PROFIT *hunters*

ARTEMIS Income *Fund*

Manager's Report
and Financial Statements
for the year ended 30 April 2014

ARTEMIS
The PROFIT Hunter

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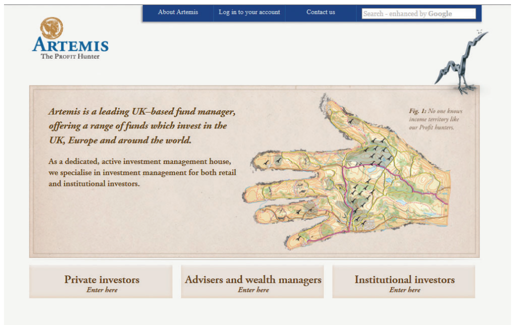

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- *The Hunters' Tails*, our weekly market newsletter
- Daily fund prices
- Fund literature

artemis.co.uk

General information

About Artemis …

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 £18.6 billion* across a range of funds, two investment trusts, a hedge fund, a venture capital trust and both pooled and segregated institutional portfolios.

Artemis' fund managers invest in the funds that they and their colleagues manage. This has been a key tenet of Artemis' approach to investment since the firm started. It means that we 'eat our own cooking'. It means that our fund managers' interests are directly aligned with those of our investors.

*Source: Artemis as at 31 May 2014.

Fund status

Artemis Income Fund was constituted by a Trust Deed dated 28 April and 4 May 2000 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 objective of the fund is to achieve a rising income combined with capital growth from a portfolio primarily made up of investments in the United Kingdom.

Investment policy

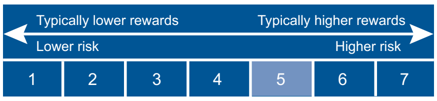
The manager actively manages the portfolio in order to achieve the objective with exposure to ordinary shares, preference shares, convertibles and fixed interest securities. The manager will not be restricted in respect of choice of investments either by company size or industry, or in terms of the geographical split of the portfolio.

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 **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.

■ 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.

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 (FCA), 25 The North Colonnade, Canary Wharf, London E14 5HS.

† Authorised by the Prudential Regulation Authority (PRA) and regulated by the PRA and the FCA.

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
16 June 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

16 June 2014

Independent auditor's report to the unitholders of the Artemis Income Fund

We have audited the financial statements of Artemis Income Fund (the "fund") for the year ended 30 April 2014 which comprise the statement of total return, the statement of change in net assets attributable to unitholders, balance sheet, the related notes 1 to 18 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. 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 30 April 2014 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

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
16 June 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

- With a higher yield and less volatility, the fund returned 10.8%* for the year vs 10.5%* from the benchmark.
- Stronger sterling and RSA Insurance explain a slightly lower yield.
- Outlook depends on recovery in the growth of corporate profits.

Performance – The lag of large caps …

After expenses, the fund returned 10.8%* for the year, compared with a return of 10.5%* from the FTSE All-Share Index. This modest degree of outperformance is disappointing relative to our aim – and to the returns produced by some of our competitors. Against that, however, the fund continued to provide a yield that is notably higher than the market, and it did so with significantly less volatility.

One reason we did less well than some of our peers over the year is that we encountered one or two difficult stock specific situations. More influential, however, was the continued outperformance by small and medium-sized companies. Because large companies make up the majority of our portfolio, the strong performance of small companies has been a headwind to relative returns over the last five years. This year, small and medium-sized companies beat their FTSE 100 counterparts by 10% and 7% respectively.

While the size of our fund has been a factor in our tendency to favour larger companies, the main reason we don't have a greater degree of exposure to small and medium-sized stocks is their yield. On average, small and mid-caps yield about 40% less than the current yield on our fund. So any move into smaller companies would result in a fall in the fund's dividend yield. It is our judgement that sustaining and growing the fund's dividend yield is important to our unitholders. We would also suggest that investors who wish to exploit the divergence in returns between small and large caps can do so more cleanly by investing in a specialist smaller companies fund. A word of warning, however: it is our experience that trends in stockmarkets do not persist forever. More on this anon...

Despite our best efforts, we were not able to grow the fund's dividend over the year. In fact, it ended up being slightly below last year's level. There were two main reasons for this. First, the travails of RSA Insurance. Having cut its dividend to what we thought was a sustainable level, the insurer subsequently uncovered fraud in its Irish operation and stopped its dividend. RSA's problems in Ireland had been missed by management and by several external auditors. The lesson we have taken was that the company didn't have sufficient strength to ride out unforeseen events such as this without resorting to raising more capital. In addition to reducing our income, our holding in RSA acted as a slight drag on the fund's overall performance.

