

MARTIN CURRIE
INVESTMENT FUNDS

Interim short report

Six months to
31 August 2008

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MARTIN CURRIE INVESTMENT FUNDS

Martin Currie manages international equities for clients worldwide. From its headquarters in Edinburgh, the company manages £12.6 billion in both generalist and specialist portfolios for a range of institutions, investment trusts, mutual funds, charities, pension funds and absolute return funds.

Established in 1999, Martin Currie Investment Funds (Martin Currie IF) is an open-ended investment company (Oeic). Under the fund's umbrella structure, Martin Currie manages a range of funds with global, regional and single country mandates. Nine of the funds, Asia Pacific Fund, Emerging Markets Fund, European Fund, Global Alpha Fund, Japan Fund, North American Fund, North American Alpha Fund, UK Equity Income Fund and UK Growth Fund, carry ratings from Standard & Poor's Fund Services.



Andy Sowerby
Managing director,
Marketing



Jason McCay
Asia Pacific Fund



Richard Evans
Asia Pacific Fund



Dariusz Sliwinski
Emerging Markets Fund



Dino Fuschillo
European Fund



James Fairweather
Global Fund
Global Alpha Fund



David Sheasby
Global Fund
Global Alpha Fund



John Millar
Japan Fund



John-Paul Temperley
Japan Alpha Fund



Keith Donaldson
Japan Alpha Fund



Tom Walker
North American Fund
North American Alpha Fund



David Forsyth
North American Fund
North American Alpha Fund



Scott McKenzie
UK Equity Income Fund



Jeff Saunders
UK Growth Fund



John Monnelly
UK Growth Fund

Since the spring, when we issued annual reports, worries about the integrity of the global financial system have intensified, leading to sharp falls in stockmarket indices.

Our funds have not been immune: over the last six months, several have produced negative returns. But thanks to the diligence of our managers, they all successfully avoided the biggest casualties of the credit crunch: companies such as Lehman Brothers, Bear Stearns and AIG.

Opportunities amid the gloom ...

Recent headlines have made for gloomy reading. But at Martin Currie, we have been investing on behalf of our clients for 127 years. That experience tells us that short-term panic always creates long-term opportunities.

Moreover, we believe that our managers have the stockpicking skills necessary to identify those opportunities. That's why we're looking forward to more prosperous times ahead.

The Martin Currie UK Growth Fund

In May, Jeff Saunders commenced a six-month sabbatical from managing the Martin Currie UK Growth Fund for family reasons. In his absence, the fund has been managed according to the same rigorous investment process by long-term co-manager John Monnelly.

The Martin Currie European Fund

Dino Fuschillo left Martin Currie in early October. Stewart Higgins replaces Dino as manager of the Martin Currie European Fund. Stewart has been with Martin Currie for 21 years, and has been managing European equity portfolios since 1997.

And finally ...

Long form financial statements are available on request. If you would like a copy, please call us free on 0808 100 21 25 or write to the authorised corporate director at the address given.

If you have any questions, please call us free on 0808 100 21 25 or contact your usual professional adviser. You can find out more about Martin Currie via our website at www.martincurrie.com. While you're there, you can also check the performance, price and profile of any of our funds.



Andrew Sowerby
Managing director, Marketing, distribution and product management

6 October 2008

Past performance is not a guide to future returns.

Market and currency movements may cause the capital value of shares, and the income from them, to fall as well as rise and you may get back less than you invested when you decide to sell your shares.

Specific risk warnings for each fund can be found in the full Prospectus.

FUND PROFILE

Launch date	15 June 2002		
Objective	To produce long-term capital growth by investment in any economic sector in all or any of the Middle East, the Indian sub-continent, Australia, New Zealand and the Far East, excluding Japan.		
Policy	The portfolio will consist primarily of transferable securities but the investment 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.		
Risk profile	This fund may invest in emerging markets which tend to be more volatile than established stock markets. The fund may hold some investments in smaller companies, which may be less liquid than larger companies, meaning that their share price may be more volatile. The fund will also be exposed to changes in currency rates. These factors may affect the performance of the fund.		
Benchmark	MSCI AC Asia Pacific ex Japan index		
Fund size	£316 million		
Distribution	<i>XD date</i> 28/29 February	<i>Payment date</i> 30 April	
TER	<i>As at 31 August 2008</i> 'A' 1.73% 'B' 0.98%	<i>As at 29 February 2008</i> 'A' 1.73% 'B' 0.97%	

TER = ratio of total operating costs to average net assets

TOP 10 HOLDINGS (%)

	31 Aug 2008	29 Feb 2008
China Mobile	5.43	5.65
Taiwan Semiconductor Manufacturing	5.11	3.67
BHP Billiton	4.44	5.01
Woolworths	4.31	2.97
Hang Seng Bank	3.81	1.47
CSL	3.63	2.66
Samsung Electronic	3.41	1.31
United Overseas Bank	3.25	2.11
China Merchants Bank	3.22	2.65
WorleyParsons	3.14	2.86

Number of holdings 45

COUNTRY ALLOCATION (%)

	31 Aug 2008	29 Feb 2008
Australia	23.44	23.97
Hong Kong	20.62	19.88
South Korea	13.21	11.03
Taiwan	12.13	10.81
Malaysia	6.46	7.40
China	6.30	5.42
Singapore	5.84	4.53
Luxembourg	3.15	2.89
India	1.63	3.05
Thailand	1.18	-
Indonesia	0.55	3.42
Cayman Islands	-	2.16
Cash and net other assets	5.49	5.44

Number of countries 11

INVESTMENT MANAGERS' REVIEW

Jason McCay and Richard Evans

This was a difficult and volatile period for investors in Asia. The failure of American financial institution Bear Stearns dented confidence, as did the impact of record energy prices and soaring food prices on inflation. With a fall of 16.6% over the six-month period, our fund underperformed the market, which fell 10.5%.

As the period progressed, Asian markets underperformed their Western counterparts. Soaring energy and food prices forced up inflation rates across the region, due to the relatively high proportion of these items in the inflation baskets of countries such as China and India. Policymakers were under pressure to tighten monetary policy and cut fuel subsidies in an effort to curb the rise in prices.

In the fund, we were helped by outperformance of our energy and materials stocks (especially in Australia) for the majority of the period. However, the turnaround in these stocks in July and August was unhelpful for performance, and reversed our earlier gains.

Looking forward, we expect markets across the region to rally from their current oversold levels. We remain positive on the long-term prospects for the region, and think that it is well placed to come through the current global headwinds.

PRICE

The table below shows the highest and lowest prices on a calendar year basis in pence per share over the last five years.

Year	Highest price		Lowest price	
	Class 'A'	Class 'B'	Class 'A'	Class 'B'
2003	38.86p	39.30p	23.97p	24.10p
2004	43.27p	44.09p	34.99p	35.48p
2005	58.22p	59.70p	42.88p	43.76p
2006	72.09p	74.37p	55.42p	57.00p
2007	107.6p	111.6p	69.24p	71.50p
2008*	100.8p	104.7p	76.18p	79.37p

*To 31 August 2008.

INCOME

The table below shows, on a calendar year basis, the net income per share distributed over the last five years .

Year	Net income per share	
	Class 'A'	Class 'B'
2003	0.00p	0.00p
2004	0.07p	0.32p
2005	0.24p	0.54p
2006	0.29p	0.62p
2007	0.35p	0.76p
2008*	0.32p	0.94p

*To 31 August 2008.

