 Index rose 6.2%. Inflation and interest rates also rose.

### ■ Europe

FTSEurofirst 300 Index rose 8.2% and ECB core borrowing rate rose to 5.0%.

### ■ US

Whilst the Dow Jones Industrial Average rose 7.6% and S&P 500 Index rose 6.0% the value of the US Dollar fell to its lowest level for a quarter of a century.

### ■ Japan/Asia Pacific

Economies in the region enjoyed strong performance particularly China where the Shanghai A share index rose 96.0% and Shanghai B share index rose 42.4%.

### ■ Outlook

The strong market performances of the year so far are likely to continue for the remainder of 2007 however this is likely to be accompanied by greater stock market volatility along with uncertainty over interest and inflation rates.

# Allchurches Amity Fund

## Investment objective

To provide long term capital appreciation and a reasonable level of income.

## Investment policy

Allchurches Amity Fund seeks to invest in companies which make a positive contribution to the quality of individual and community life and to the environment. Allchurches Amity Fund will invest principally in companies incorporated and/or listed in the United Kingdom.

This Fund is marketable to all retail investors.

The Fund seeks to avoid investment in companies which have a material involvement in the production of alcohol and the Fund also avoids companies with material interests in tobacco; gambling; the production of magazines or other media of an explicit or violent nature; the manufacturing of armaments; countries which threaten the individual's right to liberty; and companies where animals are experimented on for cosmetic purposes.

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 Fund's objective.

The Manager does not currently intend to use derivatives for any purpose other than the efficient portfolio management of the Fund, 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 Fund, use derivatives in pursuit of its investment objective in the future.

If derivatives are used for the purpose of meeting the investment objective of the Fund it is not intended that the use of derivatives would cause the Net Asset Value of the Fund to have higher volatility or otherwise cause the existing risk profile of the Fund to change.

The Fund will be managed in line with the requirements for inclusion in an ISA or PEP.

## What risks are associated with this Fund?

- Most of the assets will be invested in the UK stockmarket, and 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 stockmarket and this could lead to greater volatility.

## Report of the Authorised Corporate Director

This review covers the period from 1 January 2007 to 30 June 2007.

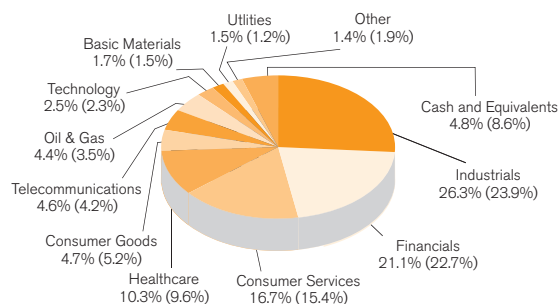
- During the period the share price of the Allchurches Amity Fund rose by 4.9% on an offer-to-offer basis with income reinvested, underperforming the FTSE All Share Index total return of 7.2% and IMA UK All Companies Sector Average rise of 5.8% measured on a similar basis.
- At 30 June 2007, the Allchurches Amity Fund held 79.8% of its investment portfolio in the UK, 11.0% in Europe, with the balance of 9.2% in other countries.
- The performance of the Fund was adversely affected by its lack of exposure to the mining sector which performed strongly. Its overweight position in smaller companies was also a negative factor after many months of positive contribution.
- At a stock level, the Fund benefited from strong trading at SIG (building materials) and food retailers Sainsbury (J) and Morrison (Wm). Bids for Alliance Boots (retailing) and Reuters (media) were also positive contributors.
- There were profit warnings from McAlpine (A) and Zenith Hygiene (both support services) which detracted from performance, while real estate companies British Land and Land Securities underperformed as investor interest in the sector cooled.
- Holdings were top-sliced in Geringe (healthcare) and Dolphin Capital (real estate) after good performance. New holdings included AssetCo and Rexam (both support services) and Carbone Lorraine (industrial materials).
- No derivatives were held during the period under review.

## Prospects

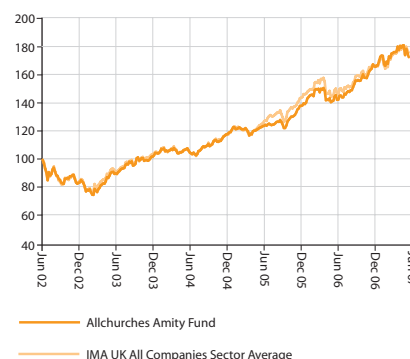
Despite some worries about rising interest rates and lower consumer activity in the UK, equity markets generally remain underpinned by beneficial trading conditions and high levels of corporate activity. The risks to the current environment are rising, however, and with them comes the likelihood of a greater divergence in share price performance; stock selection will remain focused on companies expected to deliver sustainable growth.

