www.kamescapital.com

KAMES
CAPITAL

Annual Short Report of Kames Capital ICVC to 31 July 2013

an AEGON Asset Management company

Contents

Introduction

Welcome to Kames Capital ICVC's 2013 Annual Short Report

This report provides details of Kames Capital ICVC's 17 sub-funds during the period 1 August 2012 to 31 July 2013. For each sub-fund we have provided a summary of the strategy that was adopted during the period under review.

Fund manager changes
On 1 June 2013 Scott Jamieson was appointed lead fund manager for the Kames Inflation Linked Fund, having supported the previous lead manager, Stephen Jones, since inception.

On 2 September 2013 Melanie Mitchell moved from her role within the high yield team to focus on the investment grade corporate bond sector within Kames Capital. Claire McGuckin has assumed the role of co-manager, along with Phil Milburn, for the Kames High Yield Bond Fund.

On 12 December 2012, Pauline McPherson assumed the role of co-manager, along with Piers Hillier, for the Kames Global Equity Fund.

Kames Global Equity Fund – increased investment powers
Since launch the Kames Global Equity Fund has had the ability to invest in Collective Investment Schemes. To clarify the position in the Prospectus, on 26 July 2013 we added a note confirming the Kames Global Equity Fund is allowed to invest up to 5% of its Net Asset Value in other Collective Investment Schemes, subject to the existing UCITS (Undertakings for Collective Investment in Transferrable Securities) restrictions.

The enhanced powers allow the investment team to take full advantage of the range of investments available to them in accordance with UCITS. The investment team is under no obligation to use the new powers but can implement them when they believe it is in the best interests of the Fund and within the strict investment parameters set out in the Fund prospectus.

Kames Inflation Linked Fund – tax status
It is anticipated that in the near future that the Kames Inflation Linked Fund will make greater use of its asset allocation powers and at times this may entail larger holdings in equities. While this will not entail any material change to your investment in the Fund, nor will it change the risk profile of the Fund, it will mean that from February 2014, income payments made (or deemed to be made) to you may no longer be deemed to be interest for taxation purposes. Instead, the income distributed by (or otherwise accumulated within) the Fund may be characterised as dividend income. Tax vouchers issued from March 2014 will reflect this change.

Where any allocations of income are retained within the Fund rather than paid to shareholders, they will be treated as taxable distributions.

The shares held by a corporate shareholder will be treated for the purposes of corporate debt rules contained in the Corporation Tax Act 2009 as a holding of rights under a 'creditor relationship'. The test for determining whether a corporate investor needs to treat a particular holding as a bond fund under s.490 CTA 2009 (the '60% test') refers to the accounting period of the corporate investor, rather than the accounting period of the fund itself.

Please consult with your tax adviser for any further information. Tax treatment depends on the individual circumstances of each client and may be subject to future change.

Kames Inflation Linked Fund – benchmark change
With effect from 1 November 2013, the Kames Inflation Linked Fund will change its benchmark from the FTSE Index Linked Gilts over 5 years (total return) index to the UK Retail Price Index. The Fund's objective will be to outperform the UK Retail Price Index by at least 4% per annum over the medium term. The change has been approved by the FCA.

The Retail Price Index is a widely understood measure of inflation that meaningfully reflects what the Fund is designed to achieve for investors. There is no material change to the risk profile of the Fund.

Retail Distribution Review - new share classes
On 31 December 2012 a number of new regulations came into force with the aim of strengthening the effectiveness of the retail investment market. These new regulations, which were part of the Financial Services Authority's Retail Distribution Review (RDR), resulted in some changes and new additions to our existing share classes. Details of these new share classes are available on our website at www.kamescapital.com.

Change to the regulatory body
In April 2013 the Financial Services Authority (FSA) was replaced by two new regulatory bodies, the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA). The FCA is responsible for, among other things, regulating the conduct of the retail financial market and is therefore responsible for the regulation and authorisation of Kames Capital.

Take the paperless option
Many of our investors now choose to receive an electronic version of this report. If you would like to receive the report electronically, please call our Investor Helpdesk on 0800 45 44 22. **A Braille, large print or audio version of this report and the latest long report is available on request by calling our Investor Helpdesk on 0800 45 44 22.**

Kames Sterling Corporate Bond Fund

For the year from 1 August 2012 to 31 July 2013

Fund Description

The investment objective is to maximise total return (income plus capital). To invest mainly in sterling denominated bonds, encompassing investment grade corporate bonds, government bonds and cash. Up to 10% of the Fund may be invested in high yield bonds. The Fund may also invest in deposits, money market instruments, derivative instruments and forward transactions.

Risk Profile

The Fund is designed for retail and institutional investors seeking pooled exposure to the sterling corporate bond market and who are comfortable with a medium level of investment risk. In most cases, we expect the Fund to be held as part of a diversified portfolio which may include other assets such as bonds, equities, property and cash. While investors will normally be able to liquidate their holdings on a daily basis, unit prices will fluctuate and may fall significantly in value. Consequently, it is important to understand that the Fund should be viewed as a longer term investment. The Fund is actively managed and is exposed to:

Market risk: The potential for change in market value of instruments due to adverse movements in equity, bond, commodity, currency and other market prices, indices or interest rates or changes in the anticipated or calculated volatility of these movements.

Liquidity risk: This includes both market liquidity risk and funding risk. Market liquidity risk is the inability to trade an instrument at the desired price due to a lack of supply or market demand. Funding risk is where a fund has insufficient cash to meets its financial obligations.

Counterparty risk: The risk that the failure of a counterparty to meet its obligations leads to a financial loss to a fund, both through loss of any monies owed to the fund by the counterparty and the cost of reinstating economic exposure in the case of counterparty default.

Concentration risk: The risk of a portfolio being too concentrated in particular positions or too exposed to certain issuers. Highly concentrated positions can exacerbate market, liquidity and counterparty risk.

This makes it unsuitable for customers seeking guaranteed, protected or other ‘low volatility’ funds.

Performance

The Kames Sterling Corporate Bond Fund returned 8.61% compared to the Lipper peer group median return of 5.02%. The peer group is the IMA Sterling Corporate Bond sector.

Strategy Review

Fixed income markets remained volatile over the 12-month period, given the high levels of economic and political uncertainty. In this environment, we focused on disciplined stock selection to add value to the Fund. At the same time, we looked to benefit from the fragile economy recovery as opportunities presented themselves.

At a sector level, we preferred bonds issued by financial institutions, particularly banks and insurance companies. We also held a bias for the collateralised sector, where bonds are secured against underlying assets. Overall, this positioning aided relative performance, with the Fund generating a robust absolute return and outperforming its peer group median.

We adopted a more cautious approach to the indebted nations of peripheral Europe. For example, we held a large underweight position in bonds issued by Spanish and Italian companies. Despite negative developments in the eurozone, such as another Italian election fiasco and a Cypriot banking crisis, peripheral European credit performed well. Our light exposure was therefore an opportunity cost, but on a long-term view we believe it was the right bias to have.

In terms of stock selection, the financial sector was a rich source of strong absolute and relative performers. Debt from Lloyds, UBS, Investec, Citigroup, NatWest and insurers Direct Line and Prudential all contributed positively. Away from financials, the collateralised sector also added value, with bonds issued by THPA, CPUK, Unique Pub Finance, Punch Taverns and Mitchells & Butlers among the standout performers.

In terms of interest rate risk, we held a small short duration position for most of the year, although within this we made short-term tactical moves to capture volatility in the UK government bond market. For example, we increased exposure to long-dated bonds at the expense of 10-year bonds in March then reduced the bias back towards more medium-dated bonds in June after very long-dated bonds outperformed. Of more significance was our gradual reduction in the Fund’s underweight position in interest rate risk towards the end of the period, as gilt yields rose steadily. By the end of the year under review, the Fund was running a broadly neutral duration position relative to peers.

Signs of economic recovery are increasing but at the same time the actions of central banks, in the US in particular, will have a significant impact on market movements. We retain plenty of firepower in the Fund to take advantage of any opportunities that these actions may create.

Top Ten Holdings 31 July 2013

Top Ten Holdings 31 July 2013	%
KFW 1% 07/12/2017	2.62
KFW 3.125% 08/12/2014	2.34
Transport for London 2.25% 09/08/2022	1.81
Nats En Route 5.25% 31/03/2026	1.60
Arqiva Financing 4.882% 31/12/2032	1.52
General Electric Capital 6.5% 15/09/2067	1.39
European Investment Bank 5.5% 15/04/2025	1.38
CPUK Finance 7.239% 28/02/2042	1.37
White City Property Finance 5.1202% 17/04/2035	1.29
Temasek Financial I 4.625% 26/07/2022	1.29

Top Ten Holdings 31 July 2012

Top Ten Holdings 31 July 2012	%
United Kingdom Gilt 4.25% 07/12/2040	3.12
Kreditanstalt fur Wiederaufbau 3.125% 08/12/2014	1.94
ABP Finance 6.25% 14/12/2026	1.70
General Electric Capital 6.5% 15/09/2067	1.56
Barclays Bank 10% 21/05/2021	1.42
HSBC FRN 29/09/2020	1.39
White City Property Finance 5.12% 17/04/2035	1.38
Nats En Route 5.25% 31/03/2026	1.37
Great Rolling 6.875% 27/07/2035	1.37
BAA Funding 5.875% 31/05/2043	1.35

Distribution Dates

31 March, 30 June, 30 September, 31 December

Ongoing Charge Figure

Share Class	31 July 2013 %	31 July 2012 %
A Accumulation shares	1.07	1.08
A Income shares	1.07	1.08
B Accumulation shares	0.57	0.58
B Income shares	0.57	0.58
D Accumulation shares*	0.82	-
D Income shares*	0.82	-
G Accumulation shares	0.57	0.58

*Share class launched 12 December 2012, and as such the ongoing charges figure is annualised based on the fees suffered during the accounting period.

The ongoing charges figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the sub-fund over the year. The OCF is made up of the ACD's periodic charge and other operating costs deducted from the assets of the sub-fund during the year, except for those payments that are explicitly excluded by regulations.

Last Five Years' Performance

Discrete years					
1 year to	31/07/2013	31/07/2012	31/07/2011	31/07/2010	31/07/2009
Fund	8.6%	7.2%	6.2%	22.7%	-7.8%

Source: Lipper, % growth, income re-invested at pay date, NAV-NAV, GBP, net of Basic Rate Tax, Acc shares. Past performance is not a guide to future performance.

Price & Revenue History

Calendar Year	Highest Price (p)	Lowest price (p)	Net revenue per share (p)
A Accumulation shares (pence)			
2008	48.47	37.64	1.9292
2009	47.60	32.85	2.0387
2010	53.82	47.38	1.9839
2011	54.74	51.45	2.0179
2012	61.90	53.91	2.0614
2013**	65.46	61.40	1.3326
A Income shares (pence)			
2008	28.68	21.58	1.1240
2009	25.59	18.28	1.1377
2010	28.07	25.47	1.0495
2011	27.66	26.16	1.0279
2012	29.71	26.81	1.0111
2013**	31.05	29.20	0.6404
B Accumulation shares (pence)			
2008	49.72	38.73	2.1671
2009	49.23	33.92	2.2222
2010	55.85	49.02	2.2553
2011	56.99	53.45	2.3172
2012	64.81	56.22	2.3887
2013**	68.63	64.29	1.5892
B Income shares (pence)			
2008	29.18	21.96	1.2530
2009	26.06	18.62	1.2339
2010	28.59	25.95	1.1759
2011	28.18	26.65	1.1572
2012	30.25	27.32	1.1444
2013**	31.63	29.74	0.7345
D Accumulation shares (pence)*			
2012	100.91	99.22	-
2013**	106.75	100.11	2.2037
D Income shares (pence)*			
2012	100.91	99.22	-
2013**	105.51	99.23	2.2213
G Accumulation shares (pence)			
2008	101.96	80.13	5.5683
2009	103.87	70.93	5.9115
2010	118.88	103.46	5.9854
2011	122.35	114.05	6.2107
2012	141.07	121.20	6.4507
2013**	149.80	139.96	4.3493

*Share class launched 12 December 2012
**7 months to 31.07.2013

Statement of investments and other assets as at 31 July 2013

	2013		2012	
Investments	**£'000**	**%**	**£'000**	**%**
Futures Contracts	24	-	(1,209)	(0.28)
Sterling Denominated Bonds				
Corporate Bonds	490,522	92.46	403,483	93.00
Government Bonds	19,101	3.60	14,865	3.43
Total investments	**509,647**	**92.46**	**417,139**	**96.15**
Net other assets				
Uncommitted cash	20,804	3.92	7,500	1.73
Net debtors	92	0.02	9,216	2.12
Total net other assets	20,896	3.94	16,716	3.85
Total net assets	**530,543**	**100.00**	**433,855**	**100.00**

Synthetic risk and reward profile

Lower risk/potentially lower rewards — Higher risk/potentially higher rewards

☐ 1 ☐ 2 ☐ 3 ☑ 4 ☐ 5 ☐ 6 ☐ 7

Kames UK Equity Fund
For the year from 1 August 2012 to 31 July 2013

Fund Description
The investment objective is to maximise total return (income plus capital). Investment will principally be in equities and equity type securities in companies based in the UK, principally conducting business in the UK or listed on the UK stock market.

Risk Profile
The Fund is designed for retail and institutional investors seeking pooled exposure to the UK equity market and who are comfortable with a higher level of investment risk. In most cases, we expect the Fund to be held as part of a diversified portfolio which may include other assets such as bonds, equities, property and cash. While investors will normally be able to liquidate their holdings on a daily basis, unit prices will fluctuate and may fall significantly in value. Consequently, it is important to understand that the Fund should be viewed as a longer term investment. The Fund is actively managed and exposed to:

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Concentration risk: The risk of a portfolio being too concentrated in particular positions or too exposed to certain issuers. Highly concentrated positions can exacerbate market, liquidity and counterparty risk.

This makes it unsuitable for customers seeking guaranteed, protected or other 'low volatility' funds.

Performance
The Kames UK Equity Fund returned 22.61% compared to the Lipper peer group median return of 25.51%. The peer group is the IMA UK All Companies sector.

Strategy Review
The period was defined, once again, by concerns about the strength of the global economy coupled with government and central bank support for the financial system. This backdrop ensured that uncertainty about the general outlook remained high, although as the period progressed there were further signs that the global economy was improving.

At the start of the year under review, our strategy was to retain a balance of cyclicality and defensive stocks in the Fund. In particular, we targeted companies with good long-term prospects and looked through short-term market rotations. In sector terms, our main underweight positions were in the bank, mining and beverage sectors, while significant overweight positions included media, support services and life insurance.

