PROFIT *hunters*

ARTEMIS Monthly Distribution *Fund*

Manager's Report and Financial Statements for the year ended 31 December 2013

ARTEMIS

The PROFIT Hunter

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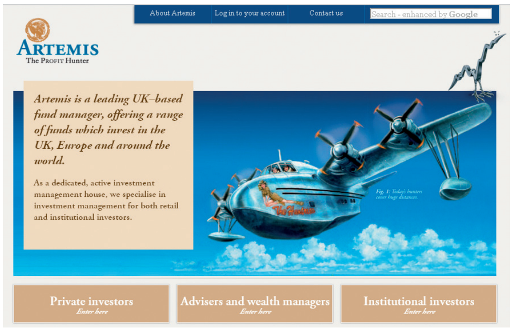

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- Artemis *filmclub* videos by our fund managers
- Market and fund insights
- Fund briefings and research articles
- *The Hunters' Tails*, our weekly market newsletter
- Daily fund prices
- Fund literature

artemis.co.uk

General information

Company profile

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

The company has grown to the extent that it now manages an asset base of some £17.3 billion*. This is spread across a range of unit trusts, an investment trust, a hedge fund, a venture capital trust and both pooled and segregated institutional portfolios.

The Artemis philosophy requires our fund managers to invest in Artemis funds. This means that our fund managers' interests are directly aligned with our investors.

* Source: Artemis as at 31 January 2014.

Fund status

Artemis Monthly Distribution Fund was constituted by a Trust Deed dated 10 February 2012 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 of the Financial Conduct Authority.

Investment objective

The fund aims to achieve an income in addition to capital growth.

Investment policy

The fund aims to achieve its objective by investing in a globally diversified portfolio of assets. Exposure will normally be to global equities, bonds and cash. The proportion of the fund allocated to each asset class as well as the underlying stock selection will be actively managed.

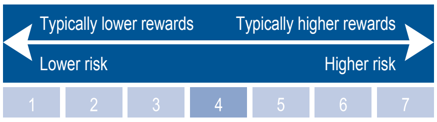
The fund will actively allocate between gilts, corporate bonds and high yield bonds, and within equities between sector and geographies.

The fund may, in addition to its other investment powers, use cash and near cash (which includes money market instruments and deposits) and exchange traded and over the counter derivatives and forward currency contracts for hedging and investment purposes.

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 **artemis.co.uk**. 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 stockmarket and currency movements.
- Stockmarket 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.
- 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.
- A portion of the fund's assets may be invested in new, emerging markets. Investment in emerging markets can involve greater risk than that usually associated with more established markets. This means that above-average rises and falls in unit prices can be expected.
- 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.

Prospectus

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

General information (continued)

Manager

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

Dealing information:
Unit Trust Department
Artemis Fund Managers Limited
PO Box 9688
Chelmsford CM99 2AE
Telephone: 0800 092 2051
Website: artemis.co.uk

Investment adviser

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

Trustee

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 Financial Conduct Authority, 25 The North Colonnade, Canary Wharf, London E14 5HS.

Statement of the trustee's responsibilities

The trustee is responsible for the safekeeping of all the property of the fund (other than tangible moveable property) which is entrusted to it and for the collection of revenue that arises from that property.

It is the duty of the trustee to take reasonable care to ensure that the fund is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook ('COLL'), as amended, the fund's Trust Deed and Prospectus, in relation to the pricing of, and dealings in, units in the fund; the application of revenue of the fund; and the investment and borrowing powers of the fund.

Report of the trustee

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

(i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the fund's units and the application of the fund's revenue in accordance with COLL, the Trust Deed and Prospectus; and

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

National Westminster Bank Plc
Trustee & Depositary Services

Edinburgh
14 February 2014

Statement of the manager's responsibilities

The Collective Investment Schemes Sourcebook ('COLL') of the Financial Conduct Authority 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 October 2010;

(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

This report has been prepared in accordance with the requirements of the Collective Investment Schemes Sourcebook as issued and amended by the Financial Conduct Authority.

R J Turpin
Director

M R J Tyndall
Director

14 February 2014

Independent auditor's report to the unitholders of the Artemis Monthly Distribution Fund

We have audited the financial statements of Artemis Monthly Distribution Fund (the "fund") for the year ended 31 December 2013 which comprise the statement of total return, the statement of change in net assets attributable to unitholders, balance sheet, the related notes 1 to 17 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).

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 (formerly the Financial Services 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 2, 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 December 2013 and of the net revenue and the net 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 (formerly the Financial Services 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 (formerly the Financial Services 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
14 February 2014

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.

Investment review

- The fund returned 17.1%*, significantly outperforming its peer group.
- Scepticism towards government bonds proves beneficial.
- Equity holdings make a strong contribution.

Performance – Equities and high-yield bonds deliver …

We are very pleased with the return that the fund produced over the year. The average return from the funds in our peer group was 8.8%*. The Fund, however, generated a return of 17.1%* – a significant degree of outperformance.

A number of factors contributed to this strong return. In particular, a decent allocation to equities – generally a little higher than our benchmark split of 40% – helped. Within that, our European holdings – many of which benefit from robust German consumer demand and the path to macro-economic normalisation in the eurozone's southern periphery – performed particularly well. Further, we maintained a relatively high weighting to both high-yield bonds and financial bonds, both of which had a very good year.

Review – A tale of tapering …

Before writing this report, we looked back at what we wrote 12 months ago. It is interesting to remember how many uncertainties hung over the market in early 2013, not least the debate over the so-called 'fiscal cliff' in the US. Investors were also troubled by uncertainty in the eurozone and, briefly, by the threat of continued recession in the US and the UK. In practice, however, the fiscal cliff issues were soon overcome and economic recovery in both the US and the UK became more entrenched as the year progressed. Furthermore, and despite poor economic growth across much of southern Europe, the eurozone's structural problems did not dominate the headlines in 2013 as they had in previous years. In short, many of the fears that dominated the market a year ago either proved to be unfounded – or have been postponed indefinitely. As sentiment improved, markets performed very strongly.

Not everything was straightforward, however. The second half of the year was dominated by the debate over quantitative easing in the US. The Federal Reserve's policy on 'tapering' its asset purchases was unclear and confusing. After Ben Bernanke's initial signal in May that the Fed was preparing to taper, the market expected the process to begin in September. In the event, however, the Fed actually kept the policy in place until December. Throughout the period, however, the mere prospect of a change in policy was enough to unsettle the bond market.

By March, yields on 10-year US Treasuries had fallen to a record low of 1.5%. Our policy of avoiding government bonds paid off handsomely: by September, yields had doubled. And while a shift of this size is very unusual it highlighted how expensive government bonds had become. We focused instead on holding high-yield and financial bonds, both of which were largely unaffected by the sharp rise in government bond yields.