## Asset allocation by sector at 30 June 2007

The figures in brackets show allocation at 31 December 2006



## Performance



Graph showing the growth of the Allchurches Amity Fund compared to IMA UK All Companies Sector Average from 28 June 02 to 29 June 07, offer-to-offer, with income reinvested, based in UK Sterling. Prices re-based to 100. Source: Morningstar.

## Performance and ranking

	Allchurches Amity Fund		UK All Companies Sector	
	Growth	Rank	Growth	Number
30/06/06 – 29/06/07	19.4%	87	18.0%	297
30/06/05 – 30/06/06	17.4%	180	19.0%	292
30/06/04 – 30/06/05	14.0%	235	16.3%	288
30/06/03 – 30/06/04	19.6%	71	17.3%	275
28/06/02 – 30/06/03	-9.6%	173	-7.8%	255

Table showing % growth and ranking of the Allchurches Amity Fund against IMA UK All Companies Sector Average and total. Figures compared on an offer-to-offer basis with income reinvested. Source: Morningstar. This chart contains historic data.

## Major holdings

Top ten holdings		Percentage of total net assets at 30 June 2007
1	Morrison (Wm) Supermarkets	2.62
2	SIG	2.23
3	Tesco	2.16
4	Fugro	2.11
5	Provident Financial	1.96
6	GlaxoSmithKline	1.91
7	BPP Holdings	1.89
8	Legal & General Group	1.85
9	British Land	1.78
10	Wolseley	1.58

## Total expense ratio at 30 June 2007

Share Class A	Share Class B	Share Class C
1.66%	0.97%	1.31%

**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.

## Net income distribution / accumulation

Net income distribution / accumulation	Pence per share	Per £1,000 Invested at 2 January 2002 (£)
<b>2007*</b>		
Share Class A	0.5000	4.5872
Share Class B	0.6200	5.6881
Share Class C	0.7200	4.7872
<b>2006</b>		
Share Class A	2.3102	21.1945
Share Class B	3.3217	30.4743
Share Class C	4.1832	27.8138
<b>2005</b>		
Share Class A	1.6453	15.0945
Share Class B	2.4476	22.4550
Share Class C	3.1334	20.8338
<b>2004</b>		
Share Class A	1.9664	18.0404
Share Class B	2.6793	24.5807
Share Class C	3.4834	23.1609
<b>2003</b>		
Share Class A	1.6859	15.4670
Share Class B	2.3732	21.7725
Share Class C	2.6847	17.8504
<b>2002</b>		
Share Class A	1.5026	13.7853
Share Class B	2.4073	22.0853
Share Class C	2.3607	15.6961

\*In respect of period from 1 January 2007 to 30 June 2007

## 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
<b>30 June 2007</b>					
Share Class A	170.90	154.40	27,487,500	161.64	17,005,428
Share Class B	172.00	155.20	806,861	162.70	495,935
Share Class C	261.70	236.30	39,023,177	248.48	15,704,525
<b>31 December 2006</b>					
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
<b>31 December 2005</b>					
Share Class A	131.70	113.40	21,082,753	131.02	16,091,862
Share Class B	132.70	101.00	654,959	132.07	495,935
Share Class C	195.90	167.40	30,609,906	194.93	15,702,963
<b>31 December 2004</b>					
Share Class A	114.80	100.80	16,584,893	113.28	14,640,943
Share Class B	115.70	101.00	564,112	113.75	495,935
Share Class C	167.30	145.40	26,244,226	167.20	15,696,669
<b>31 December 2003</b>					
Share Class A	101.90	72.48	13,345,195	101.46	13,153,734
Share Class B	102.60	72.59	717,344	101.62	705,935
Share Class C	145.30	102.60	22,230,779	144.44	15,391,169

# Allchurches Higher Income Fund

## Investment objective

To provide an above average and growing level of income together with capital growth over the longer term.

## Investment policy

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.

This Fund is marketable to all retail investors.

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 Fund's objective.

The Manager does not currently intend to use derivatives for any purpose other than the efficient portfolio management of the Fund, 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 Fund, use derivatives in pursuit of its investment objective in the future.

If derivatives are used for the purpose of meeting the investment objective of the Fund it is not intended that the use of derivatives would cause the Net Asset Value of the Fund to have higher volatility or otherwise cause the existing risk profile of the Fund to change.

The Fund will be managed in line with the requirements for inclusion in an ISA or PEP.

