



The McHattie Warrants Alert Fund

**Manager's unaudited interim report
as at 31st March 2001**

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Fund Profile and Investment Objective of the Scheme

Investment Objective

The McHattie Warrants Alert Fund is an authorised UK unit trust. Its objective is to achieve capital growth in the medium to long-term through an internationally diversified portfolio of investment trust warrants, company warrants, covered warrants, and offshore closed end fund warrants, together with investment trust capital shares. The scheme may also invest in the equities of listed companies as and when it is considered to be in the best interests of the Fund. It is anticipated that there may be periods of significant turnover of investments within the Fund. There are no specific restrictions on the investments of the Fund (as to economic sectors or geographical areas) except as provided in the Regulations.

Authorised Status

The McHattie Warrants Alert Fund is an Authorised Unit Trust Scheme established on 24th August 1999 and launched on 22nd October 1999. The Fund is a 'warrants fund' authorised under Section 78 of the Financial Services Act 1986. The currency of the Fund is pounds sterling.

Risk Factors

Unit trusts should be regarded as medium to long term investments and investors should be aware that the value of their units and any income from them can go down as well as up. Warrants may involve a high degree of 'gearing' or 'leverage'. This means that a small movement in the price of the underlying asset may have a disproportionately dramatic effect on the investment, both unfavourable as well as favourable. Moreover, because of the limited life of warrants, they may expire worthless. Changes in rates of exchange may also have an adverse effect on the value or price of an investment in sterling terms.

Net Asset Value/Fund Size

Date	Net Asset Value	Units in Issue	Net Asset Value per Unit
30th September 2000	£3,740,865	3,606,177	103.73p
31st March 2001	£2,508,996	3,865,455	64.91p

Price and Income History

The Fund was launched on 22nd October 1999 at a unit price of 100p. Warrants do not pay dividends, therefore no income is available for distribution at the period end.

Calendar Year	Highest Buying Price	Lowest Selling Price
1999	129.27p	94.28p
2000	130.58p	77.04p
2001 (to 31st March)	97.72p	62.02p

Prices per unit (on last dealing day of period)

Date	Buying	Selling
30th March 2001	70.37p	65.44p

Fund Performance

From 1st October 2000 to 30th March 2001 the buying price of units fell by 37.18%.

Manager's Investment Report

The performance of the McHattie Warrants Alert Fund over the first six months of its current financial year has been disappointing. Against a backdrop of tumbling equity prices, which has forced the Nasdaq Composite Index down 49.9% and the FTSE 100 Index down 12.2% over the same period, we were unable to eradicate the downside pressure from within the Fund, and the result was a sharp fall in the unit buying price to 70.37p – a drop of 37.18% from 30th September 2000. The weakness began prior to the end of the Fund's last financial period, and continued into its current year as fears of an impending downturn in the US economy hit technology stocks. Concerns about the ability of 'new economy' businesses to maintain levels of growth hit hard, with warnings about future profitability from blue-chip businesses such as Intel and Motorola sending shockwaves through the sector.

The high multiples on which many of the technology companies were trading, pricing in a great deal of future growth, meant that as growth forecasts were lowered, the level of falls in stock prices were exaggerated. Concerns about economic recession began to spread to other sectors as dramatic falls in stockmarkets stirred fears of a crack in consumer confidence. This meant that stocks which had been performing a defensive job for portfolios also came under pressure, leaving nowhere to hide in equity markets.

During periods of extreme price fragility it is often difficult to close positions in illiquid sectors such as warrants as market makers become increasingly loathe to deal outside the normal market size. This, to some degree, determined our strategy during this period. Our decision to maintain our holdings has meant we have retained a high level of exposure to investment trust warrants which trade at little or no premium, with moderate levels of gearing. This policy has meant that the downside risk has been protected to some degree. We also limited our exposure to the covered warrants sector, which continues to suffer from unattractive premiums as a result of high levels of volatility. The cash level within the Fund was raised to reflect the weakness in equities across the board.