**Source: Lipper Hindsight. Total returns (net income re-invested).

PERFORMANCE (%) **

The table shows the change in the price of the fund's shares, excluding the initial charge, on a calendar year basis over the last five years.

		Price change
31 December 2003	'A'	53.35
31 December 2004	'A'	11.35
31 December 2005	'A'	34.39
31 December 2006	'A'	23.97
31 December 2007	'A'	39.13
31 August 2008	'A'	(20.95)
31 December 2003	'B'	54.42
31 December 2004	'B'	12.19
31 December 2005	'B'	35.25
31 December 2006	'B'	24.72
31 December 2007	'B'	40.11
31 August 2008	'B'	(20.66)

Past performance is not a guide to future returns.

NET ASSET VALUE

The table shows the total net asset value of the fund at the end of the last two accounting periods.

		NAV per share
29 February 2008	'A'	90.17p
31 August 2008	'A'	79.15p
29 February 2008	'B'	93.73p
31 August 2008	'B'	82.53p

MARTIN CURRIE IF - EMERGING MARKETS FUND

FUND PROFILE

Launch date	15 June 2002		
Objective	To produce long-term capital growth by investment in a portfolio of securities worldwide in any economic sector, but it is anticipated that investment will generally be concentrated in what the investment manager considers to be the smaller and developing markets around the world.		
Policy	The portfolio will consist primarily of transferable securities but the investment 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.		
Risk profile	This fund invests in emerging markets which tend to be more volatile than established stock markets. The fund may hold some investments in smaller companies, which may be less liquid than larger companies, meaning that their share price may be more volatile. The fund will also be exposed to changes in currency rates. These factors may affect the performance of the fund.		
Benchmark	MSCI Emerging Markets index		
Fund size	£25 million		
Distribution	<i>XD date</i>	<i>Payment date</i>	
	28/29 February	30 April	
TER	<i>As at 31 August 2008</i>	<i>As at 29 February 2008</i>	
	'A' 1.93%	'A'	1.95%
	'B' 1.19%	'B'	1.15%

TER = ratio of total operating costs to average net assets

TOP 10 HOLDINGS (%)

	31 Aug 2008	29 Feb 2008
Petroleo-Brasileiro (spons)	3.94	4.19
China Mobile	3.61	3.89
Taiwan Semiconductor		
Manufacturing	3.02	2.44
Companhia Vale Do Rio Doce 'A'	3.01	-
America Movil	2.81	2.56
Morgan Stanley Asia Products		
Convertible warrants 2010	2.59	2.26
China Merchants Bank	2.50	0.93
Samsung Electronic	2.50	0.99
OTP Bank	2.42	1.43
Gazprom OAO	2.28	1.41
Number of holdings 60		

COUNTRY ALLOCATION (%)

	31 Aug 2008	29 Feb 2008
Brazil	12.84	16.31
South Korea	11.97	9.92
Taiwan	10.05	8.59
Russia	9.16	9.48
China	7.54	3.67
South Africa	7.12	6.50
Hong Kong	5.89	6.37
Cayman Islands	4.82	6.10
Mexico	4.44	5.15
Israel	3.38	1.27
Poland	3.23	1.92
Malaysia	2.69	3.48
India	2.54	3.40
Hungary	2.42	1.43
Columbia	2.01	1.99
Czech Republic	1.93	1.75
Turkey	1.80	1.10
Bermuda	1.65	0.95
Luxembourg	1.24	1.56
Indonesia	1.12	2.09
Peru	1.00	1.35
Canada	-	0.81
Cash and net other assets	1.16	4.81
Number of countries 21		

INVESTMENT MANAGER'S REVIEW

Dariusz Sliwinski

Emerging markets performed poorly over the six-month period, significantly underperforming their developed counterparts. As market volatility rose, risk aversion led investors away from emerging markets, while concerns about rising inflation provided a drag on key markets such as China and India. With a fall of 19.4%, the fund underperformed its benchmark.

As political tensions rose following the Georgian conflict, Russian shares plummeted. Falling commodity prices were also negative for Russia, with South Africa suffering from falling metal prices too. An area of strength was in central and eastern Europe, where a number of Polish and Hungarian banks, including Bank Zachodni and OTP, bucked the trend in global financials.

We remain positive on the long-term prospects for Asia, believing it to be well placed to make progress despite global headwinds. In Latin America, GDP growth is slowing and inflation is a worry, but the market expects strong earnings growth and valuations are attractive.

In emerging Europe, the case for Poland, Hungary, and Czech Republic is based on their ongoing convergence with the European Union. We see sound fundamental cases for our individual holdings here.

PRICE

The table below shows the highest and lowest prices on a calendar year basis in pence per share over the last five years.

Year	Highest price		Lowest price	
	Class 'A'	Class 'B'	Class 'A'	Class 'B'
2003	89.51p	90.51p	54.88p	55.18p
2004	97.56p	99.38p	75.39p	76.39p
2005	146.6p	150.7p	93.48p	95.37p
2006	177.2p	182.5p	133.6p	137.7p
2007	246.4p	257.1p	163.2p	169.2p
2008*	236.9p	247.5p	178.9p	187.7p

*To 31 August 2008.

INCOME

The table below shows, on an calendar year basis, the net income per share distributed over the last five years.

Year	Net income per share	
	Class 'A'	Class 'B'
2003	0.00p	0.11p
2004	0.03p	0.59p
2005	0.05p	0.72p
2006	0.04p	1.15p
2007	0.29p	1.52p
2008*	0.00p	1.50p

*To 31 August 2008.

PERFORMANCE (%) **

The table shows the change in the price of the fund's shares, excluding the initial charge, on a calendar year basis over the last five years.

		Price change
31 December 2003	'A'	53.56
31 December 2004	'A'	8.99
31 December 2005	'A'	50.27
31 December 2006	'A'	17.67
31 December 2007	'A'	36.64
31 August 2008	'A'	(21.93)
31 December 2003	'B'	54.67
31 December 2004	'B'	9.80
31 December 2005	'B'	51.64
31 December 2006	'B'	18.51
31 December 2007	'B'	37.85
31 August 2008	'B'	(21.57)

Past performance is not a guide to future returns.

NET ASSET VALUE

The table shows the total net asset value of the fund at the end of the last two accounting periods.