## What risks are associated with this Fund?

- Most of the assets will be invested in the UK stockmarket, and so could be affected by any change in this market.
- 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 value of the Fund.
- The investment's value may be affected by changes in exchange rates and interest rates.

## Report of the Authorised Corporate Director

This review covers the period from 1 January 2007 to 30 June 2007.

- During the period the share price of the Allchurches Higher Income Fund rose by 7.3% on an offer-to-offer basis with income reinvested, outperforming the rise in the IMA UK Equity & Bond Income Sector Average of 2.3% measured on a similar basis. The FTSE All Share Index rose by 7.2% on a total return basis over the same period.
- At 30 June 2007, the Allchurches Higher Income Fund held 21.7% of its investments in overseas equities.
- The Fund's holdings in fixed interest securities proved to be a drag on performance as investors became more concerned about the likelihood of higher interest rates. However, the Fund's equity holdings, particularly those in Asia, performed well reflecting strong and sustained global economic growth.
- Top contributors to performance were China Infrastructure Machinery (capital goods), Datang International (power generation), and Hop Fung (paper), all reflecting good trading and high investor interest. Negative contributors after profit warnings were McAlpine (A) (support services) and DSG International (retailing).
- After strong performance, profits were taken in Chinese Infrastructure (capital goods) and China Mobile (telecoms). Dechra (pharmaceuticals) and e2v (electronics) were sold as they looked fully valued.
- Additions to the Fund were larger UK issues such as BP (oil), GlaxoSmithKline (pharmaceuticals) and Rentokil (support services), and further Asian stocks such as Singapore Petroleum (oil), and Kiatnakin and Krung Thai (both banks in Thailand).
- No derivatives were held during the period under review.

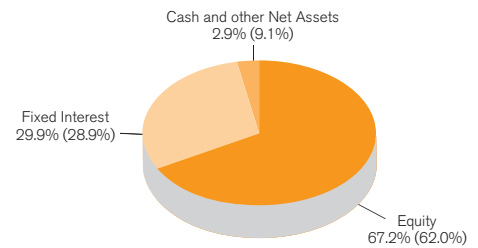
## Prospects

Led by Asia, but increasingly supported by Europe, the global economy continues to provide a strong background for the Fund's equity investments, and on a stock by stock basis many pockets of value continue to be identified.

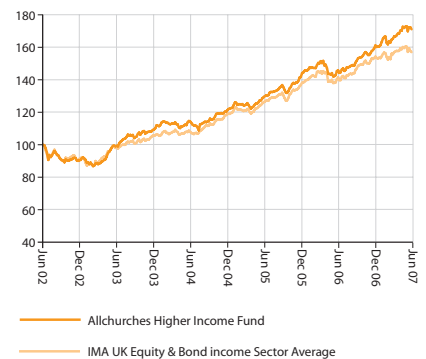
However, after a four year bull market share prices may prove to be more vulnerable to investor caution. Should there be a stumble, the cash and short-dated bonds will provide a safety net.

## Asset allocation at 30 June 2007

The figures in brackets show allocation at 31 December 2006



## Performance



Graph showing the growth of the Allchurches Higher Income Fund compared to IMA UK Equity & Bond Income Sector Average from 28 June 02 to 29 June 07, offer-to-offer, with income reinvested, based in UK Sterling. Prices re-based to 100. Source: Morningstar.

## Performance and ranking

	Allchurches Higher Income Fund		UK Equity & Bond Income Sector	
	Growth	Rank	Growth	Number
30/06/06 – 29/06/07	17.7%	3	11.7%	31
30/06/05 – 30/06/06	12.5%	13	12.0%	32
30/06/04 – 30/06/05	12.7%	28	16.1%	35
30/06/03 – 30/06/04	15.4%	4	10.6%	34
28/06/02 – 30/06/03	-0.7%	10	-2.4%	32

Table showing % growth and ranking of the Allchurches Higher Income Fund against IMA UK Equity Bond Income Sector Average and total. Figures compared on an offer-to-offer basis with income reinvested. Source: Morningstar. This chart contains historic data.