As in the two previous reports, below we have provided a breakdown of the Fund's constituents by area or sector together with commentary on each. At the end of the six months to 31st March 2001 the average technical figures for the warrants within the Fund, weighted by the size of holding within the portfolio, were gearing of 2.94 times, premium of 15.94% and a capital fulcrum point of 6.26%. The slight change in the technical position of the Fund's portfolio since the year-end reflects the fact that as the underlying investments fall away from the fixed exercise prices, the premium levels, capital fulcrum points, and gearing levels all climb. The portfolio remains technically attractive and we are confident that a rebound in share prices should produce a strong recovery in the value of the Fund.

European Investment Trust Warrants (14.03%)

Our holding in European investment trust warrants has been cut. We decided to sell our holding in Merrill Lynch European warrants, and overall weakness in the sector has seen our two core holdings – TR European Growth and Gartmore European – fall back sharply in value. European smaller companies have been negatively affected by the failure of the European Central Bank (ECB) to cut interest rates to stimulate the majority of the Eurozone. While some countries, such as Ireland and Spain, enjoy strong economic growth, the remainder of the region is hampered while the ECB attempts to rein in the more dynamic economies. We do foresee some loosening in interest rates by the ECB in the near future as pressures of an impending slowdown mount. This should provide particular assistance to the small company sector in Europe.

UK Investment Trust Warrants (13.48%)

The warrants of Fidelity Special Values have been a star performer during a period of intense weakness in the warrants market. The trust's manager, Anthony Bolton, managed to lift the assets of the underlying trust by 10.75% over the six month period to 31st March 2001, while the shares rose by 20%. This produced a 37% return from the warrants. We took the opportunity to add to our holding in the warrants during the period and we regard them as a core holding for the Fund during these difficult times.

Property tends to be a solid investment in times of stockmarket weakness, and TR Property warrants have been true to form. The underlying fund has performed well as property prices have continued to rise, and this has helped propel the warrants higher following our purchases in July 2000. We have taken some profits since then, but still maintain a reasonable holding.

Asia (excluding Japan) Investment Trust Warrants (10.00%)

As concerns grew that a slowdown in the dominant US economy would have a negative impact on the Far East, Asian markets fell. Hong Kong's Hang Seng Index was one of the worst hit, falling by 18.5% over the period. As a low cost production centre for the global economy, Asia is very reliant on economic conditions elsewhere in the world, and particularly in the US. Signs of an improvement in the third quarter in the US could signal a strong rally in Asian equities as their prospects improve. Values of our holdings in this sector have been badly hit, but we did take the opportunity to top-up our holding in Fleming Asian warrants. We should benefit from any recovery in the sector over the coming six months.

US Investment Trust Warrants (8.37%)

It remains difficult to obtain exposure to the US market via the investment trust sector, and even more difficult if you are looking for an investment trust warrant. We continue to maintain our holding in the warrants of Foreign & Colonial US Smaller Companies Trust which has proved to be a solid performer during a period of intense weakness in the US stockmarket. The trust's concentration on value stocks has provided significant downside protection as growth stocks have suffered from earnings downgrades, while the low premium on the warrants has meant that poor sentiment has not had a negative effect on their rating.

Technology Investment Trust Warrants and Capital Shares (8.33%)

As you are no doubt aware, the sell-off in technology shares which began in August last year continued into the current year. The bubble in technology has well and truly burst, leaving the shares of even blue-chip companies within the sector trading at a fraction of their highs. Since its peak in March 2000, the Nasdaq Index has plummeted by 64%, and by almost 50% since 30th September. This decline has been prompted by a sharp slowdown in what has proved to be an unsustainable level of US economic growth. Many technology companies have experienced an acute decline in order levels as customers cancelled double orders made when demand for components and software outstripped supply. This left a glut of inventory at many of the component manufacturers as product manufacturers were forced to rein in their own production. We are confident that once inventories throughout the sector are back to normal operating levels, the technology sector should rebound. We have taken the opportunity in these weakening markets to average down our holding in Polar Capital Technology (formerly Henderson Technology) which has fallen back dramatically during the period, and to reintroduce Herald warrants to the portfolio. This has lifted our overall exposure to this sector from the previous period end.

The free-fall in internet stocks has had an unfortunate effect on the capital shares of the Framlington NetNet Inc Growth split-capital trust, in which we have a small holding. The trust has lost the majority of its value as its holdings collapsed, forcing the fund to repay its debt to prevent its banking covenants from being broken. This leaves the Fund with a small amount of assets remaining, and shares which offer little remaining value. We will continue to hold the shares in the hope that some form of corporate activity, or a sharp rebound in the value of internet stocks, will enable us to exit at a more attractive level.