		NAV per share
29 February 2008	'A'	216.5p
31 August 2008	'A'	183.7p
29 February 2008	'B'	226.4p
31 August 2008	'B'	192.8p

**Source: Lipper Hindsight. Total returns (net income re-invested).

FUND PROFILE

Launch date	15 June 2002		
Objective	To produce capital growth by investment in Europe, excluding the United Kingdom.		
Policy	The portfolio will consist primarily of transferable securities but the investment 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.		
Risk profile	The fund may hold some investments in smaller companies, which may be less liquid than larger companies, meaning that their share price may be more volatile. The fund will also be exposed to changes in currency rates. These factors may affect the performance of the fund.		
Benchmark	FTSE Europe ex UK index		
Fund size	£32 million		
Distribution	<i>XD date</i> 28/29 February	<i>Payment date</i> 30 April	
TER	<i>As at 31 August 2008</i>		<i>As at 29 February 2008</i>
	'A' 1.80%	'A' 1.76%	
	'B' 1.06%	'B' 1.00%	

TER = ratio of total operating costs to average net assets

TOP 10 HOLDINGS (%)

	31 Aug 2008	29 Feb 2008
Banco Santander Central Hispano	4.48	4.54
Roche	4.37	5.15
LVMH	3.79	4.03
Gemalto	3.77	-
Novozymes	3.44	3.26
Eon	3.40	3.76
Reed Elsevier	3.33	2.51
UniCredito Italiano	3.16	3.47
Schweiter Technologies	3.16	2.90
Seadrill	3.08	3.70

Number of holdings 34

COUNTRY ALLOCATION (%)

	31 Aug 2008	29 Feb 2008
Switzerland	25.13	22.33
Italy	17.15	14.84
Spain	12.02	12.75
France	9.32	13.97
Norway	8.38	14.73
Netherlands	7.10	-
Greece	4.97	4.85
Finland	4.08	2.17
Denmark	3.44	3.26
Germany	3.40	3.76
Luxembourg	-	2.80
Sweden	-	2.65
Cash and other net assets	5.01	1.89

Number of countries 10

INVESTMENT MANAGER'S REVIEW

Dino Fuschillo

European markets outperformed Asian indices but lagged behind the US. As with many other regions, energy and mining stocks led the market higher until June, but July and August brought a rapid reversal in commodity prices and shares (notably energy). With a fall of 6.2%, the fund finished in the second quartile of its peer group.

Meanwhile, the European economic environment showed a significant deterioration. Despite slowing activity, the European Central Bank remained steadfast in its stand against inflation, with little appetite for measures to stimulate growth.

Energy stocks such as Subsea 7, Statoil Hydro, Norsk Hydro and Repsol helped our performance while crude oil prices were rising. We took some profits in this area, but falling energy prices were unhelpful for performance later on. We were also hurt by an unusual bout of mean-reversionary markets, in which fundamentally weak companies that were punished earlier in the summer performed well while cheap, well-capitalised stocks that are growing earnings though the slowdown were overlooked.

The market has become increasingly rotational, with stocks increasingly driven by emotions rather than by fundamentals. This is frustrating in the short term, but it also provides opportunities where anomalies occur. We expect fundamental-based investing to reassert itself, and are positioned to benefit from this.

On 8 October 2008 Stewart Higgins replaced Dino Fuschillo as manager of the Martin Currie European Fund.

PRICE

The table below shows the highest and lowest prices on a calendar year basis in pence per share over the last five years.

Year	Highest price		Lowest price	
	Class 'A'	Class 'B'	Class 'A'	Class 'B'
2003	159.0p	160.6p	101.8p	102.3p
2004	179.1p	182.1p	148.6p	150.4p
2005	219.4p	224.1p	168.0p	170.8p
2006	268.5p	276.9p	210.7p	216.2p
2007	316.9p	327.2p	265.2p	273.6p
2008*	299.8p	310.8p	235.4p	245.7p

*To 31 August 2008.

INCOME

The table below shows, on a calendar year basis, the net income per share distributed over the last five years.

Year	Net income per share	
	Class 'A'	Class 'B'
2003	0.37p	1.05p
2004	0.00p	0.47p
2005	0.00p	0.40p
2006	0.08p	1.54p
2007	0.42p	2.30p
2008*	1.01p	3.70p

*To 31 August 2008.

**Source: Lipper Hindsight. Total returns (net income re-invested).

PERFORMANCE (%) **

The table shows the change in the price of the fund's shares, excluding the initial charge, on a calendar year basis over the last five years.

Price change		
31 December 2003	'A'	31.84
31 December 2004	'A'	12.01
31 December 2005	'A'	22.29
31 December 2006	'A'	23.23
31 December 2007	'A'	10.58
31 August 2008	'A'	(11.86)
31 December 2003	'B'	32.95
31 December 2004	'B'	12.76
31 December 2005	'B'	22.86
31 December 2006	'B'	24.40
31 December 2007	'B'	11.20
31 August 2008	'B'	(11.11)

Past performance is not a guide to future returns.

NET ASSET VALUE

The table shows the total net asset value of the fund at the end of the last two accounting periods.

NAV per share		
29 February 2008	'A'	264.5p
31 August 2008	'A'	261.4p
29 February 2008	'B'	275.5p
31 August 2008	'B'	273.4p

FUND PROFILE

Launch date	15 June 2002		
Objective	To produce capital growth by investment across all world markets.		
Policy	The portfolio may be invested in any stockmarket using such investments as appear appropriate at the time to the investment manager but will consist primarily of transferable securities although the investment 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.		
Risk profile	This fund may invest in emerging markets which tend to be more volatile than established stock markets. The fund may hold some investments in smaller companies, which may be less liquid than larger companies, meaning that their share price may be more volatile. The fund will also be exposed to changes in currency rates. These factors may affect the performance of the fund.		
Benchmark	MSCI World index		
Fund size	£46 million		
Distribution	<i>XD date</i> 28/29 February, 31 August	<i>Payment date</i> 30 April, 31 October	
TER	<i>As at 31 August 2008</i>		<i>As at 29 February 2008</i>
	'A' 1.77%	'A' 1.71%	
	'B' 1.02%	'B' 0.95%	
TER = ratio of total operating costs to average net assets.			

INVESTMENT MANAGERS' REVIEW

James Fairweather and David Sheasby

After the world's markets made a strong start to the period, economic news faltered and continued uncertainty about the health of the financial sector provided a drag on investor sentiment. As food and fuel prices soared through the spring and into the summer, inflation worries dogged investors, especially across Asia and emerging markets. And though easing commodity prices removed some of the inflationary pressures, economic activity continued to weaken.

In this environment, financial stocks performed poorly, while energy companies saw their shares rise and fall back again. Consumer companies whose profits are sensitive to economic activity also suffered, while more defensive sectors such as food producers, beverages and pharmaceuticals fared relatively better.

With a fall of 4.5%, the fund underperformed its benchmark. The damage was done in the final two months of the period, when the main detractors from performance were our positions in North America, including Weatherford, Anadarko, Newfield, Foster Wheeler and El Paso. At times, our selection of financial stocks bucked the weak sector trend with Banco Santander, Prudential and Société Générale performing well.

Global markets remain under pressure. In particular, a lack of transparency around the financial sector, concern at the outlook for the consumer and nagging inflationary worries, especially in the developing world, continue to eat away at investor confidence.

PRICE

The table below shows the highest and lowest prices on a calendar year basis in pence per share over the last five years.

Year	Highest price		Lowest price	
	Class 'A'	Class 'B'	Class 'A'	Class 'B'
2003	137.8p	139.4p	99.90p	100.5p
2004	141.4p	145.4p	125.5p	127.6p
2005	171.1p	175.7p	132.7p	135.6p
2006	187.7p	193.3p	158.8p	163.6p
2007	217.3p	226.2p	181.0p	187.3p
2008*	213.1p	222.1p	177.5p	185.2p

*To 31 August 2008.

INCOME

The table below shows, on an calendar year basis, the net income per share distributed over the last five years.

Year	Net income per share	
	Class 'A'	Class 'B'
2003	0.20p	0.94p
2004	0.00p	0.49p
2005	0.25p	0.82p
2006	0.55p	1.20p
2007	0.63p	1.84p
2008*	0.11p	0.91p

*To 31 August 2008.