## Major holdings

Top ten holdings		Percentage of total net assets at 30 June 2007
1	Treasury 4% 07/03/2009	6.27
2	Treasury 4.75% 07/09/2015	2.23
3	Royal Dutch Shell 'B'	1.70
4	BT Group	1.55
5	GlaxoSmithKline	1.44
6	Aviva	1.40
7	Coats International 6% Pref 2011	1.39
8	Fenner	1.38
9	Petrochina	1.37
10	Huaneng Power International 'H'	1.33

## Total expense ratio at 30 June 2007

Share Class A	Share Class B	Share Class C
1.45%	0.64%	1.09%

**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.

## Net income distribution / accumulation

Net income distribution / accumulation	Pence per share	Per £1,000 invested at 2 January 2002 (£)
<b>2007*</b>		
Share Class A	0.7500	10.1324
Share Class B	0.8300	11.2056
Share Class C	1.0100	10.3622
<b>2006</b>		
Share Class A	4.2744	57.7466
Share Class B	4.4063	59.4883
Share Class C	6.8243	70.0144
<b>2005</b>		
Share Class A	3.2060	43.3126
Share Class B	3.1797	42.9283
Share Class C	5.0947	52.2694
<b>2004</b>		
Share Class A	3.2592	44.0313
Share Class B	3.1528	42.5651
Share Class C	4.9401	50.6833
<b>2003</b>		
Share Class A	3.3646	45.4553
Share Class B	3.3677	45.4665
Share Class C	5.1479	52.8152
<b>2002</b>		
Share Class A	2.4072	32.5209
Share Class B	2.5676	34.6645
Share Class C	3.4696	35.5966

\*In respect of period from 1 January 2007 to 30 June 2007

## 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
<b>30 June 2007</b>					
Share Class A	109.80	101.00	27,467,539	107.17	25,630,248
Share Class B	110.70	101.70	11,107,151	108.06	10,278,268
Share Class C	180.70	166.20	4,066,179	177.73	2,287,894
<b>31 December 2006</b>					
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
<b>31 December 2005</b>					
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
<b>31 December 2004</b>					
Share Class A	85.14	78.51	11,762,094	82.48	14,260,448
Share Class B	85.44	77.52	968,799	82.67	1,171,881
Share Class C	125.10	112.60	1,947,872	124.69	1,562,144
<b>31 December 2003</b>					
Share Class A	80.31	63.79	8,100,027	78.05	10,378,328
Share Class B	80.14	63.83	910,588	78.00	1,167,385
Share Class C	112.50	88.09	1,384,317	108.99	1,270,144

# Allchurches UK Equity Growth Fund

## Investment objective

To achieve long-term capital growth with a reasonable level of income.

## Investment policy

The Allchurches 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.

This Fund is marketable to all retail investors.

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 Fund's objective.

The Manager does not currently intend to use derivatives for any purpose other than the efficient portfolio management of the Fund, 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 Fund, use derivatives in pursuit of its investment objective in the future.

If derivatives are used for the purpose of meeting the investment objective of the Fund it is not intended that the use of derivatives would cause the Net Asset Value of the Fund to have higher volatility or otherwise cause the existing risk profile of the Fund to change.

The Fund will be managed in line with the requirements for inclusion in an ISA or PEP.

## What risks are associated with this Fund?

- Most of the assets will be invested in the UK stockmarket, and so could be affected by any change in this market.

## Report of the Authorised Corporate Director

This review covers the period from 1 January 2007 to 30 June 2007.

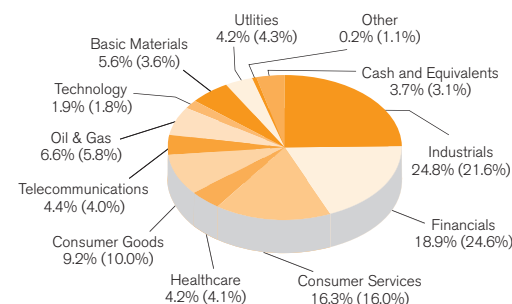
- During the period the share price of the Allchurches UK Equity Growth Fund rose by 5.6% on an offer-to-offer basis with income reinvested, compared with the IMA UK All Companies Sector Average gain of 5.8% and a rise in the FTSE All Share Index of 7.2% (both measured on the same basis).
- At 30 June 2007 the Fund held 58.9% of its investments in FTSE 100 companies, 14.6% in mid cap companies, and 26.5% in smaller UK and overseas companies.
- Positive contributors to performance included Dolphin Capital (real estate), Rio Tinto (mining), Babcock International (support services), and Lamprell (oil services), all of whom reported strong trading conditions. Bids for ICI (chemicals) and Reuters (media) helped too.
- Lenders Northern Rock and Barclays underperformed, the former on fears about the quality of its loan book, the latter as investors reacted to its bid for ABN Amro.
- Support services companies McAlpine (A) and Zenith Hygiene had profit warnings.
- New holdings included AssetCo (support services), Cape (support services), Elementis (chemicals), and Pace Micro Technology (electronics) – all companies which were perceived to offer sustainable growth or self-help recovery.
- Disposals were made in real estate stocks including British Land and Land Securities where the sector valuation was believed to have peaked. Holdings in retailers Marks & Spencer and Mothercare were sold over concerns about future earnings.
- No derivatives were held during the period under review.