Towards the end of 2012, the economic outlook brightened and we began to increase the Fund's exposure to cyclical stocks and reduce its position in defensive areas of the market. This led us to remove gradually the underweight position in the banks sector (we held an overweight position by the end of the period) and reduce the exposure to defensive areas such as utilities, telecoms and tobacco. We retained this positioning throughout the second half of the year.

Stock picking remained our preferred means of adding value in the Fund. In particular, we focused on companies with the ability to meet or beat earnings forecasts. Our emphasis was on identifying businesses that have the potential to expand profitability or exploit their balance sheets to enhance shareholder returns. We specifically focused on businesses with strong free cashflow and the scope to improve returns to shareholders either via share buybacks or increased dividends.

While the Fund's positioning benefited absolute performance, the lack of exposure to banks, during the first half of the period in particular, detracted in relative terms. The positions in HSBC, Lloyds and Barclays were detrimental.

During the period, we steadily reduced our exposure to the mining sector, which helped performance. Underweight positions such as BHP Billiton, Anglo American (not held) and Rio Tinto aided performance. These were partially offset by our favoured holdings in Glencore Xstrata and First Quantum Minerals, which could not buck the negative commodity trend.

Our theme of investing in undervalued domestic stocks was beneficial. Among the standout performers in this area were TUI Travel (tour operator), Dunelm (home furnishings retailer) and Bellway (house builder), all of which benefited from strong trading results. The strongest performer over the period was Thomas Cook; after a period of weakness the stock rallied strongly as the market reappraised its earnings potential. Similarly, our holding in Ashtead (the predominantly US plant hire company) benefited from earnings upgrades.

Top Ten Holdings 31 July 2013

	%
HSBC	6.70
GlaxoSmithKline	4.82
Barclays	4.30
Vodafone	3.22
St James's Place	2.91
Prudential	2.81
Royal Dutch Shell 'A'	2.53
Rolls-Royce	2.51
Reed Elsevier	2.41
British Sky Broadcasting	2.41

Top Ten Holdings 31 July 2012

	%
GlaxoSmithKline	5.72
British American Tobacco	4.72
Vodafone	4.07
Rio Tinto	3.38
HSBC	3.33
Prudential	3.21
Royal Dutch Shell 'B'	3.17
Royal Dutch Shell 'A'	3.08
Rolls-Royce	2.98
BP	2.85

Distribution Dates

30 November

Ongoing Charge Figure

Share Class	31 July 2013 %	31 July 2012 %
A Accumulation shares	1.57	1.57
A Income shares	1.57	1.57
B Accumulation shares	0.82	0.82
B Income shares	0.82	0.82
D Accumulation shares*	1.07	-
D Income shares*	1.07	-
E Accumulation shares	1.57	1.57

*Share class launched 14 December 2012, and as such the ongoing charges figure is annualised based on the fees suffered during the accounting period.

The ongoing charges figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the sub-fund over the year. The OCF is made up of the ACD's periodic charge and other operating costs deducted from the assets of the sub-fund during the year, except for those payments that are explicitly excluded by regulations.

Last Five Years' Performance

Discrete years					
1 year to	31/07/2013	31/07/2012	31/07/2011	31/07/2010	31/07/2009
Fund	22.6%	-3.4%	14.1%	18.5%	-12.4%

Source: Lipper, % growth, income re-invested at pay date, NAV-NAV, GBP, net of Basic Rate Tax, Acc shares. Past performance is not a guide to future performance.

Price & Revenue History

Calendar Year	Highest Price (p/c)	Lowest price (p/c)	Net revenue per share (p)
A Accumulation shares (pence)			
2008	170.84	99.10	2.3797
2009	152.01	97.53	3.1672
2010	178.87	141.76	1.3750
2011	182.43	143.91	1.3292
2012	180.35	160.47	2.8605
2013***	211.64	182.65	3.0969
A Income shares (pence)*			
2010	109.57	100.43	-
2011	111.75	87.64	0.6103
2012	108.96	97.73	1.7421
2013***	126.70	109.35	1.9071
B Accumulation shares (pence)			
2008	179.58	104.40	3.3281
2009	160.95	102.94	3.9607
2010	191.05	150.89	2.5784
2011	195.04	154.61	2.7921
2012	195.53	173.23	4.3984
2013***	230.18	198.08	4.8865
B Income shares (pence)			
2008	1,051.49	598.14	19.4894
2009	896.64	589.76	22.6726
2010	1,046.22	839.54	14.3545
2011	1,068.09	833.99	15.2931
2012	1,040.27	934.44	23.7261
2013***	1,211.56	1,042.64	25.7333
D Accumulation shares (pence)**			
2012	101.39	99.71	-
2013***	119.26	102.71	2.1100
D Income shares (pence)**			
2012	101.39	99.71	-
2013***	119.29	102.71	2.1487
E Accumulation shares (cents/pence)			
2008	133.46	69.68	1.3952
2009	101.83	63.99	1.8702
2010	125.19	97.10	0.8198
2011	129.86	99.99	0.7944
2012	132.89	117.83	1.7058
2013***	148.36	130.81	1.8471

*Share class launched 1 October 2010
**Share class launched 14 December 2012
***7 months to 31.07.2013

Statement of investments and other assets as at 31 July 2013

	2013		2012	
Investments	**£'000**	**%**	**£'000**	**%**
United Kingdom				
Aerospace & Defence	12,531	3.18	15,058	3.85
Banks	53,707	13.62	27,334	6.98
Beverages	7,286	1.85	2,489	0.64
Chemicals	2,190	0.56	5,273	1.35
Construction & Materials	7,096	1.80	-	-
Electricity	7,265	1.84	1,824	0.47
Electronic & Electrical Equipment	7,827	1.98	10,880	2.78
Financial Services	7,566	1.92	-	-
Food & Drug Retailers	7,114	1.80	-	-
Food Producers	17,533	4.45	19,623	5.01
Futures	-	-	(189)	(0.05)
Gas, Water & Multiutilities	-	-	5,134	1.31
General Financial	7,775	1.97	7,854	2.01
General Industrials	114	0.03	212	0.05
General Retailers	16,634	4.22	15,504	3.96
Household Goods & Home Construction	6,099	1.55	10,391	2.65
Industrial Engineering	6,980	1.77	-	-
Life Insurance	39,438	10.00	18,375	4.69
Media	30,908	7.84	23,426	5.99
Mining	17,601	4.46	19,848	5.07
Mobile Telecommunications	12,688	3.22	15,949	4.07
Non-Life Insurance	5,548	1.41	2,734	0.70
Oil & Gas Producers	20,957	5.32	46,552	11.88
Pharmaceuticals & Biotechnology	18,991	4.82	31,623	8.07
Real Estate Investment Trusts	-	-	1,316	0.34
Software & Computer Services	2,004	0.51	4,396	1.12
Support Services	24,847	6.30	29,412	7.50
Tobacco	-	-	27,786	7.10
Travel & Leisure	20,177	5.12	5,354	1.37
Bermuda	2,001	0.51	5,266	1.34
Canada	2,541	0.64	5,908	1.51
Cayman Islands	356	0.09	568	0.15
Channel Islands	5,303	1.35	17,531	4.47
India	1,214	0.31	1,541	0.39
Ireland	-	-	564	0.14
Isle of Man	5,031	1.28	-	-
Netherlands	8,569	2.17	12,361	3.17
Spain	6,541	1.66	-	-
Total investments	**392,432**	**99.55**	**391,897**	**100.08**
Net other assets/(liabilities)				
Uncommitted cash	1,284	0.32	5,742	1.47
Net debtors/(creditors)	500	0.13	(6,077)	(1.55)
Total net other assets/(liabilities)	1,784	0.45	(335)	(0.08)
Total net assets	**394,216**	**100.00**	**391,562**	**100.00**

Synthetic risk and reward profile

Lower risk/potentially lower rewards						Higher risk/potentially higher rewards
☐ 1	☐ 2	☐ 3	☐ 4	☐ 5	☑ 6	☐ 7

Kames UK Equity Income Fund

For the year from 1 August 2012 to 31 July 2013

Fund Description

The investment objective is to achieve an income return in excess of typical income returned from UK Equity markets. To invest principally in a portfolio of equities of companies based in the UK, conducting business in the UK or listed on the UK stock market. The Fund may also invest in a selection of fixed income assets, cash and near cash and derivative instruments. The Fund may, on occasion, also invest in non-UK assets, however any such investments would not be hedged, rather the currency risk would be a specific part of the investment decision.

Risk Profile

The Fund is designed for retail and institutional investors seeking pooled exposure to the UK equity market and who are comfortable with a higher level of investment risk. In most cases, we expect the Fund to be held as part of a diversified portfolio which may include other assets such as bonds, equities, property and cash. While investors will normally be able to liquidate their holdings on a daily basis, unit prices will fluctuate and may fall significantly in value. Consequently, it is important to understand that the Fund should be viewed as a longer term investment. The Fund is actively managed and exposed to:

Market risk: The potential for change in market value of instruments due to adverse movements in equity, bond, commodity, currency and other market prices, indices or interest rates or changes in the anticipated or calculated volatility of these movements.

Liquidity risk: This includes both market liquidity risk and funding risk. Market liquidity risk is the inability to trade an instrument at the desired price due to a lack of supply or market demand. Funding risk is where a fund has insufficient cash to meets its financial obligations.

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Concentration risk: The risk of a portfolio being too concentrated in particular positions or too exposed to certain issuers. Highly concentrated positions can exacerbate market, liquidity and counterparty risk.

This makes it unsuitable for customers seeking guaranteed, protected or other 'low volatility' funds.

As the charges are applied to capital for the purposes of calculating the distribution, this may increase the amount of distributable income, however it may restrict the capital growth of the Fund. The value of the overseas securities will be influenced by the rate of exchange which applies when they are converted back to sterling. Consequently, the value of your investment may rise or fall in line with exchange rates.

Performance

The Kames UK Equity Income Fund returned 22.85% compared to the Lipper peer group median return of 24.01%. The peer group is the IMA UK Equity Income sector.

Strategy Review

Based on our income strategy, we positioned the Fund overweight large, defensive yield areas of the UK equity market relative to peers. Overall, this positioning held back relative performance as the strong positive sentiment meant small and mid-sized companies outperformed their larger counterparts. In addition, being overweight some of the traditionally defensive areas of the market lagged in relative terms. However, the Fund's strong absolute return reflected the positive performance from sector positioning as well as individual stock opportunities.

The Fund's overweight exposure to the tobacco sector hampered relative performance, where Imperial Tobacco and British American Tobacco were key stock-specific detractors. Uncertainties regarding EU regulation and lacklustre volumes globally in this sector created additional pressure. Being overweight pharmaceuticals was another drawback, especially the position in pharmaceutical giant GlaxoSmithKline.

On the positive side, the Fund's weighting in the life insurance sector added value as this area of the market rallied in the pro-risk environment. Among the standout performers was Resolution, which rallied after it posted good results and strong cash flow, raising dividend expectations. Standard Life, Legal & General and St James's Place also rallied significantly; the common theme was robust operating performance and limited perceived risk to earnings in 2013. In the non-life insurance space the overweight position in Beazley aided returns after the company announced a special dividend early in 2013.

Over the period, we increased our focus on investing in good quality domestic stocks. The Fund benefited from its exposure to TUI Travel, house builder Bellway and kitchen supplier Howden Joinery, with the latter two names supported by a pick-up in UK housing transaction volumes. Avoiding some of the weaker areas of the market also helped. For example, the Fund's underweight exposure to the oil & gas and mining sectors was beneficial, given the weakness seen in the commodity complex over the year.

Elsewhere within stock selection, engineer IMI performed well after issuing good trading updates, and media stock Reed Elsevier reported a strong first half of 2013 and subsequently increased its share buyback target. Food producer Associated British Foods also made good progress and added value to the Fund.

Top Ten Holdings 31 July 2013

	%
Royal Dutch Shell 'B'	6.17
GlaxoSmithKline	6.14
HSBC	5.68
Vodafone	4.04
British American Tobacco	3.04
Prudential	2.61
AstraZeneca	2.57
Reed Elsevier	2.54
BP	2.38
Legal & General	2.36

Top Ten Holdings 31 July 2012

	%
Royal Dutch Shell 'B'	7.35
GlaxoSmithKline	6.58
British American Tobacco	6.44
HSBC	5.30
Vodafone	4.71
BP	3.62
Imperial Tobacco	3.05
AstraZeneca	2.82
SABMiller	2.65
BG	2.34

Distribution Dates

31 March, 30 June, 30 September, 31 December

Ongoing Charge Figure

Share Class	31 July 2013 %	31 July 2012 %
A Accumulation shares	1.63	1.61
A Income shares	1.63	1.61
B Accumulation shares	1.13	1.11
B Income shares	1.13	1.11

The ongoing charges figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the sub-fund over the year. The OCF is made up of the ACD's periodic charge and other operating costs deducted from the assets of the sub-fund during the year, except for those payments that are explicitly excluded by regulations.

Last Five Years' Performance

Discrete years 1 year to	31/07/2013	31/07/2012	31/07/2011	31/07/2010	31/07/2009
Fund	22.9%	2.5%	14.0%	16.9%	-

Source: Lipper, % growth, income re-invested at pay date, NAV-NAV, GBP, net of Basic Rate Tax, Acc shares. Past performance is not a guide to future performance.