The portfolio could not entirely escape the impact of tapering, however. In our equity portfolio, we had holdings in a number of real estate investment trusts (REITs). Sentiment towards REITs was impacted by the shift in US yields prompted by the prospect of tapering. And while it wasn't too surprising that equity income stocks sold off on the back of an indicated 'end to QE', the response was somewhat more radical than we had expected. After all, the Fed didn't stop the music. They simply turned the volume down – and yet everyone stopped dancing. The impact was most evident on REITs in those Asian economies whose currencies are pegged to the dollar but which lack the benefit of the pick-up in US economic growth. Overall, owning Asian REITs has been a great trade for us, delivering safe-haven yields in appreciating currencies. But we now believe that the sector is expensive and have scaled back our exposure to 'plain vanilla' REITs to the lowest level since we launched the fund. In general, we have also taken down exposure to lower growth 'bond proxies' such as utilities, which tend to do less well when interest rates are going up and when liquidity is reined in.

And although some of the 'bond proxy' elements of our equity portfolio wobbled when tapering was first mooted, that weakness was more than offset by very strong returns elsewhere – and, in particular, from our European holdings such as ProSiebenSat, RTL Group, Drillisch (all of which are German consumer stocks) and OPAP (the Greek lottery which is a beneficiary of the eurozone's survival as a single currency area). The fund's equity component is overweight in European stocks in general and in southern Europe in particular.

Outlook – It's all a question of balance …

The (distant) prospect of a rise in interest rates seems likely to continue to dominate the market in 2014. Many of our holdings would be adversely affected were interest rates to rise. Investors hold these assets because of the income that they produce, so if the 'risk free' rate of return were to rise significantly, their relative attraction would be reduced.

For now, however, we believe interest rates are likely to remain very low. This 'lower-for-longer' theme will continue even as the economy improves globally. If we look at the US, for instance, the Federal Reserve is

* Source: Lipper Limited, R accumulation, bid to bid basis, in sterling with net income reinvested. Sector is IMA Mixed Investment 20-60% shares. Benchmark is Weighted MSCI All Countries World Index (40%), iBoxx Index (60%).

still undertaking an aggressive policy of quantitative easing. Tapering has begun – but is unlikely to end before the summer. Policymakers are likely to take a wait-and-see approach, gauging what effect the cessation of QE has had on the economy before raising rates. The earliest point at which we could envisage interest rates moving higher is a year away and, more likely, towards the end of 2015.

In the UK, meanwhile, interest rates are low but there is a headwind from tighter fiscal policy. Banks are currently benefiting from government initiatives such as Help to Buy and the Funding for Lending Scheme. Both are likely to be scaled back, which would have the same effect as tightening monetary policy. Again, we envisage there being no change in interest rates until after the election in 2015 – and possibly later than that.

It is easy to forget that putting up interest rates is a tool to dampen inflationary pressures. In the UK, inflation has fallen to its 2% target for the first time in four years and may fall further still. Inflation is very low in the US, so there is no pressing need for the Fed to raise rates. Ironically, faster growth often increases productivity, suppressing inflation – particularly when there is a reasonable amount of 'spare capacity' in an economy.

In Europe, meanwhile, we may well see a bout of deflation. That would call for a policy response (such as quantitative easing) from the ECB in order to bring inflation back to target. This is one of the reasons why Europe is one of our favourite areas in which to own assets. Investors generally remain underweight in Europe – but policymakers are likely to implement further stimulus. Clearly, there are risks. Electorates may grow frustrated and turn to anti-EU politicians, destabilising the region. But even if that were to happen, the result would probably be more stimulus.

So the outlook is positive – but not without risks. Markets have discounted a more benign outlook and have rallied sharply. The prospect of a similar level of performance in the next 12 months seems limited. Yields on high-yield bonds are at record lows and we can therefore expect some correction (although, given the low default expectations, we would treat a correction as a buying opportunity).

Because we continue to see strong evidence that the banking sector is recovering, bank bonds are a core part of the portfolio. Regulators are demanding banks hold more capital, which makes their bonds safer. The risk, however, lies in some of the newer types of instrument that banks are issuing to bond investors. Contingent capital securities (sometimes known as CoCos) have a clause that allows the issuing bank to write them off should its core Tier 1 equity fall below 7%. In practice, that means a bank can stop paying your coupon and write off your investment before its shareholders suffer proper losses. That seems the wrong way round; bonds shouldn't be junior to equity. So while coupons are high by way of compensation, we remain wary. Although we have some exposure to CoCos, they will never represent a substantial proportion of the fund given that the risks are skewed against us.

Hybrid bonds have also been a helpful contributor to performance. They are junior bonds and, if the issuer does not pay a dividend to equity holders, it doesn't have to pay a coupon on its hybrid bonds either. The coupon, however, is cumulative. So if the issuer skips a payment one year, it has to catch up later. This is a very powerful feature which makes the bonds more secure. When these instruments were first issued, commentators were (very) sceptical. But they have steadily become part of the mainstream. Investors now understand how hybrid bonds work, so we can expect to see plenty more issuance. They are likely to represent a larger percentage of the portfolio in the future.

The fund's equity component remains overweight in Europe and underweight in the US and Emerging Markets. Of late, we have taken some of the risk out of the fund by lowering its level of cyclicality; the bull market seems to be maturing. While we appreciate that global growth is robust at this point and the monetary backdrop is somewhat supportive, we expect that 2014 will be a much trickier year than 2013.

All in all, we are pleased with the returns that this fund has produced since launch. Our priority is to generate income, which may lead to some volatility in total returns should interest rates increase. We are, however, confident that rate increases are still some way off. Furthermore, we firmly believe that balancing holdings in income-generating global equities with carefully selected bonds will continue to generate a stable income for our unitholders.