Latin American Investment Trust Warrants (8.16%)

Our weighting in Latin America has dipped since the year end as Scudder Latin America Investment Trust succumbed to pressures from agitators to wind-up the trust and offer share and warrant holders a cash exit. The sector has held up reasonably well during this period, despite political and economic turmoil in Argentina. Concerns remain that a slowing US economy could impact on the region, but the long-term prospects for growth within the region remain excellent and we are happy to maintain a significant weighting to the sector through the warrants of funds such as F&C Latin American Investment Trust and Deutsche Latin American Trust.

Emerging Markets Investment Trust Warrants (7.66%)

The relative performance of Templeton Emerging Markets has improved since the year end, although the shares and warrants are trading lower. Its exposure to value stocks appears to have acted as a supportive measure while other funds in the sector dropped back under US inspired weakness. We still believe emerging markets offer excellent long-term value.

Japanese Investment Trust Warrants (5.47%)

The woes in the Japanese market have been compounded by setbacks in the US. The prospect of a softening US economy could prove destructive for Japan which has remained stagnant for many years. The Japanese stockmarket took fright as US equities fell back, with the Nikkei 225 Index at levels last seen in the early 1980s. It is difficult to tell whether the most recent rescue package will provide the stimulus required to jump start the Japanese economy, but it is another step towards the cultural change which is required to make the economy work. The continued weakness in the Japanese stockmarket hit the warrants of Japanese investment trusts hard and despite taking all the opportunities we could to reduce our exposure with selected disposals, we were unable to avoid the fall-out. A mixture of sales, including the disposal of our entire holding in Fidelity Japanese Values, and falling values of the holdings within our portfolio has reduced our weighting in the market significantly over the past six months. Recent signals suggest the stockmarket may be due a rally, but we await hard evidence of a breakout from the downtrend before committing additional capital to the sector.

Covered Warrants (4.80%)

Our exposure to the covered warrants sector remained low in comparison with our overall target due to the unattractive levels of premium demanded by issuers. This is because volatility levels within the stockmarket remain much higher than the historic average. During the period we added to our holdings of Telefonica and Vodafone with a purchase of covered warrants on the Dutch semiconductor manufacturer Philips and a more defensive selection of French building company Lafarge.

The high volatility in markets has also meant that 'put' covered warrants have appeared unattractive. With hindsight, our ability to use put warrants could have helped the overall

performance of the Fund, but we had underestimated the downside risk in the markets and, therefore did not take advantage of what is only a limited facility to protect against weakness in the markets.

Venture Capital Investment Trust Warrants (4.69%)

Pantheon International Participations has been a top performing fund for some time, and the impending expiry of the warrants is a cause for disappointment. During an extremely difficult time in the IPO market, its wide diversification in other venture capital funds and its ability to separate cash from the assets of the fund has meant that its net asset value has performed very well. Our initial purchase of these warrants in November 1999 has appreciated by 241.54%, and subsequent purchases have also performed well. This holding will be reduced as the final expiry date approaches, although we would not be averse to maintaining a small holding in the shares for the medium-term via the final exercise option.

Special Situations (4.13%)

At the last period end, on 30th September 2000, we had a holding in the shares of leisure company Luminar following a successful takeover of pub and club operator Northern Leisure. At the time we intended to hold on to the shares, which had already provided the Fund with a 34% gain, until the price reflected their true value. During the first half of this year we saw a rapid appreciation in the price of Luminar's shares and decided to exit with a total gain of 82% on our original investment in Northern Leisure warrants.

As the technology sector turned sour, the valuations of so-call 'internet incubator' funds tumbled. Fortunately we were able to dispose of the 80,000 NewMedia SPARK warrants we held following the takeover of Softtechnet.com last year, at a substantially higher level than they languish at now. We continue to hold the remaining 270,000 NewMedia SPARK shares which have fallen back sharply in line with the technology sector. We, however, believe the current valuation does not accurately reflect the level of cash within the fund, disregarding the value of the investments it holds as well. NewMedia SPARK is regarded as among the best of these funds and we are confident that once sentiment turns positive on the sector once again we will be in a position to exit these shares at a level significantly higher than their current price.