## Prospects

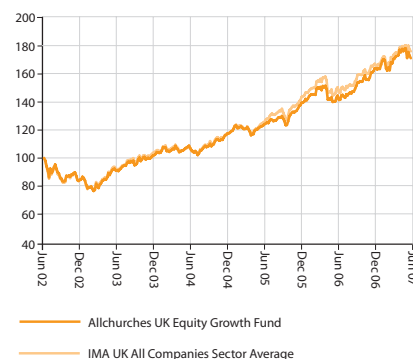
Despite some worries about rising interest rates and lower consumer activity in the UK, equity markets generally remain underpinned by beneficial trading conditions and high levels of corporate activity. The risks to the current environment are rising, however, and with them come the likelihood of a greater divergence in share price performance; stock selection will remain focused on companies providing sustainable growth or self-help recovery.

## Asset allocation by sector at 30 June 2007

The figures in brackets show allocation at 31 December 2006



## Performance



Graph showing the growth of the Allchurches UK Equity Growth Fund compared to IMA UK All Companies Sector Average from 29 June 02 to 29 June 07, offer-to-offer, with income reinvested, based in UK Sterling. Prices re-based to 100. Source: Morningstar.

## Performance and ranking

	Allchurches UK Equity Growth Fund		UK All Companies Sector	
	Growth	Rank	Growth	Number
30/06/06 – 29/06/07	19.6%	85	18.0%	297
30/06/05 – 30/06/06	16.1%	219	19.0%	292
30/06/04 – 30/06/05	13.4%	245	16.3%	288
30/06/03 – 30/06/04	19.3%	74	17.3%	275
28/06/02 – 30/06/03	-8.8%	137	-7.8%	255

Table showing % growth and ranking of the Allchurches UK Equity Growth Fund against IMA UK All Companies Sector Average and total. Figures compared on an offer-to-offer basis with income reinvested. Source: Morningstar. This chart contains historic data.

## Major holdings

Top ten holdings		Percentage of total net assets at 30 June 2007
1	Vodafone Group	2.46
2	BP	2.13
3	GlaxoSmithKline	2.00
4	Rio Tinto	1.95
5	HBOS	1.89
6	Reuters Group	1.80
7	Lloyds TSB Group	1.77
8	Royal Dutch Shell 'B'	1.77
9	Barclays	1.77
10	SPI Lasers	1.75

## Total expense ratio at 30 June 2007

Share Class A	Share Class B	Share Class C
1.73%	0.82%	1.31%

**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.

## Net income distribution / accumulation

Net income distribution / accumulation	Pence per share	Per £1,000 invested at 2 January 2002 (£)
<b>2007*</b>		
Share Class A	0.7000	7.4810
Share Class B	0.9600	10.1426
Share Class C	0.6800	6.9402
<b>2006</b>		
Share Class A	2.4795	26.4989
Share Class B	3.6243	38.2916
Share Class C	3.4104	34.8071
<b>2005</b>		
Share Class A	1.3765	14.7109
Share Class B	2.4749	26.1479
Share Class C	2.1684	22.1310
<b>2004</b>		
Share Class A	1.5350	16.4048
Share Class B	2.5254	26.6815
Share Class C	2.2333	22.7934
<b>2003</b>		
Share Class A	1.7894	19.1237
Share Class B	2.6758	28.2705
Share Class C	2.3250	20.7293
<b>2002</b>		
Share Class A	1.8193	19.4432
Share Class B	2.7601	29.1611
Share Class C	2.1626	22.0719

\*In respect of period from 1 January 2007 to 30 June 2007

## 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
<b>30 June 2007</b>					
Share Class A	145.90	130.65	8,142,937	138.84	5,864,900
Share Class B	148.90	133.00	55,119,916	141.60	38,927,667
Share Class C	173.20	154.90	13,895,999	165.72	8,385,254
<b>31 December 2006</b>					
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
<b>31 December 2005</b>					
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
<b>31 December 2004</b>					
Share Class A	99.24	96.86	5,316,498	98.27	5,409,848
Share Class B	101.60	89.57	38,942,945	99.92	38,974,952
Share Class C	112.10	97.22	9,388,367	111.96	8,385,254
<b>31 December 2003</b>					
Share Class A	88.50	64.36	4,666,464	87.65	5,323,865
Share Class B	90.30	65.26	34,638,586	88.84	38,992,015
Share Class C	97.16	69.60	7,829,782	95.78	8,174,754

# Allchurches European Growth Fund

## Investment objective

To achieve long-term capital growth with a reasonable level of income.

