PROFIT *hunters*

ARTEMIS Strategic Bond *Fund*

Manager's Report and Financial Statements

for the year ended 31 March 2017

ARTEMIS

The PROFIT Hunter

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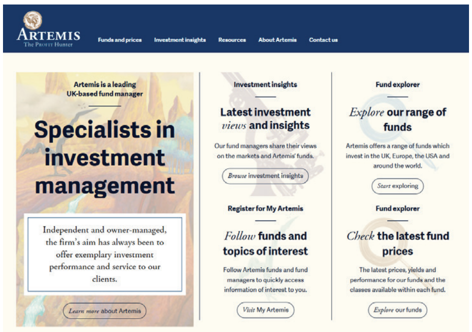

... with the performance of this and other Artemis funds throughout the year on Artemis' website

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- Fund literature

artemisfunds.com

General information

About Artemis …

Artemis is a leading UK-based fund manager, offering a range of funds which invest in the UK, Europe, the US and around the world.

As a dedicated, active investment house, we specialise in investment management for both retail and institutional investors across Europe.

Independent and owner-managed, Artemis opened for business in 1997. Its aim was, and still is, exemplary investment performance and client service. All Artemis' staff share these two precepts – and the same flair and enthusiasm for fund management.

The firm now manages some £25.5 billion* across a range of funds, two investment trusts, a venture capital trust and both pooled and segregated institutional portfolios.

Our managers invest in their own and their colleagues' funds. This has been a basic tenet of the Artemis approach since the firm started. It means that interests of our fund managers are directly aligned with those of our investors.

* Source: Artemis as at 30 April 2017.

Fund status

Artemis Strategic Bond Fund was constituted by a Trust Deed dated 26 May 2005 and is an authorised unit trust scheme under the Financial Services and Markets Act 2000. The fund belongs to the category of UCITS schemes as defined in the Collective Investment Schemes Sourcebook ('COLL') of the Financial Conduct Authority ('FCA').

Investment objective

The fund seeks to achieve a combination of income and capital growth by investing predominantly in fixed income markets.

Investment policy

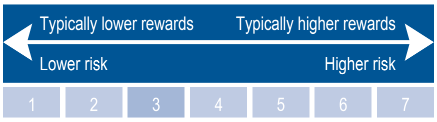
The fund aims to achieve its objective by investment predominantly in fixed income markets but may selectively invest in other markets. Equal emphasis is given to the security of capital and income although from time to time one may take prominence over the other in accordance with the strategy being pursued.

The fund may also invest in other transferable securities, units of collective investment schemes, money market instruments, warrants, cash and near cash, derivatives and forward transactions and other investments to the extent that each is permitted by the regulations.

Buying and selling

Units may be bought and sold by contacting the manager by telephone, at the address on page 2 or via the website **artemisfunds.com**. Valuation of the fund takes place each business day at 12 noon on a forward pricing basis. Investors are reminded that past performance is not a guarantee of performance in the future and that the price of units and the revenue from them can fall as well as rise.

Risk and reward profile



- This indicator is based on historical data and may not be a reliable indication of the future risk profile of the fund.
- The risk category shown is not guaranteed and may change over time.
- A risk indicator of "1" does not mean that the investment is "risk free".
- The indicator is not a measure of the possibility of losing your investment.

The risk indicator for the fund is as above because:

- The price of units, and the income from them, can fall and rise because of stock market and currency movements.
- Stock market prices, currencies and interest rates can move irrationally and can be affected unpredictably by diverse factors, including political and economic events.
- A portion of the fund's assets may be invested in a currency other than the fund's accounting currency (sterling). The value of these assets, and the income from them, may decrease if the currency falls in relation to sterling, in which the fund is valued and priced.
- Investments in fixed interest securities are subject to market and credit risk and will be impacted by movements in interest rates. Interest rate movements are determined by a number of economic factors, in particular market expectations of future inflation.
- The fund can invest in higher-yielding bonds, which may increase the risk to your capital due to a higher likelihood of the company issuing the bonds failing to pay returns on investments. Changes to market conditions and interest rates can have a larger effect on the values of higher-yielding bonds than other bonds.
- The fund may hold derivatives with the aim of profiting from falling prices. If the related assets rise in value the fund will lose money.
- Whilst investing in the units that pay or reinvest income each month (class M units) will produce a regular income, it may restrict the potential for your units to increase in value in comparison to the units that pay or reinvest income every three months (class Q units).
- The fund holds bonds which could prove difficult to sell. As a result, the fund may have to lower the selling price, sell other investments or forego more appealing investment opportunities.

Prospectus

Copies of the most recent Prospectus are available free of charge from the manager at the address on page 2.

Remuneration

Following the amendment to the UCITS Directive in the UK on 18 March 2016, all UCITS schemes are required to comply with the UCITS Remuneration Code. This includes a requirement to disclose in the annual report of each scheme, details of the total amount of remuneration paid by the authorised fund manager to its staff for its financial year.

The first full financial year for Artemis Fund Managers Limited under the amended regulations will end on 31 December 2017, therefore as this information is not yet available the required disclosures have been omitted

General information (continued)

from the fund's annual report and accounts as permitted by COLL.

Details of Artemis Fund Managers Limited's UCITS remuneration policy is disclosed on Artemis' website.

Tax information reporting

UK tax legislation requires fund managers to provide information to HM Revenue & Customs ('HMRC') on certain investors who purchase units in unit trusts. Accordingly, the fund may have to provide information annually to HMRC on the tax residencies of those unitholders that are tax resident outwith the UK, in those countries that have signed up to the OECD's ('Organisation for Economic Co-operation and Development') Common Reporting Standard for Automatic Exchange of Financial Account Information (the 'Common Reporting Standard'), or the United States (under the Foreign Account Tax Compliance Act, 'FATCA').

All new unitholders that invest in the fund must complete a certification form as part of the application form. Existing unitholders may also be contacted by the Registrar should any extra information be needed to correctly determine their tax residence. Failure to provide this information may result in the account being reported to HMRC.

For further information, please see HMRC's Quick Guide: Automatic Exchange of Information – information for account holders: gov.uk/government/publications/exchange-of information- account-holders.

Manager

Artemis Fund Managers Limited *
Cassini House
57 St James's Street
London SW1A 1LD

Dealing information:
Artemis Fund Managers Limited
PO Box 9688
Chelmsford CM99 2AE
Telephone: 0800 092 2051
Website: artemisfunds.com

Investment adviser

Artemis Investment Management LLP *
Cassini House
57 St James's Street
London SW1A 1LD

Trustee and Depositary

National Westminster Bank Plc *
Trustee & Depositary Services
Younger Building
1st Floor, 3 Redheughs Avenue
Edinburgh EH12 9RH

Registrar

International Financial Data Services (UK) Limited *
IFDS House
St Nicholas Lane
Basildon
Essex SS15 5FS

Auditor

Ernst & Young LLP
Ten George Street
Edinburgh EH2 2DZ

* Authorised and regulated by the FCA, 25 The North Colonnade, Canary Wharf, London E14 5HS.

† Authorised by the Prudential Regulation Authority ('PRA'), 20 Moorgate, London EC2R 6DA and regulated by the PRA and the FCA.

Statement of trustee's responsibilities

The trustee must ensure that the Artemis Strategic Bond Fund ('the scheme') is managed in accordance with COLL, the Financial Services and Markets Act 2000, as amended, (together 'the Regulations'), the Trust Deed and Prospectus (together 'the scheme documents') as detailed below.

The trustee must in the context of its role act honestly, fairly, professionally, independently and in the interests of the scheme and its investors.

The trustee is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the scheme in accordance with the Regulations.

The trustee must ensure that:

- the scheme's cash flows are properly monitored and that cash of the scheme is booked into the cash accounts in accordance with the Regulations; ·
- the sale, issue, redemption and cancellation of units are carried out in accordance with the Regulations;
- the value of units in the scheme is calculated in accordance with the Regulations;
- any consideration relating to transactions in the scheme's assets is remitted to the scheme within the usual time limits;
- the scheme's income is applied in accordance with the Regulations; and
- the instructions of the manager are carried out (unless they conflict with the Regulations).

The trustee also has a duty to take reasonable care to ensure that the scheme is managed in accordance with the Regulations and the scheme documents in relation to the investment and borrowing powers applicable to the scheme.

Report of the trustees to the unitholders of Artemis Strategic Bond Fund for the year ended 31 March 2017

Having carried out such procedures as we consider necessary to discharge our responsibilities as trustee of the scheme, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the scheme, acting through the manager:

(i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the scheme's units and the application of the scheme's income in accordance with the Regulations and the scheme documents, and

(ii) has observed the investment and borrowing powers and restrictions applicable to the scheme.

National Westminster Bank Plc
Trustee & Depositary Services
Edinburgh
26 May 2017

Statement of the manager's responsibilities

COLL requires the manager to prepare financial statements for each annual accounting period which give a true and fair view of the financial affairs of the fund and of its revenue and expenditure for the year.

In preparing the financial statements the manager is required to:

(i) select suitable accounting policies and then apply them consistently;

(ii) comply with the disclosure requirements of the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association in May 2014 ('SORP');

(iii) follow applicable accounting standards;

(iv) keep proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements;

(v) make judgements and estimates that are reasonable and prudent; and

(vi) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the fund will continue in operation.

The manager is responsible for the management of the fund in accordance with its Trust Deed, Prospectus and COLL requirements.

The manager is also responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the manager

We hereby approve the Manager's Report and Financial Statements of the Artemis Strategic Bond Fund for the year ended 31 March 2017 on behalf of Artemis Fund Managers Limited in accordance with the requirements of COLL as issued and amended by the FCA.

M J Murray — Director
R J Turpin — Director
Artemis Fund Managers Limited
London
26 May 2017

The maintenance and integrity of the Artemis Fund Managers Limited web site is the responsibility of the directors; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

General information (continued)

Independent auditor's report to the unitholders of the Artemis Strategic Bond Fund

We have audited the financial statements of Artemis Strategic Bond Fund (the 'fund') for the year ended 31 March 2017 which comprise the statement of total return, the statement of change in net assets attributable to unitholders, the balance sheet, the related notes 1 to 19 and the distribution tables. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard ('FRS') 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the unitholders of the fund, as a body, pursuant to paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority. Our audit work has been undertaken so that we might state to the unitholders those matters we are required to state to them in an independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the fund and the unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the manager and auditor

As explained more fully in the manager's responsibilities statement set out on page 3, the manager is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the manager; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the manager's report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the fund as at 31 March 2017 and of the net revenue and the net capital gains on the scheme property of the fund for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Opinion on other matters prescribed by the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority

In our opinion:

- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice relating to Authorised Funds, the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority and the Trust Deed;
- the information given in the manager's report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- there is nothing to indicate that proper accounting records have not been kept or that the financial statements are not in agreement with those records; and
- we have received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Ernst & Young LLP
Statutory Auditor
Edinburgh
26 May 2017

- Fund returned 9.9%*, above the average of our peers at 7.6%* and in the top quartile.
- Using the fund's 'strategic' flexibility worked well.
- Continued enthusiasm for high yield and financial bonds.