UK Equity Warrants (2.60%)

Our holding in Sanctuary Group warrants is our largest holding in UK equity warrants following the disposal of our stake in NewMedia Spark warrants. During the first six months of the current financial year we made two additional purchases of Sanctuary Group warrants as they became increasingly technically attractive, and as the company's prospects continued to improve.

Cash (8.28%)

The general weakness in stockmarkets across the globe has meant that we have increased the level of cash within the Fund as a defensive measure. We now expect to take advantage of the setback in equities to reinvest the cash within our current strategy of investing in low premium, moderately geared warrants. Recent evidence would suggest that the markets may now have found a bottom, and that while volatility is expected to remain high in the short-term as a base is established, we feel the markets could be due a strong rally. Should this be the case, we would expect the Fund to perform well.

Total Return and Movements in Unitholders' Funds For the Half Year Ended 31st March 2001

	31st March 2001 £	31st March 2000 £
Total Return		
Net (losses)/gains on investments (note 2)	(1,456,058)	224,107
Gross income (note 3)	6,740	22,094
Expenses (note 4)	<u>(31,197)</u>	<u>(29,180)</u>
Net deficit	<u>(24,457)</u>	<u>(7,086)</u>
Total return for the half year	(1,480,515)	217,021
Distributions	<u>-</u>	<u>-</u>
Net (decrease)/increase in unitholders' funds from investment activities	<u>(1,480,515)</u>	<u>217,021</u>
Movements in Unitholders' Funds		
Net assets at the start of the half year	3,740,865	-
Amounts received on creation of units	290,939	3,952,428
Amounts paid on cancellation of units	<u>(41,874)</u>	<u>(355,344)</u>
	249,065	3,597,084
Stamp duty reserve tax (note 1(i))	(419)	-
Net (decrease)/increase in unitholders' funds from investment activities	(1,480,515)	217,021
Net assets at the end of the half year	<u>2,508,996</u>	<u>3,814,105</u>

Portfolio of Investments and Net Current Assets As at 31st March 2001

Holding	Portfolio of Investments	Value £	Total net Assets	
			31.03.01 %	31.03.00 %
	Equity Warrants			
150,000	Sanctuary Group	61,500	2.45	
50,000	Xenova Group	3,750	0.15	
		<u>65,250</u>	<u>2.60</u>	5.90
	Investment Trust Warrants and Capital Shares			
352,500	Aberdeen Asian Smaller Companies	114,562	4.57	
20,000	Aberforth Smaller Companies	40,900	1.63	
165,000	Baillie Gifford Shin Nippon 2005	55,275	2.20	
140,000	Baring Emerging Europe	76,318	3.04	
175,000	Deutsche Latin American	29,750	1.19	
25,000	Discovery	17,500	0.70	
28,000	Eaglet	86,100	3.43	
60,000	Edinburgh Small Companies	46,800	1.87	
281,000	F & C Latin American	174,923	6.97	
20,000	Fidelity Special Values	31,900	1.27	
525,000	Fleming Asian	87,937	3.50	
200,000	Foreign & Colonial US Smaller Companies	210,000	8.37	
200,000	Framlington NetNet Inc Growth (Capital Shares)	1,000	0.04	
99,000	Gartmore European 2000/04	156,420	6.23	
50,000	Gartmore Irish Growth Fund	62,500	2.49	
22,700	Herald	61,630	2.46	
470,000	Invesco Tokyo	36,425	1.45	
200,000	Jupiter Global Green	51,000	2.03	
49,000	Leggmason Investors Enterprise	42,630	1.70	
250,000	Murray Japan Growth & Income	15,625	0.62	
35,000	Pantheon International Participations	117,775	4.69	
225,000	Perpetual Income & Growth	78,750	3.14	
81,200	Polar Capital Technology	103,530	4.13	
450,000	Schroder AsiaPacific	48,375	1.93	
175,000	Schroder Emerging Countries	16,188	0.65	
175,000	Schroder Japan Growth	30,188	1.20	
675,000	Templeton Emerging Markets	99,563	3.97	
130,500	TR European Growth	133,110	5.31	
305,000	TR Property	36,219	1.44	
		<u>2,062,893</u>	<u>82.22</u>	77.57
	Covered Warrants			
6,300	Commerzbank Lafarge 08/02 100.225 Call	65,850	2.62	
15,690	Commerzbank Philips 04/02 47.69 Call	17,561	0.70	
31,000	Exane Dresdner Telefonica 22/06/01 21.18 Call	16,192	0.65	
157,000	Exane Vodafone 3/02 278.25 Call	20,787	0.83	
		<u>120,390</u>	<u>4.80</u>	12.49
	Ordinary Shares			
270,000	NewMedia SPARK	52,650	2.10	
	Total value of investments	2,301,183	91.72	95.96
	Net current assets	207,813	8.28	4.04
	Total value of the Fund as at 31st March 2001	<u>2,508,996</u>	<u>100.00</u>	100.00