Price & Revenue History

Calendar Year	Highest Price (p)	Lowest price (p)	Net revenue per share (p)
A Accumulation shares (pence)*			
2009	125.77	96.81	1.3455
2010	141.71	115.62	5.2114
2011	147.79	123.63	5.4919
2012	154.87	135.97	6.1651
2013**	182.71	156.22	5.2366
A Income shares (pence)*			
2009	124.33	96.81	1.3437
2010	134.46	111.71	5.0739
2011	137.58	114.11	5.1417
2012	135.42	121.26	5.5362
2013**	156.44	136.60	4.5344
B Accumulation shares (pence)*			
2009	126.08	96.82	1.3464
2010	142.76	116.21	5.2320
2011	149.29	124.94	5.5420
2012	157.60	137.97	6.2521
2013**	186.30	158.98	5.3384
B Income shares (pence)*			
2009	124.64	96.82	1.3446
2010	135.47	112.27	5.0942
2011	138.99	115.33	5.1888
2012	137.82	123.06	5.6147
2013**	159.53	139.03	4.6202

*Share class launched 30 June 2009
**7 months to 31.07.2013

Statement of investments and other assets as at 31 July 2013

	2013		2012	
Investments	**£'000**	**%**	**£'000**	**%**
United Kingdom				
Aerospace & Defence	842	4.06	514	3.04
Banks	1,877	9.05	1,038	6.14
Beverages	546	2.63	624	3.69
Electricity	610	2.94	294	1.74
Electronic & Electrical Equipment	382	1.84	185	1.09
Financial Services	199	0.96	-	-
Fixed Line Telecommunications	268	1.29	-	-
Food & Drug Retailers	715	3.45	237	1.40
Food Producers	683	3.29	572	3.38
Gas, Water & Multiutilities	615	2.97	744	4.40
General Financial	404	1.95	397	2.35
General Retailers	465	2.24	220	1.30
Household Goods & Home Construction	351	1.69	82	0.49
Industrial Engineering	897	4.33	513	3.03
Insurance	-	-	196	1.16
Life Insurance	1,869	9.01	915	5.41
Media	1,405	6.78	448	2.65
Mining	482	2.32	722	4.27
Mobile Telecommunications	838	4.04	796	4.71
Non-life Insurance	900	4.34	295	1.75
Oil & Gas Producers	816	3.94	1,065	6.30
Oil Equipment, Services & Distribution	179	0.86	-	-
Pharmaceuticals & Biotechnology	1,807	8.71	1,711	10.12
Real Estate	-	-	115	0.68
Support Services	668	3.22	559	3.31
Tobacco	851	4.10	1,604	9.49
Travel & Leisure	282	1.36	373	2.21
Bermuda	286	1.38	245	1.45
Canada	-	-	47	0.28
Channel Islands	-	-	216	1.27
Ireland	-	-	85	0.50
Netherlands	1,279	6.17	1,242	7.35
Total investments	**20,516**	**98.92**	**16,054**	**94.96**
Net other assets				
Uncommitted cash	165	0.80	788	4.67
Net debtors	59	0.28	63	0.37
Total net other assets	224	1.08	851	5.04
Total net assets	**20,740**	**100.00**	**16,905**	**100.00**

Synthetic risk and reward profile

Lower risk/potentially lower rewards						Higher risk/potentially higher rewards
☐ 1	☐ 2	☐ 3	☐ 4	☐ 5	☑ 6	☐ 7

Kames UK Equity Absolute Return Fund

For the year from 1 August 2012 31 July 2013

Fund Description

The investment objective is to achieve a positive return over a 12 month period in all market conditions. To invest principally in a portfolio of equities and equity-related securities (including Contracts for Difference and other derivatives) of companies based in the UK, principally conducting business in the UK or listed on the UK stock market. Cash and near cash will be held. The Fund may also invest in other transferable securities, permitted money market instruments, permitted deposits and units in collective investment schemes.

Risk Profile

The Fund is designed for retail and institutional investors seeking an absolute return through pooled exposure to the UK equity market and who are comfortable with a higher level of investment risk. In most cases, we expect the Fund to be held as part of a diversified portfolio which may include other assets such as bonds, equities, property and cash. While investors will normally be able to liquidate their holdings on a daily basis, unit prices will fluctuate and may fall significantly in value. Consequently, it is important to understand that the Fund should be viewed as a longer term investment. The Fund is actively managed and exposed to:

Market risk: The potential for change in market value of instruments due to adverse movements in equity, bond, commodity, currency and other market prices, indices or interest rates or changes in the anticipated or calculated volatility of these movements.

Liquidity risk: This includes both market liquidity risk and funding risk. Market liquidity risk is the inability to trade an instrument at the desired price due to a lack of supply or market demand. Funding risk is where a fund has insufficient cash to meets its financial obligations.

Counterparty risk: The risk that the failure of a counterparty to meet its obligations leads to a financial loss to a fund, both through loss of any monies owed to the fund by the counterparty and the cost of reinstating economic exposure in the case of counterparty default.

Concentration risk: The risk of a portfolio being too concentrated in particular positions or too exposed to certain issuers. Highly concentrated positions can exacerbate market, liquidity and counterparty risk.

This makes it unsuitable for customers seeking guaranteed, protected or other ‘low volatility’ funds.

The Fund will take short positions through derivatives with the intention of benefiting from falling equity prices. This means the Fund will not move in line with the market and therefore may not reap the full benefits of a rising stock market.

Performance

The Kames UK Equity Absolute Return Fund returned 3.42% compared to the Bank of England base rate of 0.5%.

Strategy Review

We continued to generate returns using our three key investment strategies: Themes, which seeks to add value from thematic movements in the equity market; Best Ideas, our best individual stock picks, and Pair Trades, a strategy that exploits dislocations in share price performance between similar stocks.

Within Themes, we maintained exposure to our key long themes of UK Domestics and Structural Growth and initiated a Long Cash Returns theme and Short Mining theme, which worked well. Our Long UK Domestics theme was strongly biased towards the housing market, which is front and centre of government policy to reinvigorate the economy. Encouraging data releases on the UK housing market helped our holdings in Taylor Wimpey, Persimmon and Rightmove over the year. We avoided holding general retail names where consumer income remains squeezed and structural headwinds, such as growth online, persists.

In the Long Cash Returns theme we held companies where we expected management to increase returns to shareholders. This was a successful strategy over the period. Also successful was the Short Mining theme, which we established in the first quarter of 2013 after having been short a number of individual names. We took short positions in companies exposed to platinum, copper and coal to diversify stock-specific risk.

Within our Best Ideas strategy the biggest performance drivers came primarily from the Fund’s long positions; predictably in a rising market, most of the largest negative stock picks were in the Fund’s short portfolio. During the period we added long positions in the banks sector on the back of attractive valuations and an improving UK economy. However, the strongest performer over the period was Thomas Cook, which rallied strongly as the market reappraised its earnings potential. Tour operator TUI Travel also performed well. Our holding in Ashtead (the predominantly US plant hire company) benefited from earnings upgrades, while holdings in Rolls-Royce, Tate & Lyle and BAE Systems were beneficial.

Over the year we implemented the Pair Trades strategy across a variety of sectors, including communications, pharmaceuticals, food retail and travel & leisure. Performance in this area was mixed overall, with earnings momentum the key differentiator between individual stock performances.

Given the conflicting signals in the market we continued to run the Fund with a balanced approach, keeping the risk profile well within our tolerance range and market beta (a measure of how closely the Fund moves with the market) close to zero.

Price & Revenue History

Calendar Year	Highest Price (p)	Lowest price (p)	Net revenue per share (p)
A Accumulation shares (pence)*			
2010	103.78	100.00	-
2011	107.16	101.99	-
2012	109.01	106.06	-
2013***	112.95	108.03	-
B Accumulation shares (pence)*			
2010	104.29	100.00	-
2011	108.29	102.65	-
2012	110.97	107.35	-
2013***	115.51	110.11	-
D Accumulation shares (pence)**			
2012	100.16	99.86	-
2013***	105.10	100.29	-

*Share class launched 22 February 2010.
**Share class launched 12 December 2012.
***7 months to 31.07.2013

Distribution Dates

30 November

Ongoing Charge Figure

Share Class	31 July 2013 %	31 July 2012 %
A Accumulation shares	1.57	1.57
B Accumulation shares	0.82	0.82
D Accumulation shares*	1.07	-

*Share class launched 12 December 2012, and as such the ongoing charges figure is annualised based on the fees suffered during the accounting period.

The ongoing charges figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the sub-fund over the year. The OCF is made up of the ACD's periodic charge and other operating costs deducted from the assets of the sub-fund during the year, except for those payments that are explicitly excluded by regulations.

Last Five Years' Performance

Discrete years

1 year to	31/07/2013	31/07/2012	31/07/2011	31/07/2010	31/07/2009
Fund	3.4%	2.0%	2.7%	-	-

Source: Lipper, % growth, income re-invested at pay date, NAV-NAV, GBP, net of Basic Rate Tax, Acc shares. Past performance is not a guide to future performance.

Position Exposure Table

			2013		
Sector Allocation	**Market Value £000**	**%**	**Long Position %**	**Short Position %**	**Gross Exposure %**
Industrials	(321)	(0.28)	9.50	9.71	19.21
Consumer Discretionary	1,376	1.21	14.36	12.27	26.63
Materials	(486)	(0.43)	1.97	5.67	7.64
Health Care	301	0.27	4.80	5.15	9.95
Financials	614	0.54	12.35	7.71	20.06
Energy	(138)	(0.12)	1.48	3.13	4.61
Consumer Staples	(246)	(0.22)	3.97	11.35	15.32
Information Technology	(6)	(0.01)	5.49	0.97	6.46
Utilities	28	0.03	1.70	0.68	2.38
Telecommunication Devices	(42)	(0.04)	1.13	0.98	2.11
	1,080	**0.95**	**56.75**	**57.62**	**114.37**
Certificate of Deposit	**26,000**	**22.95**			
Net other assets/(liabilities)					
Net cash	**87,191**	**76.96**			
Net creditors	(971)	(0.86)			
Total net other assets	86,220	76.10			
Total net assets	**113,300**	**100.00**			

			2012		
Sector Allocation	**Market Value £000**	**%**	**Long Position %**	**Short Position %**	**Gross Exposure %**
Industrials	(61)	(0.08)	7.01	2.53	9.54
Consumer Discretionary	(2)	(0.00)	5.55	3.69	9.24
Materials	31	0.04	4.99	5.31	10.30
Health Care	(91)	(0.12)	2.45	2.50	4.95
Financials	(24)	(0.03)	7.84	5.16	13.00
Energy	(23)	(0.03)	-	0.67	0.67
Consumer Staples	(366)	(0.47)	9.06	9.80	18.86
Information Technology	(18)	(0.02)	-	0.28	0.28
Utilities	94	0.12	1.63	2.96	4.59
Telecommunication Devices	8	0.01	-	2.60	2.60
	(452)	**(0.58)**	**38.53**	**35.50**	**74.03**
Certificate of Deposit	**14,000**	**17.83**			
Net other assets/(liabilities)					
Net cash	**66,488**	**84.68**			
Net creditors	(1,515)	(1.93)			
Total net other assets	64,973	82.75			
Total net assets	**78,521**	**100.00**			

Synthetic risk and reward profile

Lower risk/potentially lower rewards						Higher risk/potentially higher rewards
☐ 1	☐ 2	☑ 3	☐ 4	☐ 5	☐ 6	☐ 7

Kames UK Smaller Companies Fund

For the year from 1 August 2012 to 31 July 2013

Fund Description

The investment objective is to maximise total return (income plus capital). To invest principally in UK companies which form the bottom 10% of the UK stock market based on their market capitalisation.

Risk Profile

The Fund is designed for retail and institutional investors seeking pooled exposure to UK smaller companies stocks and who are comfortable with a higher level of investment risk. In most cases, we expect the Fund to be held as part of a diversified portfolio which may include other assets such as bonds, equities, property and cash. While investors will normally be able to liquidate their holdings on a daily basis, unit prices will fluctuate and may fall significantly in value. The Fund is actively managed and exposed to:

Market risk: The potential for change in market value of instruments due to adverse movements in equity, bond, commodity, currency and other market prices, indices or interest rates or changes in the anticipated or calculated volatility of these movements.

Liquidity risk: This includes both market liquidity risk and funding risk. Market liquidity risk is the inability to trade an instrument at the desired price due to a lack of supply or market demand. Funding risk is where a fund has insufficient cash to meets its financial obligations.

Counterparty risk: The risk that the failure of a counterparty to meet its obligations leads to a financial loss to a fund, both through loss of any monies owed to the fund by the counterparty and the cost of reinstating economic exposure in the case of counterparty default.

Concentration risk: The risk of a portfolio being too concentrated in particular positions or too exposed to certain issuers. Highly concentrated positions can exacerbate market, liquidity and counterparty risk.

This makes it unsuitable for customers seeking guaranteed, protected or other 'low volatility' funds.

Performance

The Kames UK Smaller Companies Fund returned 40.25% compared to the Lipper peer group median return of 35.77%. The peer group is the IMA UK Smaller Companies sector.

Strategy Review

In the summer of 2012, central banks introduced positive and decisive policy measures which first stabilised and then reduced the risk premium being applied to the cost of funding for governments and banks. This risk premium was due to the eurozone crisis and sluggish GDP growth in the US and the UK. The significant policy measures initially led to a market rally from a situation where valuations were depressed. However, over the next few months the benefit to the UK domestic economy became clear as banks passed on lower funding costs to the mortgage market.

Given our positive view of the policy measures, we increased our exposure to UK domestic economic stocks throughout the third quarter of 2012. We added to positions in house builders, which had already been benefiting from self-help activities, as well as retailers Dunelm and N.Brown and kitchen merchant Howden Joinery. At first the returns of these investments were overshadowed by the higher risk, higher indebted names. However, this situation did not persist and the stronger balance sheet names have continued to see their ratings expand as cash return has become a rewarded theme.

We reduced the Fund's exposure to the mining sector amid concerns of commodity price weakness. We also reduced positions in the oil & gas sector. Stock-specific structural growth names continued to be a feature within the Fund; Paypoint, Telecom Plus and Rightmove were prominent investments throughout the period.

This positioning generally benefited the Fund and helped it to generate a strong absolute return for the year and a significant outperformance against the peer group median. In sector terms, the Fund benefited from its overweight positions in the media, aerospace & defence and telecoms sectors. Underweight positions in the oil services and mining sectors were also positive given the weakness in commodities.

Within stock selection we retained our preference for names that are in good financial health, with strong balance sheets and the ability to grow earnings. A good example of this theme was the predominantly US plant hire company Ashtead, which enjoyed earnings upgrades as it continued to benefit from a recovery in the US construction industry. Our decision to target select names exposed to the UK housing sector added value. In particular, the holdings in Dunelm, Bellway (house builder) and Howden Joinery all performed well. The Fund also benefited from avoiding some of the worst performing stocks, including mining companies Talvivaaran and Avocet. Not holding electronics stock Volex aided returns given the company issued a profits warning during the period.

On the downside, not holding highly indebted names such as Trinity Mirror and Enterprise Inns detracted as these rallied strongly along with the market. The investment software stock SDL also suffered after the company was downgraded due to a change in strategy by new management. However, while these positions detracted they were not enough to offset the Fund's strong performance for the year overall.

Top Ten Holdings 31 July 2013

	%
Thomas Cook	3.98
Ashtead	3.26
Bovis Homes	3.23
Senior	3.06
Dunelm	2.91
Workspace	2.88
Howden Joinery	2.80
Brewin Dolphin	2.75
Rightmove	2.66
PayPoint	2.65

Top Ten Holdings 31 July 2012

	%
Bellway	4.10
Telecity	3.86
Senior	3.40
SDL	3.19
Rightmove	3.14
Brooks Macdonald	3.07
Abcam	2.97
PayPoint	2.80
Fenner	2.73
Perform	2.73

Distribution Dates

30 November

Ongoing Charge Figure

Share Class	31 July 2013 %	31 July 2012 %
A Accumulation shares	1.65	1.61
B Accumulation shares	0.90	1.10
D Accumulation shares*	1.15	-

*Share class launched 14 December 2012, and as such the ongoing charges figure is annualised based on the fees suffered during the accounting period.