Performance – Pleasing in the circumstances …

When we start composing our annual reports, we normally begin by checking the predictions we made last year. As forecasts often are, most of our predictions we made this time last year proved wrong! The most fundamental was our prediction that the UK would vote to remain in Europe. We also predicted that interest rates would be raised to counter the inflationary consequences of the fall in sterling. Though sterling did fall, interest rates were reduced.

On the other hand, we made some general comments that populism would continue to be successful. How true this proved to be, given Donald Trump's victory.

Having said all this, we moved nimbly, in particular changing the portfolio after the vote for Brexit, and we generated a return of 9.9% for the year, above the average of our peers at 7.6% and in the top quartile. Longer term, our performance versus our peers remains satisfying.

So all in all, and despite some big political shocks, we are happy with our returns to unitholders and with our rapid response by changing the portfolio – in a changing world.

Review – Micro amid the macro …

Without dwelling on our poor skills as forecasters, we expected volatility to be high over the year. In the event, it was low. The primary reason is that global economies have generally been performing well. Growth is good, not excessive, but comfortably positive. Inflation is stable though rising (more on this later).

To be charitable, given the scale of the banking crisis nearly a decade ago, the central banks such as the Federal Reserve and the Bank of England have managed the global economy relatively well, steering a path of very accommodative monetary policy to reignite the global economy after the recession in 2008. But we are not minded to be overly charitable. The European Central Bank ('ECB') has been sedentary (at best) in its policies, leading to massive unemployment across much of Europe. Further, debt in many European states is ridiculously bloated and unsustainable in some cases, though interest rates would have to rise sharply before the debt became a problem.

The important point is to highlight that basic economics always wins. Politics tends to be secondary. There is no doubt that Brexit throws all the cards in the air. Where they will land is anybody's guess, and, of course, as bond managers we hate change and uncertainty. In practice, the policies of the central banks globally have been far more important.

Weaker sterling has been very beneficial for growth in the UK. So the initial shock of Brexit was soon accompanied by a boost to exports. Stockmarkets performed well given the more competitive economy and overseas focus of most of the FTSE 100's constituents. If, in two years time after we have left the EU, any deal is perceived to be bad, then the economics will react. But in the short-term, the news is generally good and confidence remains high. Markets have reacted accordingly.

We were not expecting Brexit. However, as the initial votes came in, we unhedged our dollar exposures (in effect, buying US dollars) which helped to protect the portfolio. Subsequently, we bought UK gilts and US treasuries. The former benefited us especially when UK interest rates were cut. In hindsight, we should have bought long-dated gilts, but we are disinclined to buy an asset which is very volatile and which doesn't compensate you with a handsome yield.

Along with the cut in interest rates, a new round of quantitative easing ('QE') was introduced. This money-printing squeezed those gilts higher and, in particular, long-dated gilts. Furthermore, the Bank of England introduced a form of QE for corporate bonds following a similar policy implemented by the ECB. There are many questions about the efficacy of the policy. Ours not to reason why?

The effect was to push corporate bond prices higher, reducing funding costs for companies and benefiting existing bondholders. The side-effects have been a far less liquid and arguably artificial market. We expect this will correct when the QE programmes in both Europe and the UK conclude. We have reduced our weightings to traditional corporate bonds as a result.

The European QE programmes were introduced with similar consequences. Many European government bond yields are now negative. In theory, that implies very severe problems ahead. The suggestion is that the euro will break up and the northern European economies will splinter away. If so, therein lies the justification for investing in German government bonds, bunds. The negative yield should be more than compensated for by the appreciation in its currency.

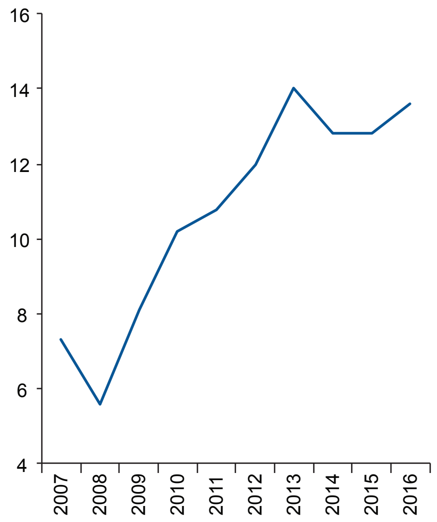
Clearly, there has been a strong political will to keep the euro together, probably enhanced by the UK voting to leave the EU. However, in practice, regulations are forcing banks, insurance companies and pension funds (among others) to buy bonds; and with limited supply (particularly of Bunds), prices are forced higher. It makes little rational sense to buy an asset with negative yields – so we are deliberately avoiding Bunds and assets highly correlated with them. In the short-term, this can be painful when bond yields fall further. In the longer term, we are confident this is right and that Bund yields will correct.

* Source: Lipper Limited, class QI accumulation units, bid to bid basis in sterling with interest reinvested to 31 March 2017. Sector is IA £ Strategic Bond.

Investment review (continued)

Areas not covered by these QE programmes are financial bonds in the UK and Europe. In the past, investors have been sceptical about this sector - not least because every other headline featured stories about struggling banks. Those headlines have diminished, for good reasons. The banks have been rebuilding their balance sheets by not paying dividends and cutting costs for 10 years now. They have much stronger capital ratios. We have done well by investing in this area over the last year.

Lloyds Banking Group Core Tier 1 ratio



Source: Lloyds Banking Group

The chart above shows the Core Tier 1 ratios (the safety cushion a bank has) for Lloyds Banking Group. The cushion in 2008 was below current allowable levels. Since then, Lloyds has been building capital, to such a degree that it now pays reasonable dividends. The story is similar for many other UK and European banks, a sign of how much things have improved; and hence our high weightings to bonds issued by banks.

We have also had healthy weightings to insurance companies. Similarly, they are not part of the QE programmes. They offer attractive yields and, with new regulations leading to greater scrutiny from the Prudential Regulation Authority, we feel comfortable they will continue to generate good cashflows. They have contributed to our performance throughout the year.

At the time of writing, US interest rates have been increased twice in the last year. Bond managers are quite unused to interest rates rising. The last increase, in the US, was in 2006. However, there is no doubt that with unemployment falling to comparatively low levels and wage inflation increasing, it is appropriate for the Federal Reserve to 'take the foot off the accelerator' somewhat – though we would not go as far as to describe it as putting a foot on the brake.

Government bond yields have been volatile throughout the year, especially in the US. Our policy has been to prioritise short-dated bonds (which are not as badly affected by rising interest rates) and to use futures to reduce the interest rate sensitivity of the fund. Overall this has benefited the fund towards the end of the calendar year, in particular. The election of President Trump was the primary catalyst for our changing policy.

We have been active with our positioning throughout the year. We moved duration longer (technical language for buying more interest-rate-sensitive bonds) after the vote on Brexit. We did an about-turn after Trump's victory and sold those bonds and bought protection through futures (reducing our sensitivity to interest rates). However, towards the end of the reporting period we gave some of those gains back, as government bonds rallied.

Meanwhile, our weightings (generally greater than 50%) to high yield bonds (those rated below BBB) have been especially beneficial. While growth remains good, these bonds continue to perform well: a growing economy means less companies defaulting. Again, these bonds are not part of the QE programmes from central banks. Admittedly, there has been some spill-over from the investment grade market (those bonds rated BBB and above) where investors seeking yield have bought these bonds instead. We confess to doing the same: for instance, we sold International Petroleum bonds yielding less than 0.5% in favour of a range of high yield bonds with yields around 5% or 6%.

Some particular names, such as CMA, a shipping company, proved to be an interesting story where we bought bonds in the low 80s. The company's results had been disappointing but we felt this was temporary. Their market enjoyed a good recovery and their bonds rallied back up to the high 90s - where we banked a healthy profit.

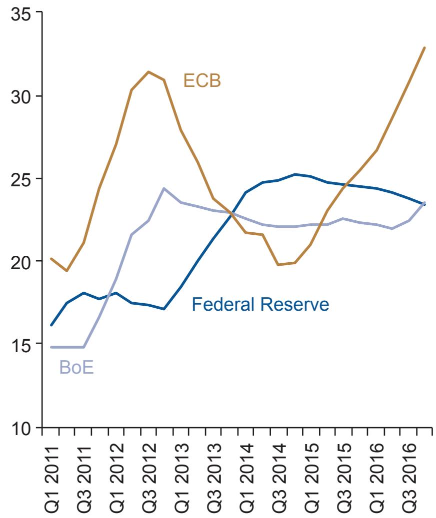
Outlook – Positions, not pollsters …

We have highlighted the risks of inflation before. We don't think this has changed. If anything, the success of Trump suggests that inflation will get worse. His more populist policies are likely to be inflationary. Unemployment is falling to comparatively low levels and yet there are plans to cut taxes and boost public expenditure. Meanwhile, wage inflation is likely to be increased by a tougher immigration policy and more protectionist trade policy. All in all, these factors are likely to boost inflation.

The UK isn't so stark, particularly as pressures remain to reduce government expenditure. However, sterling is markedly weaker, since the vote for Brexit, suggesting that inflation could continue to ratchet higher. With UK 10-year gilts yielding around 1% and inflation at potentially over 3%, they seem to be a particularly poor investment. If inflation becomes embedded in the system – a real danger - then bond yields will rise quite sharply.

We feel that rising inflation will lead to a change in monetary policy. In Europe, admittedly, inflation is likely to stay low, so a rise in interest rates is less likely, especially with unemployment so high. However, the outlook for QE is starting to change with the programmes looking to be scaled back. In the US, they are discussing unwinding some of their previous government bond purchases. The UK is unlikely to maintain as aggressive a monetary stance. All in all, we expect a gradual change in direction from the previous very accommodative monetary policy markets have seen for the last decade.

Central banks' balance sheets as a % of GDP



Source: Capital Economics.

The chart above highlights the scale of the central bank balance sheets as a percentage of GDP and their rapid expansion. Whilst Europe's and the UK's are still growing through more QE, the question to answer is: when will this stop? Similarly, for the US, when does the Federal Reserve start reducing the size of its balance sheet as is widely mooted? It may well be this year.

Investment grade bonds have benefited from QE. Again, we have concerns about this part of the bond market (mostly because of the vagaries of QE); and hence our focus away from the traditional corporate bonds sector and more towards financial bonds and insurance companies. We feel that there are attractive yields and good potential returns to be had here.

High yield bonds are likely to remain a core part of the portfolio, whilst economic growth is good. Happily this also enhances your overall yield. Only if we see defaults increasing are we likely to reduce exposure here. For now we remain comfortable.

Having said all that, we remain very aware that we can (and do) get things wrong; and that things change. When they have changed, we have adjusted the portfolio accordingly. We feel we have guided your portfolio sensibly through some fairly fraught times, reacting quickly when our predictions have turned out to be misplaced. We are deliberately avoiding making political predictions given our (and the pollsters') poor record in this respect. However, we are confident that our flexible and nimble approach will be able to sustain our historical outperformance in the future.