The second factor weighing on the fund's dividend was sterling, which strengthened as the UK economy recovered. Over the year, the pound appreciated by 8.5% against the US dollar. Some 25% of the dividends the fund receives (from its holdings in UK companies such as HSBC, AstraZeneca and BP) are denominated in dollars. As a result, the rise in the pound has either nullified the underlying dividend growth or, in some cases, caused dividend payments to fall in sterling terms. Dividend payments were not the only thing to be affected adversely by the exchange rate. The strength of the pound acted as a drag on the UK market more widely by reducing companies' overseas profits when they are translated into sterling. Many of the experts who attempt to forecast currency movements do so without a great deal of success. We are afraid, therefore, that we must assign the negative impact of sterling this year to the category of 'swings and roundabouts'.

As we have observed in previous reports, the market has continued to rise despite company profits remaining static for most of the past three years. The strength of the pound has been partly responsible for this (although the anaemic performance of the world economy has also played its part). In addition, the market has begun each of the last three years with the expectation that corporate profit growth was about to resume – only to be disappointed. As one broker recently observed "it is now 1,135 days since European markets saw earning upgrades". That is a long period of frustrated optimism. It also illustrates how far the stockmarket's recent gains have been a result of shares being re-valued, rather than a response to rising profits.

Review – The old and the new …

The largest contributions to returns this year came from our longstanding holdings in Deutsche Post (DPW) and Legal & General (L&G). DPW continued to gain advantage from the impact that the internet is having on the movement of goods. This is most noticeable in its German mail business, where it runs a state-of-the-art parcel delivery service that leads the market. The company has, meanwhile, invested heavily in regions such as South America, Asia and Africa, with the result that its DHL Express business is benefiting from growing volumes. DPW's shares have done well. They may even be due a pause. But if investors look ahead, rather than gazing at their shoelaces, there remains a good growth story here.

L&G, meanwhile, performed well despite being battered by the government's unexpected changes to annuity options, and by the leaked announcement that the FCA would step up its scrutiny of certain areas of the life assurance industry. Neither development should threaten L&G's dividend – and it is that dividend

* Source: Lipper Limited, R distribution, bid to bid basis, in sterling with net income reinvested. Benchmark is the FTSE All-Share Index.

which is the main argument for owning L&G (and other companies in its sector). Over the past 20 years, L&G, Prudential and Aviva have all cut their dividends, some more than once. So it is perhaps no surprise that the market is reluctant to view current yields as sustainable. We think a lot has changed in terms of what the life insurance sector does, what it sells and the quality of its management. In a market where a good, untroubled yield is something to be cherished, this sector remains attractive.

Our biggest disappointments this year fell into two distinct groups: one where the fundamentals fell short of expectations, and the other where companies found themselves ‘politically challenged’. Tate & Lyle’s problems were fundamental. The company’s food ingredients business, which is where investors’ hopes for its future growth reside, was knocked by irrational competition from China for one of its products. Our understanding was that the quality assurance and formulation provided by Tate & Lyle should have protected it from this competition. This has not been the case. We have been selling our holding here, but the reason for our sale primarily concerns not food ingredients but rather the dull cash-generative part of Tate & Lyle’s business (which it refers to enticingly as ‘bulks’). This division makes high fructose corn syrup for the carbonated soft drinks industry. We sense that there are changes afoot in the market for fizzy drinks. Patterns of soft-drink consumption are changing and some governments are starting to tax what they perceive to be unhealthy products. Although we could be overstating the threat, we think it wise to be an observer of, rather than an investor in, this particular industry.

Prime among our ‘politically challenged’ holdings were the energy companies (which we discussed in our last half-yearly report) and William Hill (which faces the threat that legislation will be introduced to control fixed-odd betting terminals). In both cases, it is difficult to remain logical in the face of pre-election rhetoric. Although there may be unintended consequences, whether it be a lack of investment in energy or, in the case of gaming, punters being driven towards illicit operators, some change seems inevitable. The political satire The Thick Of It now seems prescient. It portrayed hapless politicians being egged on to make all manner of populist promises regarding the actions they will take once elected – only to find that turning promises into reality once in office is harder than they had expected.

This year’s transactions included a not-so-well-timed addition to our holding in SSE. Elsewhere, we sold our holdings in expensive US pharmaceutical stocks – but increased the fund’s exposure to the pharmaceuticals sector as a whole. We added to our positions in Novartis and AstraZeneca and began a new holding in Sanofi. At the time of writing, AstraZeneca has successfully seen off Pfizer’s bid. It is interesting to note how quickly perceptions of AstraZeneca have changed. Until quite recently, investors gave little credence to the prospects for the drugs in its pipeline or to its ability to innovate. But that perception has been transformed almost completely in less than 18 months. AstraZeneca has gone from being portrayed as the Mother Hubbard of the pharmaceutical industry to its Croesus. Which of these two characterisations is closer to the truth? The reality probably lies somewhere between the two. Pfizer undoubtedly wanted to seize the prize that is AstraZeneca’s expertise in immunotherapy. But the price it was willing to pay for that also reflected potential tax benefits and cost savings. Indeed, it is difficult to think of a pharmaceutical company that hasn’t been cutting costs and streamlining research in recent years – and that includes AstraZeneca.