The ongoing charges figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the sub-fund over the year. The OCF is made up of the ACD's periodic charge and other operating costs deducted from the assets of the sub-fund during the year, except for those payments that are explicitly excluded by regulations.

Last Five Years' Performance

Discrete years					
1 year to	31/07/2013	31/07/2012	31/07/2011	31/07/2010	31/07/2009
Fund	40.3%	-9.8%	28.3%	28.8%	-6.0%

Source: Lipper, % growth, income re-invested at pay date, NAV-NAV, GBP, net of Basic Rate Tax, Acc shares. Past performance is not a guide to future performance.

Price & Revenue History

Calendar Year	Highest Price (p)	Lowest price (p)	Net revenue per share (p)
A Accumulation shares (pence)			
2008	121.46	77.64	0.0709
2009	129.42	81.19	0.8040
2010	168.24	122.60	0.4444
2011	180.26	139.35	0.5390
2012	172.61	144.70	0.6096
2013**	218.53	175.23	0.8095
B Accumulation shares (pence)			
2008	122.24	78.30	0.7738
2009	131.12	82.05	1.2292
2010	171.49	124.40	1.1111
2011	184.31	143.05	1.3765
2012	178.16	148.60	1.4118
2013**	226.54	180.89	2.1023
D Accumulation shares (pence)*			
2012	100.96	99.50	-
2013**	128.20	102.51	0.8509

*Share class launched 14 December 2012
**7 months to 31.07.2013

Statement of investments and other assets as at 31 July 2013

	2013		2012	
Investments	**£'000**	**%**	**£'000**	**%**
United Kingdom				
Beverages	587	3.14	179	1.35
Chemicals	183	0.98	365	2.76
Construction & Materials	545	2.91	-	-
Electricity	79	0.42	113	0.85
Electronic & Electrical Equipment	786	4.20	963	7.27
Financial Services	1,185	6.34	-	-
Fixed Line Telecommunications	-	-	801	6.05
Food & Drug Retailers	-	-	244	1.84
General Financials	1,011	5.40	1,521	11.49
General Industrials	12	0.06	22	0.17
General Retailers	1,182	6.32	448	3.38
Healthcare Equipment & Services	282	1.51	279	2.11
Household Goods & Construction	1,081	5.78	543	4.10
Industrial Engineering	648	3.46	456	3.44
Industrial Transportation	165	0.88	-	-
Media	1,653	8.84	1,094	8.26
Oil & Gas Producers	86	0.46	504	3.81
Oil Equipment, Services & Distribution	76	0.41	-	-
Pharmaceuticals & Biotechnology	771	4.12	687	5.19
Real Estate	619	3.31	833	6.29
Real Estate Investment Trusts	739	3.95	-	-
Software & Computer Services	1,506	8.05	1,362	10.29
Support Services	3,081	16.47	2,410	18.20
Telecommunications	262	1.40	-	-
Travel & Leisure	1,101	5.89	-	-
Bermuda	57	0.30	185	1.40
Canada	-	-	65	0.49
Channel Islands	59	0.32	521	3.93
Ireland	35	0.19	-	-
Isle of Man	371	1.98	-	-
Israel	57	0.30	-	-
Switzerland	-	-	41	0.31
United Arab Emirates	49	0.26	-	-
United States of America	84	0.45	-	-
Total investments	**18,352**	**98.10**	**13,636**	**102.98**
Net other assets/(liabilities)				
Uncommitted cash	208	1.11	215	1.62
Net debtors/(creditors)	147	0.79	(610)	(4.60)
Total net other assets/(liabilities)	355	1.90	(395)	(2.98)
Total net assets	**18,707**	**100.00**	**13,241**	**100.00**

Synthetic risk and reward profile

Lower risk/potentially lower rewards						Higher risk/potentially higher rewards
☐ 1	☐ 2	☐ 3	☐ 4	☐ 5	☑ 6	☐ 7

Kames UK Opportunities Fund
For the year from 1 August 2012 to 31 July 2013

Fund Description
The investment objective is to maximise total return (income plus capital). To invest principally in an actively managed portfolio of equities and equity type securities in companies based in the UK, principally conducting business in the UK or listed on the UK stock market.

Risk Profile
The Fund will target retail and institutional investors seeking pooled exposure to the UK equity market and who are comfortable with a higher level of investment risk. In most cases, we expect the Fund to be held as part of a diversified portfolio which may include other assets such as bonds, equities, property and cash. While investors will normally be able to liquidate their holdings on a daily basis, unit prices will fluctuate and may fall significantly in value. Consequently, it is important to understand that the Fund should be viewed as a longer term investment. The Fund is actively managed and exposed to:

Market risk: The potential for change in market value of instruments due to adverse movements in equity, bond, commodity, currency and other market prices, indices or interest rates or changes in the anticipated or calculated volatility of these movements.

Liquidity risk: This includes both market liquidity risk and funding risk. Market liquidity risk is the inability to trade an instrument at the desired price due to a lack of supply or market demand. Funding risk is where a fund has insufficient cash to meets its financial obligations.

Counterparty risk: The risk that the failure of a counterparty to meet its obligations leads to a financial loss to a fund, both through loss of any monies owed to the fund by the counterparty and the cost of reinstating economic exposure in the case of counterparty default.

Concentration risk: The risk of a portfolio being too concentrated in particular positions or too exposed to certain issuers. Highly concentrated positions can exacerbate market, liquidity and counterparty risk.

This makes it unsuitable for customers seeking guaranteed, protected or other 'low volatility' funds.

Performance
The Kames UK Opportunities Fund returned 29.84% compared to the Lipper peer group median return of 25.51%. The peer group is the IMA UK All Companies sector.

Strategy Review
UK equities performed well over the year under review as investors took encouragement from tentative signs of improvement in the global economy coupled with the ongoing support for the financial system from governments and central banks. Given this backdrop, the Fund generated a strong return and finished the year under review well ahead of the peer group median.

At the start of the period, the Fund retained its preference for selective cyclical stocks and companies that offered above average secular growth prospects. We also held positions in stocks with exposure to the UK domestic economy; specifically those we believed would benefit from increasing market share. A key focus for us was on finding companies with the ability to meet or beat earnings forecasts; in a low growth environment we expected that businesses delivering growth and earnings momentum would outperform.

Confidence in the global recovery gradually picked up as we approached the end of 2012, and therefore we began to increase our exposure to financials stocks on a selective basis. In particular, we increased our exposure to asset and wealth managers, life insurance companies and banks. We also looked to invest more in global cyclical stocks and domestic plays, including housing related stocks. This was funded mainly by reducing our exposure in oil & gas, defensive and growth stocks, where valuations looked extended.

Stock selection was the key driver of performance. During the early part of the period, not holding enough banks detracted, although this was offset to some degree by exposure in financial services and life insurance. Our decision to re-focus the Fund towards the end of 2012 benefited returns in the remainder of the period and the increased exposure to financial stocks added value. Other sectors that aided performance included the Fund's overweight exposure to the media, travel & leisure and household goods & home construction sectors. Limiting our exposure to the oil & gas sector was also beneficial.

The Fund benefited from a number of stocks within our domestic theme. These included Dunelm (home furnishings retailer), Taylor Wimpey, Howden Joinery (kitchen manufacturer and retailer), Rightmove and, in the travel & leisure sector, TUI Travel and Thomas Cook. In financials, positive contributions came from Schroders and Prudential. Elsewhere, having no exposure to Shell added to relative performance. Relative performance headwinds came from the underweight exposure to HSBC and Lloyds (not held). Although the Fund benefited from its underweight exposure in mining, holding First Quantum Minerals (now completely sold) and Glencore Xstrata mitigated this positive effect to an extent.

Top Ten Holdings 31 July 2013

	%
HSBC	4.62
GlaxoSmithKline	4.50
Barclays	4.14
Reed Elsevier	3.85
Prudential	3.73
Howden Joinery	3.27
Taylor Wimpey	3.20
Thomas Cook	3.17
Rightmove	3.13
St James's Place	3.00

Top Ten Holdings 31 July 2012

	%
GlaxoSmithKline	5.91
British American Tobacco	5.59
Rio Tinto	4.74
BG	4.26
Prudential	3.71
Telecity	3.48
Rolls-Royce	3.45
Aggreko	3.27
Vodafone	3.13
Petrofac	2.92

Distribution Dates

30 November

Ongoing Charge Figure

Share Class	31 July 2013 %	31 July 2012 %
A Accumulation shares	1.60	1.60
B Accumulation shares	0.85	1.10
D Accumulation shares*	1.10	-

*Share class launched 14 December 2012, and as such the ongoing charges figure is annualised based on the fees suffered during the accounting period.

The ongoing charges figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the sub-fund over the year. The OCF is made up of the ACD's periodic charge and other operating costs deducted from the assets of the sub-fund during the year, except for those payments that are explicitly excluded by regulations.

Last Five Years' Performance

Discrete years 1 year to	31/07/2013	31/07/2012	31/07/2011	31/07/2010	31/07/2009
Fund	29.8%	-5.4%	12.5%	20.4%	-13.9%

Source: Lipper, % growth, income re-invested at pay date, NAV-NAV, GBP, net of Basic Rate Tax, Acc shares. Past performance is not a guide to future performance.

Price & Revenue History

Calendar Year	Highest Price (p)	Lowest price (p)	Net revenue per share (p)
A Accumulation shares (pence)			
2008	117.79	67.44	1.1116
2009	106.13	67.42	1.7862
2010	122.68	96.31	0.9601
2011	124.98	97.62	0.9070
2012	121.38	108.72	1.3110
2013**	148.52	121.76	2.0081
B Accumulation shares (pence)			
2008	118.52	68.01	1.6641
2009	107.54	68.11	2.3795
2010	124.99	97.90	1.4984
2011	127.67	99.84	1.5253
2012	124.42	111.54	1.9143
2013**	153.51	125.33	2.9483
D Accumulation shares (pence)*			
2012	100.66	99.37	-
2013**	124.84	102.03	2.0951

*Share class launched 14 December 2012
**7 months to 31.07.2013

Statement of investments and other assets as at 31 July 2013

	2013		2012	
Investments	**£'000**	**%**	**£'000**	**%**
United Kingdom				
Aerospace & Defence	1,146	2.84	1,203	3.45
Banks	4,940	12.22	1,688	4.84
Chemicals	485	1.20	825	2.37
Construction & Materials	2,221	5.50	492	1.41
Electricity	138	0.34	196	0.56
Electronic & Electrical Equipment	579	1.43	715	2.05
Financial Services	1,723	4.26	-	-
Fixed Line Telecommunications	-	-	1,213	3.48
Food Producers	-	-	735	2.11
General Financials	2,180	5.39	817	2.34
General Retailers	1,835	4.54	1,569	4.50
Industrial Engineering	1,573	3.89	619	1.78
Life Insurance	4,546	11.25	1,292	3.71
Media	6,198	15.34	3,224	9.26
Mining	631	1.56	1,651	4.74
Mobile Telecommunications	970	2.40	1,091	3.13
Oil & Gas Producers	1,078	2.67	3,732	10.72
Pharmaceuticals & Biotechnology	1,819	4.50	2,998	8.61
Software & Computer Services	1,445	3.58	503	1.44
Support Services	3,004	7.43	3,164	9.08
Tobacco	-	-	2,735	7.85
Travel & Leisure	2,843	7.03	-	-
Bermuda	-	-	198	0.57
Canada	-	-	644	1.85
Channel Islands	-	-	1,694	4.86
Isle of Man	995	2.46	-	-
Total investments	**40,349**	**99.83**	**32,998**	**94.71**
Net other assets/(liabilities)				
Uncommitted cash	792	1.96	1,912	5.49
Net creditors	(722)	(1.79)	(68)	(0.20)
Total net other assets	70	0.17	1,844	5.29
Total net assets	**40,419**	**100.00**	**34,842**	**100.00**

Synthetic risk and reward profile

Lower risk/potentially lower rewards						Higher risk/potentially higher rewards
☐ 1	☐ 2	☐ 3	☐ 4	☐ 5	☑ 6	☐ 7

Kames American Equity Fund

For the year from 1 August 2012 to 31 July 2013

Fund Description
The investment objective is to maximise total return. To invest principally in equities and equity type securities in companies based in the American continent (including both North and South America), principally conducting business in the American continent or listed on the US stock exchange.

Risk Profile
The Fund is designed for retail and institutional investors seeking pooled exposure to the US equity market and who are comfortable with a higher level of investment risk. In most cases, we expect the Fund to be held as part of a diversified portfolio which may include other assets such as bonds, equities, property and cash. While investors will normally be able to liquidate their holdings on a daily basis, unit prices will fluctuate and may fall significantly in value. Consequently, it is important to understand that the Fund should be viewed as a longer term investment. The Fund is actively managed and exposed to:

Market risk: The potential for change in market value of instruments due to adverse movements in equity, bond, commodity, currency and other market prices, indices or interest rates or changes in the anticipated or calculated volatility of these movements.

Liquidity risk: This includes both market liquidity risk and funding risk. Market liquidity risk is the inability to trade an instrument at the desired price due to a lack of supply or market demand. Funding risk is where a fund has insufficient cash to meets its financial obligations.

Counterparty risk: The risk that the failure of a counterparty to meet its obligations leads to a financial loss to a fund, both through loss of any monies owed to the fund by the counterparty and the cost of reinstating economic exposure in the case of counterparty default.

Concentration risk: The risk of a portfolio being too concentrated in particular positions or too exposed to certain issuers. Highly concentrated positions can exacerbate market, liquidity and counterparty risk.

This makes it unsuitable for customers seeking guaranteed, protected or other ‘low volatility’ funds.

Performance
The Kames American Equity Fund returned 25.73% compared to the Lipper peer group median return of 27.79%. The peer group is the IMA North American sector.

Strategy Review
The US equity market increased significantly in the year under review as ongoing policy support from central banks and governments was met with increasing signs of improvement in the domestic economy.

At the start of the period the Fund held slightly more risk that it had done previously, which was manifested in the reduced weighting to defensive areas such as utilities and telecoms. However, we made a significant change to the structure of the Fund towards the end of 2012 when we began to implement a new investment philosophy and process. The central tenet of this philosophy is that companies that consistently add value for shareholders through time – those that achieve cash returns in excess of their cost of capital – are also the best candidates for the long-term investor. Therefore, rather than specifically focusing on sector positioning or the potential future direction of the market, we preferred to concentrate on high conviction individual stock ideas. This meant targeting high-quality franchises with defensible market positions and a strong track record of cash conversion and capital discipline. We focused on those businesses with the ability to drive progress in the context of a subdued end-market environment but that also had the ability to benefit from any positive surprises in activity.