James Foster and Alex Ralph
Fund managers

Investment information

Five largest purchases and sales for the year ended 31 March 2017

Purchases	Cost £'000	Sales	Proceeds £'000
UK Treasury 1.25% 22/07/2018	50,995	UK Treasury 2.00% 07/09/2025	55,678
US Treasury 1.63% 15/05/2026	44,318	US Treasury 1.63% 15/05/2026	45,962
UK Treasury 2.00% 07/09/2025	33,312	Bundesrepublik Deutschland Bond 1.00% 15/08/2025	34,411
Virgin Money Holdings UK, FRN 8.75% Perpetual	10,335	BNP Paribas, FRN 5.95% Perpetual	11,000
Standard Chartered, FRN 2.55% Perpetual	9,175	GE Capital Trust V, FRN 5.50% 15/09/2066	10,400

Portfolio statement as at 31 March 2017

Investment	Holding or nominal value	Valuation £'000	% of net assets
Equities 0.02% (0.01%)			
Cayman Islands 0.00% (0.00%)			
NVP ^	1,301	-	-
		-	**-**
Norway 0.02% (0.01%)			
Oceanteam	373,558	138	0.02
		138	**0.02**
Spain 0.00% (0.00%)			
Grupo Isolux Corsan Warrant 22/12/2021 ^	3,572	-	-
		-	**-**
Equities total		**138**	**0.02**
Government Bonds 4.97% (7.43%)			
Germany 0.00% (3.98%)			
United Arab Emirates 0.00% (1.00%)			
United Kingdom 4.97% (2.45%)			
UK Treasury 1.25% 22/07/2018	£50,000,000	50,745	4.97
		50,745	**4.97**
Government Bonds total		**50,745**	**4.97**
Corporate Bonds 83.69% (84.14%)			
Australia 1.40% (1.06%)			
Australia & New Zealand Banking Group, FRN 1.43% Perpetual	$8,700,000	5,126	0.50
BHP Billiton Finance, FRN 6.50% 22/10/2077	£8,000,000	9,111	0.90
		14,237	**1.40**
Belgium 1.38% (0.00%)			
KBC Group, FRN 5.63% Perpetual	€8,400,000	7,316	0.72
Nyrstar Netherlands Holdings 8.50% 15/09/2019	€7,240,000	6,791	0.66
		14,107	**1.38**
Bermuda 1.00% (1.14%)			
Fidelity International 7.13% 13/02/2024	£8,100,000	10,191	1.00
		10,191	**1.00**
Bulgaria 0.78% (0.86%)			
Bulgarian Telecommunications 6.63% 15/11/2018	€9,200,000	7,989	0.78
		7,989	**0.78**
Denmark 0.52% (0.00%)			
Danske Bank, FRN 6.13% Perpetual	$6,600,000	5,315	0.52
		5,315	**0.52**

Investment	Nominal value	Valuation £'000	% of net assets
France 5.08% (5.12%)			
Electricite de France, FRN 6.00% Perpetual	£11,000,000	11,055	1.08
Horizon Holdings 7.25% 01/08/2023	€3,900,000	3,546	0.35
Horizon Parent Holdings 8.25% 15/02/2022	€4,600,000	4,093	0.40
Orange, FRN 5.87% Perpetual	£8,600,000	9,332	0.92
SFR Group 7.38% 01/05/2026	$11,000,000	9,084	0.89
Societe Generale, FRN 7.37% Perpetual	$11,700,000	9,521	0.93
Total, FRN 3.94% Perpetual	€5,700,000	5,186	0.51
		51,817	**5.08**
Germany 5.33% (6.20%)			
Bayer, FRN 2.37% 02/04/2075	€10,300,000	8,614	0.84
EnBW Energie Baden-Wuerttemberg, FRN 3.37% 05/04/2077	€7,000,000	6,097	0.60
HP Pelzer Holding 4.13% 01/04/2024	€4,700,000	4,050	0.40
Kirk Beauty One 8.75% 15/07/2023	€4,563,000	4,295	0.42
RWE, FRN 7.00% Perpetual	£11,100,000	11,731	1.15
Safari Holding Verwaltungs 8.25% 15/02/2021	€6,069,799	5,399	0.53
Unitymedia Hessen 5.63% 15/04/2023	€6,560,000	5,965	0.58
Unitymedia Hessen 4.63% 15/02/2026	€9,000,000	8,243	0.81
		54,394	**5.33**
Ireland 2.63% (2.31%)			
Allied Irish Banks 12.50% 25/06/2035	£4,830,000	3,138	0.31
Bank of Ireland, FRN 4.25% 11/06/2024	€9,850,000	8,827	0.86
eircom Finance DAC 4.50% 31/05/2022	€5,000,000	4,449	0.44
Lambay Capital Securities 6.25% Perpetual §	£12,000,000	150	0.01
National Asset Management 5.26% 01/03/2020	€12,000,000	10,266	1.01
		26,830	**2.63**
Italy 3.40% (3.01%)			
Assicurazioni Generali, FRN 6.42% Perpetual	£7,500,000	7,747	0.76
Enel, FRN 6.62% 15/09/2076	£7,900,000	8,520	0.83
Telecom Italia 3.63% 25/05/2026	€5,000,000	4,464	0.44
Wind Acquisition Finance 4.00% 15/07/2020	€6,000,000	5,226	0.51
Wind Acquisition Finance 7.38% 23/04/2021	$10,550,000	8,777	0.86
		34,734	**3.40**
Jersey 0.68% (0.75%)			
ELAN 4.69% 25/05/2017	€8,100,000	6,961	0.68
		6,961	**0.68**
Luxembourg 1.74% (0.92%)			
Altice Luxembourg 7.75% 15/05/2022	$6,200,000	5,270	0.51
ARD Finance 6.63% 15/09/2023	€7,600,000	6,721	0.66
DEA Finance 7.50% 15/10/2022	€6,400,000	5,791	0.57
		17,782	**1.74**
Mexico 0.97% (1.09%)			
America Movil, FRN 6.37% 06/09/2073	£9,300,000	9,877	0.97
		9,877	**0.97**
Netherlands 4.29% (4.82%)			
Cooperatieve Rabobank 4.63% 23/05/2029	£8,350,000	9,245	0.90

Investment information (continued)

Investment	Nominal value	Valuation £'000	% of net assets
ING Bank, FRN 4.12% 21/11/2023	$15,300,000	12,529	1.23
Koninklijke KPN, FRN 6.88% 14/03/2073	£6,030,000	6,604	0.65
Koninklijke KPN, FRN 7.00% 28/03/2073	$2,700,000	2,342	0.23
Lincoln Finance 6.88% 15/04/2021	€5,200,000	4,771	0.47
NN Group, FRN 4.62% 08/04/2044	€9,000,000	8,265	0.81
		43,756	**4.29**
Russia 0.64% (0.00%)			
Gazprom 4.25% 06/04/2024	£6,500,000	6,525	0.64
		6,525	**0.64**
Spain 2.09% (2.84%)			
Cirsa Funding Luxembourg 5.88% 15/05/2023	€5,000,000	4,497	0.44
Codere Finance 2 Luxembourg 6.75% 01/11/2021	€7,400,000	6,362	0.63
Telefonica Europe, FRN 6.75% Perpetual	£9,700,000	10,412	1.02
		21,271	**2.09**
Sweden 0.92% (1.11%)			
Vattenfall, FRN 3.00% 19/03/2077	€11,900,000	9,419	0.92
		9,419	**0.92**
Switzerland 3.14% (2.71%)			
Credit Suisse Group, FRN 6.25% Perpetual	$11,400,000	9,291	0.91
Swiss Re, FRN 5.75% 15/08/2050	$10,372,000	8,658	0.85
UBS Group, FRN 7.00% Perpetual	$3,292,000	2,841	0.28
Zurich Insurance, FRN 4.25% 01/10/2045	$14,500,000	11,291	1.10
		32,081	**3.14**
United Arab Emirates 0.85% (1.50%)			
Topaz Marine 8.63% 01/11/2018	$10,981,000	8,703	0.85
		8,703	**0.85**
United Kingdom 41.62% (41.97%)			
Aberdeen Asset Management 7.00% Perpetual	$12,900,000	10,757	1.05
Aviva, FRN 3.37% 04/12/2045	€10,700,000	9,240	0.91
Bank of Scotland, FRN 7.28% Perpetual	£5,000,000	6,031	0.59
Barclays, FRN 7.87% Perpetual	£10,650,000	11,021	1.08
BG Energy Capital, FRN 6.50% 30/11/2072	£9,390,000	9,731	0.95
BUPA Finance 5.00% 08/12/2026	£6,500,000	7,055	0.69
Burford Capital 6.13% 26/10/2024	£5,000,000	5,376	0.53
Cattles 7.13% 05/07/2017 §	£3,700,000	7	-
Centrica, FRN 5.25% 10/04/2075	£8,800,000	9,411	0.92
Close Brothers Group 4.25% 24/01/2027	£5,675,000	5,886	0.58
Co-operative Group Holdings 2011, STEP 6.87% 08/07/2020	£8,640,000	9,651	0.95
CPUK Finance 7.00% 28/02/2042	£6,700,000	7,045	0.69
Direct Line Insurance Group, FRN 9.25% 27/04/2042	£6,500,000	8,075	0.79
EnQuest 7.00% 15/10/2023	$10,422,800	6,453	0.63
Galaxy Bidco, FRN 5.36% 15/11/2019	£7,400,000	7,413	0.73
GKN Holdings 5.38% 19/09/2022	£5,600,000	6,469	0.63
Go-Ahead Group 5.38% 29/09/2017	£6,950,000	7,098	0.70
HBOS Sterling Finance Jersey, FRN 7.88% Perpetual	£6,600,000	8,795	0.86
Heathrow Finance 5.38% 02/09/2019	£9,892,000	10,755	1.05
HSBC Bank, FRN 1.63% Perpetual	$10,000,000	6,383	0.63