Perhaps the most controversial purchase we made this year was Barclays, a stock we have avoided since we began running this fund 13 years ago. We avoided it because the previous management was keener on investment banking than on traditional banking. Properly run, a traditional bank is a decent business that is capable of giving a good service to its customers while generating dividends for its shareholders. Investment banking is different. It doesn’t involve much investment and it isn’t banking as most of us would understand it. Investment banking is not only a misnomer, it is also a rather volatile business that requires a lot of capital. Furthermore, when things are going well, a greater proportion of profits tend to accrue to an investment bank’s employees than to its shareholders. So the ability of these types of business to fund decent, reliable dividends is open to question. In response to regulatory pressure, which dictates that its investment bank cannot use the cheap capital from the traditional bank, Barclays is shrinking its exposure to investment banking from around 60% of its business to less than 30%. This means that, in time (patience will be required), we will own a decent traditional bank and the valuable Barclaycard business. Once its transformation is complete, Barclays will be less volatile and, crucially, will pay us a dividend.

We also built a holding in Tui Travel. That it will benefit from any improvement in the fortunes of the European consumer is less important to us than the way it has adapted to the internet and low-cost airlines. Tui has weathered these threats and has actually, in some areas, begun to benefit from them. Low-cost airlines will always be a challenge, but they are not quite so low-cost any more. More importantly, the company is moving away from its dependence on the undifferentiated package holiday. Resorts and hotels are increasingly Tui-owned and the company’s interactions with its (hopefully loyal) customers are moving online. The internet creates a degree of transparency which will play to the strengths of competent providers – TripAdvisor is better than any regulator. Tui should generate cashflows and provide us with valuable dividends over the coming years, although we accept that the nature of the holiday market does mean that it may encounter some air pockets along the way.

Investment review (continued)

Outlook – The cusp is growth in corporate profits …

What of the future? If your timeframe for making prognostications is less than 18 months, then being right will depend more on good luck than skill. That said, two opposing forces seem likely to be at work. On one side, we have muted global growth. Hopes that one might see a rekindling of economic growth are not entirely misplaced – but you will probably need a powerful pair of binoculars to spot the improvement. The UK and US are clearly exceptions to the generally muted nature of the global recovery, but even here a huge volume of stimulus is driving growth.

In the UK, the sceptical (among whom we must count ourselves) might observe that there is more than a touch of pre-election stimulus at work. We worried that we were being unfair when we observed of Mark Carney's appointment as governor of the Bank of England that George Osborne had chosen 'the right man for the job'. Today, interest rate rises beckon; and Mr Carney could confound the sceptics by throwing in a couple of rate rises before the general election. So there is not much to get excited about on the economic front. Without some re-ignition of corporate profit growth, markets could struggle to make much progress.

Opposing that, however, is the great reawakening of corporate activity that we have seen of late. Large companies are waking from their long slumber and putting their undoubted financial strength to work. In our last report, we wrote that:

"… investors … readily acknowledge that larger companies are modestly valued and offer safe, growing yields. The complaint is always that they lack an 'exciting narrative' or any obvious catalyst for revaluation. In part, this confirms that we are in a bull market: investors feel more greed than fear. But while the view that these 'elephants can't dance' may be right, mega caps do not need to tango or salsa to appreciate in value; they only need to try to touch their toes. Some of them have already donned the gym kit and are warming up. CEOs may finally be realising that making a company bigger doesn't always translate into a higher share price."

For months after we wrote those words nothing much happened. Then, all of a sudden, we saw a burst of activity involving takeovers, exchanges of business units and sales of non-core divisions. We call this the 'shrink and shuffle' strategy. The boards of hitherto leaden-footed companies will be wondering whether they can't manage a few dance steps or press ups, particularly given the herd mentality that tends to prevail.

Since the credit crisis, companies have lacked the courage of their convictions. Suddenly, however, they are casting their shyness aside. There is, of course, a possibility that changes in US tax laws could dampen this type of corporate activity. Yet for now, the prospect of more corporate activity is undoubtedly boosting market sentiment. Investors, however, should see it for what it is: a short-term phenomenon and no substitute for a real recovery in corporate profit growth.

Adrian Frost and Adrian Gosden
Fund managers

Performance record

Year to 30 April	Artemis Income Fund	FTSE All-Share Index	Sector ranking
2010	29.1%	36.6%	52/83
2011	11.9%	13.7%	66/99
2012	1.2%	(2.0)%	27/99
2013	21.6%	17.8%	40/97
2014	10.8%	10.5%	67/93
3 years to 2014	36.3%	27.6%	38/85
5 years to 2014	96.9%	98.2%	41/76
10 years to 2014	149.6%	128.9%	12/48
Since launch to 2014 *	268.3%	84.8%	2/40

Source: Lipper Limited, R distribution, bid to bid basis, in sterling with net income reinvested.
* From 6 June 2000.

