



NEPTUNE QUARTERLY INCOME FUND

Annual Short Report

31 January 2013

NEPTUNE INVESTMENT MANAGEMENT LIMITED



Neptune Quarterly Income Fund

Investment Objective	3
Risk and Reward Profile	3
Trust Facts	4
Summary	5
Ten Largest Holdings	7
Classification of Investments	7
Geographical/Sector Spread of Investments	7
Manager's Report	8
General Information & Contacts	9



Investment Objective

The investment objective of the Neptune Quarterly Income Fund ('the Fund') is to generate a rising level of revenue. Whilst revenue is the main objective, there is also potential for growth from an actively managed portfolio invested predominately in UK securities and UK fixed interest stocks, with some overseas exposure. The Fund aims to achieve top quartile performance in terms of total return against the relevant peer group.

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 6 because funds of this type have experienced 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 revenue usually also carry greater risk as such bond issuers may have difficulty in repaying their financial obligations.
- The level of revenue is not guaranteed.
- 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 Quarterly Income Fund

Trust Facts

Accounting and Distribution Dates

Accounting dates	Distribution dates
31 January 31 July	31 March 30 June 30 September 31 December

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

The total ongoing charge figure (OCF) per unit class are as follows:

Date	Unit Class	Operating expenses (excluding transaction charge)† %	Transaction charges payable to the Trustee* %	Ongoing Charge Figure (OCF)** %
31.01.13	A – Income	1.75	—	1.75
	A – Accumulation	1.63	—	1.63
	B – Income	2.00	—	2.00
	B – Accumulation	2.00	—	2.00

†Operating expenses includes annual management charge and other expenses. The operating expenses for all unit classes are currently capped to 2.00% 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.

Neptune Quarterly Income Fund

Summary

Fund Performance

Unit Class	Net Asset Value as at 31.01.13 pence per unit	Net Asset Value as at 31.01.12 pence per unit	Net Asset Value % change
A Income	113.8	101.6	12.00
A Accumulation	158.1	135.3	16.85
B Income†	104.3	—	—
B Accumulation†	106.9	—	—

†Launched 3 October 2012.

Distributions

Unit class	Total distribution (p) for the year to 31.01.13	Total distribution (p) for the year to 31.01.12
A Income	4.5549	4.7854
A Accumulation	6.2743	6.1886
B Income†	0.9176	—
B Accumulation†	0.9250	—

†Launched 3 October 2012.

Performance Record

	1 year*	Since launch†
Neptune Quarterly Income Fund	16.78%	68.95%
FTSE All-Share	16.30%	68.63%

*Source: Lipper in sterling; bid to bid; net income reinvested – 1 year to 31.01.13.

†Source: Lipper in sterling; bid to bid; net income reinvested – 15.06.05 to 31.01.13.

The data on the performance record table are accumulation unit performance figures.

Neptune Quarterly Income Fund

Summary (continued)

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)
2011	113.0	109.4	142.6	138.0
2012	110.1	99.41	151.8	133.0
2013*	115.2	110.8	158.9	152.7

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	101.6	97.17	102.5	97.55
2013*	105.6	102.0	107.5	103.2

†Launched 3 October 2012.

*To 31 January 2013.

Net Asset Value

Date	31.01.13		31.01.12	
Net Asset Value (£)	47,147,932		41,135,915	
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	28,130,736	113.8	29,530,599	101.6
A Accumulation	9,560,037	158.1	8,219,801	135.3
B Income†	12,660	104.3	—	—
B Accumulation†	1,000	106.9	—	—

†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.

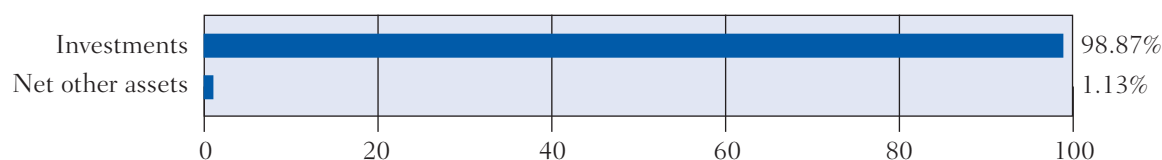
Ten Largest Holdings

as at 31 January 2013

	% of net assets
HSBC	2.36
Prudential	2.24
Reckitt Benckiser	2.23
Smiths	2.21
Marston's	2.19
Victrex	2.19
Reed Elsevier	2.19
Unilever	2.18
Legal & General	2.17
Altria	2.16