Investment	Nominal value	Valuation £'000	% of net assets
HSBC Holdings, FRN 6.87% Perpetual	$6,400,000	5,459	0.53
Iceland Bondco 6.25% 15/07/2021	£5,600,000	5,789	0.57
InterContinental Hotels Group 3.75% 14/08/2025	£8,300,000	9,192	0.90
Intermediate Capital Group 5.00% 24/03/2023	£4,400,000	4,576	0.45
Investec Bank 9.63% 17/02/2022	£5,800,000	7,135	0.70
KCA Deutag UK Finance 9.88% 01/04/2022	$5,000,000	4,105	0.40
Kelda Finance No. 3 5.75% 17/02/2020	£8,350,000	9,188	0.90
Legal & General Group, FRN 5.37% 27/10/2045	£8,500,000	9,135	0.90
Liverpool Victoria Friendly Society, FRN 6.61% 22/05/2043	£7,800,000	7,818	0.77
Matalan Finance 6.87% 01/06/2019	£4,500,000	3,785	0.37
Mizzen Bondco 7.00% 01/05/2021	£8,131,889	8,481	0.83
Nationwide Building Society, FRN 6.87% Perpetual	£8,500,000	8,623	0.84
Next 3.63% 18/05/2028	£4,500,000	4,627	0.45
NGG Finance, FRN 5.62% 18/06/2073	£10,000,000	11,038	1.08
NIE Finance 6.38% 02/06/2026	£5,000,000	6,763	0.66
NWEN Finance 5.88% 21/06/2021	£8,900,000	9,883	0.97
Pennon Group, FRN 6.75% Perpetual	£9,400,000	9,758	0.96
Phoenix Group Holdings 5.75% 07/07/2021	£10,380,000	11,633	1.14
Porterbrook Rail Finance 6.50% 20/10/2020	£4,450,000	5,241	0.51
RAC Bond 4.57% 06/05/2023	£7,850,000	8,589	0.84
Rothesay Life 8.00% 30/10/2025	£8,100,000	8,628	0.85
Royal Bank of Scotland Group, FRN 7.65% Perpetual	$7,600,000	7,168	0.70
RSA Insurance Group, FRN 5.12% 10/10/2045	£8,500,000	9,148	0.90
Society of Lloyd's 4.75% 30/10/2024	£8,100,000	8,881	0.87
SSE, FRN 5.63% Perpetual	$15,120,000	12,322	1.21
Standard Chartered, FRN 2.55% Perpetual	$4,350,000	2,925	0.29
Stonegate Pub Co. Financing 4.88% 15/03/2022	£6,400,000	6,418	0.63
TalkTalk Telecom Group 5.38% 15/01/2022	£8,000,000	8,165	0.80
Tesco 6.15% 15/11/2037	$13,000,000	10,625	1.04
Thomas Cook Group 6.25% 15/06/2022	€9,000,000	8,274	0.81
Virgin Media Secured Finance 5.13% 15/01/2025	£6,435,000	6,771	0.66
Virgin Money Holdings UK, FRN 8.75% Perpetual	£10,100,000	10,426	1.02
Voyage Care Bondco 6.50% 01/08/2018	£6,784,000	6,826	0.67
Whitbread Group 3.38% 16/10/2025	£9,600,000	10,260	1.01
William Hill 4.88% 07/09/2023	£4,200,000	4,369	0.43
		424,676	**41.62**
United States of America 5.23% (6.73%)			
Alliance Data Systems 5.25% 15/11/2023	€10,900,000	9,753	0.96
AMC Entertainment Holdings 6.38% 15/11/2024	£2,417,000	2,559	0.25
Continental Resources 4.50% 15/04/2023	$7,200,000	5,637	0.55
Infor US 5.75% 15/05/2022	€5,850,000	5,129	0.50
International Game Technology 4.75% 15/02/2023	€9,750,000	9,011	0.88
PSPC Escrow 6.00% 01/02/2023	€8,500,000	7,492	0.73
Seagate HDD Cayman 4.75% 01/01/2025	$6,278,000	4,905	0.48
USB Realty, FRN 2.17% Perpetual	$10,000,000	6,795	0.67
Valeant Pharmaceuticals International 5.38% 15/03/2020	$2,970,000	2,126	0.21
		53,407	**5.23**

Investment information (continued)

Investment	Holding	Global exposure £'000*	Valuation £'000	% of net assets
Corporate bonds total			**854,072**	**83.69**
Forward currency contracts 0.62% (0.00%)				
Buy Sterling 210,486,763 dated 13/06/2017			210,487	20.63
Sell Euro 242,270,000 dated 13/06/2017			(208,124)	(20.39)
Buy Sterling 189,673,734 dated 13/06/2017			189,674	18.59
Sell US Dollar 231,770,000 dated 13/06/2017			(185,787)	(18.21)
Forward currency contracts total			**6,250**	**0.62**
Futures (0.15)% (0.00%)				
Long gilt 28/06/2017	(750)	(95,734)	(1,519)	(0.15)
Futures total		**(95,734)**	**(1,519)**	**(0.15)**
Investment assets			909,686	89.15
Net other assets			110,835	10.85
Net assets attributable to unitholders			1,020,521	100.00

The comparative percentage figures in brackets are as at 31 March 2016.
^ Unlisted, suspended or delisted security.
§ Security is currently in default.

* Global exposure has been calculated in line with the guidelines issued by the European Securities and Markets Authority ('ESMA') and represents the market value of an equivalent position in the underlying investment of each derivative contract.

Statement of total return for the year ended 31 March 2017

	Note	31 March 2017 £'000	31 March 2017 £'000	31 March 2016 £'000	31 March 2016 £'000
Income					
Net capital gains/(losses)	3		52,050		(37,766)
Revenue	5	46,596		44,428	
Expenses	6	(6,581)		(6,423)	
Interest payable and similar charges	7	(5)		-	
Net revenue before taxation		40,010		38,005	
Taxation	8	-		-	
Net revenue after taxation			40,010		38,005
Total return before distributions			**92,060**		**239**
Distributions	9		(40,030)		(38,198)
Change in net assets attributable to unitholders from investment activities			52,030		(37,959)

Statement of change in net assets attributable to unitholders for the year ended 31 March 2017

	31 March 2017 £'000	31 March 2017 £'000	31 March 2016 £'000	31 March 2016 £'000
Opening net assets attributable to unitholders		860,710		830,856
Amounts receivable on issue of units	377,619		106,217	
Amounts payable on cancellation of units	(289,079)		(55,078)	
		88,540		51,139
Change in net assets attributable to unitholders from investment activities		52,030		(37,959)
Retained distribution on accumulation units		19,241		16,674
Closing net assets attributable to unitholders		1,020,521		860,710

Balance sheet as at 31 March 2017

	Note	31 March 2017 £'000	31 March 2016 £'000
Assets			
Fixed assets			
Investments	10	911,205	788,738
Current assets			
Debtors	11	17,443	16,828
Cash and bank balances	12	112,664	60,799
Total current assets		**130,107**	**77,627**
Total assets		**1,041,312**	**866,365**
Liabilities			
Investment liabilities	10	1,519	487
Creditors			
Distribution payable		3,856	4,560
Other creditors	13	15,416	608
Total creditors		**19,272**	**5,168**
Total liabilities		**20,791**	**5,655**
Net assets attributable to unitholders		1,020,521	860,710

Notes to the financial statements

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, in accordance with Financial Reporting Standard ('FRS') 102 and the SORP.

(b) Valuation of investments. All investments have been valued at 12 noon on the last working day of the accounting period. Listed investments are valued at fair value which is deemed to be the bid or SETS price. Unquoted investments are valued at fair value which is determined by the investment manager, with reference to the valuation guidelines issued by the International Private Equity and Venture Capital Valuation Guidelines Board.

(c) Foreign exchange rates. Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates prevailing at 12 noon on the last working day of the accounting period. Revenue and expenditure transactions are translated at the rates of exchange ruling on the dates of the transactions. Exchange differences on such transactions follow the same treatment as the principal amounts.

(d) Derivatives. Where appropriate, certain permitted transactions such as derivatives or forward currency contracts are used for efficient portfolio management and investment purposes. Derivatives are valued at 12 noon on the last working day of the accounting period. Forward currency contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Exchange traded derivatives are priced at fair value, which is deemed to be the bid price. Over-the-counter derivatives are priced at fair values using valuation models or data sourced from market data providers. Any positions on such transactions open at the year end are reflected in the balance sheet at their marked to market value.

(e) Revenue. Interest from debt securities is recognised on an effective interest rate basis inclusive of any expected changes to future cash flows. Dividends receivable from equity and non-equity shares are credited to revenue, net of attributable tax credits, when the security is quoted ex-dividend. Dividends received as shares (scrip/stock dividends), to the extent that the value of such dividends is equal to the cash dividends, are treated as revenue. Dividends on unquoted stocks are credited to revenue when the right to receive payment is established. Special dividends are reviewed on a case by case basis when determining if a dividend is to be treated as revenue or capital. It is likely that where a special dividend results in a significant reduction in the capital value of a holding, then the dividend will generally be treated as capital, otherwise this will be recognised as revenue. Returns on derivative instruments are recognised as either revenue or capital depending on the nature and circumstances of each particular case. Bank interest is recognised on an accruals basis. Underwriting commission is recognised when the issue underwritten takes place.

(f) Expenses. All expenses (other than those relating to the purchase and sale of investments) are charged against revenue on an accruals basis.

(g) Taxation. Corporation tax is charged at a rate of 20% on the excess taxable revenue of the fund. In general, the tax accounting treatment follows that of the principal amount. Deferred tax is provided for all timing differences that have originated but not reversed at the balance sheet date other than those recorded as permanent differences. Deferred tax is provided for at the average rate of tax expected to apply. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

2. Distribution policy

The distribution policy of the fund is to distribute all available revenue, after deduction of expenses properly chargeable against revenue. The manager may from time to time, smooth the distribution payments during the accounting period with the balance of revenue (if any) being paid in respect of the final distribution. Gains and losses on non-derivative investments and currencies, whether realised or unrealised, are taken to capital and are not available for distribution. The fund holds instruments in order to comply with the qualifying instruments test of Section 468L, Income and Corporation Taxes Act 1988. In satisfying these requirements, the fund pays interest distributions. With the exception of the manager's annual management charge, which is directly attributable to each unit class, all income and expenses are apportioned to each unit class pro-rata to the value of the net assets of the relevant unit class on the day that the income or expense is recognised.

Distributions which have remained unclaimed by unitholders for six years are credited to the capital property of the fund.

3. Net capital gains/(losses)

	31 March 2017 £'000	31 March 2016 £'000
Non-derivative securities	88,843	(18,284)
Capital transaction charges	(4)	(5)
Currency losses	(992)	(5,122)
Derivative contracts	(3,187)	-
Forward currency contracts	(32,610)	(14,355)
Net capital gains/(losses)	52,050	(37,766)

4. Direct transaction costs

There were no commissions or taxes paid in relation to transactions on the portfolio during the current or prior year. During the year the fund incurred £4,000 (2016: £5,000) in capital transaction charges.

Dealing Spread

As at the balance sheet date the average portfolio dealing spread was 0.83% (2016: 1.06%). This spread represents the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

5. Revenue

	31 March 2017 £'000	31 March 2016 £'000
Interest on debt securities	46,406	44,261
Bank interest	190	167
Total revenue	46,596	44,428

6. Expenses

	31 March 2017 £'000	31 March 2016 £'000
Payable to the manager, associates of the manager and agents of either of them:		
Annual management charge	5,880	5,722
Other expenses:		
Registration fees	253	267
Administration fees	141	146
Operational fees	130	122
Trustee fees	113	103
Safe custody fees	53	52
Auditor's remuneration: audit fees*	9	9
Printing and postage fees	1	1
Price publication fees	1	1
Total expenses	6,581	6,423

All expenditure stated above is inclusive of irrecoverable VAT where applicable.
* The amounts disclosed above includes VAT at the rate of 20%. The audit fee (excluding VAT) accrued during the period was £7,500 (2016: £7,500).