**Source: Lipper Hindsight. Total returns (net income re-invested).

TOP 10 HOLDINGS (%)

	31 Aug 2008	29 Feb 2008
BP	3.39	2.76
Gilead Sciences	2.91	2.22
Lockheed Martin	2.77	-
McDonald's	2.69	-
CVS	2.58	2.54
Wal-Mart Stores	2.46	-
Apple	2.46	1.64
Hewlett Packard	2.44	2.23
United Overseas Bank	2.36	2.03
Cisco Systems	2.31	2.06
Number of holdings 51		

COUNTRY ALLOCATION (%)

	31 Aug 2008	29 Feb 2008
USA	36.00	30.82
Japan	8.98	7.96
United Kingdom	8.69	10.52
Canada	7.32	9.97
Hong Kong	4.87	6.95
Germany	4.21	5.83
Spain	3.75	4.02
Italy	3.63	5.25
France	3.34	1.49
Australia	2.95	-
Bermuda	2.60	1.56
Singapore	2.36	2.03
Greece	1.68	3.47
Norway	1.53	1.97
Brazil	1.15	1.20
Russia	1.01	1.17
Taiwan	-	1.67
Netherlands	-	1.22
Switzerland	-	0.85
Cash and net other assets	5.93	2.05
Number of countries 16		

PERFORMANCE (%) **

The table shows the change in the price of the fund's shares, excluding the initial charge, on a calendar year basis over the last five years.

		Price change
31 December 2003	'A'	25.46
31 December 2004	'A'	1.24
31 December 2005	'A'	22.05
31 December 2006	'A'	7.95
31 December 2007	'A'	15.87
31 August 2008	'A'	(9.04)
31 December 2003	'B'	26.45
31 December 2004	'B'	1.94
31 December 2005	'B'	23.06
31 December 2006	'B'	8.71
31 December 2007	'B'	16.71
31 August 2008	'B'	(8.58)

Past performance is not a guide to future returns.

NET ASSET VALUE

The table shows the total net asset value of the fund at the end of the last two accounting periods.

		NAV per share
29 February 2008	'A'	192.1p
31 August 2008	'A'	193.2p
29 February 2008	'B'	200.4p
31 August 2008	'B'	202.3p

FUND PROFILE

Launch date	2 June 2006		
Objective	Unconstrained by sector or country allocations, the fund's aim is to provide superior long-term returns by investing in a concentrated portfolio of primarily large and medium-sized companies.		
Policy	The portfolio will consist primarily of transferable securities but the investment 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.		
Risk profile	This fund may invest in emerging markets which tend to be more volatile than established stock markets. The fund may hold some investments in smaller companies, which may be less liquid than larger companies, meaning that their share price may be more volatile. The fund will also be exposed to changes in currency rates. These factors may affect the performance of the fund.		
Benchmark	Unconstrained		
Fund size	£31 million		
Distribution	<i>XD date</i>	<i>Payment date</i>	
	28/29 February	30 April	
TER	<i>As at 31 August 2008</i>	<i>As at 29 February 2008</i>	
	'A' 1.78%	'A'	1.76%
	'B' 1.03%	'B'	0.97%
TER = ratio of total operating costs to average net assets			

TOP 10 HOLDINGS (%)

	31 Aug 2008	29 Feb 2008
Gilead Sciences	3.82	3.04
Lockheed Martin	3.47	-
BP	3.40	3.01
Hewlett Packard	3.20	2.70
Siemens	2.99	3.31
CVS	2.94	3.03
Prudential Financial	2.89	-
Apple	2.80	1.59
McDonald's	2.68	-
Tecnicas Reunidas	2.66	2.59

Number of holdings 45

COUNTRY ALLOCATION (%)

	31 Aug 2008	29 Feb 2008
USA	39.71	28.48
Japan	7.90	5.46
Germany	7.47	5.18
Spain	6.58	4.75
Canada	6.05	8.57
United Kingdom	5.49	9.80
Hong Kong	5.25	7.07
Italy	3.74	6.06
France	3.67	1.91
Singapore	2.50	2.24
Bermuda	2.07	1.81
Greece	1.98	5.31
Brazil	1.64	1.80
Norway	1.49	2.25
Australia	1.42	-
Russia	1.38	1.67
Netherlands	-	1.47
Switzerland	-	1.09
Taiwan	-	2.31
Cash and net other assets	1.66	2.77

Number of countries 16

INVESTMENT MANAGERS' REVIEW

James Fairweather and David Sheasby

After the world's markets made strong start to the period, economic news faltered and continued uncertainty about the health of the financial sector provided a drag on investor sentiment. As food and fuel prices soared through the spring and into the summer, inflation worries dogged investors, especially across Asia and emerging markets. And though easing commodity prices removed some of the inflationary pressures, economic activity continued to weaken.

In this environment, financial stocks performed poorly, while energy companies saw their shares rise and fall back again. Consumer companies whose profits are sensitive to economic activity also suffered, while more defensive sectors such as food producers, beverages and pharmaceuticals fared relatively better.

With a negative return of 5.1%, the fund underperformed its benchmark over the period. The damage was done in the final two months of the period, when the main detractors from performance were our positions in North America, including Weatherford, Anadarko, Newfield, Foster Wheeler and El Paso. At times, our selection of financial stocks bucked the weak sector trend with Banco Santander, Prudential and Société Générale performing well.

Global markets remain under pressure. In particular, a lack of transparency around the financial sector, concern at the outlook for the consumer and nagging inflationary worries, especially in the developing world, continue to eat away at investor confidence.

PRICE

The table below shows the highest and lowest prices on a calendar year basis in pence per share since launch on 2 June 2006.

Year	Highest price		Lowest price	
	Class 'A'	Class 'B'	Class 'A'	Class 'B'
2006‡	105.8p	106.2p	92.67p	92.68p
2007	125.3p	126.5p	103.9p	104.4p
2008*	122.2p	123.6p	100.5p	102.1p

‡From 2 June 2006 to 31 December 2006. *To 31 August 2008.

INCOME

The table below shows, on an calendar year basis, the net income per share distributed since launch on 2 June 2006.

Year	Net income per share	
	Class 'A'	Class 'B'
2006‡	0.00p	0.00p
2007	0.00p	0.10p
2008*	0.00p	0.00p

‡From 2 June 2006 to 31 December 2006. *To 31 August 2008.

PERFORMANCE (%) **

The table shows the change in the price of the fund's shares, excluding the initial charge, on a calendar year basis since launch.

		Price change
31 December 2006	'A'‡	5.40
31 December 2007	'A'	15.65
31 August 2008	'A'	(10.42)
31 December 2006	'B'‡	5.80
31 December 2007	'B'	16.45
31 August 2008	'B'	(9.82)

Past performance is not a guide to future returns.

NET ASSET VALUE

The table shows the total net asset value of the fund at the end of the last two accounting periods.