Over the period this philosophy was in place it helped the Fund to produce a solid absolute return although some stock-specific issues hampered its progress against the peer group. Given the promising signs of recovery in the domestic economy many consumer-related sectors performed well. For example the Fund benefited from a number of its holdings in consumer discretionary sectors such as media and retailing, both of which benefited from stronger spending. Among the standout names in these areas were direct selling company Tupperware Brands, casino operator Las Vegas Sands, retailer Lowe’s and cable operators Time Warner and Direct TV.

As the backdrop improved we steadily increased our exposure to the financial sector, which proved to be beneficial, particularly in the diversified financials area. The Fund’s holdings in Citigroup and JP Morgan added value, although this was offset slightly through not holding Bank of America. In the energy sector the Fund benefited from its limited exposure to Exxon Mobil, but the positions in National Oilwell Varco and Occidental Petroleum detracted. In the technology hardware sector the Fund also had mixed results; the position in Western Digital Corporation performed well but the holding in sector heavyweight Apple struggled over the year.

While the Fund was well placed to take advantage of the positive momentum over the period, it was noticeable that in this particular rally many defensive areas of the market were stronger. This included the health care, consumer staples and utilities sectors. These areas consist of high-dividend paying and defensive stocks, which are usually preferred by investors in tough times. The Fund was underweight in most of these areas although it still managed to produce a strong absolute return for the period.

Top Ten Holdings 31 July 2013

	%
Chevron	3.91
Google	3.79
Philip Morris International	3.58
Pfizer	3.33
United Technologies	3.22
Merck	3.04
Apple	2.98
Emerson Electric	2.91
International Business Machines	2.74
Comcast	2.58

Top Ten Holdings 31 July 2012

	%
Apple	5.63
Google	3.69
Wells Fargo	3.63
Pfizer	3.58
Oracle	2.65
Occidental Petroleum	2.39
Comcast	2.32
United Technologies	2.30
JPMorgan Chase	2.29
Philip Morris International	2.22

Distribution Dates

30 November

Ongoing Charge Figure

Share Class	31 July 2013 %	31 July 2012 %
A Accumulation shares	1.63	1.62
B Accumulation shares	0.88	0.87
D Accumulation shares*	1.13	-
E Accumulation shares	1.63	1.62

*Share class launched 10 December 2012, and as such the ongoing charges figure is annualised based on the fees suffered during the accounting period.

The ongoing charges figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the sub-fund over the year. The OCF is made up of the ACD's periodic charge and other operating costs deducted from the assets of the sub-fund during the year, except for those payments that are explicitly excluded by regulations.

Last Five Years' Performance

Discrete years					
1 year to	31/07/2013	31/07/2012	31/07/2011	31/07/2010	31/07/2009
Fund	25.7%	4.9%	10.7%	11.9%	-16.0%

Source: Lipper, % growth, income re-invested at pay date, NAV-NAV, GBP, net of Basic Rate Tax, Acc shares. Past performance is not a guide to future performance.

Price & Revenue History

Calendar Year	Highest Price (p/c)	Lowest price (p/c)	Net revenue per share (p)
A Accumulation shares (pence)			
2008	189.56	112.00	-
2009	160.43	108.64	0.4577
2010	184.89	142.01	-
2011	180.82	140.87	-
2012	184.23	164.31	0.2621
2013**	221.74	176.45	0.2886
B Accumulation shares (pence)			
2008	198.17	117.58	0.9217
2009	168.31	114.21	1.2175
2010	194.46	149.59	-
2011	191.71	149.50	0.4975
2012	196.34	174.84	1.6115
2013**	238.69	189.18	1.7985
D Accumulation shares (pence)*			
2012	101.02	98.53	-
2013**	125.35	99.46	0.5779
E Accumulation shares (cents/pence)			
2008	85.38	43.85	0.0007
2009	59.16	39.72	0.1513
2010	71.41	57.35	-
2011	71.30	53.63	-
2012	77.07	65.52	0.0873
2013**	86.18	72.33	0.1156

*Share class launched 10 December 2012
**7 months to 31.07.2013

Statement of investments and other assets as at 31 July 2013

	2013		2012	
Investments	**£'000**	**%**	**£'000**	**%**
United States				
Advertising	424	2.05	-	-
Aerospace & Defence	665	3.22	565	2.30
Apparel	184	0.89	-	-
Banks	645	3.12	2,239	9.13
Beverages	216	1.05	-	-
Biotechnology	-	-	574	2.34
Broadcasting	-	-	568	2.32
Chemicals	-	-	687	2.81
Commercial Services	-	-	415	1.70
Computer	-	-	2,034	8.29
Cosmetics and Personal Care	-	-	312	1.27
Electric Companies	-	-	263	1.07
Electronic & Electrical Equipment	1,150	5.57	237	0.97
Energy	-	-	321	1.31
Engineering & Construction	-	-	1,197	4.88
Financial Services	1,221	5.91	486	1.98
Food Producers	313	1.52	-	-
General Industries	206	1.00	-	-
General Retailers	895	4.33	-	-
Healthcare Equipment & Services	336	1.63	343	1.40
Household Products	236	1.14	-	-
Industrial Engineering	209	1.01	-	-
Industrial Transportation	240	1.16	-	-
Insurance	192	0.93	629	2.57
Internet	-	-	905	3.69
Leisure Goods	488	2.36	-	-
Life Insurance	456	2.21	-	-
Lodging	-	-	250	1.02
Machinery	290	1.40	-	-
Media	1,098	5.31	538	2.19
Medical	439	2.13	-	-
Non-Life Insurance	318	1.54	-	-
Oil & Gas Producers	1,380	6.68	1,664	6.79
Oil & Gas Services	284	1.37	609	2.48
Oil Equipment, Services & Distribution	202	0.98	-	-
Packaging and Containers	-	-	249	1.02
Personal Goods	194	0.94	-	-
Pharmaceuticals	1,531	7.41	2,118	8.64
Pharmaceuticals & Biotechnology	975	4.72	-	-
Real Estate Investment Trusts	176	0.85	-	-
Retail	-	-	1,552	6.33
Semiconductors	-	-	887	3.62
Software & Computer Services	1,547	7.49	1,369	5.58
Support Services	422	2.04	-	-
Technology Hardware & Equipment	1,741	8.43	-	-
Telecommunications	-	-	1,158	4.72
Tobacco	740	3.58	1,445	5.90
Transportation	335	1.62	619	2.52
Bermuda	290	1.40	320	1.31
Netherlands	440	2.13	-	-
Total investments	**20,478**	**99.12**	**24,553**	**100.15**
Net other assets/(liabilities)				
Uncommitted cash	301	1.46	337	1.38
Net creditors	(119)	(0.58)	(374)	(1.53)
Total net other assets/(liabilities)	182	0.88	(37)	(0.15)
Total net assets	**20,660**	**100.00**	**24,516**	**100.00**

Synthetic risk and reward profile

Lower risk/potentially lower rewards — Higher risk/potentially higher rewards

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☑ 6 ☐ 7

Kames European Equity Fund
For the year from 1 August 2012 to 31 July 2013

Fund Description
The investment objective is to maximise total return (income plus capital). Investment will principally be in equities and equity type securities in companies based in Europe, principally conducting business in Europe or listed on European stock markets. The Fund may also invest in emerging European countries.

Risk Profile
The Fund is designed for retail and institutional investors seeking pooled exposure to the European equity market and who are comfortable with a higher level of investment risk. In most cases, we expect the Fund to be held as part of a diversified portfolio which may include other assets such as bonds, equities, property and cash. While investors will normally be able to liquidate their holdings on a daily basis, unit prices will fluctuate and may fall significantly in value. Consequently, it is important to understand that the Fund should be viewed as a longer term investment. The Fund is actively managed and exposed to:

Market risk: The potential for change in market value of instruments due to adverse movements in equity, bond, commodity, currency and other market prices, indices or interest rates or changes in the anticipated or calculated volatility of these movements.

Liquidity risk: This includes both market liquidity risk and funding risk. Market liquidity risk is the inability to trade an instrument at the desired price due to a lack of supply or market demand. Funding risk is where a fund has insufficient cash to meets its financial obligations.

Counterparty risk: The risk that the failure of a counterparty to meet its obligations leads to a financial loss to a fund, both through loss of any monies owed to the fund by the counterparty and the cost of reinstating economic exposure in the case of counterparty default.

Concentration risk: The risk of a portfolio being too concentrated in particular positions or too exposed to certain issuers. Highly concentrated positions can exacerbate market, liquidity and counterparty risk.

This makes it unsuitable for customers seeking guaranteed, protected or other ‘low volatility’ funds.

Performance
The Kames European Equity Fund returned 35.43%, exactly in line with the Lipper peer group median return. The peer group is the IMA Europe Excluding UK sector.

Strategy Review
European equities made strong progress in the year under review, despite a raft of economic and political challenges. These challenges included concerns about the strength of the global economy and, closer to home, a chaotic Italian general election and Cypriot banking crisis. Countering these significant issues was the ongoing financial support provided by governments and central banks. This support included the European Central Bank’s Outright Monetary Transactions programme, which was implemented early in the period. These accommodative monetary policies were enough to improve sentiment and allow investors the long-awaited opportunity to realise much of the extreme under-valuations evident in certain sectors and geographies within the eurozone.

Given the positive backdrop we adopted a more neutral stance to risk at the start of the period and continued to reduce our cautious stance as the period progressed. This meant we consistently added to our weighting in financial sectors and in those areas that are more dependent on the economic cycle. At the same time, we reduced our exposure to traditionally defensive sectors such as healthcare, beverages and tobacco.

This positioning helped the Fund to an extent in the volatile conditions. In particular, the Fund benefited from its overweight positions in the bank, media and support services sectors. The underweight in defensive sectors such as telecoms and utilities also helped. In particular, not holding a number of major utilities was beneficial, given that many of these companies issued profit warnings during the period.

On the downside, the Fund’s overweight position in the oil services sector detracted, given the significant weakness seen in commodity prices. The exposure to oil producer Lundin Petroleum was detrimental and the exposure to Italian energy services company Saipem came under pressure due to corruption allegations followed by an initial profit warning. We subsequently sold our holding in Saipem prior to the company issuing a second warning.

By far the main contributor to the Fund’s strong absolute return was stock selection. While in sector terms we steadily increased our exposure to riskier areas of the market, the core of the Fund continued to reflect a strong strategic belief that better quality, cash generative companies would tend to outperform in the long term. More economically sensitive holdings performed well, including Lufthansa and life insurer Ageas, which benefited from strong earnings momentum. Elsewhere, French bank BNP Paribas, media stocks ProSiebenSat and Kabel Deutschland, and support services company Amadeus were all standout performers.

Finally, in country terms the Fund benefited from its overweight position in Germany, which might have been expected given the strength of the German economy. However, of more note was the strong performance from a number of peripheral eurozone economies such as Spain and Portugal, both of which were overweight positions in the Fund.

Top Ten Holdings 31 July 2013

	%
Roche	4.29
Novartis	3.70
Nestle	3.55
UBS	3.48
BNP Paribas	3.40
Sanofi	3.06
Bayer	2.35
European Aeronautic Defence and Space	2.34
Swedbank	2.33
Allianz	2.26

Top Ten Holdings 31 July 2012

	%
Nestle	4.81
Roche	3.51
Novartis	3.17
Anheuser-Busch InBev	2.69
LVMH Moet Hennessy Louis Vuitton	2.50
SAP	2.25
Swedbank	1.96
Volkswagen	1.91
European Aeronautic Defence and Space	1.83
Allianz	1.82

Distribution Dates

30 November

Ongoing Charge Figure

Share Class	31 July 2013 %	31 July 2012 %
A Accumulation shares	1.72	1.72
B Accumulation shares	0.97	0.94
D Accumulation shares*	1.22	-
E Accumulation shares	1.72	1.72

*Share class launched 10 December 2012, and as such the ongoing charges figure is annualised based on the fees suffered during the accounting period.

The ongoing charges figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the sub-fund over the year. The OCF is made up of the ACD's periodic charge and other operating costs deducted from the assets of the sub-fund during the year, except for those payments that are explicitly excluded by regulations.

Last Five Years' Performance

Discrete years					
1 year to	31/07/2013	31/07/2012	31/07/2011	31/07/2010	31/07/2009
Fund	35.4%	-9.5%	13.2%	9.0%	-27.6%

Source: Lipper, % growth, income re-invested at pay date, NAV-NAV, GBP, net of Basic Rate Tax, Acc shares. Past performance is not a guide to future performance.

Price & Revenue History

Calendar Year	Highest Price (p/c)	Lowest price (p/c)	Net revenue per share (p)
A Accumulation shares (pence)			
2008	259.06	129.05	1.8446
2009	193.62	99.48	2.5169
2010	198.03	156.39	1.4638
2011	212.29	146.59	2.8116
2012	200.24	158.46	2.9600
2013**	235.78	201.18	3.3451
B Accumulation shares (pence)			
2008	269.64	135.81	3.6068
2009	204.82	76.40	4.8771
2010	211.35	166.25	2.8130
2011	227.19	157.34	4.5643
2012	216.93	170.93	4.6136
2013**	256.55	217.98	4.7700
D Accumulation shares (pence)*			
2012	103.76	99.76	-
2013**	122.54	104.26	2.4485
E Accumulation shares (cents/pence)			
2008	138.79	62.12	0.7063
2009	104.90	71.44	0.9406
2010	92.31	73.01	0.5439
2011	94.37	66.64	1.1108
2012	96.95	78.09	1.1848
2013**	108.47	98.06	1.3434

*Share class launched 10 December 2012
**7 months to 31.07.2013

Statement of investments and other assets as at 31 July 2013

	2013		2012	
Investments	**£'000**	**%**	**£'000**	**%**
Equities				
Austria	118	0.45	375	1.48
Belgium	901	3.42	683	2.69
Bermuda	-	-	343	1.35
Czech Republic	-	-	233	0.92
Denmark	493	1.87	632	2.49
Finland	277	1.05	917	3.61
France	5,761	21.87	4,548	17.92
Germany	4,844	18.38	4,688	18.47
Ireland	971	3.69	670	2.64
Italy	905	3.43	1,277	5.03
Netherlands	278	1.06	898	3.54
Norway	960	3.64	590	2.32
Portugal	533	2.02	109	0.43
Spain	1,295	4.91	1,535	6.05
Sweden	2,847	10.81	3,011	11.86
Switzerland	5,952	22.59	4,515	17.79
United Kingdom	176	0.67	183	0.72
Total investments	**26,311**	**99.86**	**25,207**	**99.31**
Net other assets/(liabilities)				
Uncommitted cash	146	0.55	432	1.71
Net creditors	(109)	(0.41)	(258)	(1.02)
Total net other assets	37	0.14	174	0.69
Total net assets	**26,348**	**100.00**	**25,381**	**100.00**

Synthetic risk and reward profile

Lower risk/potentially lower rewards						Higher risk/potentially higher rewards
☐ 1	☐ 2	☐ 3	☐ 4	☐ 5	☐ 6	☑ 7

Kames Strategic Bond Fund

For the year from 1 August 2012 to 31 July 2013

Fund Description

The investment objective is to maximise total return (income plus capital). To invest in global debt instruments denominated in any currency, ranging from AAA Government Bonds through to high yield and emerging market corporate bonds. At least 80% of the Fund will be invested in sterling and other currency denominated bonds hedged back to sterling. The Fund may also invest in deposits, money market instruments, derivative instruments and forward transactions.