7. Interest payable and similar charges

	31 March 2017 £'000	31 March 2016 £'000
Interest payable	5	-
Total interest payable and similar charges	5	-

Notes to the financial statements (continued)

8. Taxation

	31 March 2017 £'000	31 March 2016 £'000
a) Analysis of the tax charge for the year		
Total taxation (note 8b)	-	-
b) Factors affecting the tax charge for the year		
Net revenue before taxation	40,010	38,005
Corporation tax at 20% (2016: 20%)	8,002	7,601
Effects of:		
Tax deductible interest distributions	(8,005)	(7,603)
Expenses not deductible for tax purposes	3	2
Tax charge for the year (note 8a)	-	-

c) Provision for deferred tax
No provision for deferred tax has been made in the current or prior accounting year.

d) Factors that may affect future tax charges
The fund has not recognised a deferred tax asset (2016 : £nil).

9. Distributions

	31 March 2017 £'000	31 March 2016 £'000
Interim net interest distribution - April 2016	1,321	1,382
Interim net interest distribution - May 2016	1,450	1,361
Interim net interest distribution - June 2016	7,171	6,201
Interim net interest distribution - July 2016	1,456	1,493
Interim net interest distribution - August 2016	1,494	1,465
Interim net interest distribution - September 2016	6,884	6,806
Interim net interest distribution - October 2016	1,649	1,370
Interim net interest distribution - November 2016	1,300	1,348
Interim net interest distribution - December 2016	6,674	6,381
Interim net interest distribution - January 2017	1,616	1,563
Interim net interest distribution - February 2017	1,409	1,631
Final gross interest distribution - March 2017	7,864	7,267
	40,288	38,268
Add: amounts deducted on cancellation of units	762	94
Deduct: amounts added on issue of units	(1,020)	(164)
Distributions	40,030	38,198
Movement between net revenue and distributions		
Net revenue after taxation	40,010	38,005
Expenses paid from capital	15	12
Add: revenue received on conversion of units	5	181
	40,030	38,198

The distributions take account of amounts added on the issue of units and amounts deducted on the cancellation of units. Details of the distributions per unit are set out in the distribution tables on pages 22 to 27.

10. Fair value hierarchy

All investments are designated at fair value through profit or loss on initial recognition. The following table provides an analysis of these investments based on the fair value hierarchy which reflects the reliability and significance of the information used to measure their fair value.

The disclosure is split into the following categories:

Level 1 – Investments with unadjusted quoted prices in an active market;
Level 2 – Investments whose fair value is based on inputs other than quoted prices that are either directly or indirectly observable;
Level 3 – Investments whose fair value is based on inputs that are unobservable (i.e. for which market data is unavailable).

	31 March 2017		31 March 2016	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	138	(1,519)	110	-
Level 2	910,910	-	788,507	(487)
Level 3	157	-	121	-
Total	911,205	(1,519)	788,738	(487)

11. Debtors

	31 March 2017 £'000	31 March 2016 £'000
Accrued revenue	15,889	14,654
Amounts receivable for issue of units	1,549	2,170
Prepaid expenses	5	4
Total debtors	17,443	16,828

12. Cash and bank balances

	31 March 2017 £'000	31 March 2016 £'000
Amounts held in JPMorgan Liquidity Funds – Sterling Liquidity Fund (Institutional dist.)	72,000	60,792
Cash and bank balances	37,439	-
Amounts held at futures clearing houses and brokers	3,225	7
Total cash and bank balances	112,664	60,799

13. Other creditors

	31 March 2017 £'000	31 March 2016 £'000
Purchases awaiting settlement	14,522	-
Accrued annual management charge	512	449
Amounts payable for cancellation of units	238	-
Accrued other expenses	144	159
Total other creditors	15,416	608

14. Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the current or prior year end.

Notes to the financial statements (continued)

15. Reconciliation of unit movements

Class	Units in issue at 31 March 2016	Units issued	Units cancelled	Units converted	Units in issue at 31 March 2017
MI distribution	497,633,466	107,585,516	(20,151,434)	(24,512,671)	560,554,877
MI accumulation	49,609,273	29,549,096	(1,176,898)	4,874,034	82,855,505
QI distribution	55,514,499	14,406,610	(5,014,138)	4,710,610	69,617,581
QI accumulation	335,767,947	46,409,096	(21,851,388)	26,036,091	386,361,746
MR distribution	97,807,146	11,448,517	(4,001,172)	(3,573,413)	101,681,078
MR accumulation	51,196,498	2,261,573	(6,008,094)	(1,549,534)	45,900,443
QR Distribution	25,200,990	1,496,886	(3,230,150)	(3,735,207)	19,732,519
QR Accumulation	148,206,200	7,409,084	(16,906,125)	(12,891,189)	125,817,970

16. Risk disclosures

The fund's financial instruments comprise fixed interest investments, floating rate investments, cash balances and liquid resources which include debtors and creditors. The fund holds such financial assets in accordance with its investment objective and policy as set out on page 1. The fund is exposed to a number of risks that are associated with the financial instruments and markets in which it invests. The most significant risks to which the fund is exposed to are market risk, credit and counterparty risk and liquidity risk.

(a) Market risk

Market risk, which includes interest rate risk, currency risk, other price risk and leverage risk arises mainly from uncertainty about future values of financial instruments in the fund's portfolio statement. The fund, in order to meet its investment objective and policy, invests predominantly in bonds and maintains an appropriate spread of investments in accordance with COLL, the Trust Deed and the Prospectus to seek to reduce the risks arising from factors specific to a particular company or sector. The manager's investment strategy is to select investments for their fundamental value. Stock selection is therefore based on disciplined accounting, market and sector analysis, with the emphasis on long-term investments. There is no material difference between the carrying values and the fair values of the financial assets and liabilities of the fund disclosed in the balance sheet.

(i) Interest rate risk

Changes in interest rates or changes in expectations of future interest rates may result in an increase or decrease in the market value of the investments held. Bond yields (and as a consequence bond prices) are determined by market perception as to the appropriate level of yields given the economic background. Key determinants include economic growth prospects, inflation, governments' fiscal positions, short-term interest rates and international market comparisons. As part of the continuing review of the portfolio, the manager monitors and reviews these factors.

The following table details the interest rate risk profile of the fund:

Currency	Floating rate financial assets/(liabilities)† £'000	Fixed rate financial assets £'000	Financial assets/ (liabilities) not carrying interest £'000	Total £'000
31 March 2017				
Sterling	148,993	471,344	(2,056)	618,281
Euro	10,815	201,689	(299)	212,205
US Dollar	30,516	154,124	(970)	183,670
Norwegian Krone	-	-	138	138
31 March 2016				
Sterling	112,775	401,685	5,725	520,185
Euro	188	228,092	3,651	231,931
US Dollar	5,807	100,378	2,284	108,469
Norwegian Krone	-	-	110	110

The forward currency contracts for Euro, Sterling and US Dollar are not included within this table. These can be found in the portfolio statement on page 12.
† Includes cash and bank balances.

As at 31 March 2017 if there is a parallel shift in government bond yields with an increase of 1%, the fund could expect to see a 2.8% fall in the prices of the underlying bonds it holds (2016: 3.7%). A 1% fall in government bond yields would have an equal and opposite impact. This calculation has been prepared on a modified duration basis. Modified duration follows the concept that interest rates and bond prices move in opposite directions. The calculation has been used to serve as an indication of the possible impact to the fund from changes to government bond yields. This concept relies on a large number of assumptions, in particular, that all bonds are equally sensitive to government bond yields. In practice, this is not the case as many bonds with higher credit risk have lower correlation with government bond yields and in some cases even negative correlation. The fund contains a high and varying proportion of bonds with sometimes a high degree of credit risk. Furthermore, this makes the assumption of a parallel shift in yields. In practice, when interest rates change, longer dated government bond yields do not usually move in parallel with short-term interest rates. It is not unusual to see a negative correlation to short-term interest rate movements. The calculation also includes the impact of any futures positions, which are priced according to the yield of 10 year government bonds.

(ii) Currency risk

A portion of the net assets of the fund are denominated in currencies other than sterling, and therefore the balance sheet and total return can be affected by currency movements. Therefore, the manager may decide that a proportion of the investments that are not priced in sterling, may be covered by forward currency contracts, so that the fund's exposure to currency risk is reduced. The loss on forward currency contracts for the year was £32,610,000 (2016: £14,355,000).

Revenue received in foreign currencies is converted into sterling on or near the date of receipt. No hedging is undertaken with regard to managing the currency movement risk on accrued revenue.

The exposure to each currency is shown in the table below.

Currency	Investments £'000	Net other assets £'000	Forward currency contracts £'000	Total £'000
31 March 2017				
Sterling	506,388	111,893	392,139	1,010,420
Euro	212,502	(297)	(204,093)	8,112
US Dollar	184,408	(738)	(181,819)	1,851
Norwegian Krone	138	-	-	138
31 March 2016				
Sterling	454,119	66,066	335,281	855,466
Euro	228,091	3,840	(228,831)	3,100
US Dollar	105,916	2,553	(106,310)	2,159
Norwegian Krone	110	-	(125)	(15)

A five per cent increase in the value of the fund's foreign currency exposure would have the effect of increasing the return and net assets by £505,000 (2016: £262,000). A five per cent decrease would have an equal and opposite effect.

(iii) Other price risk

Other price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices (other than those relating to interest rate risk, currency risk and credit and counterparty risk), whether caused by factors specific to an investment or wider issues affecting the market generally. The value of equities is dependent on a number of factors, arising from the performance of the company itself and matters arising in the wider market (for example the state of the underlying economy and current government policy). The portfolio is invested in securities domiciled in a number of countries as detailed in the portfolio statement and will be exposed to market movements in the relevant country arising from changes in the local economy and government decisions. As part of the continuing review of the portfolio, the manager monitors and reviews these factors. A five per cent increase in the value of the fund's portfolio would have the effect of increasing the return and net assets by £45,484,000 (2016: £39,413,000). A five per cent decrease would have an equal and opposite effect.

Returns from bonds are fixed at the time of purchase, the fixed coupon payments are known, as are the final redemption proceeds. This means that if a bond is held until its redemption date, the total return achieved is unaltered from its purchase date. However, over the life of a bond, the yield (and hence market price) at any given time will depend on the market environment at that time. Therefore, a bond sold before its redemption date may have a different price to its purchase level and a gain or loss may be realised.

Bond investments are exposed to credit rating risk which reflects the ability of a bond issuer to meet its obligations (i.e. pay interest on a bond and return the capital on the redemption date). Generally, the higher the credit rating of the bond issuer, the rate at which they can borrow money may be lower than a bond issuer with a lower credit rating reflecting the potentially higher

Notes to the financial statements (continued)

risk. Additionally, the credit rating of a bond is likely to impact upon the market price of a bond with a higher credit rating reflecting the greater expectation that the bond will be redeemed by the issuer on the maturity date at the nominal amount. An element of the market price of a bond will reflect this.

