



NEPTUNE BALANCED FUND

Annual Short Report

31 December 2012

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Neptune Balanced Fund

Investment Objective and Policy

The investment objective of the Neptune Balanced Fund ('the Fund') is to generate a positive total return from investment predominantly in equities and bonds, with a view to attaining top quartile performance amongst the relevant peer group.

There are no constraints on the regional or sectorial allocation policy adopted by the Fund.

Other eligible asset classes may include collective investment schemes, other transferable securities, cash or near cash, deposits and money market instruments.

It is anticipated that derivative instruments and forward transactions may be used by the Manager for the purpose of efficient portfolio management.

It is the intention to be near-fully invested at all times, however, the Fund has the facility to take tactical positions in cash or near cash should the Manager feel it appropriate.

The portfolio will be managed to ensure that the Fund is at all times eligible to qualify and to be included in an Individual Savings Account.

Risk and Reward Profile

The Risk and Reward Indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the Risk and Reward Indicator.

Typically lower rewards, lower risk			Typically higher rewards, higher risk			
←			→			
1	2	3	4	5	6	7

- This Fund is ranked at 5 because funds of this type have experienced medium to high rises and falls in value in the past. Please note that even the lowest risk ranking can lose you money and that extreme market circumstances can mean you suffer severe losses in all cases. The indicator does not take into account the following risks of investing in this Fund:
- Investing overseas can bring additional returns and spread risk to different markets. There are risks, however, that changes in currency rates will reduce the value of your investment.
- Bonds are affected by changes in interest rates, inflation and any decline in creditworthiness of the borrower (i.e. the bond issuer). Bonds that produce a higher level of income usually also carry greater risk as such bond issuers may have difficulty in repaying their financial obligations.
- This Fund holds a limited number of investments. If one of these investments falls in value this can have a greater impact on the Fund's value than if it held a larger number of investments.

Neptune Balanced Fund

Trust Facts

Accounting and Distribution Dates

Accounting dates	Distribution dates
30 June 31 December	31 August 28 February

Ongoing Charge Figure (OCF), this table replaces the TER table due to regulation change

31.12.12	A Income %	A Accumulation %	B Income %	B Accumulation %	C Accumulation %
Operating expenses (excluding Transaction charges)†	1.47	1.46	2.39	2.39	0.86
Transaction charges payable to the Trustee*	0.01	0.01	0.01	0.01	0.01
Ongoing charge figure**	1.48	1.47	2.40	2.40	0.87
Expenses ratio of underlying investments	0.11	0.11	0.11	0.11	0.11
Synthetic ongoing charge figure (OCF)***	1.59	1.58	2.51	2.51	0.98

†Operating expenses includes annual management charge and other expenses. The operating expenses for all unit classes are currently capped to 2.50% by the Manager. This capping may cease at any time.

*The transaction charges payable to the Trustee are not included in the expenses cap.

**The OCF shows the annual expenses of the Fund as a percentage of the average net asset value, it helps you compare the annual expenses to different schemes.

***The synthetic OCF of the Fund includes the ratio of the underlying funds weighted on the basis of their investment proportions.

Summary

Fund Performance

Unit Class	Net Asset Value as at 31.12.12 pence per unit	Net Asset Value as at 31.12.11 pence per unit	Net Asset Value % change
A Income	427.9	405.0	5.65
A Accumulation	473.5	444.7	6.48
B Income†	100.5	—	—
B Accumulation†	100.8	—	—
C Accumulation†	100.5	—	—

†Launched 3 October 2012.

Summary (continued)

Distributions

Unit class	Total distribution (p) for the year to 31.12.12	Total distribution (p) for the year to 31.12.11
A Income	3.3367	1.8307
A Accumulation	3.7200	2.0028
B Income†	0.3427	—
B Accumulation†	0.4710	—
C Accumulation†	0.0628	—

†Launched 3 October 2012.

Comparative Tables

Calendar Year	A Income units		A Accumulation units	
	Highest buying price (p)	Lowest selling price (p)	Highest buying price (p)	Lowest selling price (p)
2010	437.1	360.7	477.6	392.1
2011	450.7	373.7	494.1	409.8
2012	469.5	400.9	515.4	440.1

Calendar Year	B Income units †		B Accumulation units†	
	Highest buying price (p)	Lowest selling price (p)	Highest buying price (p)	Lowest selling price (p)
2012	106.8	97.14	106.8	97.14

Calendar Year	C Accumulation units †	
	Highest buying price (p)	Lowest selling price (p)
2012	106.6	97.17

†Launched 3 October 2012.

Net Asset Value

Date	31.12.12		31.12.11	
Net Asset Value (£)	956,688,795		864,906,765	
Unit Class	Number of units in issue	Net asset value per unit (p)	Number of units in issue	Net asset value per unit (p)
A Income	6,824,129	427.9	6,539,063	405.0
A Accumulation	194,794,250	473.5	188,550,411	444.7
B Income†	47,579	100.5	—	—
B Accumulation†	1,000	100.8	—	—
C Accumulation†	4,983,354	100.5	—	—

†Launched 3 October 2012.