Risk Profile

The Fund is designed for retail and institutional investors seeking pooled exposure to global bond markets and who are comfortable with a medium level of investment risk. In most cases, we expect the Fund to be held as part of a diversified portfolio which may include other assets such as bonds, equities, property and cash. While investors will normally be able to liquidate their holdings on a daily basis, unit prices will fluctuate and may fall significantly in value. Consequently, it is important to understand that the Fund should be viewed as a longer term investment. The Fund is actively managed and is exposed to:

Market risk: The potential for change in market value of instruments due to adverse movements in equity, bond, commodity, currency and other market prices, indices or interest rates or changes in the anticipated or calculated volatility of these movements.

Liquidity risk: This includes both market liquidity risk and funding risk. Market liquidity risk is the inability to trade an instrument at the desired price due to a lack of supply or market demand. Funding risk is where a fund has insufficient cash to meets its financial obligations.

Counterparty risk: The risk that the failure of a counterparty to meet its obligations leads to a financial loss to a fund, both through loss of any monies owed to the fund by the counterparty and the cost of reinstating economic exposure in the case of counterparty default.

Concentration risk: The risk of a portfolio being too concentrated in particular positions or too exposed to certain issuers. Highly concentrated positions can exacerbate market, liquidity and counterparty risk.

This makes the Fund unsuitable for customers seeking guaranteed, protected or other 'low volatility' funds.

Performance

The Kames Strategic Bond Fund returned 7.62%, exactly in line with the Lipper peer group median return. The peer group is the IMA Sterling Strategic Bond sector.

Strategy Review

Over the period, the Fund adopted a cautious approach, particularly relative to its peer group. This defensive stance reflected our concern over the ongoing volatility in markets and the generally high levels of economic and political uncertainty.

Our lower-risk stance was manifested in our lack of exposure to the indebted nations of southern Europe and in the quality of the holdings within the Fund. Investment grade bonds made up the majority of the portfolio with a preference for companies with strong balance sheets and low expected defaults. At the same time, we retained our long-held bearish view on government bonds. Within the high yield bond sector, we were unwilling to reach too far down the credit rating spectrum and we retained our preference for investing in the US high yield market rather than in the eurozone.

For most of the year, the Fund's positioning benefited relative performance, with core government bonds underperforming investment grade bonds. Although we limited the amount of risk in the Fund we added value through strong stock selection and particularly through the new issue channel. Bonds issued by financial institutions performed well, with the Fund benefiting from its holdings in RBS bonds denominated in Australian dollars, euro denominated bonds from Merrill Lynch and ABN AMRO, and sterling denominated bonds from Barclays. In other areas, the exposure to collateralised bonds (bonds secured against underlying assets) issued by pub operators Punch Taverns and Mitchells & Butlers performed well. Within the insurance sector, the holdings in Direct Line and RSA were also strong.

We continued to benefit from our bias towards US residential mortgage backed securities (RMBS) although we invested in this area on a very selective basis. In terms of government bonds, we tended to look for short-term tactical opportunities and took full advantage of the Fund's global remit to implement cross-market relative value trades. For example, at various times during the year we identified relative value opportunities between Australian, Canadian and core European government bond markets.

Towards the end of the year, the Fund's cautious approach was of particular benefit as bond markets came under significant pressure. While most bond sectors produced negative returns during the second quarter of 2013, our positioning helped to protect the Fund from the worst of the turbulence. Given the strength of the sell-off, we took the opportunity to add some risk back into the Fund, which proved to be beneficial as bond markets recovered in the final month of the year.

Top Ten Holdings 31 July 2013

	%
Sweden Government Bond 3.5% 01/06/2022	6.06
US Treasury Note Bond 2% 15/02/2023	1.93
United Kingdom Gilt 1.75% 22/01/2017	1.59
Royal Bank of Scotland FRN 17/05/2018	1.41
Nordea Bank 4.25% 21/09/2022	1.22
Shell International Finance 2.375% 21/08/2022	1.19
Rabobank Nederland 6.875% 19/03/2020	1.17
RSA Insurance 9.375% 20/05/2039	1.16
Hutchison Whampoa Europe Finance 13 3.75% Perpetual	1.16
Fifth Third Bancorp 5.1% Perpetual	1.15

Top Ten Holdings 31 July 2012

	%
New Zealand Government Bond 5.5% 15/04/2023	5.10
Australia Government Bond 5.75% 15/05/2021	4.56
United Kingdom Gilt Inflation Linked 2.5% 26/07/2016	3.20
European Investment Bank 6% 06/08/2020	2.69
United Kingdom Gilt 4.5% 07/12/2042	2.47
United Kingdom Gilt 4.25% Perpetual	2.38
Royal Bank of Scotland 6.5% 17/05/2018	1.45
Royal & Sun Alliance Insurance FRN 20/05/2039	1.29
First Hydro Finance 9% 31/07/2021	1.22
ABP Finance 6.25% 14/12/2026	1.18

Distribution Dates

31 March, 30 June, 30 September, 31 December

Ongoing Charge Figure

Share Class	31 July 2013 %	31 July 2012 %
A Accumulation shares	1.31	1.31
A Income shares	1.31	1.31
B Accumulation shares*	0.81	-
B Income shares	0.81	0.81
D Accumulation shares**	1.06	-
D Income shares**	1.06	-

*Share class launched 3 September 2012, and as such the ongoing charges figure is annualised based on the fees suffered during the accounting period.

**Share class launched 14 December 2012, and as such the ongoing charges figure is annualised based on the fees suffered during the accounting period.

The ongoing charges figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the sub-fund over the year. The OCF is made up of the ACD's periodic charge and other operating costs deducted from the assets of the sub-fund during the year, except for those payments that are explicitly excluded by regulations.

Last Five Years' Performance

Discrete years					
1 year to	31/07/2013	31/07/2012	31/07/2011	31/07/2010	31/07/2009
Fund	7.6%	4.0%	5.2%	20.0%	3.4%

Source: Lipper, % growth, income re-invested at pay date, NAV-NAV, GBP, net of Basic Rate Tax, Acc shares. Past performance is not a guide to future performance.

Price & Revenue History

Calendar Year	Highest Price (p)	Lowest price (p)	Net revenue per share (p)
A Accumulation shares (pence)			
2008	121.76	99.00	5.7608
2009	136.77	90.24	6.6642
2010	151.46	137.01	5.0194
2011	154.67	142.95	5.2353
2012	167.91	146.41	4.7860
2013***	174.42	167.58	2.2035
A Income shares (pence)			
2008	105.08	81.09	4.8822
2009	105.36	72.16	5.3585
2010	113.67	105.55	3.8046
2011	113.43	102.71	3.8507
2012	116.89	105.12	3.3924
2013***	120.20	115.49	1.5029
B Accumulation shares (pence)*			
2012	104.27	99.71	0.3569
2013***	108.45	104.07	1.8231
B Income shares (pence)			
2008	104.05	80.32	5.2253
2009	104.37	71.52	5.6465
2010	112.56	104.51	4.1929
2011	112.34	101.66	4.2505
2012	115.72	104.08	3.7928
2013***	119.05	114.34	1.8336
D Accumulation shares (pence)**			
2012	100.93	100.00	-
2013***	104.92	100.74	1.5537
D Income shares (pence)**			
2012	100.93	100.00	-
2013***	103.81	99.76	1.4789

*Share class launched 3 September 2012.
**Share class launched 14 December 2012.
***7 months to 31.07.2013

Statement of investments and other assets as at 31 July 2013

	2013		2012	
Investments	**£'000**	**%**	**£'000**	**%**
Australian Dollar Denominated Bonds				
Corporate Bonds	24,396	3.75	33,241	6.21
Government Bonds	-	-	24,515	4.56
Credit Default Swaps	(2,258)	(0.35)	(764)	(0.14)
Euro Denominated Bonds				
Corporate Bonds	140,044	21.54	77,530	14.43
Forward Foreign Currency Contracts	(11,246)	(1.73)	(581)	(0.11)
Futures Contracts	2,032	0.31	(608)	(0.11)
New Zealand Dollar Denominated Bonds				
Government Bonds	-	-	27,372	5.10
Sterling Denominated Bonds				
Corporate Bonds	169,178	26.02	158,783	29.54
Government Bonds	10,345	1.59	43,226	8.05
Swedish Krona Denominated Bonds				
Government Bonds	39,376	6.06	-	-
Swiss Franc Denominated Bonds				
Corporate Bonds	9,934	1.53	4,932	0.92
United States Dollar Denominated Bonds				
Asset Backed Security	34,622	5.33	31,321	5.83
Corporate Bonds	174,594	26.85	115,492	21.50
Government Bonds	13,341	2.05	2,796	0.52
Total investments	**604,358**	**92.95**	**517,255**	**96.30**
Net other assets				
Uncommitted cash	36,137	5.56	19,483	3.63
Net debtors	9,711	1.49	391	0.07
Total net other assets	45,848	7.05	19,874	3.70
Total net assets	**650,206**	**100.00**	**537,129**	**100.00**

Synthetic risk and reward profile

Lower risk/potentially lower rewards						Higher risk/potentially higher rewards
☐ 1	☐ 2	☐ 3	☑ 4	☐ 5	☐ 6	☐ 7

Kames Global Equity Fund

For the year from 1 August 2012 to 31 July 2013

Fund Description
The investment objective is to provide capital growth. To exploit special investment situations and opportunities throughout the world by investing globally. The Fund may invest in units of other collective investment schemes.

Risk Profile
The Fund is designed for retail and institutional investors seeking pooled exposure to the global equity market and who are comfortable with a higher level of investment risk. In most cases, we expect the Fund to be held as part of a diversified portfolio which may include other assets e.g. bonds, equities, property and cash. While investors will normally be able to liquidate their holdings on a daily basis, unit prices will fluctuate and may fall significantly in value. Consequently, it is important to understand that the Fund should be viewed as a longer term investment. The Fund is actively managed and exposed to:

Market risk: The potential for change in market value of instruments due to adverse movements in equity, bond, commodity, currency and other market prices, indices or interest rates or changes in the anticipated or calculated volatility of these movements.

Liquidity risk: This includes both market liquidity risk and funding risk. Market liquidity risk is the inability to trade an instrument at the desired price due to a lack of supply or market demand. Funding risk is where a fund has insufficient cash to meets its financial obligations.

Counterparty risk: The risk that the failure of a counterparty to meet its obligations leads to a financial loss to a fund, both through loss of any monies owed to the fund by the counterparty and the cost of reinstating economic exposure in the case of counterparty default.

Concentration risk: The risk of a portfolio being too concentrated in particular positions or too exposed to certain issuers. Highly concentrated positions can exacerbate market, liquidity and counterparty risk.

This makes it unsuitable for customers seeking guaranteed, protected or other 'low volatility' funds.

Performance
The Kames Global Equity Fund returned 27.43%, compared to the Lipper peer group median return of 24.79%. The peer group is the IMA Global sector.

Strategy Review
Global equities put in a strong performance over the year under review, buoyed by signs of recovery in the global economy, and particularly in developed economies. At the same time ongoing aggressive policy action from central banks and governments underpinned the economic improvement and ensured investor confidence remained upbeat overall.

At the start of the year we recognised the positive effect central bank actions were having on markets and as a result we began to increase the level of risk in the Fund. In particular we increased our exposure to more cyclical parts of the market by adding to the weighting in the financials, industrials and technology sectors. At the same time we reduced our exposure to defensive areas such as utilities, telecoms and consumer staples, which we expected to underperform in a market rally. At a regional level we retained our overweight position in European equities, which we felt were undervalued.

While sector positioning was an important source of value, adding significantly to the Fund's strong absolute return, we increasingly focused on individual stock opportunities as the year progressed. In particular, we retained a preference for companies with strong market positions and robust balance sheets that we expected to be long-term winners.

The Fund's overall positioning aided returns both in absolute terms and against the peer group median. Both sector and stock selection added value. The overweight positions in cyclical areas of the market such as the media (Kabel Deutschland was strong after being bid for by Vodafone), financials and industrials sectors performed well. The Fund's limited exposure to resource sectors such as oil & gas and mining also aided returns, given the weakness in commodity prices over the period.

In terms of stock selection, a number of holdings in consumer related areas performed well, including Lowe's (retailing) and Tupperware Brands (consumer durables). Within the financials sectors, the holdings in JP Morgan and Citigroup (both diversified financials) and Invesco (capital markets) boosted returns. The exposure to technology stocks Google and Spanish company Amadeus IT also did well, with Google benefiting from online advertising revenue strength as well as encouraging product news. Another standout area was the overweight position in the aerospace & defence sector, with the exposure to United Technologies and Rolls Royce among the best performers.

On the downside, the Fund's exposure to the computer & peripherals sector detracted, with the holdings in sector heavyweight Apple and EMC both coming under pressure after interim results disappointed. The holdings in tobacco companies Philip Morris and Reynolds American also underperformed as the stocks' defensive nature meant they did not take part in the general rally.

Top Ten Holdings 31 July 2013

	%
iShares MSCI Japan Fund	4.47
Chevron	3.88
Google	3.40
Cisco Systems	2.82
JPMorgan Chase	2.73
Pfizer	2.62
United Technologies	2.51
Ryanair	2.50
BNP Paribas	2.48
Swedbank	2.42

Top Ten Holdings 31 July 2012

	%
iShares MSCI Japan Fund	4.09
Apple	3.63
Google	2.77
Rolls-Royce	2.69
Reynolds American	2.66
Philip Morris International	2.52
Wells Fargo	2.48
EMC	2.37
Axiata	2.35
Qualcomm	2.21

Distribution Dates

30 November

Ongoing Charge Figure

Share Class	31 July 2013 %	31 July 2012 %
A Accumulation shares	1.98	2.05
B Accumulation shares	1.23	1.30
D Accumulation shares*	1.49	-
E Accumulation shares	1.98	2.05

*Share class launched 10 December 2012, and as such the ongoing charges figure is annualised based on the fees suffered during the accounting period.