## Investment policy

The Allchurches European Growth Fund is designed to invest primarily in European and UK companies which the Manager believes offer good potential for long-term growth.

This Fund is marketable to all retail investors.

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 Fund's objective.

The Manager does not currently intend to use derivatives for any purpose other than the efficient portfolio management of the Fund, 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 Fund, use derivatives in pursuit of its investment objective in the future.

If derivatives are used for the purpose of meeting the investment objective of the Fund it is not intended that the use of derivatives would cause the Net Asset Value of the Fund to have higher volatility or otherwise cause the existing risk profile of the Fund to change.

The Fund will be managed in line with the requirements for inclusion in an ISA or PEP.

## What risks are associated with this Fund?

- 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.

## Report of the Authorised Corporate Director

This review covers the period from 1 January 2007 to 30 June 2007.

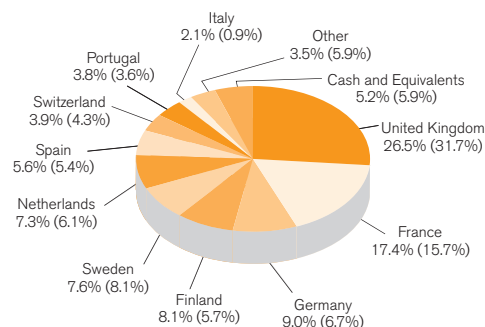
- During the period the share price of the Allchurches European Growth Fund rose by 9.2% on an offer-to-offer basis with income reinvested, underperforming both the IMA Europe (including UK) Sector Average return of 9.6% and the FTSEurofirst 300 Index return of 10.6% (both measured on the same basis).
- Strong trading conditions were reflected in good contributions from chemicals companies BASF, Tessenderlo, and Bayer. The share price of Siemens (electrical equipment) was also boosted by management changes.
- A drug failure at Sanofi-Aventis (pharmaceuticals) had a negative impact on performance, as did lacklustre trading at Q-Med (healthcare). Shares in Land Securities (real estate) suffered as investor interest in the sector cooled.
- The strategy of further shifting the emphasis from the UK into mainland Europe was continued. To this end, disposals were made in BAT (tobacco), EMAP (media), and Marks & Spencer (retailing). Sales were also made in financial stocks Anglo Irish Bank and Irish Life in light of their slowing domestic economy.
- New holdings in mainland Europe included Akzo Nobel (chemicals), Amer (sports goods), and Munich Re (insurance). Holdings in Carbone Lorraine (industrial materials) and Nokia (mobile telecoms) were topped up for their earnings potential and valuation.
- No derivatives were held during the period under review.

## Prospects

Though some of the peripheral economies may show further vulnerability to monetary tightening, the core markets, led by Germany, are enjoying good momentum in a strong global economy. In view of the possibility of relatively slower growth in the UK, new investments will be focussed on mainland Europe.

## Asset allocation by geographical area at 30 June 2007

The figures in brackets show allocation at 31 December 2006



## Performance



Graph showing the growth of the Allchurches European Growth Fund compared to IMA Europe (including UK) Sector Average from 28 June 02 to 29 June 07, offer-to-offer, with income reinvested, based in UK Sterling. Prices re-based to 100. Source: Morningstar.

## Performance and ranking

	Allchurches European Growth Fund		Europe (including UK) Sector	
	Growth	Rank	Growth	Number
30/06/06 – 29/06/07	22.9%	8	22.0%	16
30/06/05 – 30/06/06	19.0%	13	21.5%	16
30/06/04 – 30/06/05	13.1%	15	15.7%	16
30/06/03 – 30/06/04	17.8%	5	15.3%	16
28/06/02 – 30/06/03	-7.3%	3	-11.1%	14

Table showing % growth and ranking of the Allchurches European Growth Fund against IMA Europe (including UK) Sector Average and total. Figures compared on an offer-to-offer basis with income reinvested. Source: Morningstar. This chart contains historic data.