Risk Warning

Please remember that past performance should not be seen as a guide to future performance and that the value of an investment in a unit trust and the income from it can fall as well as rise and may be affected by exchange rate variations.

Neptune Balanced Fund

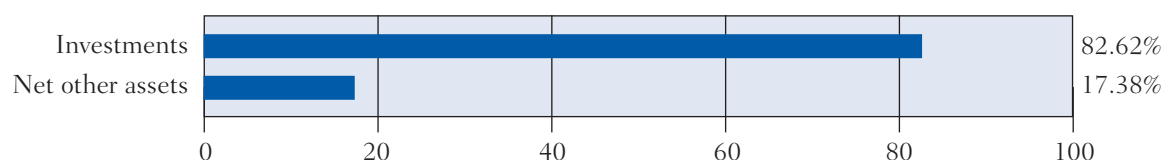
Ten Largest Holdings

as at 31 December 2012

	% of net assets
Halma	3.20
Baidu ADR	2.42
Apple	2.06
Walt Disney	1.92
Diageo	1.87
Rolls-Royce	1.82
HSBC	1.79
SABMiller	1.77
Ashtead	1.77
LVMH Moët Hennessy Louis Vuitton	1.76

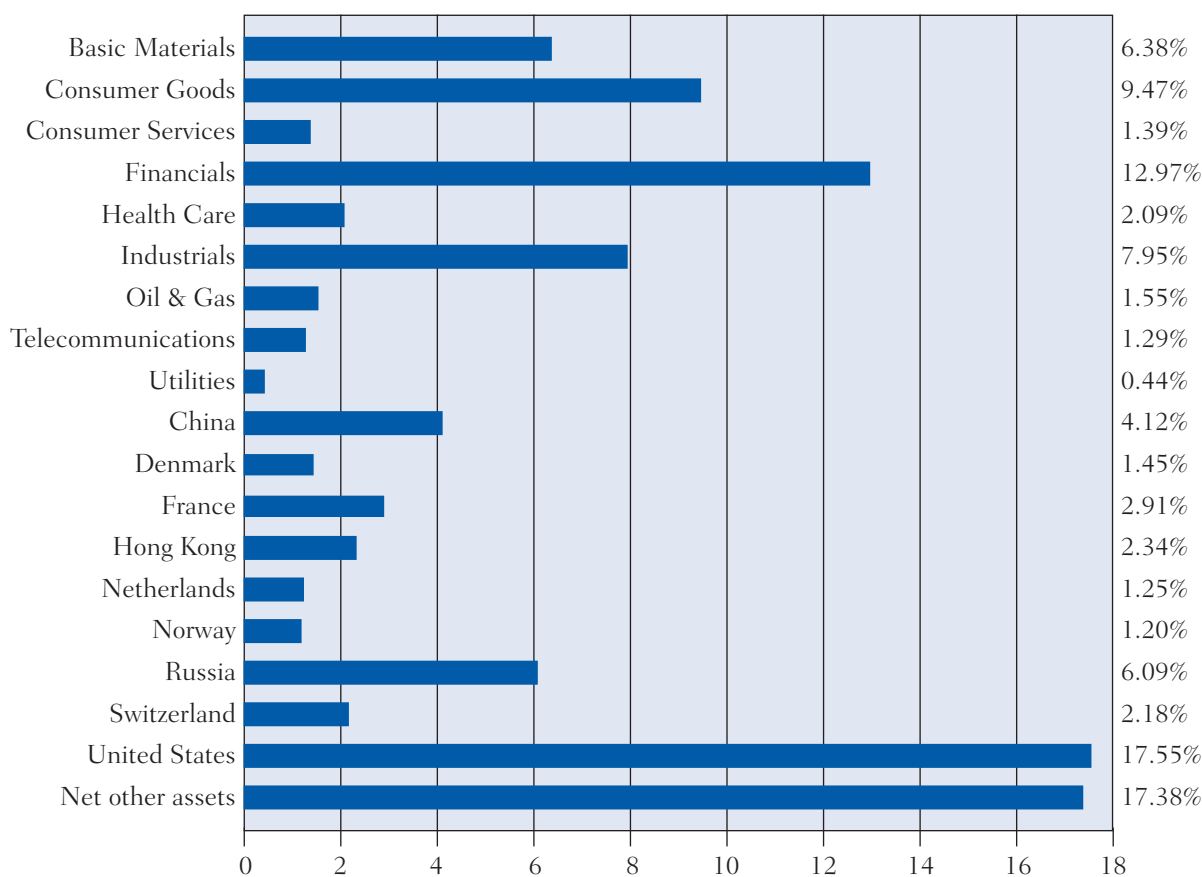
Classification of Investments

as at 31 December 2012



Geographical/Sector Spread of Investments

as at 31 December 2012



Manager's Report

for the year ended 31 December 2012

The Neptune Balanced Fund returned 6.46% in 2012, versus the IMA Mixed Investment 40-85% shares sector average return of 10.04%. Since inception in December 1998, the Fund has returned 373.10% and is ranked 1st out of 33 competitors in the IMA peer group.*

Following a stabilisation in the global macroeconomic climate, equities enjoyed a strong start to 2012 and the Neptune Balanced Fund was well positioned for this, with a number of its developed and emerging market holdings outperforming during the first quarter of the year. These included information technology firms, in addition to industrials and materials stocks across both the developed and emerging markets.