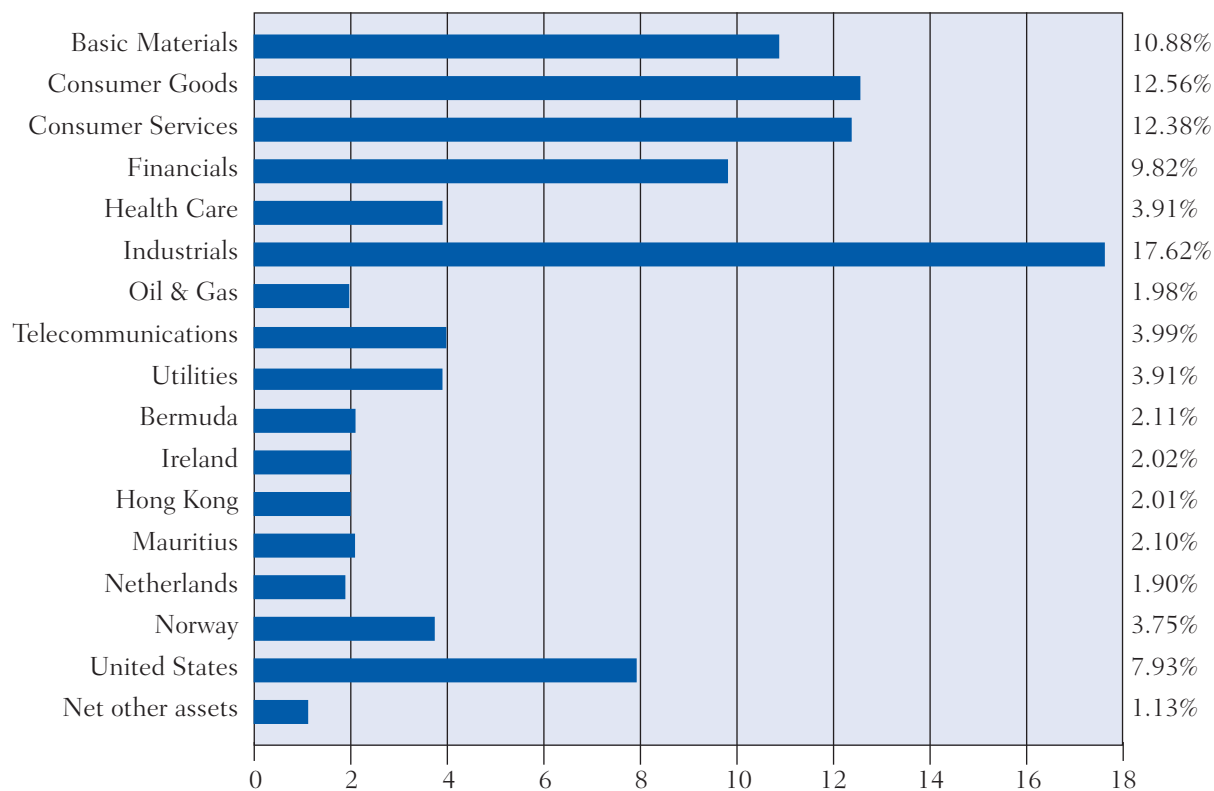
Classification of Investments

as at 31 January 2013



Geographical/Sector Spread of Investments

as at 31 January 2013



Manager's Report

for the year ended 31 January 2013

The first quarter of 2012 saw a strong start to the year as a result of a return of risk sentiment, driven by measures to improve liquidity globally. This rally faded as fears over the Eurozone grew in the second quarter. The main focus in this respect was on the French and Greek elections and the sovereign stress in Spain, resulting from the under-capitalisation of domestic banks. The second half of 2012 saw global markets rebound and rally into year end. This was spurred on by significant policy announcements in the world's major economies. Mario Draghi confirmed his commitment to support the Eurozone and announced Outright Monetary Transactions (OMT) to maintain peripheral sovereign yields at manageable levels, while the US and UK saw further Quantitative Easing. Global growth expectations picked up in the latter part of the year on the back of resurgent Chinese data, the continued US recovery and ongoing structural realignments in the Eurozone.

This improvement in sentiment led to the outperformance of more economically-sensitive sectors, including financials, industrials and consumer discretionary, and the underperformance of the more defensive areas. It was also a year characterised by the outperformance of small and medium sized companies. A bias towards these medium sized companies contributed to the portfolio's performance. Our overweight position in consumer discretionary and underweight in energy also made significant contributions to performance. Our underweight in financials negatively impacted the performance in the latter half of the year when the UK's domestic banks benefited from a reduction in European sovereign stress and the resultant sharply lower wholesale funding costs. In terms of stock selection, notable strong performers included UBM, Victrex and Legal & General.

In terms of portfolio movements, we sold our euro holdings early in 2012 and switched the majority of our overseas stocks into US listed companies. The increase in US exposure was consistent with our focus on companies with strong dividend growth potential and came at the expense of the Fund's Chinese stocks. International Power was bought out by the French utility GDF Suez in the second quarter at what we considered to be an attractive price. The Fund took advantage of third quarter strength in financial stocks to take profits and reinvested in industrial companies, including Smiths Group and Rexam. We also reduced exposure to

mining companies in order to invest in consumer discretionary and information technology stocks.

2012 saw continued strong dividend growth for the Fund. Notable results were delivered by both advertising group WPP and Legal & General, whose dividends grew by 35% and 32% respectively. US-listed Proctor & Gamble, a new addition to the Fund, delivered a 55th consecutive year of dividend growth in excess of 5%. Our focus on dividends led to a few portfolio changes, including the sale of RSA Insurance Group where we believe there are impediments to sufficient and sustainable dividend growth.

The Neptune Quarterly Income Fund returned 16.78%, outperforming the FTSE All-Share Index gain of 16.30% and finishing the period ranked in the second quartile of the IMA UK Equity Income sector. Since inception in July 2005, the Fund has risen 65.95% versus the FTSE All-Share Index return of 65.63% and the IMA UK Equity Income sector average gain of 55.65%. This outperformance sees the Fund ranked in the second quartile of the IMA sector group since launch.* 2013 will see the Fund continuing to focus on world class companies with strong international revenue streams that also have the capacity to generate attractive dividend growth. These companies should benefit from an improving macro-economic backdrop aided by the US recovery and wider emerging markets growth.

**Source: Lipper, A Accumulation unit class performance, IMA UK Equity Income sector, in sterling with no initial charges, net income reinvested to 31.01.13. 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. 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. References to specific securities are for illustrative purposes 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 UK business days between 9.00am and 5.00pm 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 January 2013 and will be distributed to shareholders, where applicable, on 31 March 2013.

Report and Accounts

This document is a short report of the Neptune Quarterly Income Fund for the year ended 31 January 2013. 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 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 year.

ISA Status

During the period under review, all of the shares of the Fund met the requirements for Individual Savings Account ('ISA') qualification as determined by the HM Revenue and Customs ISA Regulations.

Contacts

The Manager

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