Five largest purchases and sales for the year ended 30 April 2014

Purchases	Cost £'000	Sales	Proceeds £'000
Glencore Xstrata	202,477	Deutsche Post	119,246
Barclays	158,574	BHP Billiton	112,447
Novartis	154,368	Cisco Systems	102,345
SSE	131,228	Roche Holdings	93,872
Sanofi Aventis	130,419	Unilever	90,305

Portfolio statement as at 30 April 2014

Investment	Holding or nominal value	Valuation £'000	% of net assets
United Kingdom – 80.26% (81.93%)			
Basic Materials – 2.47% (4.40%)			
Rio Tinto	5,032,596	162,301	2.47
		162,301	**2.47**
Consumer Goods – 7.05% (8.76%)			
Imperial Tobacco	7,976,386	203,797	3.10
Persimmon	5,910,398	76,953	1.17
Reckitt Benckiser Group	2,887,275	137,954	2.10
Tate & Lyle	6,464,831	44,995	0.68
		463,699	**7.05**
Consumer Services – 9.42% (9.34%)			
Halfords	13,843,765	61,217	0.93
Kingfisher	28,052,408	116,867	1.78
Pearson	8,375,846	92,134	1.40
Reed Elsevier	16,504,487	142,681	2.17
Tui Travel	22,192,906	94,342	1.43
William Hill	33,096,331	112,561	1.71
		619,802	**9.42**
Financials – 22.25% (18.53%)			
3i Group	35,305,304	134,831	2.05
Barclays	57,807,517	145,473	2.21
Direct Line Insurance	31,052,427	76,731	1.17
Ecofin Water & Power Opportunities	20,817,856	30,134	0.45
F&C Finance 9% 2016	£19,601,000	22,476	0.34
HSBC Holdings	50,438,543	306,112	4.65
IG Group	9,935,865	62,944	0.96
Legal & General Group	103,280,087	217,818	3.31
Lloyds Banking Group	119,432,045	89,908	1.36
London Stock Exchange Group	4,723,743	85,358	1.30
RSA Insurance Group	75,595,812	73,517	1.12
Segro (REIT)	26,011,488	90,780	1.38
Speymill Deutsche Immobilien*	14,828,390	–	–
Standard Life	33,760,753	128,156	1.95
Third Advance Value Realisation*	162,101	–	–
		1,464,238	**22.25**
Health Care – 9.89% (8.64%)			
AstraZeneca	5,150,482	239,781	3.64

Investment information (continued)

Investment	Holding	Valuation £'000	% of net assets
AstraZeneca (ADR)	503,967	23,100	0.35
GlaxoSmithKline	19,693,209	321,492	4.89
Smith & Nephew	7,200,023	66,168	1.01
		650,541	**9.89**
Industrials – 6.40% (8.80%)			
BAE Systems	18,412,920	73,376	1.11
BBA Aviation	7,499,298	23,405	0.35
Cobham	35,568,442	107,737	1.64
Hogg Robinson Group	7,841,202	5,665	0.09
Melrose	18,226,142	52,145	0.79
Rentokil Initial	64,534,549	76,151	1.16
Smiths Group	1,152,413	15,223	0.23
Ultra Electronics Holdings	3,939,306	67,717	1.03
		421,419	**6.40**
Oil & Gas – 10.22% (10.67%)			
BG Group	4,474,064	53,689	0.82
BP	64,768,374	326,951	4.97
Premier Oil	10,702,266	36,666	0.56
Royal Dutch Shell (B shares)	10,016,959	255,032	3.87
		672,338	**10.22**
Technology – 1.06% (0.94%)			
Laird	25,104,941	69,942	1.06
		69,942	**1.06**
Telecommunications – 5.78% (7.08%)			
BT Group	55,193,579	202,560	3.08
Inmarsat	8,312,010	60,096	0.91
Vodafone Group	52,579,001	117,461	1.79
		380,117	**5.78**
Utilities – 5.72% (4.77%)			
Centrica	48,899,918	161,125	2.45
Drax Group	13,499,507	89,434	1.36
SSE	8,315,533	125,648	1.91
		376,207	**5.72**
Overseas – 16.91% (15.45%)			
Cayman Islands – 0.91% (0.81%)			
Phoenix Group	8,770,028	59,855	0.91
		59,855	**0.91**
Denmark – 1.31% (1.00%)			
TDC	15,513,252	86,211	1.31
		86,211	**1.31**
France – 2.10% (0.00%)			
Sanofi	2,154,645	138,429	2.10
		138,429	**2.10**
Germany – 3.60% (3.67%)			
Bayer	1,428,938	117,217	1.78
Deutsche Post	5,432,184	119,809	1.82
		237,026	**3.60**