		NAV per share
29 February 2008	'A'	109.2p
31 August 2008	'A'	109.1p
29 February 2008	'B'	110.6p
31 August 2008	'B'	111.0p

**Source: Lipper Hindsight. Total returns (net income re-invested). ‡ 2 June 2006 to 31 December 2006.

MARTIN CURRIE IF - JAPAN FUND

FUND PROFILE

Launch date	22 March 1999		
Objective	To produce capital growth by investment in Japan in any economic sector.		
Policy	The portfolio will consist primarily of transferable securities but the investment 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.		
Risk profile	This is a single country fund, and therefore has a concentrated portfolio, which limits the room for risk diversification within the fund. The fund may hold some investments in smaller companies, which may be less liquid than larger companies, meaning that their share price may be more volatile. The fund will also be exposed to changes in currency rates. These factors may affect the performance of the fund.		
Benchmark	Topix		
Fund size	£105 million		
Distribution	<i>XD date</i>	<i>Payment date</i>	
	28/29 February, 31 August	30 April, 31 October	
TER	<i>As at 31 August 2008</i>	<i>As at 29 February 2008</i>	
	'A' 1.70%	'A' 1.70%	
	'B' 0.95%	'B' 0.93%	
TER = ratio of total operating costs to average net assets			

INVESTMENT MANAGER'S REVIEW

John Millar

Japanese shares performed relatively well over the six months and closed the period higher by 0.1% in sterling terms. Much of the gains were down to strength in the yen against a weak pound. Our fund underperformed the benchmark with a return of -6.5%, though that performance placed the fund in the second quartile of its peer group.

The market was rotational. With commodity-linked companies, steelmakers and technology stocks outperforming tobacco and heavy users of commodities, economically sensitive areas outperformed defensive sectors in the first part of the year,

However, economic activity slowed, both in Japan and in the end-markets for the products produced by its exporters. This saw investors switch out of cyclical sectors and into defensive parts of the market such as food producers, utilities and telecoms.

Recent share price falls have highlighted value in the Japanese market. In a recent review of equity valuations in Japan, our analysis suggests that the market currently believes that things are worse for these companies than they were at the depths of the depression of the late nineties. That view is, in our opinion, far too pessimistic.

PRICE

The table below shows the highest and lowest prices on a calendar year basis in pence per share over the last five years.

Year	Highest price		Lowest price	
	Class 'A'	Class 'B'	Class 'A'	Class 'B'
2003	108.3p	111.9p	73.49p	75.64p
2004	113.9p	118.1p	92.08p	95.36p
2005	147.9p	155.3p	94.91p	99.11p
2006	158.5p	166.8p	123.7p	130.8p
2007	132.0p	139.8p	109.2p	116.3p
2008*	118.6p	126.9p	98.3p	105.3p

*To 31 August 2008.

INCOME

The table below shows, on an calendar year basis, the net income per share distributed over the last five years.

Year	Net income per share	
	Class 'A'	Class 'B'
2003	0.00p	0.02p
2004	0.00p	0.00p
2005	0.00p	0.18p
2006	0.00p	0.07p
2007	0.00p	0.00p
2008*	0.00p	0.37p

*To 31 August 2008.

**Source: Lipper Hindsight. Total returns (net income re-invested).

TOP 10 HOLDINGS (%)

	31 Aug 2008	29 Feb 2008
Nintendo	3.72	3.28
East Japan Railway	3.60	1.69
Japan Tobacco	3.34	2.54
Hitachi	3.17	-
Sumitomo Mitsui Financial	3.16	2.84
NTT DoCoMo	2.64	2.83
Bridgestone	2.36	2.84
Marubeni	2.30	-
Secom	2.25	2.19
Furukawa Electric	2.17	-
Number of holdings 67		

SECTOR ALLOCATION (%)

	31 Aug 2008	29 Feb 2008
Industrials	26.18	21.66
Consumer goods	23.33	23.57
Financials	17.88	16.95
Basic materials	6.96	9.77
Consumer services	6.38	7.56
Telecommunications	4.54	5.63
Health care	3.94	4.13
Technology	3.46	6.80
Oil & gas	3.19	1.43
Utilities	2.98	1.28
Cash and net other assets	1.16	1.22
Number of sectors 10		

PERFORMANCE (%) **

The table shows the change in the price of the fund's shares, excluding the initial charge, on a calendar year basis over the last five years.

Price change		
31 December 2003	'A'	20.83
31 December 2004	'A'	2.56
31 December 2005	'A'	43.46
31 December 2006	'A'	(12.19)
31 December 2007	'A'	(13.10)
31 August 2008	'A'	(4.37)
31 December 2003	'B'	21.74
31 December 2004	'B'	3.29
31 December 2005	'B'	44.74
31 December 2006	'B'	(11.48)
31 December 2007	'B'	(12.38)
31 August 2008	'B'	(3.93)

Past performance is not a guide to future returns.

NET ASSET VALUE

The table shows the total net asset value of the fund at the end of the last two accounting periods.

NAV per share		
29 February 2008	'A'	108.7p
31 August 2008	'A'	107.0p
29 February 2008	'B'	116.1p
31 August 2008	'B'	114.6p

FUND PROFILE

Launch date	16 January 2006		
Objective	Unconstrained by any benchmark, the fund's aim is to provide capital growth by investment primarily in large and medium-sized Japanese companies.		
Policy	The portfolio will consist primarily of transferable securities but the investment 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.		
Risk profile	This is a single country fund, and therefore has a concentrated portfolio, which limits the room for risk diversification within the fund. The fund may hold some investments in smaller companies, which may be less liquid than larger companies, meaning that their share price may be more volatile. The fund will also be exposed to changes in currency rates. These factors may affect the performance of the fund.		
Benchmark	Unconstrained		
Fund size	£114 million		
Distribution	<i>XD date</i>	<i>Payment date</i>	
	28/29 February, 31 August	30 April, 31 October	
TER	<i>As at 31 August 2008</i>	<i>As at 29 February 2008</i>	
	'A' 1.69%	'A' 1.66%	
	'B' 1.19%	'B' 1.15%	

TER = ratio of total operating costs to average net assets

TOP 10 HOLDINGS (%)

	31 Aug 2008	29 Feb 2008
Hitachi Metals	4.97	-
Sumitomo Chemical	4.66	3.98
Bridgestone	4.49	4.74
Furukawa Electric	4.39	-
Aisin Seiki	4.14	-
Sumitomo Electric	4.05	-
Mitsubishi Estate	3.99	-
Mizuho Financial	3.97	-
Orix	3.95	-
Kawasaki Kisen Kaisha	3.94	4.25
Number of holdings	39	

SECTOR ALLOCATION (%)

	31 Aug 2008	29 Feb 2008
Industrials	26.26	27.29
Financials	20.28	6.68
Basic materials	18.48	12.81
Consumer goods	15.29	23.59
Consumer services	8.43	9.80
Oil & gas	5.56	1.35
Technology	4.97	-
Health care	-	2.95
Cash and net other assets	0.73	15.53
Number of sectors	7	

INVESTMENT MANAGERS' REVIEW John-Paul Temperley and Keith Donaldson

Japanese shares performed relatively well over the six months and closed the period higher by 0.1% in sterling terms. Much of the gains were down to strength in the yen against a weak pound. With a fall of 3.0%, our fund finished in the top quartile of its peer group.

The market was rotational. Economically sensitive areas outperformed defensive sectors in the first part of the year, as commodity-linked companies, steelmakers and technology stocks outperformed tobacco and heavy users of commodities.

However, economic activity slowed, both in Japan and in the end-markets for the products produced by its exporters. This saw investors switch out of cyclical sectors and into defensive parts of the market such as food producers, utilities and telecoms.

Recent share price falls have highlighted value in the Japanese market. In a recent review of equity valuations in Japan, our analysis suggests that the market currently believes that things are worse for these companies than they were at the depths of the depression of the late nineties. That view is, in our opinion, far too pessimistic.

PRICE

The table below shows the highest and lowest prices on a calendar year basis in pence per share since launch on 16 January 2006.