James Foster and
Jacob de Tusch-Lec
Fund managers

Investment information

Five largest purchases and sales for the year ended 31 December 2013

Purchases	Cost £'000	Sales	Proceeds £'000
Aberdeen Asset Management 7% Perpetual	322	American Capital	210
America Movil 6.375% 2073	307	La Financiere Atalian 7.25% 2020	210
Telefonica Europe 6.844% Perpetual	302	UPC Holdings 6.75% 2023	210
American Capital	247	Intel	148
CTT-Correios de Portugal	232	BG Energy Capital 4.5% 2072	143

Portfolio statement as at 31 December 2013

Investment	Holding or nominal value	Valuation £'000	% of net assets
Belgium bonds – 0.52% (0.00%)			
BNP Paribas Fortis 4.625% Perpetual	€100,000	84	0.52
		84	**0.52**
Bulgaria bonds – 0.76% (0.00%)			
Vivacom 6.625% 2018	€150,000	124	0.76
		124	**0.76**
Channel Island bonds – 3.70% (2.87%)			
AA Bonding Company 9.5% 2043	£100,000	110	0.68
Bank of Scotland Capital Funding 8.117% Perpetual	£100,000	101	0.62
Claudius 7.875% Perpetual	$200,000	130	0.80
Galaxy Bidco 5.527% 2019	£200,000	201	1.24
Porterbrook Rail Finance 6.5% 2020	£50,000	58	0.36
		600	**3.70**
France bonds – 2.71% (1.70%)			
AXA FRN Perpetual	£150,000	156	0.96
CMA CGM 8.75% 2017	€100,000	82	0.51
Dexia Crédit Local 5.3% 2014	€100,000	81	0.50
EDF 5.25% Perpetual	£200,000	120	0.74
		439	**2.71**
Germany bonds – 3.72% (5.33%)			
Deutsche Raststätten Gruppe IV 6.75% 2020	€100,000	87	0.54
ENBW Energie Baden 7.375% 2072	€100,000	93	0.57
RWE 7% Perpetual	£200,000	212	1.31
Unitymedia 5.625% 2023	€250,000	211	1.30
		603	**3.72**
Ireland bonds – 1.42% (5.95%)			
Bank of Ireland 10% 2022	€100,000	100	0.62
Nara Cable Funding 8.875% 2018	$200,000	130	0.80
		230	**1.42**
Italy bonds – 0.65% (0.00%)			
Enel 7.75% 2075	£100,000	106	0.65
		106	**0.65**
Luxembourg bonds – 2.39% (0.00%)			
GSC Holdco Finance 6.5% 2018	€100,000	86	0.53
Matterhorn Mobile 8.25% 2020	€200,000	181	1.11
Topaz Marine 8.625% 2018	$200,000	121	0.75
		388	**2.39**

Investment	Holding or nominal value	Valuation £'000	% of net assets
Mexico bonds – 1.28% (0.00%)			
America Movil 6.375% 2073	£200,000	207	1.28
		207	**1.28**
Netherlands bonds – 6.33% (3.12%)			
ABN Amro Bank FRN Perpetual	€150,000	124	0.76
Atradius Financial 5.875% 2024	€190,000	147	0.91
Polish Television Holding 11% 2021	€200,000	180	1.11
Portaventura Entertainment Barcelona 7.25% 2020	€100,000	85	0.52
Stampos 5.238% 2019	€100,000	85	0.52
Telefonica Europe 6.844% Perpetual	£300,000	306	1.89
Univeg Holding 7.875% 2020	€120,000	100	0.62
		1,027	**6.33**
Norway bonds – 1.23% (0.00%)			
Albain Bidco Norway 6.75% 2020	NOK 2,000,000	199	1.23
		199	**1.23**
Spain bonds – 0.54% (0.00%)			
Ferrovial Emisiones 3.375% 2018	€100,000	87	0.54
		87	**0.54**
UK bonds – 26.37% (34.99%)			
Aberdeen Asset Management 7% Perpetual	$500,000	312	1.92
Arqiva Broadcast 9.5% 2020	£200,000	222	1.37
Barclays Bank 8.25% Perpetual	$200,000	125	0.77
Bond Mission Critical Services FRN 2019	£200,000	194	1.20
Boparan Holdings 9.875% 2018	£100,000	110	0.68
BUPA Finance 5% 2023	€100,000	99	0.61
Clerical Medical Finance FRN Perpetual	£100,000	83	0.51
Co-Operative Group 6.875% 2020	£200,000	205	1.26
Crown Newco 3 7% 2018	£100,000	105	0.65
DFS Furniture Holdings 7.625% 2018	£100,000	107	0.66
Equiniti Newco 2 7.125% 2018	£100,000	105	0.65
Friends Life Group 6.292% Perpetual	£100,000	98	0.60
Heathrow Finance 7.125% 2017	£150,000	166	1.02
Infinis 7% 2019	£100,000	106	0.65
Legal & General Group 10% 2041	£50,000	67	0.41
Liverpool Victoria 6.5% 2043	£200,000	188	1.16
National Express Group 6.25% 2017	£50,000	55	0.34
National Westminster Bank FRN Perpetual	€100,000	74	0.46
Nationwide Building 10.25% FRN Perpetual	£900	103	0.64
NWEN Finance 5.875% 2021	£100,000	104	0.64
Odeon & UCI Financial 9% 2018	£100,000	101	0.62
Old Mutual 5% Perpetual	€200,000	168	1.04
Pennon Group 6.75% Perpetual	£200,000	211	1.30
RL Finance FRN Perpetual	£200,000	202	1.25
RSA Insurance Group 8.5% Perpetual	£200,000	206	1.27
SSE 5.625% Perpetual	€250,000	159	0.98
Thomas Cook Finance 7.75% 2020	€100,000	90	0.56
Vougeot Bidco 7.875% 2020	£100,000	107	0.66
Voyage Care Bondco 6.5% 2018	£200,000	205	1.26

Investment information (continued)

Investment	Holding or nominal value	Valuation £'000	% of net assets
Westfield Group 4.25% 2022	£100,000	102	0.63
William Hill 4.25% 2020	£100,000	97	0.60
		4,276	**26.37**
USA bonds – 3.12% (2.84%)			
Lynx I 6% 2021	£100,000	103	0.63
Mellon Capital III 6.369% FRN 2066	£150,000	152	0.94
US Treasury 0.625% 2043	$200,000	95	0.59
WMG Acquisition 6.25% 2021	€180,000	156	0.96
		506	**3.12**
Austria equities – 0.51% (0.00%)			
Flughafen Wien	1,591	81	0.50
Uniqa Insurance Group	245	2	0.01
		83	**0.51**
Bermuda equities – 0.67% (1.14%)			
Silverlake Axis	258,312	108	0.67
		108	**0.67**
Brazil equities – 0.58% (1.77%)			
Vale (A preference)	11,238	94	0.58
		94	**0.58**
British Virgin Islands equities – 0.49% (0.24%)			
Playtech	10,904	79	0.49
		79	**0.49**
Channel Islands equities – 0.27% (0.00%)			
Doric Nimrod Air Three (preference) ^	40,000	44	0.27
		44	**0.27**
China equities – 0.35% (0.93%)			
Shenzhen Expressway (H shares)	206,000	56	0.35
		56	**0.35**
Cyprus equities – 0.46% (0.76%)			
Prosafe	16,108	75	0.46
		75	**0.46**
Denmark equities – 1.48% (1.28%)			
TDC	40,919	240	1.48
		240	**1.48**
France equities – 1.62% (1.24%)			
AXA	12,492	210	1.30
BNP Paribas	1,103	52	0.32
		262	**1.62**
Germany equities – 2.71% (4.30%)			
Drillisch	11,961	210	1.29
Freenet	1,550	28	0.17
Prosiebensat	6,749	202	1.25
		440	**2.71**
Hong Kong equities – 1.45% (0.00%)			
Guangdong Investment	114,000	67	0.41
Hutchison Whampoa	9,000	74	0.46
Link (REIT)	32,000	94	0.58
		235	**1.45**