Investment	Holding	Valuation £'000	% of net assets
Guernsey – 0.34% (0.20%)			
Assura Group	51,953,932	22,080	0.34
		22,080	**0.34**
Jersey – 4.03% (1.26%)			
Glencore Xstrata	61,775,239	195,766	2.98
Informa	14,384,024	69,245	1.05
		265,011	**4.03**
Switzerland – 3.63% (3.69%)			
Novartis	4,647,798	238,866	3.63
		238,866	**3.63**
USA – 0.99% (4.82%)			
Norfolk Southern	1,158,545	65,226	0.99
		65,226	**0.99**
Artemis funds – 0.51% (0.37%)			
Artemis Global Income Fund (I accumulation units)	39,280,873	33,817	0.51
		33,817	**0.51**
Forward foreign exchange contracts – 0.19% (0.18%)			
Sell Danish Krone - 20 June 2014	(710,500,000)	(78,309)	(1.19)
Buy Sterling - 20 June 2014	79,732,572	79,733	1.21
Sell Euro - 20 June 2014	(401,790,000)	(330,435)	(5.02)
Buy Sterling - 20 June 2014	336,504,803	336,505	5.11
Sell Sterling - 20 June 2014	(79,780,280)	(98,077)	(1.49)
Buy US Dollar - 20 June 2014	164,300,000	97,715	1.48
Sell Swiss Franc - 20 June 2014	(320,670,000)	(216,304)	(3.29)
Buy Sterling - 20 June 2014	220,814,595	220,814	3.35
Sell US Dollar - 20 June 2014	(295,100,000)	(175,506)	(2.67)
Buy Sterling - 20 June 2014	177,633,815	177,633	2.70
		13,769	**0.19**
Portfolio of investments †		6,440,894	97.87
Net other assets		140,088	2.13
Net assets attributable to unitholders		6,580,982	100.00

All holdings are listed ordinary shares unless otherwise stated.
The figures in brackets represent percentages as at 30 April 2013. At this date the portfolio included an exposure to exchange traded stock options (-0.05%).
* Unquoted investments: 0.00% (30 April 2013: 0.01%).
† Includes derivative liabilities.
ADR represent American Depositary Receipts.
REIT represents Real Estate Investment Trusts.

Financial statements

Statement of total return for the year ended 30 April 2014

	Note	30 April 2014 £'000	30 April 2014 £'000	30 April 2013 £'000	30 April 2013 £'000
Income					
Net capital gains	4		469,100		794,138
Revenue	6	237,092		212,760	
Expenses	7	(80,290)		(65,191)	
Finance costs: interest	9	(1)		(1)	
Net revenue before taxation		156,801		147,568	
Taxation	8	(347)		(2,747)	
Net revenue after taxation			156,454		144,821
Total return before distributions			**625,554**		**938,959**
Finance costs: distributions	9		(233,309)		(206,273)
Change in net assets attributable to unitholders from investment activities			392,245		732,686

Statement of change in net assets attributable to unitholders for the year ended 30 April 2014

	30 April 2014 £'000	30 April 2014 £'000	30 April 2013 £'000	30 April 2013 £'000
Opening net assets attributable to unitholders		5,416,963		4,136,713
Amounts receivable on issue of units	891,006		698,815	
Amounts payable on cancellation of units	(201,226)		(222,700)	
		689,780		476,115
Stamp duty reserve tax		(4,631)		(2,884)
Change in net assets attributable to unitholders from investment activities		392,245		732,686
Retained distribution on accumulation units		86,625		74,333
Closing net assets attributable to unitholders		6,580,982		5,416,963

Balance sheet as at 30 April 2014

	Note	30 April 2014 £'000	30 April 2014 £'000	30 April 2013 £'000	30 April 2013 £'000
Assets					
Investment assets			6,441,256		5,304,629
Debtors	10	64,852		125,472	
Cash and bank balances	11	187,494		119,863	
Total other assets			252,346		245,335
Total assets			**6,693,602**		**5,549,964**
Liabilities					
Derivative liabilities			362		2,465
Bank overdraft		12,450		-	
Creditors	12	21,707		55,395	
Distribution payable on distribution units		78,101		75,141	
Total other liabilities			112,258		130,536
Total liabilities			**112,620**		**133,001**
Net assets attributable to unitholders			6,580,982		5,416,963

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. Dividends receivable from equity and non-equity shares, including UK Real Estate Investment Trusts, 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 dividend is declared. Special dividends are reviewed on a case by case basis when determining if the 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. Premiums arising on options are treated as revenue and are amortised on a straight-line basis over the life of the option, unless the option has the immediate effect of generating a capital loss, in which case the premiums are taken to capital. Interest from debt securities is recognised on an effective interest rate basis. 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. Costs arising from the filing of European withholding tax reclaims are charged to revenue but deducted from capital for the purpose of calculating the distribution. On receipt of any withholding tax reclaims, relevant costs are transferred back to revenue and deducted from the distribution.