The investments have been valued in accordance with note 1(e) and are warrants to subscribe for ordinary shares unless otherwise stated.

Balance Sheet as at 31st March 2001

	31st March 2001 £	30th September 2000 £
Portfolio of investments	2,301,183	3,657,143
Net current assets		
Debtors (note 5)	-	2,589
Bank balances	<u>215,482</u>	<u>223,475</u>
	215,482	226,064
Less:		
Creditors (note 6)	<u>7,669</u>	<u>142,342</u>
Net current assets	207,813	83,722
Net assets	<u>2,508,996</u>	<u>3,740,865</u>
Unitholders' funds	<u>2,508,996</u>	<u>3,740,865</u>

Portfolio Changes for the Period from 1st October 2000 to 31st March 2001

	Cost £
Purchases (warrants unless otherwise stated)	
Aberforth Smaller Companies	45,724
Commerzbank Lafarge 08/02 100.225 Call	90,000
Commerzbank Philips 04/02 47.69 Call	100,000
Eaglet	95,221
Fidelity Special Values	14,003
Fleming Asian	25,427
Gartmore Irish Growth	61,428
Herald	86,327
Jupiter Global Green	48,116
Leggmason Investors Enterprise	52,880
Pantheon International Participations	10,132
Polar Capital Technology	89,008
Sanctuary Group	22,172
TR European Growth	47,296
Xenova Group	19,643
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Total purchases for the period	807,377
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Sales	£
Aberforth Smaller Companies	88,366
Baillie Gifford Shin Nippon 2005	13,966
Fidelity Japanese Values	45,356
Hill Samuel UK Emerging Companies	37,827
Invesco Tokyo	35,012
Investors Capital	38,916
Luminar (ordinary shares)	111,977
Mercury European	91,739
NewMedia SPARK	10,369
Pantheon International Participations	67,732
Perpetual Income & Growth	10,344
Scudder Latin America	129,294
TR European Growth	12,344
TR Property	14,689
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Total sales for the period	707,931
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Notes to the Financial Statements as at 31st March 2001

1. Accounting Policies

a) Basis of accounting

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments and in accordance with the Statement of Recommended Practice (SORP) for Authorised Unit Trust Schemes issued by the Investment Management Regulatory Organisation Limited (IMRO) in January 1997.

b) Recognition of Income

The Fund invests in warrants and capital shares which do not pay dividends. Bank and other interest receivable is accrued up to the accounting date.

c) Treatment of management expenses

The Manager's periodic charge is deducted from the Income of the Fund.

d) Distribution policy

The Fund invests in warrants and capital shares which do not pay dividends, and it is therefore unlikely that a surplus of income will arise. In the event of there being a surplus of income this will be allocated in accordance with the Regulations.

e) Basis of valuation of investments

The investments of the Fund have been valued at the closing mid-market prices ruling on the principal markets on which the stocks are quoted on the last business day of the accounting period.

f) Exchange rates

Transactions in foreign currencies are recorded in sterling at the rate ruling at the date of the transactions. Assets and liabilities expressed in foreign currencies at the end of the accounting period are translated into sterling at the closing middle exchange rates ruling on that date.

g) Taxation/deferred tax

(i) Corporation Tax is provided for at 20% on income, other than UK dividends, after deduction of expenses.

(ii) Deferred tax is accounted for and provided in full on all timing differences.

h) Stamp duty reserve tax

Stamp duty reserve tax (SDRT) suffered on surrender of units has been charged against the capital assets of the Fund.

i) Financial instruments

The Fund's financial instruments comprise securities and other investments, cash balances and debtors and creditors that arise directly from its operations, for example in respect of sales and purchases awaiting settlement, amounts receivable for creations and payable for liquidations, and debtors for accrued income.