Investment	Holding or nominal value	Valuation £'000	% of net assets
Ireland equities – 0.28% (0.59%)			
Origin Enterprises #	8,066	46	0.28
		46	**0.28**
Israel equities – 0.99% (0.52%)			
Bezeq	115,280	118	0.73
ICL Israel Chemicals	8,456	42	0.26
		160	**0.99**
Italy equities – 0.42% (0.00%)			
Snam Rete Gas	20,053	68	0.42
		68	**0.42**
Japan equities – 0.55% (0.00%)			
Mitsubishi UFJ Financial Group	22,600	90	0.55
		90	**0.55**
Luxembourg equities – 1.76% (0.49%)			
RTL Group	3,685	286	1.76
		286	**1.76**
Mexico equities – 0.76% (1.94%)			
Macquarie Mexico Real Estate Management (REIT)	105,676	124	0.76
		124	**0.76**
New Zealand equities – 1.57% (0.00%)			
SKY Network Television	64,996	189	1.17
Telecom Corporation of New Zealand	56,791	65	0.40
		254	**1.57**
Norway equities – 2.77% (1.21%)			
Borregaard	37,847	114	0.70
Ocean Yield	45,413	157	0.97
Statoil	12,199	179	1.10
		450	**2.77**
Poland equities – 1.95% (0.49%)			
Energa	28,000	89	0.54
		89	**0.54**
Portugal equities – 1.41 (0.52%)			
CTT-Correios de Portugal	49,309	228	1.41
		228	**1.41**
Singapore equities – 0.75% (4.67%)			
Frasers Commercial Trust (REIT)	169,000	103	0.63
Religare Health	50,730	19	0.12
		122	**0.75**
Spain equities – 0.22% (1.07%)			
Enagás	2,248	35	0.22
		35	**0.22**
Switzerland equities – 2.71% (1.52%)			
Cembra Money Bank	3,757	149	0.92
Roche	655	111	0.68
Zurich Financial Services	1,028	180	1.11
		440	**2.71**
Thailand equities – 0.63% (0.83%)			
Bangkok Bank Public (Alien Market)	15,000	49	0.30

Investment information (continued)

Investment	Holding or nominal value	Valuation £'000	% of net assets
Tesco Lotus (REIT)	232,509	53	0.33
		102	**0.63**
UK equities – 4.25% (2.08%)			
3i Group	21,321	82	0.51
Betfair Group	5,960	64	0.39
Man Group	86,302	73	0.45
Merlin Entertainments	50,700	181	1.12
Reckitt Benckiser Group	2,840	136	0.84
Tritax Big Box (REIT) ^	150,000	153	0.94
		689	**4.25**
USA equities – 8.78% (11.60%)			
AbbVie	6,867	220	1.36
Blackstone Group	9,790	185	1.14
Chevron	803	60	0.37
Cisco Systems	6,676	90	0.55
Intersil (A shares)	11,668	81	0.50
Lorrilard	5,200	159	0.98
Metlife	4,872	158	0.97
Microsoft	4,339	98	0.61
Pfizer	5,331	99	0.61
TAL International Group	1,029	35	0.22
Time Warner Cable	2,923	239	1.47
		1,424	**8.78**
Forward foreign exchange contracts – 0.19% (-0.04%)			
Bought Sterling – 20 March 2014	2,337,669	2,338	14.42
Sold Euro – 20 March 2014	(2,781,000)	(2,318)	(14.29)
Bought Sterling – 20 March 2014	200,202	200	1.23
Sold Norwegian Krone – 20 March 2014	(2,000,000)	(199)	(1.23)
Bought Sterling – 20 March 2014	1,207,934	1,208	7.45
Sold US Dollar – 20 March 2014	(1,975,000)	(1,196)	(7.37)
Bought US Dollar – 20 March 2014	1,291,823	782	4.82
Sold Euro – 20 March 2014	(940,000)	(784)	(4.84)
Bought US Dollar – 20 March 2014	76,681	46	0.28
Sold Japanese Yen – 20 March 2014	(7,900,000)	(45)	(0.28)
		32	**0.19**
Portfolio of investments †		15,231	93.91
Net other assets		987	6.09
Net assets attributable to unitholders		16,218	100.00

All holdings are listed ordinary shares unless otherwise stated.
The figures in brackets represent percentages as at 31 December 2012. At this date the portfolio included an exposure to Australia equities (0.55%) and Phillippines equities (0.73%).
Alternative Investment Market traded investments: 0.28% (31 December 2012: 0.59%).
† Includes derivative liabilities.
REIT represents Real Estate Investment Trusts.
^ Specialist Fund Market traded investments: 1.21% (31 December 2012: 0.00%).

Bond ratings as at 31 December 2013

	31 December 2013 Valuation £'000	31 December 2013 % of net assets	31 December 2012 Valuation £'000	31 December 2012 % of net assets
Bonds				
AAA	95	0.59	–	–
A	102	0.63	160	5.54
BBB	2,866	17.68	783	27.10
BB	2,273	14.00	439	15.20
B	3,074	18.96	87	3.01
CCC	363	2.24	111	3.84
Unrated	103	0.64	61	2.11
	8,876	54.74	1,641	56.80
Equities	6,185	38.13	1,144	39.61
Preference shares	138	0.85	25	0.86
Forward foreign exchange contracts	32	0.19	(1)	(0.04)
Net other assets	987	6.09	80	2.77
Net assets attributable to unitholders	16,218	100.00	2,889	100.00

Source of credit ratings: Artemis Investment Management LLP.