Year	Highest price		Lowest price	
	Class 'A'	Class 'B'	Class 'A'	Class 'B'
2006‡	108.2p	108.3p	83.71p	83.91p
2007	91.04p	91.55p	76.34p	77.06p
2008*	85.43p	86.47p	71.18p	71.96p

‡From 16 January 2006 to 31 December 2006. *To 31 August 2008.

INCOME

The table below shows, on an calendar year basis, the net income per share distributed since launch on 16 January 2006.

Year	Net income per share	
	Class 'A'	Class 'B'
2006‡	0.00p	0.00p
2007	0.00p	0.00p
2008*	0.00p	0.06p

‡From 16 January 2006 to 31 December 2006. *To 31 August 2008.

PERFORMANCE (%) **

The table shows the change in the price of the fund's shares, excluding the initial charge, on a calendar year basis since launch.

Price change		
31 December 2006	'A'‡	(13.85)
31 December 2007	'A'	(7.64)
31 August 2008	'A'	1.09
31 December 2006	'B'‡	(13.44)
31 December 2007	'B'	(7.15)
31 August 2008	'B'	1.42

Past performance is not a guide to future returns.

NET ASSET VALUE

The table shows the total net asset value of the fund at the end of the last two accounting periods.

NAV per share		
29 February 2008	'A'	78.62p
31 August 2008	'A'	80.26p
29 February 2008	'B'	79.49p
31 August 2008	'B'	81.34p

**Source: Lipper Hindsight. Total returns (net income re-invested). ‡16 January 2006 to 31 December 2006.

FUND PROFILE

Launch date	15 June 2002		
Objective	To produce capital growth by investment in the United States of America and Canada.		
Policy	The portfolio will consist primarily of transferable securities but the investment 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.		
Risk profile	This fund invests predominantly in a single country, and therefore has a concentrated portfolio, which limits the room for risk diversification within the fund. The fund may hold some investments in smaller companies, which may be less liquid than larger companies, meaning that their share price may be more volatile. The fund will also be exposed to changes in currency rates. These factors may affect the performance of the fund.		
Benchmark	MSCI North America index		
Fund size	£493 million		
Distribution	<i>XD date</i> 28/29 February	<i>Payment date</i> 30 April	
TER	<i>As at 31 August 2008</i>		<i>As at 29 February 2008</i>
	'A'	1.63%	'A'
	'B'	0.90%	'B'
	TER = ratio of total operating costs to average net assets		

INVESTMENT MANAGERS' REVIEW
Tom Walker and David Forsyth

The North American stockmarket performed well over the six months, though much of the 6.5% gain was down to a sharp rise in the dollar late in the period. With a return of 0.7%, the fund finished in the second quartile of its peer group, but remains a top-quartile performer over periods of one, three, five and ten years.

In the spring, the market rallied on the belief that the worst of the credit crisis was over. However, that confidence petered out, with uncertainty taking its place. Investment bank Bear Stearns was the first casualty, and was bailed out by the government and rival JP Morgan, while concerns grew about mortgage companies Fannie Mae and Freddie Mac.

The key drivers of the fund's returns were the relative performance of the energy and financial sectors. We preferred energy to financials throughout the period. This helped performance until July, when commodity prices went into reverse, taking share prices with them.

We see no reason to change our belief that the US should lead the rest of the world out of the current slowdown into 2009. Meanwhile, our long-term conviction to overweight resources and underweight financials has served us well and we are holding on to these positions.

PRICE

The table below shows the highest and lowest prices on a calendar year basis in pence per share over the last five years.

Year	Highest price		Lowest price	
	Class 'A'	Class 'B'	Class 'A'	Class 'B'
2003	112.9p	114.0p	85.85p	86.33p
2004	112.2p	113.7p	99.60p	101.2p
2005	138.5p	142.2p	106.5p	108.8p
2006	146.1p	150.3p	126.7p	130.5p
2007	159.7p	166.4p	136.4p	141.2p
2008*	165.7p	173.3p	136.7p	142.5p

*To 31 August 2008.

INCOME

The table below shows, on an calendar year basis, the net income per share distributed over the last five years.

Year	Net income per share	
	Class 'A'	Class 'B'
2003	0.00p	0.24p
2004	0.00p	0.25p
2005	0.00p	0.16p
2006	0.00p	0.32p
2007	0.00p	0.43p
2008*	0.00p	0.39p

*To 31 August 2008.

**Source: Lipper Hindsight. Total returns (net income re-invested).

TOP 10 HOLDINGS (%)

	31 Aug 2008	29 Feb 2008
IBM	4.05	3.48
Wal-Mart Stores	3.98	-
Cisco Systems	3.37	3.13
Google 'A'	3.29	-
Apple	3.19	2.21
CVS	3.14	3.22
Lockheed Martin	3.13	-
Potash Corporation of Saskatchewan	2.89	3.34
McDonald's	2.84	-
Hewlett Packard	2.81	2.67
Number of holdings 40		

SECTOR ALLOCATION (%)

	31 Aug 2008	29 Feb 2008
Technology	23.44	21.52
Oil & gas	13.82	15.42
Industrials	12.98	8.99
Consumer services	11.52	9.22
Financials	10.80	11.47
Utilities	7.94	4.87
Basic materials	4.91	8.49
Telecommunications	4.86	6.95
Health care	4.48	6.38
Consumer goods	4.13	5.27
Cash and net other assets	1.12	1.42
Number of sectors 10		

PERFORMANCE (%) **

The table shows the change in the price of the fund's shares, excluding the initial charge, on a calendar year basis over the last five years.

		Price change
31 December 2003	'A'	19.89
31 December 2004	'A'	(0.27)
31 December 2005	'A'	26.26
31 December 2006	'A'	-
31 December 2007	'A'	13.84
31 August 2008	'A'	1.85
31 December 2003	'B'	20.70
31 December 2004	'B'	0.45
31 December 2005	'B'	27.31
31 December 2006	'B'	0.78
31 December 2007	'B'	14.64
31 August 2008	'B'	2.32

Past performance is not a guide to future returns.

NET ASSET VALUE

The table shows the total net asset value of the fund at the end of the last two accounting periods.

		NAV per share
29 February 2008	'A'	150.8p
31 August 2008	'A'	159.9p
29 February 2008	'B'	157.4p
31 August 2008	'B'	167.4p

FUND PROFILE

Launch date	19 November 2007		
Objective	To provide capital growth by investing through a concentrated portfolio in the United States of America and Canada.		
Policy	The portfolio will consist primarily of transferable securities but the investment 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.		
Risk profile	This fund invests predominantly in a single country, and therefore has a concentrated portfolio, which limits the room for risk diversification within the fund. The fund may hold some investments in smaller companies, which may be less liquid than larger companies, meaning that their share price may be more volatile. The fund will also be exposed to changes in currency rates. These factors may affect the performance of the fund.		
Benchmark	Unconstrained		
Fund size	£142 million		
Distribution	<i>XD date</i>	<i>Payment date</i>	
	28/29 February	30 April	
TER	<i>As at 31 August 2008</i>	<i>As at 29 February 2008</i>	
	'A' 1.61%	'A'	1.88%
	'B' 0.90%	'B'	1.31%
TER = ratio of total operating costs to average net assets			

TOP 10 HOLDINGS (%)

	31 Aug 2008	29 Feb 2008
Potash Corporation of Saskatchewan	6.14	5.33
Cisco Systems	5.19	3.38
IBM	4.64	4.10
McDonald's	4.52	-
Weatherford International	4.36	3.86
El Paso	4.34	4.13
Wellpoint Health Network	4.29	3.32
FirstEnergy	4.23	-
NII Holdings	4.11	2.99
Teck Cominco 'B'	4.10	-
Number of holdings 25		

SECTOR ALLOCATION (%)

	31 Aug 2008	29 Feb 2008
Technology	28.18	22.05
Oil & gas	15.85	16.36
Basic materials	10.24	14.64
Consumer services	8.25	3.94
Utilities	8.01	7.07
Telecommunications	7.75	6.69
Industrials	7.18	7.92
Financials	7.01	7.70
Health care	4.29	6.32
Consumer goods	2.50	3.91
Cash and net other assets	0.74	3.40
Number of sectors 10		

INVESTMENT MANAGERS' REVIEW

Tom Walker and David Forsyth

The North American stockmarket performed well over the six months, though much of the 6.5% gain was down to a sharp rise in the dollar late in the period. With a return of 1.9%, the fund finished the period in the top quartile of its peer group, and is a top-quartile performer since its inception in November 2007.

