

## Investment Objective and Policy

Unicorn UK Income Fund aims to provide a high and rising income from a portfolio of UK equities. The ACD may also invest at its discretion in other transferable securities, money market instruments, deposits, cash and near cash and collective investment schemes. The Fund has issued both Retail (A) and Institutional (B) shares.

## Investment Manager's Report

for the period from 01 October 2013 to 30 September 2013

For the twelve months ended 30 September 2013, the Fund's Retail Income (A) and Institutional Income (B) shares produced total returns of 39.9% and 41.0% respectively. These returns compare favourably with a total return of 20.9% for the average fund in the UK Equity Income sector (source: FE Bid to Bid, Total Returns).

As at 30 September 2013, the Fund held investments in 49 companies. A full list of portfolio investments is shown on pages 67 to 69 of this Report.

The Authorised Corporate Director recommends dividends for the half year of 4.7363p for the Retail (A) Shares and 4.9364p for the Institutional (B) Shares, payable on 29 November 2013 to shareholders who were on the register as at 30 September 2013.

The manager adopts a flexible approach to asset allocation between large and small capitalisation stocks concentrating on conservatively managed businesses that are cash generative, profitable and which pay dividends. This investment strategy has remained unchanged during the past twelve months. The portfolio consists of companies that fall outside the top 100 quoted companies by market value. Investment continues to be aimed at those businesses that have significant international exposure and which can therefore benefit from exporting their products and services into faster growing economies.

The global economy has continued to show signs of recovery during the period under review and the improving economic outlook has had a positive impact on equity markets. Economic recovery has also been apparent domestically, with UK growth forecasts continuing to improve. As a result, small to mid cap stocks in particular have produced strong returns in the period under review. Meanwhile, interest rates remain at a historically low level, which highlights the attractive returns still available from dividend paying stocks.

The continued strong performance of the Fund is pleasing, and further consolidates the long established track record of outperformance. The UK Income Fund continues to sit at the top of its peer group over 1, 3, and 5 years and since launch. The Fund continues to have a zero weighting in the Oil & Gas Producers and

Mining sectors and, by contrast, is significantly overweight in Support Services, Financial Services and General Industrials. These allocation decisions have served the Fund well over the period. From a stock selection perspective, the following stocks made the most significant contributions to performance during the twelve month period under review:-

- **Numis** (+76.5%); a stable and well-capitalised stock broking firm that continues to out-perform its peer group after increasing its corporate client base as well as experiencing a significant increase in corporate finance deal flow
- **UK Mail** (+67.5%); a provider of mail and parcel delivery services that is benefitting from strong growth in online retailing
- **Berendsen** (+24.0%); a provider of textile maintenance services across the UK, Continental Europe and Scandinavia that is delivering steady growth, improved operating margins and strong cash flow
- **Pendragon** (+95.1%), a UK focused motor retail group that is experiencing significantly improved levels of profitability as it benefits from a recovery in UK vehicle sales. We anticipate further growth from Pendragon as the replacement cycle of an ageing UK car fleet gathers pace

Twelve new stocks were introduced to the portfolio in the period under review, namely; **Park, James Cropper, Microgen, Premier Farnell, Hill & Smith, Conviviality Retail, CentralNic, Menzies (John), Cenkos Securities, Marshalls, Dignity and Marston's**.

Following further strong fund inflows, weightings were increased in all but five existing holdings. During the period, the Fund has significantly increased its exposure to the Travel & Leisure sector, through investment in Cineworld and Marston's. The Fund's weighting in the Support Services sector has also increased by virtue of greater investment in Premier Farnell, Menzies (John), Electrocomponents, Interserve and Berendsen.

The Fund continues to invest in profitable, conservatively financed businesses, operating in specialist growth markets and ideally where exports account for a significant proportion of revenues. Over the period under review, we have also selectively increased our exposure to the recovering UK economy.