The Fund has little exposure to credit or cash flow risk. There are no net borrowings or unlisted securities and so little exposure to liquidity risk. The main risks it faces arising from its financial instruments are (i) foreign currency risk, being the risk that the value of investments will fluctuate as a result of exchange rate movements; (ii) interest rate risk, being the risk that the value of investments will fluctuate as a result of interest rate changes; (iii) market price risk, being the risk that the value of investment holdings will fluctuate as a result of changes in market prices caused by factors other than currency or interest rate movement; and (iv) counterparty risk, being the risk that the counterparty will not deliver the investments for a purchase, or the cash for a sale after the Fund has fulfilled its responsibilities.

2. Net (Losses)/Gains on Investments

	31st March 2001 £	31st March 2000 £
Proceeds from sales of investments	707,931	305,160
Original cost of investments sold	<u>(790,266)</u>	<u>(201,562)</u>
(Losses)/gains realised on investments sold	(82,335)	103,598
Net appreciation thereon already recognised in prior periods	<u>(7,243)</u>	<u>-</u>
	(89,578)	103,598
Net unrealised (depreciation)/appreciation	<u>(1,366,480)</u>	<u>120,509</u>
	<u>(1,456,058)</u>	<u>224,107</u>

3. Gross Income

Dividends	353	-
Bank interest	<u>6,387</u>	<u>22,094</u>
	<u>6,740</u>	<u>22,094</u>

4. Expenses

Payable to the Manager or associates of the Manager: Manager's periodic charge	<u>25,045</u>	<u>20,994</u>
Payable to the Trustee or associates of the Trustee: Trustee's fees	-	3090
Safe custody and other bank charges	<u>-</u>	<u>124</u>
	-	3,214
Other expenses: FSA fee	299	600
Audit fee	1,819	1,640
Registration fees	<u>4,034</u>	<u>2,732</u>
	6,152	4,972
	<u>31,197</u>	<u>29,180</u>

31st March 2001 £	30th September 2000 £
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5. Debtors

Amounts receivable for creation of units	-	2,482
Accrued income	<u>-</u>	<u>107</u>
	-	2,589

6. Creditors

Amounts payable on cancellation of units	-	22,286
Purchases awaiting settlement	-	113,609
Accrued expenses	<u>7,669</u>	<u>6,447</u>
	<u>7,669</u>	<u>142,342</u>

7. Related Party Transactions

Amounts payable to the Manager or associates of the Manager are shown in note 4, and details of units created and cancelled by the Manager are shown in the Statement of Movements in Unitholders' Funds.

Amounts payable to the Trustee or associates of the Trustee are shown in note 4.

Any amounts due to or from the Manager or associates of the Manager, and the Trustee or associates of the Trustee are included in either other debtors or accrued expenses (notes 5 and 6 respectively).

8. Contingent Liabilities and Outstanding Commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date.

9. Financial Instruments

The analysis and tables below refer to the narrative disclosure in note 1(i)

	31st March 2001	30th September 2000
	£	£
(i) Currency exposures		
Currency:		
Euros	99,603	71,888
US dollars	<u>251,241</u>	<u>346,919</u>
	350,844	418,807
Pounds sterling	<u>2,158,152</u>	<u>3,322,058</u>
Net assets	<u>2,508,996</u>	<u>3,740,865</u>
(ii) Interest rate risk profile of financial assets and liabilities		
Floating rate assets		
Pounds sterling	215,482	223,475
Assets on which interest is not paid:		
Euros	99,603	71,888
US dollars	251,241	346,919
Pounds sterling	<u>1,950,339</u>	<u>3,240,925</u>
	2,301,183	3,659,732
Liabilities on which interest is not paid:		
Pounds sterling	(7,669)	(142,342)
Net assets	<u>2,508,996</u>	<u>3,740,865</u>

There are no material amounts of non-interest bearing financial assets and liabilities other than equities, which do not have maturity dates.

The floating rate assets and liabilities comprise sterling denominated bank balances that bear interest at rates based on base rate.