(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 investment objective of the fund concentrates on the generation of revenue as a higher priority than capital growth. 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 currently payable 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 is not more than 60% invested in qualifying investments (as defined in section 468L, Income and Corporation Taxes Act 1988) and where applicable 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

Notes to the financial statements (continued)

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 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 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 16). 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 gain of £13,769,000 (2013: £9,743,000) arising on open forward foreign exchange contracts as at 30 April 2014 is shown in the portfolio statement on page 9.

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.

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 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.

(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. For the derivatives held at the year end, UBS is the counterparty. There were no significant concentrations of credit risk to counterparties other than to the custodian, derivatives counterparties or brokers where trades are pending settlement, at 30 April 2014 or 30 April 2013.

On a daily basis the manager assesses the level of assets with each counterparty to ensure that the exposure is within the defined limits per the regulations. Cash accounts are maintained at several counterparties.

(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 7 to 9. 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 gain of £13,769,000 (2013: £9,743,000) arising on open forward foreign exchange contracts as at 30 April 2014 is shown in the portfolio statement on page 9.

4. Net capital gains

	30 April 2014 £'000	30 April 2013 £'000
Non-derivative securities	441,834	815,738
Forward foreign exchange contracts	29,097	(16,710)
Derivative contracts	1,789	(2,183)
Rebate of management fees charged to capital	229	100
Currency losses	(3,849)	(2,807)
Net capital gains	469,100	794,138

5. Portfolio transaction costs

	30 April 2014		30 April 2013	
	£'000	£'000	£'000	£'000
Analysis of total purchases costs				
Purchases before transaction costs		2,777,311		1,872,996
Commissions	3,119		2,973	
Taxes	10,146		7,302	
Total purchases costs		13,265		10,275
Gross purchases total		2,790,576		1,883,271
Analysis of total sales costs				
Gross sales before transaction costs		2,099,609		1,392,847
Commissions	(2,055)		(1,937)	
Taxes	(6)		(3)	
Total sales costs		(2,061)		(1,940)
Total sales net of transaction costs		2,097,548		1,390,907

Notes to the financial statements (continued)

6. Revenue

	30 April 2014 £'000	30 April 2013 £'000
UK dividends	195,172	171,046
Overseas dividends	33,445	28,502
Option premiums	2,588	3,712
Revenue from UK REITs	2,575	1,976
Franked dividend distributions from collective investment schemes	1,073	312
Interest on debt securities	1,064	5,038
Interest on Denkavit tax reclaims	624	-
Bank interest	551	650
UK stock dividends	-	1,257
Underwriting commission	-	263
Unfranked dividend distributions from collective investment schemes	-	4
Total revenue	237,092	212,760

7. Expenses

	30 April 2014 £'000	30 April 2013 £'000
Payable to the manager, associates of the manager and agents of either of them:		
Annual management charge	77,908	63,407
Payable to the trustee, associates of the trustee and agents of either of them:		
Trustee fee	741	560
Other expenses:		
Registration fee	721	649
Administration fee	419	175
Operational fees	298	235
Safe custody fees	184	129
Auditor's remuneration: non-audit fee (taxation)	11	20
Auditor's remuneration: audit fee*	8	8
Printing and postage fee	-	8
Total expenses	80,290	65,191

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) accrued during the period was £7,000 (2013: £7,000).

8. Taxation

	30 April 2014 £'000	30 April 2013 £'000
a) Analysis of the tax charge for the year		
Irrecoverable overseas tax	3,699	2,747
Denkavit tax reclaims	(3,352)	-
Total taxation (note 8b)	347	2,747
b) Factors affecting the tax charge for the year		
Net revenue before taxation	156,801	147,568
Corporation tax at 20% (2013: 20%)	31,360	29,514
Effects of:		
Unutilised management expenses	14,504	10,690
Irrecoverable overseas tax	3,699	2,747
Expenses charged to capital	46	20
Non-taxable stock dividends	-	(252)
Denkavit tax reclaims	(3,352)	-
Non-taxable overseas dividends	(6,661)	(5,700)
Non-taxable UK dividends	(39,249)	(34,272)
Tax charge for the year (note 8a)	347	2,747

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 of £52,606,000 (2013: £38,102,000) arising as a result of having unutilised management expenses of £263,029,000 (2013: £190,508,000). It is unlikely that the fund will obtain relief for these in the future so no deferred tax asset has been recognised.