Financial statements

Statement of total return for the year ended 31 December 2013

	Note	31 December 2013 £'000	31 December 2013 £'000	31 December 2012 * £'000	31 December 2012 * £'000
Income					
Net capital gains	4		614		236
Revenue	6	426		74	
Expenses	7	(131)		(20)	
Finance costs: interest	9	(1)		–	
Net revenue before taxation		294		54	
Taxation	8	(51)		(9)	
Net revenue after taxation			243		45
Total return before distributions			**857**		**281**
Finance costs: distributions	9		(316)		(59)
Change in net assets attributable to unitholders from investment activities			541		222

Statement of change in net assets attributable to unitholders for the year ended 31 December 2013

	31 December 2013 £'000	31 December 2013 £'000	31 December 2012 * £'000	31 December 2012 * £'000
Opening net assets attributable to unitholders		2,889		–
Amounts receivable on issue of units	13,116		3,076	
Amounts payable on cancellation of units	(505)		(442)	
		12,611		2,634
Change in net assets attributable to unitholders from investment activities		541		222
Retained distributions on accumulation units		177		33
Closing net assets attributable to unitholders		16,218		2,889

Balance sheet as at 31 December 2013

	Note	31 December 2013 £'000	31 December 2013 £'000	31 December 2012 £'000	31 December 2012 £'000
Assets					
Investment assets			15,233		2,811
Debtors	10	509		97	
Cash and bank balances	11	913		27	
Total other assets			1,422		124
Total assets			**16,655**		**2,935**
Liabilities					
Derivative liabilities			2		2
Creditors	12	403		32	
Bank overdraft		–		1	
Distribution payable on income units		32		11	
Total other liabilities			435		44
Total liabilities			**437**		**46**
Net assets attributable to unitholders			16,218		2,889

* From 21 May 2012 to 31 December 2012.

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 for Authorised Funds issued by the Investment Management Association in October 2010.

(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 foreign currency transactions are used for efficient portfolio management and investment purposes. Derivatives are valued at 12 noon on the last working day of the accounting period. 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. Gains and losses on derivative instruments are recognised as either revenue or capital depending on the nature and circumstances of each particular case. 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 on unquoted stocks are credited to revenue, net of attributable tax credits, when the dividend is declared. 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. 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. 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.

The manager has agreed to cap the expenses of the fund. Any reimbursement due back to the fund is calculated and accrued on a daily basis and is shown as a deduction from expenses in note 7.

(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 excluding the annual management charge. The manager and the trustee have agreed that 100% of the annual management charge is to be transferred to capital for the purpose of calculating the distribution, as permitted by the Collective Investment Schemes Sourcebook. The distribution reflects this treatment. 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 may be more than 60% invested in qualifying investments (as defined in section 468L, Income and Corporation Taxes Act 1988) but is not expected to be for the whole accounting period and so will pay a dividend distribution. 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 unit holders for six years are credited to the capital property of the fund.

3. Risk management policies

The fund's financial instruments comprise equities, fixed interest investments, floating rate investments, derivatives, 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

Notes to the financial statements (continued)

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 and other price risk, arises mainly from uncertainty about future values of financial instruments in the fund's investment portfolio. The fund, in order to meet its investment objective and policy, invests predominantly in bonds and equities and maintains an appropriate spread of investments in accordance with the Collective Investment Schemes Sourcebook, the Trust Deed and the Prospectus. 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 ongoing review of the portfolio, the manager monitors and reviews these factors.

(ii) Currency risk. A portion of the net assets of the fund is denominated in currencies other than sterling, and therefore the balance sheet and total return can be affected by currency movements (see note 15). Therefore, the manager may decide that a proportion of the investments that are not priced in sterling, may be covered by forward foreign exchange contracts, so that the fund's exposure to currency risk is reduced. The unrealised gain of £32,000 arising on open forward foreign exchange contracts as at 31 December 2013 (2012: loss of £1,000) is shown in the portfolio statement on page 10.

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.

(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 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 ongoing review of the portfolio, the manager monitors and reviews these factors.

(b) Credit and counterparty risk. Credit and counterparty risk is the risk that a party 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 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 an annual report on the internal controls in place at JP Morgan. The fund is also exposed to counterparty risk through holding specific financial instruments, such as derivatives. For derivatives disclosed in the portfolio statement on page 10, UBS is the counterparty for the forward foreign exchange contracts. Aside from the custodian, the derivative counterparties and brokers where trades are pending settlement, there were no significant concentrations of credit risk as at 31 December 2013 or 31 December 2012.

(c) Liquidity risk. Some of the fund's financial instruments can include securities that are traded on AIM or are not listed on a recognised stock exchange and 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 specific events such as deterioration in the creditworthiness of any particular issuer. These holdings are disclosed in the portfolio statement on pages 6 to 10. In order to manage liquidity requirements, the fund seeks to maintain sufficient cash to pay creditors. The fund's overall liquidity risk is managed by the manager in accordance with the requirements stipulated in the Collective Investment Schemes Sourcebook and the Prospectus.

(d) Derivatives. The manager is currently empowered to enter into derivative transactions on behalf of the fund. Transactions will normally only be entered into when conventional stock selection is not the best way to either limit investment risk or maximise investment opportunities. The unrealised gain of £32,000 arising on open forward foreign exchange contracts as at 31 December 2013 (2012: loss of £1,000) is shown in the portfolio statement on page 10.

4. Net capital gains

	31 December 2013 £'000	31 December 2012 £'000
Non-derivative securities	624	235
Forward foreign exchange contracts	32	3
Currency losses	(42)	(2)
Net capital gains	614	236

5. Portfolio transaction costs

	31 December 2013		31 December 2012	
	£'000	£'000	£'000	£'000
Analysis of total purchases costs				
Purchases before transaction costs		22,207		4,624
Commissions	7		2	
Taxes	5		1	
Total purchases costs		12		3
Gross purchases total		22,219		4,627
Analysis of total sales costs				
Gross sales before transaction costs		10,450		2,050
Commissions	(3)		(1)	
Taxes	(1)		–	
Total sales costs		(4)		(1)
Total sales net of transaction costs		10,446		2,049

6. Revenue

	31 December 2013 £'000	31 December 2012 £'000
Interest on debt securities	271	45
Overseas dividends	146	28
UK dividends	9	1
Total revenue	426	74

7. Expenses

	31 December 2013 £'000	31 December 2012 £'000
Payable to the manager, associates of the manager and agents of either of them:		
Annual management charge	91	17
Expense rebate	(58)	(37)
Payable to the trustee, associates of the trustee and agents of either of them:		
Trustee fee	2	–
Other expenses:		
Registration fee	40	2
Administration fee	38	19
Auditor's remuneration: audit fee*	9	7
Operational fees	6	2
Price publication	3	2
Safe custody fees	1	1
Professional fees	–	3
Printing and postage fee	(1)	4
Total expenses	131	20

All expenditure stated above is inclusive of irrecoverable VAT where applicable.
* The amount disclosed above includes VAT at the rate of 20%. The audit fee (excluding VAT) incurred during the period was £7,350 (2012: £5,800).