The ongoing charges figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the sub-fund over the year. The OCF is made up of the ACD's periodic charge and other operating costs deducted from the assets of the sub-fund during the year, except for those payments that are explicitly excluded by regulations.

Last Five Years' Performance

Discrete years					
1 year to	31/07/2013	31/07/2012	31/07/2011	31/07/2010	31/07/2009
Fund	27.4%	-1.7%	10.6%	9.5%	-27.0%

Source: Lipper, % growth, income re-invested at pay date, NAV-NAV, GBP, net of Basic Rate Tax, Acc shares. Past performance is not a guide to future performance.

Price & Revenue History

Calendar Year	Highest Price (p/c)	Lowest price (p/c)	Net revenue per share (p)
A Accumulation shares (pence)			
2008	124.66	61.34	-
2009	90.02	61.72	-
2010	99.05	78.85	-
2011	97.83	75.83	-
2012	95.31	83.55	0.1725
2013**	116.24	95.49	0.3708
B Accumulation shares (pence)			
2008	132.88	65.82	0.2380
2009	97.37	66.37	0.3554
2010	107.35	85.60	0.0529
2011	107.02	83.11	0.4227
2012	105.41	92.00	0.9114
2013**	128.95	105.62	1.2759
D Accumulation shares (pence)*			
2012	101.36	99.35	-
2013**	123.87	101.56	1.0060
E Accumulation shares (cents/pence)			
2008	94.25	40.80	-
2009	56.10	37.96	-
2010	64.35	53.92	-
2011	65.67	49.80	-
2012	66.93	57.37	0.0467
2013**	76.81	66.24	0.1932

*Share class launched 10 December 2012
**7 months to 31.07.2013

Statement of investments and other assets as at 31 July 2013

	2013		2012	
Investments	**£'000**	**%**	**£'000**	**%**
Equities				
Australia	213	2.40	85	1.13
Austria	-	-	73	0.97
Belgium	-	-	98	1.31
Bermuda	-	-	129	1.72
Canada	119	1.34	-	-
Cayman Islands	136	1.54	179	2.39
China	247	2.79	137	1.83
France	728	8.22	245	3.27
Germany	44	0.50	524	6.99
Hong Kong	116	1.31	107	1.43
Ireland	933	10.54	307	4.09
Malaysia	81	0.91	176	2.35
Netherlands	155	1.75	-	-
Philippines	-	-	29	0.39
Singapore	80	0.90	86	1.15
South Korea	-	-	94	1.25
Spain	145	1.64	245	3.27
Sweden	214	2.42	493	6.57
Switzerland	499	5.63	208	2.77
Taiwan	88	0.99	70	0.93
United Kingdom	312	3.52	421	5.61
United States	4,363	49.27	3,543	47.22
Forward Foreign Currency Contracts	5	0.06	2	0.03
Future Contracts	8	0.09	17	0.23
Total investments	**8,486**	**95.82**	**7,268**	**96.90**
Net other assets/(liabilities)				
Uncommitted cash	401	4.53	318	4.23
Net creditors	(31)	(0.35)	(85)	(1.13)
Total net other assets	370	4.18	233	3.10
Total net assets	**8,856**	**100.00**	**7,501**	**100.00**

Synthetic risk and reward profile

Lower risk/potentially lower rewards						Higher risk/potentially higher rewards
☐ 1	☐ 2	☐ 3	☐ 4	☐ 5	☑ 6	☐ 7

Kames High Yield Bond Fund

For the year from 1 August 2012 to 31 July 2013

Fund Description
The investment objective is to maximise total return (income plus capital). To invest in a portfolio of predominately: high yield bonds; selected investment grade bonds; and cash. The Fund may hold sterling and other currency denominated bonds hedged back to sterling. The Fund may also invest in deposits, money market instruments, derivative instruments and forward transactions.

Risk Profile
The Fund is designed for retail and institutional investors seeking pooled exposure to the high yield bond market and who are comfortable with a medium level of investment risk. In most cases, we expect the Fund to be held as part of a diversified portfolio which may include other assets such as bonds, equities, property and cash. While investors will normally be able to liquidate their holdings on a daily basis, unit prices will fluctuate and may fall significantly in value. Consequently, it is important to understand that the Fund should be viewed as a longer term investment. The Fund is actively managed and is exposed to:

Market risk: The potential for change in market value of instruments due to adverse movements in equity, bond, commodity, currency and other market prices, indices or interest rates or changes in the anticipated or calculated volatility of these movements.

Liquidity risk: This includes both market liquidity risk and funding risk. Market liquidity risk is the inability to trade an instrument at the desired price due to a lack of supply or market demand. Funding risk is where a fund has insufficient cash to meets its financial obligations.

Counterparty risk: The risk that the failure of a counterparty to meet its obligations leads to a financial loss to a fund, both through loss of any monies owed to the fund by the counterparty and the cost of reinstating economic exposure in the case of counterparty default.

Concentration risk: The risk of a portfolio being too concentrated in particular positions or too exposed to certain issuers. Highly concentrated positions can exacerbate market, liquidity and counterparty risk.

These risks make the Fund unsuitable for customers seeking guaranteed, protected or other ‘low volatility’ funds.

Performance
The Kames High Yield Bond Fund returned 8.31% compared to the Lipper peer group median return of 10.75%. The peer group is the IMA Sterling High Yield sector.

Strategy Review
Throughout the period, high yield bonds were in demand by investors looking for decent levels of income in a low interest rate world. This led many investors to look further down the credit spectrum and invest in lower quality, higher yielding bonds. Our decision to avoid higher risk areas of the sector was the main reason for the Fund’s underperformance against the peer group, although in absolute terms the Fund posted a robust return of just over 8%.

Given our concerns about the strength of the global economy, coupled with the ongoing debt crisis in peripheral Europe, we preferred to look for strong individual opportunities (both at a stock level and between regional markets) rather than relying on a general rise in the market. In general we preferred the more defensive qualities of US high yield than the higher risk European equivalent. In particular, we positioned the Fund with less exposure to peripheral European high yield than many of our peers.

From a stock picking perspective, our strategy was to focus predominantly on the primary market to access new ideas and rotate positions that had ran their course into new holdings. Additionally, the Fund retained well-seasoned bonds and issuers that had been through previous cycles, providing a defensive core backbone to the Fund. This positioning allowed the Fund to capture a good portion of the rally in high yield over the period, but not all of it.

We made good use of the Fund’s global remit, and benefited from holding Australian dollar-denominated debt in RBS. Other particularly strong positions came from US dollar holdings in telecommunications company Sprint Nextel and Wind Acquisition Finance. In the industrials sector, pub company Enterprise Inns and Exova (a materials testing group) also performed well, as did BG Group. In other areas, the exposure to US healthcare company HealthSouth added value after it announced a more aggressive financial policy during 2013.

Towards the end of the period the high yield bonds sector came under significant pressure and we took advantage of the sell-off to add some risk back into the Fund. In particular, we increased our exposure to B rated bonds. However, we had no desire to chase CCC rated risk where we believe investors are not being compensated for the fundamental default risks involved. The decision to increase the amount of risk in the Fund benefited performance in the final month of the year under review as the market rallied, although overall the Fund remained defensively positioned relative to the peer group.

Top Ten Holdings 31 July 2013

	%
Unitymedia 5.5% 15/09/2022	1.97
HCA 7.75% 15/05/2021	1.90
DISH DBS 5% 15/03/2023	1.80
Hawk Acquisition Sub 4.25% 15/10/2020	1.67
ING Bank FRN 23/05/2016	1.62
Sunrise Communications 8.5% 31/12/2018	1.56
Aguila 3 7.875% 31/01/2018	1.50
Care UK Health 9.75% 01/08/2017	1.47
Service International 4.5% 15/11/2020	1.47
RWE 7% 12/10/2072	1.46

Top Ten Holdings 31 July 2012

	%
New World Resources 7.375% 15/05/2015	1.93
Bombardier 6.125% 15/05/2021	1.84
Warner Chilcott Finance 7.75% 15/09/2018	1.83
TVN Finance II 10.75% 15/11/2017	1.82
Aguila 3 7.875% 31/01/2018	1.80
Unitymedia 9.5% 15/03/2021	1.74
Intelsat Jackson 7.25% 15/10/2020	1.71
ALBA 8% 15/05/2018	1.63
BG Energy Capital 6.5% 30/11/2072	1.62
Care UK Health 9.75% 01/08/2017	1.56

Distribution Dates

31 January, 28 February, 31 March, 30 April, 31 May, 30 June, 31 July, 31 August, 30 September, 31 October, 30 November, 31 December

Ongoing Charge Figure

Share Class	31 July 2013 %	31 July 2012 %
A Accumulation shares	1.30	1.31
A Income shares	1.30	1.31
B Accumulation shares	0.80	0.81
B Income shares	0.80	0.81
D Accumulation shares*	1.05	-
D Income shares*	1.05	-

*Share class launched 12 December 2012, and as such the ongoing charges figure is annualised based on the fees suffered during the accounting period.

The ongoing charges figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the sub-fund over the year. The OCF is made up of the ACD's periodic charge and other operating costs deducted from the assets of the sub-fund during the year, except for those payments that are explicitly excluded by regulations.

Last Five Years' Performance

Discrete years					
1 year to	31/07/2013	31/07/2012	31/07/2011	31/07/2010	31/07/2009
Fund	8.3%	6.6%	11.2%	26.9%	-1.6%

Source: Lipper, % growth, income re-invested at pay date, NAV-NAV, GBP, net of Basic Rate Tax, Acc shares. Past performance is not a guide to future performance.

Price & Revenue History

Calendar Year	Highest Price (p)	Lowest price (p)	Net revenue per share (p)
A Accumulation shares (pence)			
2008	69.04	48.16	6.3654
2009	76.64	47.45	4.5567
2010	84.74	77.06	5.4260
2011	94.21	84.97	5.1636
2012	105.77	90.16	5.5564
2013**	109.94	104.71	3.2079
A Income shares (pence)			
2008	50.95	32.60	4.5050
2009	48.59	31.10	2.8847
2010	51.48	47.60	3.2725
2011	53.55	47.19	2.9123
2012	54.89	49.30	2.9582
2013**	55.85	52.97	1.6242
B Accumulation shares (pence)			
2008	141.66	99.11	13.0876
2009	157.55	97.78	9.3521
2010	175.67	159.67	11.2836
2011	196.63	177.69	10.7700
2012	222.53	188.76	11.6606
2013**	231.73	220.85	6.7601
B Income shares (pence)			
2008	92.81	59.66	8.2169
2009	86.96	57.01	5.3198
2010	94.14	87.15	5.8681
2011	98.51	86.99	5.3645
2012	101.82	90.99	5.4582
2013**	103.79	98.50	3.0332
D Accumulation shares (pence)*			
2012	101.08	100.00	0.4031
2013**	105.14	100.14	3.1494
D Income shares (pence)*			
2012	101.08	100.00	0.4168
2013**	102.96	97.66	2.9205

*Share class launched 12 December 2012
**7 months to 31.07.2013

Statement of investments and other assets as at 31 July 2013

	2013		2012	
Investments	**£'000**	**%**	**£'000**	**%**
Australian Dollar Denominated Bonds				
Corporate Bonds	21,879	1.45	14,965	1.50
Canadian Dollars Denominated Bonds				
Corporate Bonds	10,049	0.66	8,893	0.89
Credit Default Swaps	-	-	1,739	0.17
Euro Denominated Bonds				
Corporate Bonds	377,195	24.92	288,231	28.73
Forward Foreign Currency Contracts	(32,017)	(2.11)	8,975	0.90
Sterling Denominated Bonds				
Corporate Bonds	268,885	17.76	209,565	20.90
Swedish Krona Denominated Bonds				
Corporate Bonds	14,714	0.97	-	-
Swiss Franc Denominated Bonds				
Corporate Bonds	45,013	2.97	28,110	2.80
United States Dollar Denominated Bonds				
Corporate Bonds	713,562	47.13	363,698	36.28
Total investments	**1,419,280**	**93.75**	**924,176**	**92.17**
Net other assets				
Uncommitted cash	72,567	4.79	76,704	7.65
Net debtors	22,084	1.46	1,884	0.18
Total net other assets	94,651	6.25	78,588	7.83
Total net assets	**1,513,931**	**100.00**	**1,002,764**	**100.00**

Synthetic risk and reward profile

Lower risk/potentially lower rewards						Higher risk/potentially higher rewards
☐ 1	☐ 2	☐ 3	☑ 4	☐ 5	☐ 6	☐ 7

Kames Investment Grade Bond Fund

For the year from 1 August 2012 to 31 July 2013

Fund Description

The investment objective is to maximise total return (income plus capital). To invest primarily in investment grade and government bonds denominated in sterling and other currencies. The Fund may hold up to a maximum of 20% in high yield bonds and may also hold cash. A minimum of 80% of the Fund will be hedged back into sterling. The Fund may also invest in deposits, money market instruments, derivative instruments and forward transactions.

Risk Profile

The Fund is designed for retail and institutional investors seeking pooled exposure to the investment grade bond market and who are comfortable with a medium level of investment risk. In most cases, we expect the Fund to be held as part of a diversified portfolio which may include other assets such as bonds, equities, property and cash. While investors will normally be able to liquidate their holdings on a daily basis, unit prices will fluctuate and may fall significantly in value. Consequently, it is important to understand that the Fund should be viewed as a longer term investment. The Fund is actively managed and is exposed to:

Market risk: The potential for change in market value of instruments due to adverse movements in equity, bond, commodity, currency and other market prices, indices or interest rates or changes in the anticipated or calculated volatility of these movements.

Liquidity risk: This includes both market liquidity risk and funding risk. Market liquidity risk is the inability to trade an instrument at the desired price due to a lack of supply or market demand. Funding risk is where a fund has insufficient cash to meets its financial obligations.

Counterparty risk: The risk that the failure of a counterparty to meet its obligations leads to a financial loss to a fund, both through loss of any monies owed to the fund by the counterparty and the cost of reinstating economic exposure in the case of counterparty default.

Concentration risk: The risk of a portfolio being too concentrated in particular positions or too exposed to certain issuers. Highly concentrated positions can exacerbate market, liquidity and counterparty risk.