(iv) Leverage risk

Leverage is defined as any method by which the fund can increase its exposure by borrowing cash or securities or from leverage that is embedded in derivative positions. The manager is required to calculate and monitor the level of leverage of a fund, expressed as a percentage of the exposure of the fund and its net asset value under the commitment method.

The fund can use cash borrowing (subject to restrictions as set out in its Prospectus) and financial derivatives as sources of leverage. A result of 100% indicates that no leverage has been used.

As at 31 March 2017 the amount of leverage used by the fund was 100% (2016:100%).

(b) Credit and counterparty risk

Credit and counterparty risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment it has entered into with the fund, resulting in a financial loss. From time to time, the fund may be subject to short-term credit risk with counterparties pending settlement of investment transactions. The manager has a pre-approved list of counterparties it uses for investment transactions, which is reviewed on a regular basis. The largest counterparty risk is with J.P. Morgan Chase N.A. ('JP Morgan'), the fund's custodian and banker, who holds the fund's investments and maintains the bank accounts. Bankruptcy or insolvency of JP Morgan may cause the fund's rights with respect to securities and cash held by the custodian to be delayed or limited. The trustee receives and reviews a semi-annual report on the internal controls in place at JP Morgan. The fund is also exposed to counterparty risk through holding specific financial instruments.

The manager is permitted to use one or more separate counterparties for derivative transactions. The fund may enter into transactions in over-the-counter ('OTC') markets that expose it to the credit of its counterparties and their ability to satisfy the terms of such contracts. Where the fund enters into derivative contracts, it will be exposed to the risk that the counterparty may default on its obligations to perform under the relevant contract. In the event of bankruptcy or insolvency of a counterparty, the fund could experience delays in liquidating the position and may incur significant losses. There may be a risk that a counterparty will be unable to meet its obligations with regard to the return of the collateral and may not meet other payments due to the fund. To minimise such risk the manager will assess the creditworthiness of any counterparty that it engages. On a daily basis the manager assesses the level of assets with each counterparty to ensure that the exposure is within the defined limits in accordance with the requirement stipulated in COLL and the Prospectus.

The derivatives are disclosed in the portfolio statement and UBS AG ('UBS') is the counterparty for the forward currency contracts and J.P. Morgan Securities plc ('J.P. Morgan') is the counterparty for the futures. Aside from the custodian, the derivative counterparties and brokers where trades are pending settlement, there were no significant concentrations of credit and counterparty risk as at 31 March 2017 or 31 March 2016.

Debt security credit analysis

At the reporting date, the credit analysis of the fund's debt securities was as follows:

	31 March 2017 £'000	31 March 2016 £'000
Investment grade securities	311,000	299,930
Below investment grade securities	526,039	437,156
Unrated securities	67,778	51,040
Total of debt securities	904,817	788,126

* Source of credit ratings: Artemis Investment Management LLP.

Counterparty and collateral exposure

The types of derivatives held at the balance sheet date were forward currency contracts and futures. Details of the individual contracts are disclosed separately in the portfolio statement and the total position by counterparty at the balance sheet date was as follows:

	Forward currency contracts £'000	Futures £'000	Total gross exposure £'000	Net collateral (pledged)/held £'000
31 March 2017				
UBS	6,250	-	6,250	(3,620)
J.P. Morgan	-	(95,734)	(95,734)	-
31 March 2016				
UBS	15	-	15	(590)

All collateral is cash or cash equivalents.

Liquidity risk

Some of the fund's financial instruments can include securities which may not always be readily realisable. As a result, the fund may not be able to realise these investments quickly at their fair value to respond to any further liquidity requirements, or to respond to specific events such as deterioration in the creditworthiness of any particular issuer. In order to manage liquidity requirements, the fund seeks to maintain sufficient cash to pay creditors. Liquidity risk limits are set by reference to two key metrics: market liquidity and investor concentration. These measures will, in combination, identify instances where the fund may be unable to meet investor redemptions. Market liquidity considers a fund's liquidity compared against the daily average liquidity over the previous twelve months. Investor concentration considers the proportion of the fund that is realisable within a redemption cycle measured against the largest unitholder.

17. Related party transactions

The manager is deemed to be a related party. All transactions and balances associated with the manager are disclosed within the statement of total return, statement of change in net assets attributable to unitholders and the balance sheet on page 13 and notes 6, 9, 11 and 13 on pages 15 to 17 including all issues and cancellations where the manager acted as principal. The balance due from the manager as at 31 March 2017 in respect of these transactions was £799,000 (2016: £1,721,000).

18.Unit classes

The annual management charge on each unit class is as follows:

MI distribution 0.50%
MI accumulation 0.50%
QI distribution 0.50%
QI accumulation 0.50%
MR distribution 1.00%
MR accumulation 1.00%
QR distribution 1.00%
QR accumulation 1.00%

The net asset value per unit and the number of units in each class are given in the comparative tables on pages 28 and 29. The distributions per unit class are given in the distribution tables on pages 22 to 27. All classes have the same rights.

19. Post balance sheet events

Since 31 March 2017, the net asset values per unit, on a bid basis, have changed as follows:

	Net asset value per unit (p)		
	24 May 2017	31 March 2017	Movement
MI distribution	57.51	56.50	2.0%
MI accumulation	64.35	63.07	2.0%
QI distribution	86.62	84.91	2.0%
QI accumulation	96.78	94.87	2.0%
MR distribution	57.38	56.40	1.9%
MR accumulation	93.32	91.54	1.9%
QR distribution	57.45	56.35	1.9%
QR accumulation	93.49	91.71	1.9%

* The monthly interim distributions declared on 28 April 2017 of 0.1376p (class MI distribution); and 0.1154p (class MR distribution); have been included in the calculation of the movement in the net asset value per unit.

Distribution tables

Monthly interim interest distribution for the month ended 30 April 2016 (paid on 31 May 2016) in pence per unit.

Group 1 - Units purchased prior to 1 April 2016.
Group 2 - Units purchased from 1 April 2016 to 30 April 2016.

	Gross revenue per unit (p)	Income tax (20%) (p)	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 31 May 2016	Distribution per unit (p) 29 May 2015
MI distribution						
Group 1	0.1875	0.0375	0.1500	-	0.1500	0.1636
Group 2	0.0804	0.0161	0.0643	0.0857	0.1500	0.1636
MI accumulation						
Group 1	0.2019	0.0404	0.1615	-	0.1615	0.1699
Group 2	0.0703	0.0141	0.0562	0.1053	0.1615	0.1699
MR distribution						
Group 1	0.1644	0.0329	0.1315	-	0.1315	0.1433
Group 2	0.0433	0.0087	0.0346	0.0969	0.1315	0.1433
MR accumulation						
Group 1	0.2584	0.0517	0.2067	-	0.2067	0.2180
Group 2	0.1254	0.0251	0.1003	0.1064	0.2067	0.2180

Monthly interim interest distribution for the month ended 31 May 2016 (paid on on 30 June 2016) in pence per unit.

Group 1 - Units purchased prior to 1 May 2016.
Group 2 - Units purchased from 1 May 2016 to 31 May 2016.

	Gross revenue per unit (p)	Income tax (20%) (p)	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 30 June 2016	Distribution per unit (p) 30 June 2015
MI distribution						
Group 1	0.2036	0.0407	0.1629	-	0.1629	0.1605
Group 2	0.0986	0.0197	0.0789	0.0840	0.1629	0.1605
MI accumulation						
Group 1	0.2199	0.0440	0.1759	-	0.1759	0.1672
Group 2	0.1158	0.0232	0.0926	0.0833	0.1759	0.1672
MR distribution						
Group 1	0.1773	0.0355	0.1418	-	0.1418	0.1409
Group 2	0.0304	0.0061	0.0243	0.1175	0.1418	0.1409
MR accumulation						
Group 1	0.2795	0.0559	0.2236	-	0.2236	0.2150
Group 2	0.1306	0.0261	0.1045	0.1191	0.2236	0.2150

Monthly interim interest distribution for the month ended 30 June 2016 (paid on 29 July 2016) in pence per unit.

Group 1 - Units purchased prior to 1 June 2016.
Group 2 - Units purchased from 1 June 2016 to 30 June 2016.

	Gross revenue per unit (p)	Income tax (20%) (p)	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 29 July 2016	Distribution per unit (p) 31 July 2015
MI distribution						
Group 1	0.2294	0.0459	0.1835	-	0.1835	0.1702
Group 2	0.1209	0.0242	0.0967	0.0868	0.1835	0.1702
MI accumulation						
Group 1	0.2485	0.0497	0.1988	-	0.1988	0.1776
Group 2	0.1184	0.0237	0.0947	0.1041	0.1988	0.1776
MR distribution						
Group 1	0.2053	0.0411	0.1642	-	0.1642	0.1489
Group 2	0.0679	0.0136	0.0543	0.1099	0.1642	0.1489
MR accumulation						
Group 1	0.3243	0.0649	0.2594	-	0.2594	0.2276
Group 2	0.1738	0.0348	0.1390	0.1204	0.2594	0.2276

Quarterly interim interest distribution for the three months ended 30 June 2016 (paid on 29 July 2016) in pence per unit.

Group 1 - Units purchased prior to 1 April 2016.
Group 2 - Units purchased from 1 April 2016 to 30 June 2016.

	Gross revenue per unit (p)	Income tax (20%) (p)	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 29 July 2016	Distribution per unit (p) 31 July 2015
QI distribution						
Group 1	0.9350	0.1870	0.7480	-	0.7480	0.7453
Group 2	0.5590	0.1118	0.4472	0.3008	0.7480	0.7453
QI accumulation						
Group 1	1.0070	0.2014	0.8056	-	0.8056	0.7728
Group 2	0.5621	0.1124	0.4497	0.3559	0.8056	0.7728
QR distribution						
Group 1	0.5475	0.1095	0.4380	-	0.4380	0.4338
Group 2	0.2978	0.0596	0.2382	0.1998	0.4380	0.4338
QR accumulation						
Group 1	0.8630	0.1726	0.6904	-	0.6904	0.6614
Group 2	0.4404	0.0881	0.3523	0.3381	0.6904	0.6614

Monthly interim interest distribution for the month ended 31 July 2016 (paid on 31 August 2016) in pence per unit.

Group 1 - Units purchased prior to 1 July 2016.
Group 2 - Units purchased from 1 July 2016 to 31 July 2016.