Directors' Statement

This report is signed in accordance with the requirements of the Financial Services (Regulated Schemes) Regulations 1991.

Signed:



A R McHattie - Director



B D Cooper - Director

McHattie Investment Management Limited
Manager of McHattie Warrants Alert Fund
22nd May 2001

General Information

Valuation of the Fund

The Fund is valued at 11:00am on each business day for the purpose of determining prices at which units in the Fund may be bought or sold. Valuations may be made at other times with the Trustee's approval. No maximum buying/selling price spread is stipulated in the Trust Deed and the Manager's discretion to set buying and selling prices is subject to relevant Regulations under the Financial Services Act 1986.

Buying and Selling of Units

The Manager will accept orders to buy or sell units on normal business days between 9.30am and 5.00pm and transactions will be effected at prices determined by the next valuation. Instructions to buy or sell units may be either in writing to: City Financial Centre, 88 Borough High Street, London SE1 1ST or by telephone on 0845 922 0044. A contract note will be issued by close of business on the next business day after the dealing date to confirm the transaction.

Prices

The most recent buying and selling prices of units are published in the *Financial Times* in the FT Managed Funds Service Authorised Investment Funds section, under the heading McHattie Investment Management Limited. The associated cancellation price is available on request from the Manager.

Other Information

The Trust Deed, Scheme Particulars, Financial Statements, Key Features Document and the latest annual and interim reports may be inspected at the offices of the Manager, the Administrator and of the Trustee and copies may be obtained on application to the Manager. The Register of Unitholders can be inspected during normal business hours at the office of the Registrar, City Financial Administrators Limited, City Financial Centre, 88 Borough High Street, London SE1 1ST. Holders who have any complaints about the operation of the Fund, should contact the Manager or the Trustee, or may make their complaint direct to the Investment Ombudsman at South Quay Plaza, 183 Marsh Wall, London E14 9SR.


McHattie Warrants Alert Fund

Top-Up Application Form - with a 2% discount for lump sums

Please note that this form is for use by existing unitholders in the McHattie Warrants Alert Fund only, and is for the purpose of making additional investments. Prospective new investors must not use this form, but instead apply to the address below or telephone 0117 925 8882 for a Prospectus containing the Key Features and an application form.

Step 1 - Investor Details

Name:
Address:
	Postcode:.....
Account Number:



Step 2 - Top-Up Details

Additional Lump Sum Investment	Increased Monthly Investment
Amount £ (min £500)	Revised Direct Debit Amount £

Step 3 - Signature(s) and Date

I/We wish to increase my/our investment in the McHattie Warrants Alert Fund subject to the information and Key Features contained in the current Prospectus.

Signature Date

(Joint Holder - in the case of joint holders all participants are required to sign)

Signature Date

Step 4 - Send This Form

In the case of a lump sum, please make cheques payable to 'McHattie Investment Management Limited'. Please return this form to McHattie Investment Management Limited, City Financial Centre, 88 Borough High Street, London, SE1 1ST.

Please note. The 2% discount applies only to lump sum investments, using this original form (photocopies will not be accepted), by current unit holders. No other discounts or commissions apply when using this form. Offer valid until 30th September 2001.

MANAGER

McHattie Investment Management Limited
Clifton Heights
Triangle West
Clifton
Bristol BS8 1EJ
(Regulated by IMRO)

Telephone: 0117 925 8882
Fax: 0117 925 4441
e-mail: enquiries@mchattie.co.uk

Directors

Chairman: Andrew Robert McHattie
Chief Executive: Benjamin Douglas Cooper
Director & Company Secretary: John Harvey McHattie

ADMINISTRATION OFFICE, REGISTRARS, AND ORDER DESK

City Financial Administrators Limited
City Financial Centre
88 Borough High Street
London SE1 1ST
(Regulated by IMRO, Affiliated to AUTIF)

Telephone: 020 7556 8800
Dealing: 0845 922 0044
e-mail: enquiries@cityfinancial.co.uk

TRUSTEE

Bank of New York Trust and Depositary Company Limited
One Canada Square
London E14 5AL
(Regulated by IMRO)

AUDITORS

AGN Shipleys
Chartered Accountants
10 Orange Street
Haymarket
London WC2H 7DQ



McHattie Investment Management Limited
Regulated by IMRO