Notes to the financial statements (continued)

8. Taxation

	31 December 2013 £'000	31 December 2012 £'000
a) Analysis of the tax charge for the year		
UK corporation tax	36	6
Irrecoverable overseas tax	15	3
Total taxation (note 8b)	51	9
b) Factors affecting the tax charge for the year		
Net revenue before taxation	294	54
Corporation tax at 20% (2012: 20%)	59	11
Effects of:		
Irrecoverable overseas tax	15	3
Non-taxable dividends	(23)	(5)
Tax charge for the year (note 8a)	51	9
c) Provision for deferred tax		
No provision for deferred tax has been made in the current or prior accounting year.		

9. Finance costs: distributions and interest

	31 December 2013 £'000	31 December 2012 £'000
Interim distribution - January 2013	9	–
Interim distribution - February 2013	10	–
Interim distribution - March 2013	16	–
Interim distribution - April 2013	26	–
Interim distribution - May 2013	50	–
Interim distribution - June 2013	23	4
Interim distribution - July 2013	33	3
Interim distribution - August 2013	31	5
Interim distribution - September 2013	36	16
Interim distribution - October 2013	29	8
Interim distribution - November 2013	39	8
Final distribution - December 2013	32	16
	334	60
Add: amounts deducted on cancellation of units	–	1
Deduct: amounts added on issue of units	(18)	(2)
Finance costs: distributions	**316**	**59**
Finance costs: interest	1	–
Total finance costs	317	59
Movement between net revenue and distributions		
Net revenue after taxation	243	45
Annual management charge paid from capital	91	17
Less: tax relief credited to capital	(18)	(3)
	316	59

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 21 to 26.

10. Debtors

	31 December 2013 £'000	31 December 2012 £'000
Amounts receivable for issue of units	329	9
Accrued revenue	166	38
Overseas withholding tax recoverable	7	1
Sales awaiting settlement	5	37
Amounts due from the manager	2	11
Prepaid expenses	–	1
Total debtors	509	97

11. Cash and bank balances

	31 December 2013 £'000	31 December 2012 £'000
Amounts held in JP Morgan Liquidity Fund	910	27
Cash and bank balances	3	–
Total cash and bank balances	913	27

12. Creditors

	31 December 2013 £'000	31 December 2012 £'000
Purchases awaiting settlement	310	–
Corporation tax payable	41	6
Accrued other expenses	39	23
Accrued annual management charge	13	3
Total creditors	403	32

13. Contingent liabilities and commitments

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

14. Related party transactions

The manager and trustee are deemed to be related parties. All transactions and balances associated with the manager and trustee are disclosed within the statement of total return, statement of change in net assets attributable to unitholders and the balance sheet on page 12 and notes 7, 10 and 12 on pages 15 and 17 including all issues and cancellations where the manager acted as principal. The balance due from the manager as at 31 December 2013 in respect of these transactions was £318,000 (2012: £17,000).

Notes to the financial statements (continued)

15. Risk disclosures

Currency risk

Currency	Investments £'000	Net other assets/ (liabilities) £'000	Forward foreign exchange contracts £'000	Total £'000
31 December 2013				
US Dollar	2,616	10	(368)	2,258
Euro	3,956	25	(3,102)	879
Norwegian Krone	724	3	(199)	528
Swiss Franc	440	–	–	440
Hong Kong Dollar	291	–	–	291
New Zealand Dollar	254	–	–	254
Danish Krone	240	1	–	241
Singapore Dollar	230	2	–	232
Israeli New Shekels	160	–	–	160
Mexican Peso	124	–	–	124
Thai Baht	102	–	–	102
Brazilian Real	94	(1)	–	93
Polish Zloty	89	–	–	89
Japanese Yen	90	–	(45)	45
31 December 2012				
US Dollar	531	7	(52)	486
Singapore Dollar	161	1	–	162
Euro	750	8	(631)	127
Norwegian Krone	57	–	–	57
Mexican Peso	56	–	–	56
Swiss Franc	44	–	–	44
Danish Krone	37	–	–	37
Hong Kong Dollar	34	–	–	34
Thai Baht	24	–	–	24
Brazilian Real	21	–	–	21
Philippine Peso	21	–	–	21
Australian Dollar	16	–	–	16
Israeli New Shekels	15	–	–	15
Polish Zloty	14	–	–	14

Interest rate risk

Currency	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets/ (liabilities) not carrying interest £'000	Total £'000
31 December 2013				
UK Sterling	626	4,974	1,132	6,732
Euro	85	2,509	1,387	3,981
US Dollar	126	1,192	1,309	2,627
Norwegian Krone	48	199	480	727
Swiss Franc	30	–	411	441
Hong Kong Dollar	–	–	291	291
New Zealand Dollar	–	–	254	254
Danish Krone	–	–	242	242
Singapore Dollar	(1)	–	232	231
Israeli New Shekels	–	–	161	161
Mexican Peso	–	–	124	124
Thai Baht	–	–	102	102
Brazilian Real	(1)	–	94	93
Polish Zloty	–	–	91	91
Japanese Yen	–	–	45	45
31 December 2012				
UK Sterling	–	962	104	1,066
Euro	–	513	245	758
US Dollar	–	166	372	538
Singapore Dollar	–	–	162	162
Norwegian Krone	–	–	57	57
Mexican Peso	–	–	56	56
Swiss Franc	–	–	44	44
Danish Krone	–	–	37	37
Hong Kong Dollar	–	–	34	34
Thai Baht	–	–	24	24
Brazilian Real	–	–	21	21
Philippine Peso	–	–	21	21
Australian Dollar	–	–	16	16
Israeli New Shekels	–	–	15	15
Polish Zloty	–	–	14	14

The forward foreign exchange contracts are not included within this table. These can be found in the portfolio statement on page 10.

Notes to the financial statements (continued)

Fixed rate financial assets

Currency	Weighted average interest rate (%) 31 December 2013	Weighted average period for which rate is fixed (years) 31 December 2013	Weighted average interest rate (%) 31 December 2012	Weighted average period for which rate is fixed (years) 31 December 2012
Euro bonds non perpetual	6.47	5.96	9.95	13.45
Euro bonds perpetual	8.24	5.44	–	–
Norwegian Krone bonds non perpetual	6.72	–	6.80	–
Sterling bonds non perpetual	5.74	5.62	17.43	9.05
Sterling bonds perpetual	14.81	7.11	–	–
US Dollar bonds perpetual	5.73	–	–	–
US Dollar bonds non perpetual	5.47	6.35	11.50	49.97

Counterparty risk

	31 December 2013 £'000	31 December 2012 £'000
Investment in debt instruments	8,874	1,641
Investment in non-interest bearing instruments	6,701	1,222
Cash and bank balances	913	27
Accrued revenue	166	38

16. Unit classes

The fund currently has four unit classes: R distribution, R accumulation, I distribution and I accumulation. The annual management charge on each unit class is as follows:

R distribution: 1.50%
R accumulation: 1.50%
I distribution: 0.75%
I accumulation: 0.75%

The net asset value per unit and the number of units in each class are given in the comparative tables on pages 27. The distributions per unit class are given in the distribution tables on pages 21 to 26. All classes have the same rights.