## Major holdings

Top ten holdings		Percentage of total net assets at 30 June 2007
1	Kone Corporation 'B'	2.53
2	Roche-Genussscheine	2.52
3	Getinge 'B'	2.49
4	Smith & Nephew	2.47
5	Credit Agricole	2.43
6	Reckitt Benckiser	2.32
7	Vodafone Group	2.27
8	Societe Generale	2.21
9	Fugro	2.18
10	Gas Natural	2.06

## Total expense ratio at 30 June 2007

Share Class A	Share Class B	Share Class C
1.77%	0.86%	1.34%

**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.

## Net income distribution / accumulation

Net income distribution / accumulation	Pence per share	Per £1,000 invested at 2 January 2002 (£)
<b>2007*</b>		
Share Class A	0.3000	3.0522
Share Class B	0.5800	5.8877
Share Class C	0.3000	3.3348
<b>2006</b>		
Share Class A	1.1847	12.0531
Share Class B	2.4454	24.8239
Share Class C	1.6927	18.8161
<b>2005</b>		
Share Class A	0.8557	8.7059
Share Class B	2.0418	20.7268
Share Class C	1.4100	15.6736
<b>2004</b>		
Share Class A	0.8319	8.4637
Share Class B	1.9014	19.3016
Share Class C	1.3083	14.5431
<b>2003</b>		
Share Class A	0.8630	8.7801
Share Class B	1.7943	18.2144
Share Class C	1.0971	12.1954
<b>2002</b>		
Share Class A	0.9528	9.6938
Share Class B	1.8392	18.6702
Share Class C	1.0554	11.7319

\*In respect of period from 1 January 2007 to 30 June 2007

## 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
<b>30 June 2007</b>					
Share Class A	161.70	136.30	2,781,827	162.36	1,713,403
Share Class B	165.90	146.70	31,551,899	163.97	19,242,265
Share Class C	167.80	148.00	394,464	160.16	246,300
<b>31 December 2006</b>					
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
<b>31 December 2005</b>					
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
<b>31 December 2004</b>					
Share Class A	107.90	93.20	1,593,089	106.91	1,490,062
Share Class B	109.40	94.15	20,728,181	107.72	19,242,265
Share Class C	103.20	88.94	211,811	102.42	206,800
<b>31 December 2003</b>					
Share Class A	97.94	70.23	1,381,206	97.35	1,418,792
Share Class B	98.98	70.55	18,806,561	97.74	19,242,265
Share Class C	92.16	65.61	162,168	91.34	177,550

# Allchurches International Growth Fund

## Investment objective

To achieve long-term capital growth with a reasonable level of income.

## Investment policy

The Allchurches International Growth Fund is designed to invest primarily in a range of equities which the Manager believes offer good potential for long-term capital growth. The Fund will tend to focus on larger companies that are primarily in the more developed countries.

This Fund is marketable to all retail investors.

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 Fund's objective.

The Manager does not currently intend to use derivatives for any purpose other than the efficient portfolio management of the Fund, 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 Fund, use derivatives in pursuit of its investment objective in the future.

If derivatives are used for the purpose of meeting the investment objective of the Fund it is not intended that the use of derivatives would cause the Net Asset Value of the Fund to have higher volatility or otherwise cause the existing risk profile of the Fund to change.

The Fund will be managed in line with the requirements for inclusion in an ISA or PEP.

## What risks are associated with this Fund?

- 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 states. Also they may not offer the same level of investor protection as would apply in more developed jurisdictions.

## Report of the Authorised Corporate Director

This review covers the period from 1 January 2007 to 30 June 2007.

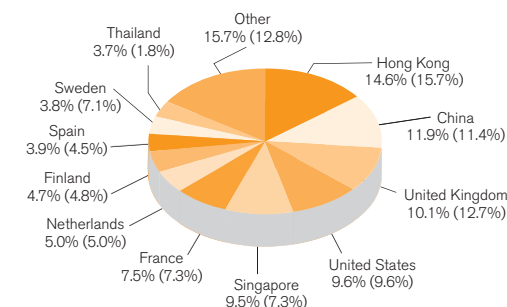
- During the period the share price of the Allchurches International Growth Fund rose by 15.8% on an offer-to-offer basis with income reinvested, outperforming both the IMA Global Growth Sector Average and the FTSE World Index which rose 7.7% and 7.4% respectively, both measured on a similar basis.
- The strong performance of the Fund was notably helped by its relatively high exposure to Asian markets.
- Positive contributions to note included Fugro (oil services), Noble Group (general industrials), and Yanzhou Coal (mining), all of whom reported strong trading conditions. Strong trading and management changes boosted the share price of Siemens (electrical equipment).
- Negative contributions came from lenders Allied Irish Bank and Banco Santander, both of whom were exposed to those European economies most vulnerable to the impact of rising interest rates in the Euro zone.
- After good performance the shares in China Special Steel (metals), China Mobile (telecoms), and Peace Mark (watch manufacturing & retailing) were sold. The proceeds were invested in other Asian issues such as Singapore Petroleum (oil), Kiatnakin and Krung Thai (both banks in Thailand).
- No derivatives were held during the period under review.