However, the second quarter saw a reversal of the optimism that characterised the first three months of 2012. This was largely due to Eurozone fears resurfacing, particularly in relation to whether the bigger economies, such as Spain and Italy, could continue to pay back their debts as bond yields crept higher. Alongside this, a slight softening in US economic data, as well as fears of a Chinese slowdown, saw global equity markets falter as the quarter progressed. Against this background, it was the emerging markets that suffered somewhat unfairly as investors continued their 'risk-off' trade. The Fund's emerging market exposure therefore impacted performance in the second quarter, with the exception of the more defensive names, such as China Mobile. Furthermore, our weighting in the economically sensitive energy sector hurt our relative performance, as both our developed and emerging market holdings underperformed. The Fund did, however, remain underweight in Europe which was also positive for performance amidst the market turbulence, whilst those selective stocks we held delivered strong returns.

The third quarter saw developed equity markets begin to rally. Comments from Mario Draghi, President of the European Central Bank (ECB), that he would "do whatever it takes" to support the euro, helped to alleviate some of the economic uncertainty whilst stimulus measures from the Federal Reserve, ECB and Bank of Japan also helped to buoy the markets. This rally continued into the final months of the year as fears over the Eurozone sovereign debt crisis abated and Chinese economic indicators turned positive. However, the notable exception to this was the US where 'fiscal cliff' worries dominated

proceedings and the US market consequently underperformed. Therefore, the Fund's holdings in the US were a drag on performance, with information technology companies being particularly weak. However, we maintained our conviction in the US economic recovery.

The Fund's limited exposure to financials and Europe – which outperformed as risk appetite rose – also impacted performance in the final quarter. We maintained our underweight in Europe based on concerns regarding long-term growth in the face of austerity measures and demand destruction. With regard to financials, our focus remains predominantly on emerging market exposed stocks which we believe have far healthier fundamentals than their developed market peers. Elsewhere exposure to the UK was positive, while a number of our Russian and Chinese stocks enjoyed a strong quarter.

Looking ahead, we expect that global growth will continue to be led by the emerging markets and that the US economic recovery will gather pace. Against this more positive background, we believe that equities are cheap, with short-term volatility giving rise to long-term investment opportunities. The Neptune Balanced Fund therefore remains positioned to potentially benefit from this outlook, with a full weighting in equities.

**Source: Lipper, A Accumulation unit class performance, IMA Mixed Investments 40-85% shares sector, in sterling with no initial charges, net income reinvested to 31.12.12. The performance of other unit classes may differ. Past performance is not a guide for future performance. The value of an investment and any income from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the original amount invested. References to specific securities are for illustration purposes only and should not be taken as a recommendation to buy or sell these securities. Neptune funds are not tied to replicating a benchmark and holdings can therefore vary from those in the index quoted. For this reason the comparison index should be used for reference only. Neptune funds may invest more than 35% in government and public securities in a number of jurisdictions. Forecasts are not a reliable indicator of future performance. Any views expressed are those of Neptune as at the date of issue and we do not undertake to advise you as to any changes in our views.*

General Information

Buying and Selling of Units

The Manager will accept orders to buy or sell units on normal business days between 9.00am and 5.00pm (UK time) and transactions will be effected at prices determined by the next following valuation. Instructions to buy or sell units may be either in writing to: Neptune Investment Management Limited, PO Box 9004, Chelmsford, Essex CM99 2WR or by telephone on 0800 587 5051. A contract note will be issued by close of business on the next business day after the dealing date to confirm the transaction.

Distributions

Where a distribution is to be paid, it has been calculated as at 31 December 2012 and has been distributed to shareholders, where applicable, on 28 February 2013.

Report and Accounts

This document is a short report of the Neptune Balanced Fund for the year ended 31 December 2012. The full Report and Accounts for the Fund is available upon written request to Neptune Investment Management Limited, 3 Shortlands, London W6 8DA.

Other Information

The information on this report is designed to enable you to make an informed judgement on the activities of the Fund during the period it covers and the results of those activities at the end of the period.

ISA Status

During the year under review, all of the shares of the Fund met the requirements for ISA qualification as determined by the HM Revenue and Customs ISA Regulations.

Contacts

The Manager

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