## Fund Facts

### Accounting & distribution dates

	Accounting	Distribution
Final	30 September	30 November
Interim	31 March	31 May

### Fund performance

Share class	Net asset value as at 30.09.13 (pence per share)	Net asset value as at 30.09.12 (pence per share)	Net asset value % change
Retail (A) Income Shares	222.62	159.16	39.87
Institutional (B) Income Shares	232.67	165.03	40.98
Retail (A) Accumulation Shares	227.69	N/A	N/A
Institutional (B) Accumulation Shares	237.88	N/A	N/A

### Net asset values

As at 30 September	Income Shares		
	Net asset value (£)	Number of shares in issue	Net asset value (pence per share)
<b>Retail A</b>			
2011	29,810,338	21,808,244	136.69
2012	45,799,552	28,776,462	159.16
2013	220,343,988	98,975,482	222.62
<b>Institutional B</b>			
2011	5,236,511	3,719,805	140.77
2012	11,731,839	7,108,896	165.03
2013	91,851,322	39,477,280	232.67

As at 30 September	Accumulation Shares <sup>^</sup>		
	Net asset value (£)	Number of shares in issue	Net asset value (pence per share)
<b>Retail A</b>			
2011	N/A	N/A	N/A
2012	N/A	N/A	N/A
2013	20,515,902	9,010,556	227.69
<b>Institutional B</b>			
2011	N/A	N/A	N/A
2012	N/A	N/A	N/A
2013	13,498,856	5,674,706	237.88

<sup>^</sup> Accumulation shares launched 28 May 2013

### Price history & distribution record

The table below shows the highest and lowest prices on a calendar year basis in pence per share for five full calendar years. Past performance is not necessarily a guide to the future performance.

Year	Income Shares		
	Highest (pence)	Lowest (pence)	Net distribution (pence per share)
<b>Retail A</b>			
2008	124.96	73.02	6.1374
2009	116.90	70.16	3.2129
2010	150.71	114.71	5.7660
2011	167.67	133.92	6.8619
2012	175.00	136.98	6.2551
2013 <sup>^</sup>	231.99	177.05	6.9428
<b>Institutional B</b>			
2008	126.55	74.05	6.2250
2009	118.51	71.20	3.2676
2010	154.43	115.24	4.9680
2011	172.54	137.93	7.0261
2012	181.85	141.31	6.4653
2013 <sup>^</sup>	242.38	184.00	7.2308

Year	Accumulation Shares <sup>^^</sup>		
	Highest (pence)	Lowest (pence)	Net distribution (pence per share)
<b>Retail A</b>			
2008	N/A	N/A	N/A
2009	N/A	N/A	N/A
2010	N/A	N/A	N/A
2011	N/A	N/A	N/A
2012	N/A	N/A	N/A
2013 <sup>^</sup>	232.35	197.81	3.2687
<b>Institutional B</b>			
2008	N/A	N/A	N/A
2009	N/A	N/A	N/A
2010	N/A	N/A	N/A
2011	N/A	N/A	N/A
2012	N/A	N/A	N/A
2013 <sup>^</sup>	242.69	207.27	3.4028

<sup>^</sup> To 30 September 2013

<sup>^^</sup> Accumulation shares launched 28 May 2013

## Fund Facts

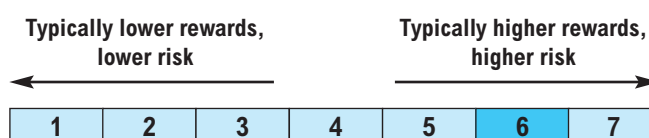
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### Ongoing charge

Expense type	30 September 2013 %
<b>Retail A Shares</b>	
ACD's Management charge	1.50
Other expenses	0.06
Transaction charge	–
<b>Ongoing charge</b>	<b>1.56</b>
<b>Institutional B Shares</b>	
ACD's Management charge	0.75
Other expenses	0.06
Transaction charge	–
<b>Ongoing charge</b>	<b>0.81</b>

### Synthetic risk & reward indicator

The risk and reward indicator measures the risk of price fluctuations. The risk assessment is based on the Fund's historical volatility calculated using weekly five year data. The higher the ranking the greater the risk of losing money but also the greater the potential reward. The risk category of the Fund is not guaranteed and may change over time. You should note that even the lowest category of risk is not risk free.



The shaded area above shows the Fund's ranking on the risk and reward indicator. The table uses a standard method as used by other EU Funds. The calculation puts the Fund in category 6. The indicator is not a measure of the possibility of losing your investment.

### Risk warning

An investment in an Open Ended Investment Company should be regarded as a medium to long term investment. Investors should be aware that the price of shares and the revenue from them can fall as well as rise and investors may not receive back the full amount invested. Past performance is not a guide to future performance. Investments denominated in currencies other than the base currency are subject to fluctuation in exchange rates, which can be favourable or unfavourable.

### Sector spread of investments

All sectors in percentage order are shown below.