17. Post balance sheet event

Since 31 December 2013, the net asset values per unit, on a bid basis, have changed as follows:

	Net asset value per unit (p)		
	13 February 2014	31 December 2013	Movement
R distribution	58.93	58.53	0.7%
R accumulation	62.82	62.25	0.9%
I distribution	59.52	59.07	0.8%
I accumulation	63.46	62.83	1.0%

Distribution tables

For the year ended 31 December 2013

Interim dividend distribution for the month ended 31 January 2013.

Group 1 – Units purchased prior to 1 January 2013.
Group 2 – Units purchased from 1 January 2013 to 31 January 2013.

	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 28 March 2013
R distribution			
Group 1	0.1501	–	0.1501
Group 2	0.0554	0.0947	0.1501
R accumulation			
Group 1	0.1535	–	0.1535
Group 2	0.0498	0.1037	0.1535
I distribution			
Group 1	0.1507	–	0.1507
Group 2	0.0732	0.0775	0.1507
I accumulation			
Group 1	0.1541	–	0.1541
Group 2	0.1473	0.0068	0.1541

Interim dividend distribution for the month ended 28 February 2013.

Group 1 – Units purchased prior to 1 February 2013.
Group 2 – Units purchased from 1 February 2013 to 28 February 2013.

	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 30 April 2013
R distribution			
Group 1	0.1583	–	0.1583
Group 2	0.0649	0.0934	0.1583
R accumulation			
Group 1	0.1628	–	0.1628
Group 2	0.0994	0.0634	0.1628
I distribution			
Group 1	0.1591	–	0.1591
Group 2	0.1336	0.0255	0.1591
I accumulation			
Group 1	0.1629	–	0.1629
Group 2	0.1403	0.0226	0.1629

Distribution tables (continued)

Interim dividend distribution for the month ended 31 March 2013.

Group 1 – Units purchased prior to 1 March 2013.
Group 2 – Units purchased from 1 March 2013 to 31 March 2013.

	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 31 May 2013
R distribution			
Group 1	0.2399	–	0.2399
Group 2	0.0805	0.1594	0.2399
R accumulation			
Group 1	0.2465	–	0.2465
Group 2	0.0541	0.1924	0.2465
I distribution			
Group 1	0.2410	–	0.2410
Group 2	0.2410	0.0000	0.2410
I accumulation			
Group 1	0.2479	–	0.2479
Group 2	0.1386	0.1093	0.2479

Interim dividend distribution for the month ended 30 April 2013.

Group 1 – Units purchased prior to 1 April 2013.
Group 2 – Units purchased from 1 April 2013 to 30 April 2013.

	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 28 June 2013
R distribution			
Group 1	0.2001	–	0.2001
Group 2	0.1730	0.0271	0.2001
R accumulation			
Group 1	0.2061	–	0.2061
Group 2	0.1363	0.0698	0.2061
I distribution			
Group 1	0.2007	–	0.2007
Group 2	0.1643	0.0364	0.2007
I accumulation			
Group 1	0.2073	–	0.2073
Group 2	0.1127	0.0946	0.2073

Interim dividend distribution for the month ended 31 May 2013.

Group 1 – Units purchased prior to 1 May 2013.
Group 2 – Units purchased from 1 May 2013 to 31 May 2013.

	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 31 July 2013
R distribution			
Group 1	0.3353	–	0.3353
Group 2	0.1762	0.1591	0.3353
R accumulation			
Group 1	0.3509	–	0.3509
Group 2	0.1394	0.2115	0.3509
I distribution			
Group 1	0.3402	–	0.3402
Group 2	0.2068	0.1334	0.3402
I accumulation			
Group 1	0.3480	–	0.3480
Group 2	0.2436	0.1044	0.3480

Interim dividend distribution for the month ended 30 June 2013.

Group 1 – Units purchased prior to 1 June 2013.
Group 2 – Units purchased from 1 June 2013 to 30 June 2013.

	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 30 August 2013	Distribution per unit (p) 31 August 2012
R distribution				
Group 1	0.1466	–	0.1466	0.0899
Group 2	0.0640	0.0826	0.1466	0.0899
R accumulation				
Group 1	0.1536	–	0.1536	0.0887
Group 2	0.1097	0.0439	0.1536	0.0887
I distribution				
Group 1	0.1465	–	0.1465	0.0880
Group 2	0.0746	0.0719	0.1465	0.0880
I accumulation				
Group 1	0.1533	–	0.1533	0.0898
Group 2	0.0828	0.0705	0.1533	0.0898

Distribution tables (continued)

Interim dividend distribution for the month ended 31 July 2013.

Group 1 – Units purchased prior to 1 July 2013.
Group 2 – Units purchased from 1 July 2013 to 31 July 2013.

	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 30 September 2013	Distribution per unit (p) 30 September 2012
R distribution				
Group 1	0.2016	–	0.2016	0.0684
Group 2	0.1201	0.0815	0.2016	0.0684
R accumulation				
Group 1	0.2099	–	0.2099	0.0686
Group 2	0.0852	0.1247	0.2099	0.0686
I distribution				
Group 1	0.2032	–	0.2032	0.0699
Group 2	0.1101	0.0931	0.2032	0.0699
I accumulation				
Group 1	0.2121	–	0.2121	0.0706
Group 2	0.0983	0.1138	0.2121	0.0706

Interim dividend distribution for the month ended 31 August 2013.

Group 1 – Units purchased prior to 1 August 2013.
Group 2 – Units purchased from 1 August 2013 to 31 August 2013.

	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 31 October 2013	Distribution per unit (p) 31 October 2012
R distribution				
Group 1	0.1861	–	0.1861	0.0942
Group 2	0.1177	0.0684	0.1861	0.0942
R accumulation				
Group 1	0.1944	–	0.1944	0.0949
Group 2	0.0776	0.1168	0.1944	0.0949
I distribution				
Group 1	0.1878	–	0.1878	0.0923
Group 2	0.0597	0.1281	0.1878	0.0923
I accumulation				
Group 1	0.1966	–	0.1966	0.0919
Group 2	0.0744	0.1222	0.1966	0.0919

Interim dividend distribution for the month ended 30 September 2013.