## Prospects

The extended and broad based expansion of the world economy continues to provide a very supportive environment for equities. Asian, and increasingly European, companies have been prime beneficiaries of this phase of the cycle and remain the focus of the Fund's investment strategy.

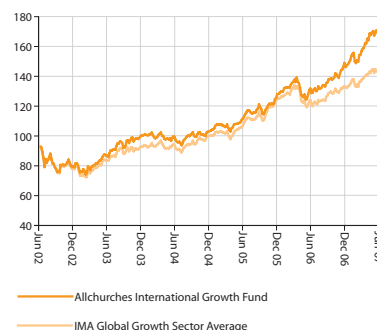
## Asset allocation by geographical area at 30 June 2007

The figures in brackets show allocation at 31 December 2006



Figures exclude cash.

## Performance



Graph showing the growth of the Allchurches International Growth Fund compared to IMA Global Growth Sector Average from 28 June 02 to 29 June 07, offer-to-offer, with income reinvested, based in UK Sterling. Prices re-based to 100. Source: Morningstar.

## Performance and ranking

	Allchurches International Growth Fund		Global Growth Sector	
	Growth	Rank	Growth	Number
30/06/06 – 29/06/07	30.3%	3	16.0%	155
30/06/05 – 30/06/06	18.8%	41	16.7%	149
30/06/04 – 30/06/05	11.9%	81	13.4%	152
30/06/03 – 30/06/04	15.9%	45	14.4%	146
28/06/02 – 30/06/03	-6.8%	21	-10.4%	134

Table showing % growth and ranking of the Allchurches International Growth Fund against IMA Global Growth Companies Sector Average and total. Figures compared on an offer-to-offer basis with income reinvested. Source: Morningstar. This chart contains historic data.

## Major holdings

Top ten holdings		Percentage of total net assets at 30 June 2007
1	Sinopec	3.07
2	Fugro	2.21
3	Kone Corporation 'B'	2.20
4	Vtech Holdings	2.15
5	Telefonica ADR	2.04
6	Sinotrans	2.02
7	Zodiac	2.01
8	Siemens	1.87
9	Banco Santander Central Hispano	1.81
10	Yanzhou Coal Mining 'H'	1.79

## Total expense ratio at 30 June 2007

Share Class A	Share Class B	Share Class C
1.80%	0.89%	1.37%

**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.

## Net income distribution / accumulation

Net income distribution / accumulation	Pence per share	Per £1,000 invested at 2 January 2002 (£)
<b>2007*</b>		
Share Class A	0.0300	0.3288
Share Class B	0.2700	2.9544
Share Class C	0.0600	0.7575
<b>2006</b>		
Share Class A	1.0769	11.8029
Share Class B	2.3119	25.2971
Share Class C	1.4923	18.8398
<b>2005</b>		
Share Class A	0.8131	8.9117
Share Class B	1.9441	21.2726
Share Class C	1.3000	16.4121
<b>2004</b>		
Share Class A	0.6715	7.3597
Share Class B	1.6695	18.2679
Share Class C	1.0801	13.6359
<b>2003</b>		
Share Class A	0.6559	7.1887
Share Class B	1.5779	17.2656
Share Class C	0.8770	11.0718
<b>2002</b>		
Share Class A	0.6141	6.7306
Share Class B	1.5054	16.4723
Share Class C	0.7594	9.5872

\*In respect of period from 1 January 2007 to 30 June 2007

## 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
<b>30 June 2007</b>					
Share Class A	155.80	131.70	1,689,023	152.72	1,105,928
Share Class B	157.60	132.90	32,058,508	154.33	20,773,269
Share Class C	145.60	123.00	410,953	142.82	287,750
<b>31 December 2006</b>					
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
<b>31 December 2005</b>					
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	263,258	102.81	256,750
<b>31 December 2004</b>					
Share Class A	93.88	83.86	870,859	92.70	939,413
Share Class B	95.05	94.82	19,373,537	93.26	20,773,260
Share Class C	84.59	75.53	198,294	83.85	236,500
<b>31 December 2003</b>					
Share Class A	90.82	64.30	764,337	90.27	846,726
Share Class B	91.87	64.57	18,828,813	90.64	20,773,270
Share Class C	80.76	56.90	164,007	80.00	205,000

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