In the spring, the market rallied on the belief that the worst of the credit crisis was over. However, that confidence petered out, with uncertainty taking its place. Investment bank Bear Stearns was the first casualty, and was bailed out by the government and rival JP Morgan, while concerns grew about mortgage companies Fannie Mae and Freddie Mac.

The key drivers of the fund's returns were the relative performance of the energy and financial sectors. We preferred energy to financials throughout the period. This helped performance until July, when commodity prices went into reverse, taking share prices with them.

We see no reason to change our belief that the US should lead the rest of the world out of the current slowdown into 2009. Meanwhile, our long-term conviction to overweight resources and underweight financials has served us well and we are holding on to these positions.

PRICE

The table below shows the highest and lowest prices on a calendar year basis in pence per share since launch on 19 November 2007.

Year	Highest price		Lowest price	
	Class 'A'	Class 'B'	Class 'A'	Class 'B'
2007‡	109.0p	109.1p	95.32p	96.53p
2008*	118.0p	118.6p	92.04p	92.16p

‡From 19 November 2007 to 31 December 2007. *To 31 August 2008.

INCOME

The table below shows, on an calendar year basis, the net income per share distributed since launch on 19 November 2007.

Year	Net income per share	
	Class 'A'	Class 'B'
2007‡	0.00p	0.00p
2008*	0.00p	0.00p

‡From 19 November 2007 to 31 December 2007. *To 31 August 2008.

PERFORMANCE (%) **

The table shows the change in the price of the fund's shares, excluding the initial charge, on a calendar year basis since launch.

Price change		
31 December 2007	'A'‡	2.13
31 August 2008	'A'	(1.38)
31 December 2007	'B'‡	2.22
31 August 2008	'B'	(0.85)

Past performance is not a guide to future returns.

NET ASSET VALUE

The table shows the total net asset value of the fund at the end of the last two accounting periods.

NAV per share		
29 February 2008	'A'	103.9p
31 August 2008	'A'	111.5p
29 February 2008	'B'	104.1p
31 August 2008	'B'	112.2p

**Source: Lipper Hindsight. Total returns (net income re-invested). ‡19 November 2007 to 31 December 2007.

MARTIN CURRIE IF - UK EQUITY INCOME FUND

FUND PROFILE

Launch date	15 June 2002		
Objective	To provide an income level above that of the UK stockmarket (as measured by the FTSE All-Share index) and capital growth over the longer term by investment primarily in UK equities.		
Policy	The investment manager envisages that although investment will be primarily in UK equities, the portfolio may be invested in any stockmarket using such investments as appear appropriate at the time to the investment manager. The portfolio will consist primarily of transferable securities although the investment 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.		
Risk profile	This fund invests predominantly in a single country, and therefore has a concentrated portfolio, which limits the room for risk diversification within the fund. The fund may hold some investments in smaller companies, which may be less liquid than larger companies, meaning that their share price may be more volatile. The fund may also be exposed to changes in currency rates. Some charges are deducted from the capital of the fund, which will affect its growth. These factors may affect the performance of the fund.		
Benchmark	FTSE All-Share index		
Fund size	£93 million		
Distribution	<i>XD date</i> 28/29 February, 31 August	<i>Payment date</i> 30 April, 31 October	
TER	<i>As at 31 August 2008</i>		
Income	'A' 1.68%	'A' 1.66%	
	'B' 0.94%	'B' 0.90%	
Accumulation	'A' 1.68%	'A' 1.69%	
	'B' 0.94%	'B' 0.91%	
TER = ratio of total operating costs to average net assets			

INVESTMENT MANAGER'S REVIEW

Scott McKenzie

The UK market was dominated by two of its largest sectors: financials and energy. Energy shares boosted the market on the back of record oil prices at \$147 a barrel. As crude prices fell rapidly in July and August, this trend then went into reverse. Mining stocks pursued a similar path over the six-month period.

Meanwhile, the financial sector continued to suffer as the credit crunch drained banks' capital reserves. This was felt by consumers, many of whom were unable to secure mortgages at favourable rates, so the effects fed through to consumer confidence and retail sales. The EC predicted that the UK would fall into recession by the end of 2008.

With our value-based strategy out of favour, the fund fell by 11.8% over the six months. For much of the period, we were underweight in the important energy sector, which cost us performance as energy prices soared. However, our position was positive in July and August, when energy prices retreated. Our underweight position in banks was helpful at a sector level, but our individual bank holdings suffered in line with financials elsewhere.

We felt that the sell-off in commodity-related shares had gone far enough and bought mining company Xstrata and oil services company Petrofac. We remain underweight in the struggling banking sector, but this is offset by an overweight position in life insurers, notably Aviva.

PRICE

The table below shows the highest and lowest prices on a calendar year basis in pence per share over the last five years.

Year	Highest price				Lowest price			
	Class 'A' Inc	Class 'A' Acc+	Class 'B' Inc	Class 'B' Acc+	Class 'A' Inc	Class 'A' Acc+	Class 'B' Inc	Class 'B' Acc+
2003	88.46p	n/a	89.49p	n/a	68.36p	n/a	68.74p	n/a
2004	97.32p	n/a	99.19p	n/a	85.87p	n/a	87.23p	n/a
2005	113.5p	n/a	116.7p	n/a	96.11p	n/a	98.19p	n/a
2006	133.0p	118.6p	137.6p	119.2p	113.8p	98.87p	117.0p	98.87p
2007	141.4p	127.3p	146.7p	128.5p	115.8p	106.8p	120.6p	108.2p
2008*	121.0p	111.6p	126.1p	113.1p	91.34p	85.64p	95.60p	87.17p

*To 31 August 2008. †Accumulation shares launched 6 January 2006.

INCOME

The table below shows, on an calendar year basis, the net income per share distributed over the last five years.

Year	Net income per share			
	Class 'A' Inc	Class 'A' Acc+	Class 'B' Inc	Class 'B' Acc+
2003	3.04p	n/a	3.06p	n/a
2004	3.15p	n/a	3.20p	n/a
2005	3.31p	n/a	3.40p	n/a
2006	3.72p	3.15p	3.85p	3.09p
2007	4.45p	4.05p	4.69p	4.05p
2008*	1.82p	1.66p	1.91p	1.71p

*To 31 August 2008. †Accumulation shares launched 6 January 2006.