Group 1 – Units purchased prior to 1 September 2013.
Group 2 – Units purchased from 1 September 2013 to 30 September 2013.

	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 29 November 2013	Distribution per unit (p) 30 November 2012
R distribution				
Group 1	0.2089	–	0.2089	0.3016
Group 2	0.0538	0.1551	0.2089	0.3016
R accumulation				
Group 1	0.2197	–	0.2197	0.3024
Group 2	0.1064	0.1133	0.2197	0.3024
I distribution				
Group 1	0.2104	–	0.2104	0.3030
Group 2	0.0475	0.1629	0.2104	0.3030
I accumulation				
Group 1	0.2213	–	0.2213	0.3041
Group 2	0.0814	0.1399	0.2213	0.3041

Interim dividend distribution for the month ended 31 October 2013.

Group 1 – Units purchased prior to 1 October 2013.
Group 2 – Units purchased from 1 October 2013 to 31 October 2013.

	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 31 December 2013	Distribution per unit (p) 31 December 2012
R distribution				
Group 1	0.1508	–	0.1508	0.1492
Group 2	0.0313	0.1195	0.1508	0.1492
R accumulation				
Group 1	0.1593	–	0.1593	0.1510
Group 2	0.0942	0.0651	0.1593	0.1510
I distribution				
Group 1	0.1520	–	0.1520	0.1494
Group 2	0.0446	0.1074	0.1520	0.1494
I accumulation				
Group 1	0.1605	–	0.1605	0.1512
Group 2	0.0502	0.1103	0.1605	0.1512

Distribution tables (continued)

Interim dividend distribution for the month ended 30 November 2013.

Group 1 – Units purchased prior to 1 November 2013.
Group 2 – Units purchased from 1 November 2013 to 30 November 2013.

	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 31 January 2014	Distribution per unit (p) 31 January 2013
R distribution				
Group 1	0.1625	–	0.1625	0.1547
Group 2	0.1352	0.0273	0.1625	0.1547
R accumulation				
Group 1	0.1719	–	0.1719	0.1570
Group 2	0.1274	0.0445	0.1719	0.1570
I distribution				
Group 1	0.1637	–	0.1637	0.1551
Group 2	0.0988	0.0649	0.1637	0.1551
I accumulation				
Group 1	0.1734	–	0.1734	0.1574
Group 2	0.0833	0.0901	0.1734	0.1574

Final dividend distribution for the month ended 31 December 2013.

Group 1 – Units purchased prior to 1 December 2013.
Group 2 – Units purchased from 1 December 2013 to 31 December 2013.

	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 28 February 2014	Distribution per unit (p) 28 February 2013
R distribution				
Group 1	0.1139	–	0.1139	0.2816
Group 2	0.0590	0.0549	0.1139	0.2816
R accumulation				
Group 1	0.1237	–	0.1237	0.2867
Group 2	0.0465	0.0772	0.1237	0.2867
I distribution				
Group 1	0.1175	–	0.1175	0.2826
Group 2	0.0502	0.0673	0.1175	0.2826
I accumulation				
Group 1	0.1241	–	0.1241	0.2877
Group 2	0.0443	0.0798	0.1241	0.2877

The fund has held more than 60% of its net assets in interest bearing securities during each distribution period, except for the periods ending 31 July 2013, 31 August 2013 and 30 September 2013. Corporate unitholders should note that a holding in a fund with more than 60% of its net assets in interest bearing assets may be required to be treated as a creditor loan relationship for corporation tax purposes.

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.

Comparative tables

Fund sizes & net asset values

Date	Net asset value of fund (£)	Net asset value per unit (p)	Units in issue
31 December 2012	2,889,108		
R distribution		51.99	1,438,146
R accumulation		53.18	1,478,895
I distribution		52.19	1,052,715
I accumulation		53.36	1,509,629
31 December 2013	16,218,403		
R distribution		58.53	6,586,159
R accumulation		62.25	5,661,829
I distribution		59.07	5,742,024
I accumulation		62.83	8,670,156

Net revenue distribution & unit price range

Year	Net revenue per unit (p)	Highest offer price (p)	Lowest bid price (p)
R distribution			
2012 *	1.1396	55.69	47.35
2013	2.2541	62.90	52.32
R accumulation			
2012 *	1.1493	56.65	47.35
2013	2.3523	66.02	53.50
I distribution			
2012 *	1.1403	53.63	47.37
2013	2.2728	60.69	52.51
I accumulation			
2012 *	1.1527	54.54	47.37
2013	2.3615	63.95	53.69

Net revenue includes all amounts paid and payable in each calendar year.
* From 21 May 2012.

Ongoing charges

Expense	31 December 2013
R units *	
Annual management charge	1.50%
Other expenses	0.60%
Ongoing charges	2.10%
I units **	
Annual management charge	0.75%
Other expenses	0.60%
Ongoing charges	1.35%

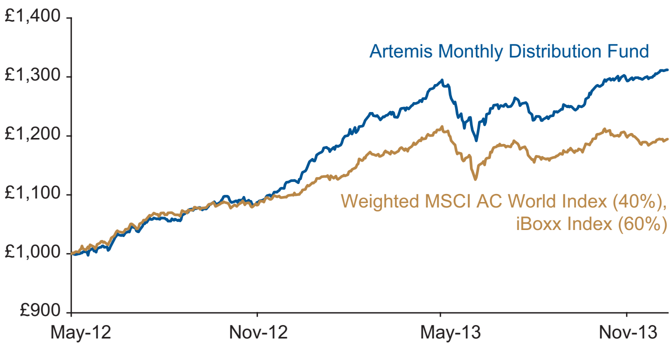
Ongoing charges shows the current operating expenses of each unit class as a percentage of the net assets of that class.
* Includes R distribution and R accumulation.
** Includes I distribution and I accumulation.

Fund performance

Performance	Since launch *	1 year	6 months
Artemis Monthly Distribution Fund	31.2	17.1	7.2
Weighted MSCI All Countries World Index (40%), iBoxx Index (60%)	19.6	8.7	3.7
Sector average	17.3	8.8	4.6
Position in sector	3/132	3/137	14/143
Quartile	1	1	1

* Data from 21 May 2012. Source: Lipper Limited, R accumulation units, bid to bid basis in sterling with net income reinvested to 31 December 2013. All performance figures show total return percentage growth. Sector is IMA Mixed Investment 20-60% shares.

Value of £1,000 invested at launch to 31 December 2013



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