Sector	% of Fund as at 30.09.13	Sector	% of Fund as at 30.09.12
Support Services	24.77	Support Services	25.27
Construction & Building Materials	10.91	Financial Services	12.76
Financial Services	10.73	Construction & Building Materials	8.99
Travel & Leisure	7.65	General Industrials	8.16
General Industrials	6.86	Industrial Engineering	6.18
Electronic & Electrical Equipment	6.13	General Retailers	5.54
Real Estate Investment Trusts	6.05	Real Estate Investment Trusts	4.29
General Retailers	6.04	Travel & Leisure	4.23
Industrial Transportation	3.06	Industrial Transportation	4.17
Industrial Engineering	2.53	Software & Computer Services	3.08
Software & Computer Services	1.81	Electronic & Electrical Equipment	2.84
Banks	1.70	Banks	2.55
Health Care Equipment & Services	0.33	Health Care Equipment & Services	1.62
Forestry & Paper	0.26	Food Producers	0.28
Food Producers	0.05	Net other assets	10.04
Net other assets	11.12		

## Fund Facts

continued

### Major holdings

The top ten holdings at the end of each period are shown below.

Holding	% of Fund as at 30.09.13	Holding	% of Fund as at 30.09.12
RPC	4.98	Castings	5.88
Berendsen	4.88	VP	5.57
Electrocomponents	4.77	Lookers	4.64
Interserve	4.18	Brewin Dolphin	4.59
Cineworld	4.02	James Halstead	4.23
Premier Farnel	3.82	UK Mail	4.17
Brewin Dolphin	3.57	Arbuthnot Banking	4.15
Numis	3.52	British Polythene Industries	3.63
Low & Bonar	3.40	Mucklow (A&J)	3.43
Hill & Smith	3.33	Low & Bonar	3.41

## General Information

### Authorised Status

The Company is an Open-Ended Investment Company (OEIC) with variable capital, constituted under regulation 14 (authorisation) of the OEIC Regulations 2001, incorporated in England and Wales under Registered Number IC 000 143 and authorised by the Financial Conduct Authority with effect from 21 December 2001.

The Company is an umbrella company as defined in the Financial Conduct Authority's Collective Investment Schemes Sourcebook (COLL Sourcebook) and therefore, subject to approval from the Financial Conduct Authority, different Sub-Funds may be formed by the Authorised Corporate Director (ACD). The assets of each Sub-Fund are treated as separate from those of every other Sub-Fund and will be invested in accordance with that Sub-Fund's own investment objective and policy. Shareholders are not liable for the debts of the Company.

### Buying and Selling Shares

Applications may be made by completing an application form and delivering it to the Registrar, Phoenix Fund Services (UK) Ltd, PO Box 10602, Chelmsford, Essex CM1 9PD or by telephone between 8.30 am and 4.30 pm on any Business Day. The ACD may also, at its sole discretion, accept instructions by telephone or by facsimile on such terms as it may specify. Telephone applications should be made to the share dealers on 0845 026 4287 or through approved agents. Telephone instructions must be confirmed by delivering a duly completed and signed application form to the Registrar at the same address. Shares may be sold, either by telephoning the ACD's Order Desk on 0845 026 4287 between 8.30 am and 4.30 pm on any dealing day, or in writing, to Phoenix Fund Services (UK) Ltd, PO Box 10602, Chelmsford, Essex CM1 9PD.

### Report and Accounts

This document is a short report of the Unicorn Investment Funds - UK Income Fund for the year ended 30 September 2013. The full Report and Accounts for the Fund is available upon written request to Phoenix Fund Services (UK) Ltd, PO Box 10602, Chelmsford, Essex CM1 9PD, or from [www.unicornam.com](http://www.unicornam.com)

### Other Information

The information in 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.

## Directory

### Authorised Corporate Director & Investment Manager

Unicorn Asset Management Limited  
First Floor Office  
Preacher's Court  
The Charterhouse  
Charterhouse Square  
London EC1M 6AU  
(Authorised and regulated by the Financial Conduct Authority)

### Administrator and Registrar

Phoenix Fund Services (UK) Ltd  
PO Box 10602  
Chelmsford  
Essex CM1 9PD  
(Authorised and regulated by the Financial Conduct Authority)

### Depository

HSBC Bank plc  
8 Canada Square  
London E14 5HQ  
(Authorised and regulated by the Financial Conduct Authority)

### Auditor

Grant Thornton UK LLP  
30 Finsbury Square  
London EC2P 2YU