TOP 10 HOLDINGS (%)

	31 Aug 2008	29 Feb 2008
BP	5.90	5.31
Royal Dutch Shell 'B'	4.79	4.01
Royal Bank of Scotland	4.73	4.52
BHP Billiton	4.56	5.06
HSBC	4.42	4.15
GlaxoSmithKline	4.14	4.90
Aviva	3.83	4.00
Vodafone	3.79	3.56
BT	3.44	3.72
AstraZeneca	3.37	2.11
Number of holdings 47		

SECTOR ALLOCATION (%)

	31 Aug 2008	29 Feb 2008
Financials	27.53	30.12
Industrials	13.03	12.21
Oil & gas	11.47	9.32
Basic materials	10.13	9.78
Consumer goods	8.33	7.51
Health care	7.51	7.01
Consumer services	7.50	7.91
Telecommunications	7.23	7.28
Utilities	5.30	4.74
Technology	-	1.15
Cash and net other assets	1.97	2.97
Number of sectors 9		

PERFORMANCE (%) **

The table shows the change in the price of the fund's shares, excluding the initial charge, on a calendar year basis over the last five years.

		Price change
31 December 2003	'A'	17.84
31 December 2004	'A'	13.69
31 December 2005	'A'	19.79
31 December 2006	'A Inc'	20.42
31 December 2006	'A Acc'+	18.60
31 December 2007	'A Inc'	(6.74)
31 December 2007	'A Acc'	(6.66)
31 August 2008	'A Inc'	(13.15)
31 August 2008	'A Acc'	(13.28)
31 December 2003	'B'	18.70
31 December 2004	'B'	14.55
31 December 2005	'B'	20.75
31 December 2006	'B Inc'	21.28
31 December 2006	'B Acc'+	19.20
31 December 2007	'B Inc'	(5.98)
31 December 2007	'B Acc'	(5.87)
31 August 2008	'B Inc'	(12.70)
31 August 2008	'B Acc'	(12.83)

Past performance is not a guide to future returns.

NET ASSET VALUE

The table shows the total net asset value of the fund at the end of the last two accounting periods.

		NAV per share
29 February 2008	'A' Inc	110.0p
29 February 2008	'A' Acc	103.1p
31 August 2008	'A' Inc	99.01p
31 August 2008	'A' Acc	95.93p
29 February 2008	'B' Inc	114.8p
29 February 2008	'B' Acc	104.6p
31 August 2008	'B' Inc	103.7p
31 August 2008	'B' Acc	97.73p

**Source: Lipper Hindsight. Total returns (net income re-invested). †6 January 2006 to 31 December 2006.

FUND PROFILE

Launch date	15 June 2002		
Objective	To produce capital growth by investment in the United Kingdom.		
Policy	The portfolio will consist primarily of transferable securities. The investment 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.		
Risk profile	This is a single country fund, and therefore has a concentrated portfolio, which limits the room for risk diversification within the fund. The fund may hold some investments in smaller companies, which may be less liquid than larger companies, meaning that their share price may be more volatile. These factors may affect the performance of the fund.		
Benchmark	FTSE All-Share index		
Fund size	£91 million		
Distribution	<i>XD date</i> 28/29 February	<i>Payment date</i> 30 April	
TER	<i>As at 31 August 2008</i> 'A' 1.67% 'B' 0.92%	<i>As at 29 February 2008</i> 'A' 1.66% 'B' 0.89%	
TER = ratio of total operating costs to average net assets			

INVESTMENT MANAGERS' REVIEW
Jeff Saunders and John Monnelly

The UK market was dominated by two of its largest sectors: financials and energy. Energy shares boosted the market on the back of record oil prices at \$147 a barrel. As crude prices fell rapidly in July and August, this trend then went into reverse. Mining stocks pursued a similar path over the six-month period.

Meanwhile, the financial sector continued to suffer as the credit crunch drained banks' capital reserves. This was felt by consumers, many of whom were unable to secure mortgages at favourable rates, so the effects fed through to consumer confidence and retail sales. The EC predicted that the UK would fall into recession by the end of 2008.

The index fell by 2.3% over the six months under review. With a return of -5.4%, our fund finished in the second quartile of its peer group. Our underweight position in financials and overweight in energy stocks was a major positive in the first part of the period, although a reversal in commodity prices was unhelpful later on.

We believe that fundamentals will reassert themselves, and that this will be positive for oil and gas stocks. We are also overweight in tobacco and pharmaceuticals stocks due to their defensive characteristics. The fund remains underweight in banks, with a preference for life assurers and general insurers.

PRICE

The table below shows the highest and lowest prices on a calendar year basis in pence per share over the last five years.

Year	Highest price		Lowest price	
	Class 'A'	Class 'B'	Class 'A'	Class 'B'
2003	142.8p	144.5p	101.9p	102.5p
2004	162.3p	165.3p	143.5p	145.1p
2005	170.6p	174.1p	160.5p	163.6p
2006	225.2p	231.8p	195.6p	200.9p
2007	227.4p	236.2p	194.3p	201.9p
2008*	208.8p	218.4p	173.9p	182.1p

*To 31 August 2008.

INCOME

The table below shows, on an calendar year basis, the net income per share distributed over the last five years.

Year	Net income per share	
	Class 'A'	Class 'B'
2003	0.98p	1.64p
2004	1.79p	2.80p
2005	1.78p	2.98p
2006	2.64p	4.06p
2007	2.93p	4.67p
2008*	3.90p	5.75p

*To 31 August 2008.

**Source: Lipper Hindsight. Total returns (net income re-invested).

TOP 10 HOLDINGS (%)

	31 Aug 2008	29 Feb 2008
Royal Dutch Shell 'B'	9.03	9.66
AstraZeneca	8.80	6.09
BP	8.65	9.06
BAE Systems	5.06	4.82
BG	4.59	4.46
GlaxoSmithKline	4.50	3.83
Xstrata	3.74	4.73
BHP Billiton	3.38	4.86
British American Tobacco	3.16	-
BT	3.13	4.07

Number of holdings 35

SECTOR ALLOCATION (%)

	31 Aug 2008	29 Feb 2008
Oil & gas	26.28	25.06
Health care	16.41	11.97
Financials	15.13	19.59
Industrials	11.64	9.96
Basic materials	9.53	17.04
Consumer goods	6.21	2.12
Consumer services	5.37	2.81
Telecommunications	3.13	4.07
Utilities	2.24	4.43
Technology	0.91	-
Cash and net other assets	3.15	2.95

Number of sectors 10

PERFORMANCE (%) **

The table shows the change in the price of the fund's shares, excluding the initial charge, on a calendar year basis over the last five years.

Price change		
31 December 2003	'A'	21.22
31 December 2004	'A'	13.03
31 December 2005	'A'	19.33
31 December 2006	'A'	14.38
31 December 2007	'A'	(6.63)
31 August 2008	'A'	(7.19)
31 December 2003	'B'	22.25
31 December 2004	'B'	13.84
31 December 2005	'B'	20.24
31 December 2006	'B'	15.27
31 December 2007	'B'	(5.92)
31 August 2008	'B'	(6.76)

Past performance is not a guide to future returns.

NET ASSET VALUE

The table shows the total net asset value of the fund at the end of the last two accounting periods.

NAV per share		
29 February 2008	'A'	191.5p
31 August 2008	'A'	190.7p
29 February 2008	'B'	199.8p
31 August 2008	'B'	199.9p

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