9. Finance costs: distribution and interest

	30 April 2014 £'000	30 April 2013 £'000
Interim distribution	114,662	95,565
Final distribution	124,196	115,736
	238,858	211,301
Add: amounts deducted on cancellation of units	2,196	2,436
Deduct: amounts added on issue of units	(7,746)	(7,464)
Finance costs: distributions	**233,308**	**206,273**
Finance costs: interest	1	1
Total finance costs	233,309	206,274
Movement between net revenue and distribution		
Net revenue after taxation	156,454	144,821
Annual management charge paid from capital	77,908	63,407
Expenses paid to/from capital	(11)	20
Undistributed revenue carried forward	(1)	-
Amounts deducted on conversion of units	(3)	-
Less: tax relief credited to capital	(1,038)	(1,975)
	233,309	206,273

The distribution takes 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 page18.

Notes to the financial statements (continued)

10. Debtors

	30 April 2014 £'000	30 April 2013 £'000
Accrued revenue	49,230	47,779
Amounts receivable for issue of units	8,457	73,553
Overseas withholding tax recoverable	4,615	4,108
Sales awaiting settlement	2,547	-
Prepaid expenses	2	-
Income tax recoverable	1	32
Total debtors	64,852	125,472

11. Cash and bank balances

	30 April 2014 £'000	30 April 2013 £'000
Amounts held in JP Morgan Liquidity Fund	185,793	115,237
Cash and bank balances	1,701	1,185
Amounts held at futures clearing houses and brokers	-	3,441
Total cash and bank balances	187,494	119,863

12. Creditors

	30 April 2014 £'000	30 April 2013 £'000
Purchases awaiting settlement	12,269	49,370
Accrued annual management charge	6,348	5,654
Amounts payable for cancellation of units	2,666	-
Accrued other expenses	361	320
Accrued trustee fee	63	51
Total creditors	21,707	55,395

13. Contingent liabilities and commitments

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

14. Contingent assets

Following the ruling on Denkavit's case with the European Court of Justice regarding taxation withheld on overseas dividends, the manager has taken steps to make claims with certain European tax authorities for repayment of taxation suffered by the fund on dividend revenue. During the year, the fund received repayments from the French Tax Authority which have been recognised in the statement of total return and also in notes 6 and 8. These amounts have been included within the net revenue available for distribution.

Due to uncertainty regarding the likely success of claims made in other countries, it is not possible to estimate the potential amount of overseas tax that may be received by the fund, if any. Therefore, the financial statements presented for the year ended 30 April 2014 do not reflect any further amounts that may be received.

15. 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 10 and notes 7, 10 and 12 on pages 14 and 16 including all issues and cancellations where the manager acted as principal.

The balance due to the manager as at 30 April 2014 in respect of these transactions was £514,000 (2013: amounts due from the manager £67,899,000). The balance due to the trustee as at 30 April 2014 in respect of these transactions was £63,000 (2013: £51,000).

16. Risk disclosures – currency risk

Currency	Net foreign currency assets/(liabilities) Investments £'000	Net other assets £'000	Forward foreign exchange contracts £'000	Total £'000
30 April 2014				
Euro	375,455	1,817	(330,435)	46,837
Swiss Franc	238,866	-	(216,304)	22,562
US Dollar	88,326	678	(77,791)	11,213
Danish Krone	86,211	-	(78,309)	7,902
30 April 2013				
US Dollar	301,950	935	(256,926)	45,959
Euro	199,054	1,871	(176,309)	24,616
Swiss Franc	159,270	2,492	(137,703)	24,059
Danish Krone	53,894	335	(47,868)	6,361
Norwegian Krone	-	312	-	312

17. 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 page 19. The distributions per unit class are given in the distribution tables on page 18. All classes have the same rights.

18. Post balance sheet event

Since 30 April 2014, the net asset values per unit, on a bid basis, have changed as follows:

	Net asset value per unit (p) 13 June 2014	30 April 2014	Movement
R distribution	204.24	201.66	1.3%
R accumulation	329.27	325.11	1.3%
I distribution	216.60	213.67	1.4%
I accumulation	344.60	339.94	1.4%

Distribution tables

For the year ended 30 April 2014

Interim dividend distribution (paid on 31 December 2013) in pence per unit.

Group 1 - Units purchased prior to 1 May 2013.
Group 2 - Units purchased from 1 May 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	3.7400	-	3.7400	3.6299
Group 2	1.5736	2.1664	3.7400	3.6299
R accumulation				
Group 1	5.8087	-	5.8087	5.4041
Group 2	2.4901	3.3186	5.8087	5.4041
I distribution				
Group 1	3.9396	-	3.9396	3.7951
Group 2	1.7950	2.1446	3.9396	3.7951
I accumulation				
Group 1	6.0395	-	6.0395	5.5765
Group 2	2.4968	3.5427	6.0395	5.5765

Final dividend distribution (paid on 30 June 2014) in pence per unit.

Group 1 - Units purchased prior to 1 November 2013.
Group 2 – Units purchased from 1 November 2013 to 30 April 2014.