	Gross revenue per unit (p)	Income tax (20%) (p)	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 31 August 2016	Distribution per unit (p) 28 August 2015
MI distribution						
Group 1	0.2003	0.0401	0.1602	-	0.1602	0.1722
Group 2	0.0959	0.0192	0.0767	0.0835	0.1602	0.1722
MI accumulation						
Group 1	0.2176	0.0435	0.1741	-	0.1741	0.1804
Group 2	0.0998	0.0200	0.0798	0.0943	0.1741	0.1804
MR distribution						
Group 1	0.1766	0.0353	0.1413	-	0.1413	0.1520
Group 2	0.1336	0.0267	0.1069	0.0344	0.1413	0.1520
MR accumulation						
Group 1	0.2799	0.0560	0.2239	-	0.2239	0.2331
Group 2	0.1488	0.0298	0.1190	0.1049	0.2239	0.2331

Monthly interim interest distribution for the month ended 31 August 2016 (paid on 30 September 2016) in pence per unit.

Group 1 - Units purchased prior to 1 August 2016.
Group 2 - Units purchased from1 August 2016 to 31 August 2016.

	Gross revenue per unit (p)	Income tax (20%) (p)	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 30 September 2016	Distribution per unit (p) 30 September 2015
MI distribution						
Group 1	0.2033	0.0407	0.1626	-	0.1626	0.1666
Group 2	0.1031	0.0206	0.0825	0.0801	0.1626	0.1666
MI accumulation						
Group 1	0.2215	0.0443	0.1772	-	0.1772	0.1749
Group 2	0.0986	0.0197	0.0789	0.0983	0.1772	0.1749
MR distribution						
Group 1	0.1753	0.0351	0.1402	-	0.1402	0.1482
Group 2	0.0653	0.0131	0.0522	0.0880	0.1402	0.1482
MR accumulation						
Group 1	0.2786	0.0557	0.2229	-	0.2229	0.2279
Group 2	0.1475	0.0295	0.1180	0.1049	0.2229	0.2279

Distribution tables (continued)

Monthly interim interest distribution for the month ended 30 September 2016 (paid on 31 October 2016) in pence per unit.

Group 1 - Units purchased prior to 1 September 2016.
Group 2 - Units purchased from 1 September 2016 to 30 September 2016.

	Gross revenue per unit (p)	Income tax (20%) (p)	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 31 October 2016	Distribution per unit (p) 30 October 2015
MI distribution						
Group 1	0.1984	0.0397	0.1587	-	0.1587	0.1867
Group 2	0.1031	0.0206	0.0825	0.0762	0.1587	0.1867
MI accumulation						
Group 1	0.2169	0.0434	0.1735	-	0.1735	0.1967
Group 2	0.1133	0.0227	0.0906	0.0829	0.1735	0.1967
MR distribution						
Group 1	0.1733	0.0347	0.1386	-	0.1386	0.1650
Group 2	0.0521	0.0104	0.0417	0.0969	0.1386	0.1650
MR accumulation						
Group 1	0.2760	0.0552	0.2208	-	0.2208	0.2544
Group 2	0.1448	0.0290	0.1158	0.1050	0.2208	0.2544

Quarterly interim interest distribution for the three months ended 30 September 2016 (paid on 31 October 2016) in pence per unit.

Group 1 - Units purchased prior to 1 July 2016.
Group 2 - Units purchased from 1 July 2016 to 30 September 2016.

	Gross revenue per unit (p)	Income tax (20%) (p)	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 31 October 2016	Distribution per unit (p) 31 October 2015
QI distribution						
Group 1	0.9071	0.1814	0.7257	-	0.7257	0.7926
Group 2	0.4626	0.0925	0.3701	0.3556	0.7257	0.7926
QI accumulation						
Group 1	0.9858	0.1972	0.7886	-	0.7886	0.8293
Group 2	0.4923	0.0985	0.3938	0.3948	0.7886	0.8293
QR distribution						
Group 1	0.5259	0.1052	0.4207	-	0.4207	0.4657
Group 2	0.2023	0.0405	0.1618	0.2589	0.4207	0.4657
QR accumulation						
Group 1	0.8353	0.1671	0.6682	-	0.6682	0.7161
Group 2	0.3791	0.0758	0.3033	0.3649	0.6682	0.7161

Monthly interim interest distribution for the month ended 31 October 2016 (paid on 30 November 2016) in pence per unit.

Group 1 - Units purchased prior to 1 October 2016.
Group 2 - Units purchased from 1 October 2016 to 31 October 2016.

	Gross revenue per unit (p)	Income tax (20%) (p)	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 30 November 2016	Distribution per unit (p) 30 November 2015
MI distribution						
Group 1	0.2198	0.0440	0.1758	-	0.1758	0.1531
Group 2	0.0853	0.0171	0.0682	0.1076	0.1758	0.1531
MI accumulation						
Group 1	0.2409	0.0482	0.1927	-	0.1927	0.1619
Group 2	0.1089	0.0218	0.0871	0.1056	0.1927	0.1619
MR distribution						
Group 1	0.1936	0.0387	0.1549	-	0.1549	0.1338
Group 2	0.0704	0.0141	0.0563	0.0986	0.1549	0.1338
MR accumulation						
Group 1	0.3091	0.0618	0.2473	-	0.2473	0.2070
Group 2	0.1804	0.0361	0.1443	0.1030	0.2473	0.2070

Monthly interim interest distribution for the month ended 30 November 2016 (paid on 30 December 2016) in pence per unit.

Group 1 - Units purchased prior to 1 November 2016.
Group 2 - Units purchased from 1 November 2016 to 30 November 2016.

	Gross revenue per unit (p)	Income tax (20%) (p)	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 30 December 2016	Distribution per unit (p) 31 December 2015
MI distribution						
Group 1	0.1710	0.0342	0.1368	-	0.1368	0.1500
Group 2	0.0830	0.0166	0.0664	0.0704	0.1368	0.1500
MI accumulation						
Group 1	0.1880	0.0376	0.1504	-	0.1504	0.1594
Group 2	0.0855	0.0171	0.0684	0.0820	0.1504	0.1594
MR distribution						
Group 1	0.1464	0.0293	0.1171	-	0.1171	0.1295
Group 2	0.0880	0.0176	0.0704	0.0467	0.1171	0.1295
MR accumulation						
Group 1	0.2343	0.0469	0.1874	-	0.1874	0.2004
Group 2	0.1246	0.0249	0.0997	0.0877	0.1874	0.2004

Monthly interim interest distribution for the month ended 31 December 2016 (paid on 31 January 2017) in pence per unit.

Group 1 - Units purchased prior to 1 December 2016.
Group 2 - Units purchased from 1 December 2016 to 31 December 2016.

	Gross revenue per unit (p)	Income tax (20%) (p)	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 31 January 2017	Distribution per unit (p) 29 January 2016
MI distribution						
Group 1	0.1848	0.0370	0.1478	-	0.1478	0.1681
Group 2	0.0900	0.0180	0.0720	0.0758	0.1478	0.1681
MI accumulation						
Group 1	0.2038	0.0408	0.1630	-	0.1630	0.1788
Group 2	0.1110	0.0222	0.0888	0.0742	0.1630	0.1788
MR distribution						
Group 1	0.1596	0.0319	0.1277	-	0.1277	0.1479
Group 2	0.0855	0.0171	0.0684	0.0593	0.1277	0.1479
MR accumulation						
Group 1	0.2561	0.0512	0.2049	-	0.2049	0.2300
Group 2	0.1588	0.0318	0.1270	0.0779	0.2049	0.2300

Quarterly interim interest distribution for the three months ended 31 December 2016 (paid on 31 January 2017) in pence per unit.

Group 1 - Units purchased prior to 1 October 2016.
Group 2 - Units purchased from 1 October 2016 to 31 December 2016.

	Gross revenue per unit (p)	Income tax (20%) (p)	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 31 January 2017	Distribution per unit (p) 29 January 2016
QI distribution						
Group 1	0.8673	0.1735	0.6938	-	0.6938	0.7104
Group 2	0.5355	0.1071	0.4284	0.2654	0.6938	0.7104
QI accumulation						
Group 1	0.9503	0.1901	0.7602	-	0.7602	0.7506
Group 2	0.4516	0.0903	0.3613	0.3989	0.7602	0.7506
QR distribution						
Group 1	0.5001	0.1000	0.4001	-	0.4001	0.4113
Group 2	0.2433	0.0487	0.1946	0.2055	0.4001	0.4113
QR accumulation						
Group 1	0.8003	0.1601	0.6402	-	0.6402	0.6384
Group 2	0.3904	0.0781	0.3123	0.3279	0.6402	0.6384

Distribution tables (continued)

Monthly interim interest distribution for the month ended 31 January 2017 (paid on 28 February 2017) in pence per unit.

Group 1 - Units purchased prior to 1 January 2017.
Group 2 - Units purchased from 1 January 2017 to 31 January 2017.

	Gross revenue per unit (p)	Income tax (20%) (p)	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 28 February 2017	Distribution per unit (p) 29 February 2016
MI distribution						
Group 1	0.2085	0.0417	0.1668	-	0.1668	0.1689
Group 2	0.0875	0.0175	0.0700	0.0968	0.1668	0.1689
MI accumulation						
Group 1	0.2304	0.0461	0.1843	-	0.1843	0.1801
Group 2	0.1089	0.0218	0.0871	0.0972	0.1843	0.1801
MR distribution						
Group 1	0.1813	0.0363	0.1450	-	0.1450	0.1505
Group 2	0.0519	0.0104	0.0415	0.1035	0.1450	0.1505
MR accumulation						
Group 1	0.2916	0.0583	0.2333	-	0.2333	0.2344
Group 2	0.1183	0.0237	0.0946	0.1387	0.2333	0.2344

Monthly interim interest distribution for the month ended 28 February 2017 (paid on 31 March 2017) in pence per unit.

Group 1 - Units purchased prior to 1 February 2017.
Group 2 - Units purchased from 1 February 2017 to 29 February 2017.

	Gross revenue per unit (p)	Income tax (20%) (p)	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 31 March 2017	Distribution per unit (p) 31 March 2016
MI distribution						
Group 1	0.1789	0.0358	0.1431	-	0.1431	0.1751
Group 2	0.0759	0.0152	0.0607	0.0824	0.1431	0.1751
MI accumulation						
Group 1	0.1984	0.0397	0.1587	-	0.1587	0.1872
Group 2	0.0884	0.0177	0.0707	0.0880	0.1587	0.1872
MR distribution						
Group 1	0.1553	0.0311	0.1242	-	0.1242	0.1555
Group 2	0.0764	0.0153	0.0611	0.0631	0.1242	0.1555
MR accumulation						
Group 1	0.2505	0.0501	0.2004	-	0.2004	0.2429
Group 2	0.1455	0.0291	0.1164	0.0840	0.2004	0.2429

Monthly final interest distribution for the month ended 31 March 2017 (paid on 28 April 2017) in pence per unit*.

Group 1 - Units purchased prior to 1 March 2017.
Group 2 - Units purchased from 1 March 2017 to 31 March 2017.

	Gross revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 28 April 2017	Distribution per unit (p) 29 April 2016
MI distribution				
Group 1	0.2517	-	0.2517	0.1845
Group 2	0.0898	0.1619	0.2517	0.1845
MI accumulation				
Group 1	0.2798	-	0.2798	0.1983
Group 2	0.0960	0.1838	0.2798	0.1983
MR distribution				
Group 1	0.2271	-	0.2271	0.1647
Group 2	0.0417	0.1854	0.2271	0.1647
MR accumulation				
Group 1	0.3668	-	0.3668	0.2583
Group 2	0.1509	0.2159	0.3668	0.2583

Quarterly final interest distribution for the three months ended 31 March 2017 (paid on 28 April 2017) in pence per unit*.

Group 1 - Units purchased prior to 1 January 2017.
Group 2 - Units purchased from 1 January 2017 to 31 March 2017.

	Gross revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 28 April 2017	Distribution per unit (p) 29 April 2016
QI distribution				
Group 1	0.9284	-	0.9284	0.7971
Group 2	0.4256	0.5028	0.9284	0.7971
QI accumulation				
Group 1	1.0259	-	1.0259	0.8497
Group 2	0.4697	0.5562	1.0259	0.8497
QR distribution				
Group 1	0.5447	-	0.5447	0.4710
Group 2	0.2936	0.2511	0.5447	0.4710
QR accumulation				
Group 1	0.8776	-	0.8776	0.7364
Group 2	0.4359	0.4417	0.8776	0.7364

Equalisation applies only to units purchased during the distribution period (group 2 units). It is the average amount of revenue included in the purchase price of all group 2 units and is refunded to holders of these units as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of units for capital gains tax purposes.

* Following a change to UK tax rules, all UK authorised funds which pay interest distributions will pay these without the deduction of basic rate income tax for all distributions paid after 6 April 2017.

Comparative tables

	MI distribution			MI accumulation **		
	2017	2016	2015	2017	2016	2015
Change in net assets per unit (p)						
Opening net asset value per unit	**53.33**	**55.69**	**54.93**	**57.44**	**57.79**	**55.18**
Return before operating charges *	5.93	0.48	3.63	6.46	0.52	3.46
Operating charges	(0.32)	(0.32)	(0.32)	(0.35)	(0.33)	(0.33)
Return after operating charges	5.61	0.16	3.31	6.11	0.19	3.13
Distributions	(2.44)	(2.52)	(2.55)	(2.67)	(2.67)	(2.60)
Retained distributions on accumulation units	-	-	-	2.19	2.13	2.08
Closing net asset value per unit	**56.50**	**53.33**	**55.69**	**63.07**	**57.44**	**57.79**
* after direct transaction costs of	-	-	-	-	-	-
Performance						
Return after charges	10.52%	0.29%	6.03%	9.80%	(0.61)%	4.73%
Other information						
Closing net asset value (£'000)	316,737	265,391	249,040	52,260	28,494	8,124
Closing number of units	560,554,877	497,633,466	447,166,332	82,855,505	49,609,273	14,058,069
Operating charges	0.57%	0.58%	0.58%	0.57%	0.58%	0.58%
Direct transaction costs	-	-	-	-	-	-
Prices						
Highest offer unit price (p)	57.78	57.18	56.98	64.21	59.33	58.93
Lowest bid unit price (p)	53.36	51.57	54.12	57.46	55.16	54.97

	QI distribution **			QI accumulation		
	2017	2016	2015	2017	2016	2015
Change in net assets per unit (p)						
Opening net asset value per unit	**80.13**	**83.69**	**82.92**	**86.31**	**86.84**	**82.55**
Return before operating charges *	8.90	1.04	5.10	9.68	0.84	5.56
Operating charges	(0.48)	(0.47)	(0.48)	(0.53)	(0.50)	(0.49)
Return after operating charges	8.42	0.57	4.62	9.15	0.34	5.07
Distributions	(3.64)	(4.13)	(3.85)	(3.97)	(4.34)	(3.90)
Retained distributions on accumulation units	-	-	-	3.38	3.47	3.12
Closing net asset value per unit	**84.91**	**80.13**	**83.69**	**94.87**	**86.31**	**86.84**
* after direct transaction costs of	-	-	-	-	-	-
Performance						
Return after charges	10.51%	0.68%	5.57%	9.92%	(0.61)%	5.20%
Other information						
Closing net asset value (£'000)	59,110	44,482	13,672	366,540	289,801	225,928
Closing number of units	69,617,581	55,514,499	16,335,311	386,361,746	335,767,947	260,155,676
Operating charges	0.57%	0.58%	0.58%	0.57%	0.58%	0.58%
Direct transaction costs	-	-	-	-	-	-
Prices						
Highest offer unit price (p)	87.38	85.93	86.11	96.58	89.16	88.55
Lowest bid unit price (p)	80.17	77.72	81.33	86.35	82.89	82.55

	MR distribution			MR accumulation		
	2017	2016	2015	2017	2016	2015
Change in net assets per unit (p)						
Opening net asset value per unit	**53.23**	**55.59**	**54.83**	**83.72**	**84.61**	**80.78**
Return before operating charges *	5.91	0.46	3.61	9.38	0.71	5.39
Operating charges	(0.60)	(0.59)	(0.60)	(0.95)	(0.91)	(0.89)
Return after operating charges	5.31	(0.13)	3.01	8.43	(0.20)	4.50
Distributions	(2.14)	(2.23)	(2.25)	(3.41)	(3.44)	(3.36)
Retained distributions on accumulation units	-	-	-	2.80	2.75	2.69
Closing net asset value per unit	**56.40**	**53.23**	**55.59**	**91.54**	**83.72**	**84.61**
* after direct transaction costs of	-	-	-	-	-	-
Performance						
Return after charges	9.98%	(0.23)%	5.49%	9.34%	(1.05)%	4.74%
Other information						
Closing net asset value (£'000)	57,351	52,067	66,335	42,017	42,864	64,243
Closing number of units	101,681,078	97,807,146	119,321,065	45,900,443	51,196,498	75,930,549
Operating charges	1.07%	1.08%	1.08%	1.07%	1.08%	1.08%
Direct transaction costs	-	-	-	-	-	-
Prices						
Highest offer unit price (p)	60.10	59.47	59.27	97.15	90.50	89.92
Lowest bid unit price (p)	53.26	51.47	54.01	83.76	80.46	80.78

	QR distribution			QR accumulation		
	2017	2016	2015	2017	2016	2015
Change in net assets per unit (p)						
Opening net asset value per unit	**53.18**	**55.55**	**54.79**	**83.81**	**84.69**	**80.85**
Return before operating charges *	5.89	0.64	3.61	9.35	0.77	5.40
Operating charges	(0.60)	(0.59)	(0.60)	(0.95)	(0.91)	(0.89)
Return after operating charges	5.29	0.05	3.01	8.40	(0.14)	4.51
Distributions	(2.12)	(2.42)	(2.25)	(3.38)	(3.73)	(3.37)
Retained distributions on accumulation units	-	-	-	2.88	2.99	2.70
Closing net asset value per unit	**56.35**	**53.18**	**55.55**	**91.71**	**83.81**	**84.69**
* after direct transaction costs of	-	-	-	-	-	-
Performance						
Return after charges	9.95%	0.09%	5.49%	9.43%	(1.04)%	4.75%
Other information						
Closing net asset value (£'000)	11,120	13,402	44,617	115,386	124,209	158,897
Closing number of units	19,732,519	25,200,990	80,322,650	125,817,970	148,206,200	187,616,416
Operating charges	1.07%	1.08%	1.08%	1.07%	1.08%	1.08%
Direct transaction costs	-	-	-	-	-	-
Prices						
Highest offer unit price (p)	60.38	59.45	59.51	97.32	90.59	90.01
Lowest bid unit price (p)	53.21	51.56	53.97	83.85	80.54	80.85

* Direct transaction costs are stated after deducting the amounts collected in relation to expected dealing costs added to the issue of units and subtracted from the cancellation of units.
** Launched 1 April 2014.

Comparative tables (continued)

Ongoing charges

Class	31 March 2017
MI distribution	0.57%
MI accumulation	0.57%
QI distribution	0.57%
QI accumulation	0.57%
MR distribution	1.07%
MR accumulation	1.07%
QR distribution	1.07%
QR accumulation	1.07%

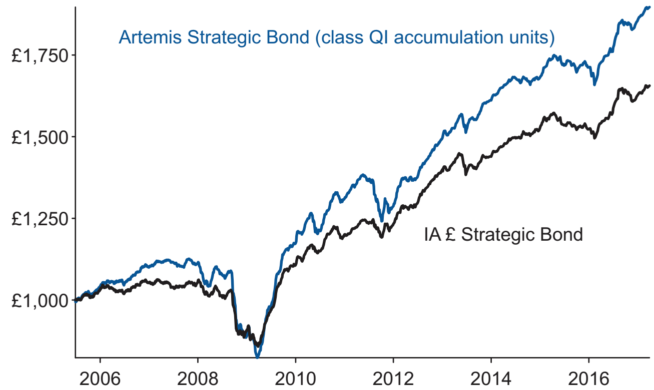
Ongoing charges shows the annual operating expenses of each unit class as a percentage of the average net assets of that class for the preceding 12 months.

Class I performance

	Since launch *	5 years	3 years	1 year	6 months
Artemis Strategic Bond Fund	89.8	38.0	14.9	9.9	2.6
Sector average	65.9	29.0	12.8	7.6	0.9
Position in sector	6/28	12/53	22/66	9/69	13/71
Quartile	1	1	2	1	1

* Data from 30 June 2005. Source: Lipper Limited, data from 30 June 2005 to 7 March 2008 reflects class QR accumulation units and from 7 March 2008 reflects class QI accumulation units, bid to bid in sterling to 31 March 2017. All performance figures show total returns with interest reinvested, percentage growth. Sector is IA £ Strategic Bond.

Value of £1,000 invested at launch to 31 March 2017

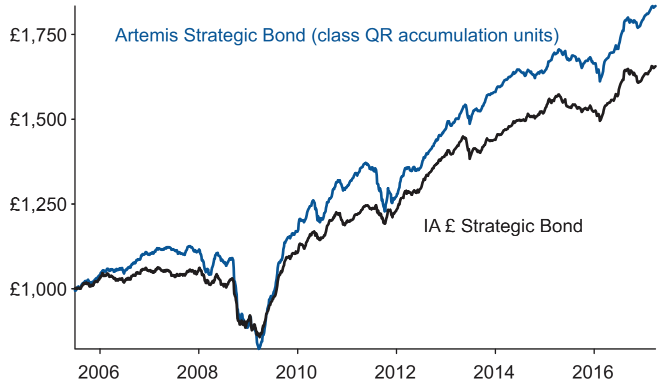


Class R performance

	Since launch *	5 years	3 years	1 year	6 months
Artemis Strategic Bond Fund	83.5	35.0	13.4	9.4	2.4

* Data from 30 June 2005, due to the fixed price period of the fund. Source: Lipper Limited, class QR accumulation units, bid to bid in sterling to 31 March 2017. All performance figures show total returns with interest reinvested, percentage growth. Sector is IA £ Strategic Bond.

Value of £1,000 invested at launch to 31 March 2017



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