	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 30 June 2014	Distribution per unit (p) 28 June 2013
R distribution				
Group 1	3.8347	-	3.8347	4.0691
Group 2	2.5405	1.2942	3.8347	4.0691
R accumulation				
Group 1	6.0667	-	6.0667	6.1876
Group 2	4.1423	1.9244	6.0667	6.1876
I distribution				
Group 1	4.0572	-	4.0572	4.2732
Group 2	2.4038	1.6534	4.0572	4.2732
I accumulation				
Group 1	6.3345	-	6.3345	6.4127
Group 2	3.4647	2.8698	6.3345	6.4127

Corporate unitholders should note that:

1. 100.00% of the revenue distribution together with the tax credit is received as franked investment income.

2. 0.00% of the revenue distribution is received as an annual payment received after deduction of income tax at the lower rate and may be liable to corporation tax. It is not franked investment income.

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
30 April 2012	4,136,712,583		
R distribution		162.17	1,312,501,689
R accumulation		241.44	581,559,009
I distribution		169.27	322,837,781
I accumulation		248.74	23,180,606
30 April 2013	5,416,962,884		
R distribution		188.97	1,280,064,959
R accumulation		293.52	617,070,885
I distribution		198.73	539,492,616
I accumulation		304.66	37,640,527
30 April 2014	6,580,981,514		
R distribution		201.66	1,113,361,401
R accumulation		325.11	580,792,862
I distribution		213.67	872,706,894
I accumulation		339.94	171,437,674

Net revenue distribution & unit price range

Year	Net revenue per unit (p)	Highest offer price (p)	Lowest bid price (p)
R distribution			
2009	6.7815	164.21	112.48
2010	7.0421	177.01	142.20
2011	7.5024	182.42	144.10
2012	7.7004	185.37	153.73
2013	7.8091	219.33	173.97
2014 *	3.8347	220.16	197.43
R accumulation			
2009	8.6957	218.19	142.34
2010	9.4616	245.04	193.21
2011	10.5240	256.82	204.59
2012	11.3190	279.32	228.87
2013	11.9963	341.33	264.54
2014 *	6.0667	348.31	312.35
I distribution			
2009	7.1616	161.85	115.00
2010	7.3556	175.35	146.34
2011	7.7378	181.40	149.59
2012	8.0496	186.33	160.54
2013	8.2128	222.16	182.52
2014 *	4.0572	223.55	208.82
I accumulation			
2009	9.0472	212.10	143.31
2010	9.7485	239.67	196.21
2011	10.7262	252.37	209.64
2012	11.6613	277.47	235.90
2013	12.4522	341.64	273.91
2014 *	6.3345	349.02	326.03

Net revenue includes all amounts paid and payable in each calendar year.
* To 30 April 2014.

Three year dividend summary (R distribution*) on an accounting period basis

Year ended	Net revenue per unit (p)	Movement
30 April 2012	7.6930	6.4%
30 April 2013	7.6990	0.1%
30 April 2014	7.5747	(1.6)%

* R distribution units have been used as they represent the largest unit class of the fund.

Comparative tables (continued)

Ongoing charges

Expense	30 April 2014
R units*	
Annual management charge	1.50%
Other expenses	0.04%
Ongoing charges	1.54%
I units**	
Annual management charge	0.75%
Other expenses	0.04%
Ongoing charges	0.79%

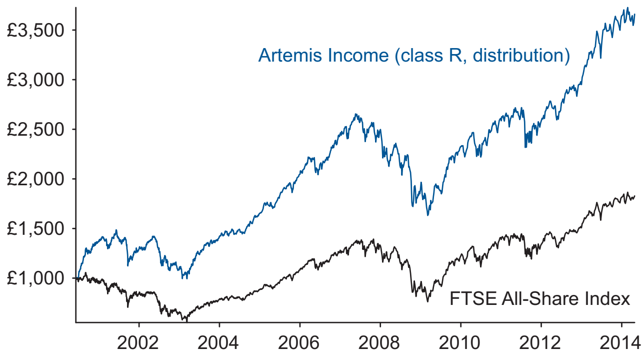
Ongoing charges shows the annual operating expenses of each unit class as a percentage of the average net assets of that class for the preceding 12 months.
* Includes R distribution and R accumulation.
** Includes I distribution and I accumulation.

Fund performance

	Since launch *	5 years	3 years	1 year	6 months
Artemis Income Fund	268.3	96.9	36.3	10.8	1.8
FTSE All-Share Index	84.8	98.2	27.6	10.5	2.7
FTSE 100 Index	67.0	91.4	24.8	9.3	2.5
Sector average	110.4	97.4	34.1	13.5	3.4
Position in sector	2/40	41/76	38/85	67/93	72/93
Quartile	1	3	2	3	4

* Data from 6 June 2000, due to the fixed price period of the fund. Source: Lipper Limited, R distribution, bid to bid in sterling with net income reinvested to 30 April 2014. All performance figures show total return percentage growth. Sector is IMA UK Equity Income, universe of funds is those reporting net of UK taxes.

Value of £1,000 invested at launch to 30 April 2014



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