This makes the Fund unsuitable for customers seeking guaranteed, protected or other 'low volatility' funds.

Performance

The Kames Investment Grade Bond Fund returned 6.95% compared to the Lipper peer group median return of 5.02%. The peer group is the IMA Sterling Corporate Bond sector.

Strategy Review

Active rotation at a stock level combined with a willingness to use cash as an asset allocation tool were both supportive of performance over the course of the year. For the most part, the Fund was fully invested in credit, which represented the biggest driver of absolute returns. However, as noted above, we were also happy to let cash build up at times, notably towards the end of the period under review when we felt valuations were relatively stretched.

In terms of the composition of the Fund's credit exposure, we retained our bias for avoiding peripheral European risk, particularly Spanish and Italian names. We did not believe that the spread levels on offer (the excess yield above government bond yields) provided sufficient compensation relative to the well-documented sovereign risks. We exited our remaining exposure in late February.

We actively managed the Fund's interest rate positioning during the period while maintaining our strategic preference for minimising duration versus peers. We also focused on implementing small tactical duration positions in an effort to exploit some well-defined yield ranges in the UK government bond market.

The Fund's outperformance came primarily from good issue selection across a range of sectors and its global remit allowed us to capture cross-market opportunities. In particular, our exposure to the banking sector aided returns. Holdings in subordinated debt from Lloyds Banking Group and RBS performed relatively well, as did the Fund's holding in insurer Direct Line. Elsewhere, exposure to the collateralised sector (bonds secured against underlying assets) worked well, particularly holdings in Punch Taverns, Mitchells & Butlers, Tees & Hartlepool Port Authority and Juneau. The Fund's holding in Virgin Media detracted from performance after news of a cash-financed takeover by Liberty Global was announced in early 2013.

Notable sales during the year included exiting the Fund's remaining peripheral European exposure in late February. We sold holdings in Enel and Atlantia on the back of the market's muted reaction to the inconclusive Italian election results. This was in line with the relatively conservative nature of the Fund's credit holdings; we also preferred to stay light in high yield. Given the turbulent conditions we believe this was the right bias to have, although it was a small opportunity cost as these parts of the market generally performed well.

Top Ten Holdings 31 July 2013

Holding	%
Nats En Route 5.25% 31/03/2026	1.72
PepsiCo 2.5% 01/11/2022	1.71
BUPA Finance 6.125% Perpetual	1.66
Rabobank Nederland 6.875% 19/03/2020	1.62
Lloyds TSB Bank 13% Perpetual	1.44
CPUK Finance 7.239% 28/02/2042	1.41
Transport for London 2.25% 09/08/2022	1.40
Arqiva Financing 4.882% 31/12/2032	1.28
JPMorgan Chase 6% Perpetual	1.26
Annington Finance No' 1 8% 02/10/2021	1.20

Top Ten Holdings 31 July 2012

Holding	%
America Movil SAB de CV 3% 12/07/2021	1.44
DONG Energy 4.875% 12/01/2032	1.44
Longstone Finance 4.791% 19/04/2030	1.43
Virgin Media Finance 5.5% 15/01/2021	1.35
White City Property Finance 5.12% 17/04/2035	1.34
ABP Finance 6.25% 14/12/2026	1.34
BAE Systems 4.125% 08/06/2022	1.31
Prudential 11.375% 29/05/2039	1.31
Nats En Route 5.25% 31/03/2026	1.30
Meadowhall Finance 4.986% 12/07/2037	1.25

Distribution Dates

31 March, 30 June, 30 September, 31 December

Ongoing Charge Figure

Share Class	31 July 2013 %	31 July 2012 %
A Accumulation shares	1.31	1.31
A Income shares	1.31	1.31
B Accumulation shares	0.81	0.81
B Income shares	0.81	0.81
D Accumulation shares*	1.06	-
D Income shares*	1.06	-

*Share class launched 12 December 2012, and as such the ongoing charges figure is annualised based on the fees suffered during the accounting period.

The ongoing charges figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the sub-fund over the year. The OCF is made up of the ACD's periodic charge and other operating costs deducted from the assets of the sub-fund during the year, except for those payments that are explicitly excluded by regulations.

Last Five Years' Performance

Discrete years					
1 year to	31/07/2013	31/07/2012	31/07/2011	31/07/2010	31/07/2009
Fund	7.0%	9.6%	4.9%	17.0%	2.0%

Source: Lipper, % growth, income re-invested at pay date, NAV-NAV, GBP, net of Basic Rate Tax, Acc shares. Past performance is not a guide to future performance.

Price & Revenue History

Calendar Year	Highest Price (p)	Lowest price (p)	Net revenue per share (p)
A Accumulation shares (pence)			
2008	101.81	84.34	3.9369
2009	108.64	81.58	4.4217
2010	119.21	107.49	3.9644
2011	120.79	114.23	4.2311
2012	139.70	119.70	4.2554
2013**	146.21	137.00	2.7646
A Income shares (pence)			
2008	97.07	77.08	3.6982
2009	94.92	73.51	3.9657
2010	101.21	93.72	3.4216
2011	99.50	94.89	3.5140
2012	109.75	97.22	3.4119
2013**	113.47	106.19	2.1508
B Accumulation shares (pence)			
2008	102.47	85.16	4.3563
2009	110.20	82.59	4.7667
2010	121.55	109.68	4.4711
2011	123.56	116.61	4.8094
2012	143.73	122.66	4.8810
2013**	150.63	141.23	3.2793
B Income shares (pence)			
2008	97.14	77.16	4.0630
2009	94.74	73.62	4.3091
2010	101.34	93.77	3.7919
2011	99.64	94.99	3.9048
2012	109.90	97.36	3.8261
2013**	113.66	106.34	2.4794
D Accumulation shares (pence)*			
2012	101.38	100.00	-
2013**	106.14	99.48	2.0455
D Income shares (pence)*			
2012	101.38	100.00	-
2013**	104.86	98.13	1.9903

*Share class launched 12 December 2012
**7 months to 31.07.2013

Statement of investments and other assets as at 31 July 2013

	2013		2012	
Investments	**£'000**	**%**	**£'000**	**%**
Australian Dollar Denominated Bonds				
Corporate Bonds	1,526	0.25	1,247	0.31
Euro Denominated Bonds				
Corporate Bonds	27,657	4.48	29,202	7.37
Forward Foreign Currency Contracts	(1,837)	(0.30)	704	0.18
Future Contracts	-	-	(1,010)	(0.26)
Sterling Denominated Bonds				
Corporate Bonds	508,793	82.43	322,605	81.47
United States Dollar Denominated Bonds				
Corporate Bonds	45,277	7.33	28,306	7.13
Total investments	**581,416**	**94.19**	**381,054**	**96.20**
Net other assets/(liabilities)				
Uncommitted cash	36,269	5.88	8,421	2.13
Net (creditors)/debtors	(437)	(0.07)	6,594	1.67
Total net other assets	35,832	5.81	15,015	3.80
Total net assets	**617,248**	**100.00**	**396,069**	**100.00**

Synthetic risk and reward profile

Lower risk/potentially lower rewards — Higher risk/potentially higher rewards

☐ 1 ☐ 2 ☐ 3 ☑ 4 ☐ 5 ☐ 6 ☐ 7

Kames Ethical Corporate Bond Fund

For the year from 1 August 2012 to 31 July 2013

Fund Description

The investment objective is to maximise total return (income plus capital). To invest in sterling denominated bonds issued by a company or organisation which meets the Fund's predefined ethical criteria. Investments may encompass investment grade bonds, cash and up to 10% of one Fund in higher yield bonds.

Risk Profile

The Fund is designed for retail and institutional investors seeking pooled exposure to the sterling corporate bond market while pursuing an ethical investment policy which excludes unethical activity. Investors in this Fund should be comfortable with a medium level of investment risk. In most cases, we expect the Fund to be held as part of a diversified portfolio which may include other assets such as bonds, equities, property and cash. While investors will normally be able to liquidate their holdings on a daily basis, unit prices will fluctuate and may fall significantly in value. Consequently, it is important to understand that the Fund should be viewed as a longer term investment. The Fund is actively managed and exposed to:

Market risk: The potential for change in market value of instruments due to adverse movements in equity, bond, commodity, currency and other market prices, indices or interest rates or changes in the anticipated or calculated volatility of these movements.

Liquidity risk: This includes both market liquidity risk and funding risk. Market liquidity risk is the inability to trade an instrument at the desired price due to a lack of supply or market demand. Funding risk is where a fund has insufficient cash to meets its financial obligations.

Counterparty risk: The risk that the failure of a counterparty to meet its obligations leads to a financial loss to a fund, both through loss of any monies owed to the fund by the counterparty and the cost of reinstating economic exposure in the case of counterparty default.

Concentration risk: The risk of a portfolio being too concentrated in particular positions or too exposed to certain issuers. Highly concentrated positions can exacerbate market, liquidity and counterparty risk.

This makes it unsuitable for customers seeking guaranteed, protected or other 'low volatility' funds.

Performance

The Kames Ethical Corporate Bond Fund returned 5.09% compared to the Lipper peer group median return of 5.02%. The peer group is the IMA Sterling Corporate Bond sector.

Strategy Review

In terms of interest rate risk positioning, the Fund's restricted mandate (it cannot own government bonds or use derivatives) limits our ability to take short-term tactical duration positions. Therefore, on a longer-term strategic view we retained our bias for having less duration than the majority of our peers. To avoid unnecessary turnover in the Fund, we limited duration by running with a slightly elevated cash weighting. The short duration stance contributed to relative performance against the peer group; UK government bonds faced a volatile 12 months but ended down over the year as a whole, with 10-year gilt yields around 70 basis points higher at the end of the period under review compared to the start.

Within the Fund's credit exposure we held a preference for financial debt, particularly in the insurance subsector. This generated positive relative returns as it was the strongest area in financials over the period. Standout performers included insurance companies Aviva, Direct Line, Standard Life and Friends Life. Issue selection across others sectors also helped performance. Moreover, the Fund continued to benefit from its long-held preference for the collateralised sector, where Tees & Hartlepool Port Authority and CPUK (Center Parcs) performed strongly. Index-linked bonds from Anglian Water also performed well.

In contrast, our decision to limit exposure to corporate debt from companies domiciled in peripheral Europe (we did not believe that such names offered sufficient reward for the associated sovereign risk) proved costly in relative terms, as these assets generally performed well. However, the main drag on performance was the Fund's holdings in The Co-Operative Bank, one of the few banks that pass the Fund's strict ethical criteria. Concerns over the bank's commercial real estate exposure (inherited from Britannia) weighed heavily on the name. A proactive analysis in early April flagged up some of these issues and allowed us to partially reduce the Fund's exposure, which helped to mitigate the negative impact on performance.

Other activity in the year included tenders in the building society sector, where a number of companies bought back their own bonds at a premium to the market price. This undoubtedly added to the Fund's performance, although it was a challenge to find other bonds that matched the yields on offer from the tendered issues. However, we continued to actively seek out opportunities to add to the Fund's credit exposure, particularly in the primary market where we added many attractively-priced new issues to the Fund, notably in the utility and housing association sectors.

Top Ten Holdings 31 July 2013

Holding	%
International Bank for Reconstruction & Development 1.25% 10/12/2013	1.88
Municipality Finance 1.125% 07/12/2017	1.68
Dignity Finance 8.151% 31/12/2031	1.53
Legal & General 10% 23/07/2041	1.51
BL Superstores Finance 5.27% 04/10/2030	1.50
Land Securities Capital Markets 4.875% 29/09/2025	1.49
Deutsche Bahn Finance 3.125% 24/07/2026	1.49
Investec Bank 9.625% 17/02/2022	1.43
Trafford Centre Finance 6.5% 28/07/2033	1.41
CPUK Finance 7.239% 28/02/2042	1.36

Top Ten Holdings 31 July 2012

Holding	%
KFW 4.75% 07/12/2012	2.77
KFW 4.875% 15/01/2013	2.13
International Bank for Reconstruction & Development 1.25% 10/12/2013	2.12
Dignity Finance 8.151% 31/12/2031	1.78
Land Securities Capital Markets 4.875% 29/09/2025	1.72
Trafford Centre Finance 6.5% 28/07/2033	1.64
DONG Energy 5.75% 09/04/2040	1.58
ABP Finance 6.25% 14/12/2026	1.55
Legal & General 10% 23/07/2041	1.54
Circle Anglia Social Housing 7.25% 12/11/2038	1.46

Distribution Dates

31 March, 30 June, 30 September, 31 December

Ongoing Charge Figure

Share Class	31 July 2013 %	31 July 2012 %
A Accumulation shares	1.07	1.07
A Income shares	1.07	1.07
B Accumulation shares*	0.57	0.57
B Income shares	0.57	0.57
D Accumulation shares**	0.82	-
D Income shares**	0.82	-

*2012 figures restated due to rounding.
**Share class launched 10 December 2012, and as such the ongoing charges figure is annualised based on the fees suffered during the accounting period.

The ongoing charges figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the sub-fund over the year. The OCF is made up of the ACD's periodic charge and other operating costs deducted from the assets of the sub-fund during the year, except for those payments that are explicitly excluded by regulations.

Last Five Years' Performance

Discrete years 1 year to	31/07/2013	31/07/2012	31/07/2011	31/07/2010	31/07/2009
Fund	5.1%	8.0%	6.2%	20.7%	-8.0%

Source: Lipper, % growth, income re-invested at pay date, NAV-NAV, GBP, net of Basic Rate Tax, Acc shares. Past performance is not a guide to future performance.

Price & Revenue History

Calendar Year	Highest Price (p)	Lowest price (p)	Net revenue per share (p)
A Accumulation shares (pence)			
2008	139.30	118.55	5.6055
2009	138.53	108.71	5.8914
2010	153.21	136.09	5.3916
2011	157.46	146.99	5.1630
2012	175.71	157.25	5.5035
2013**	182.93	172.12	3.6889
A Income shares (pence)			
2008	104.34	84.98	4.1323
2009	94.57	74.73	4.1950
2010	101.32	92.51	3.6283
2011	100.15	95.63	3.6916
2012	107.50	99.06	3.4373
2013**	110.78	103.86	2.2455
B Accumulation shares (pence)			
2008	117.24	100.09	5.1718
2009	117.52	92.04	5.4833
2010	130.37	115.45	5.1411
2011	134.63	125.22	4.5352
2012	150.85	134.47	5.2693
2013**	157.26	148.06	3.6188
B Income shares (pence)			
2008	93.48	76.14	4.0536
2009	84.70	66.93	4.0502
2010	90.94	82.96	3.5966
2011	89.84	85.77	3.3210
2012	96.47	88.86	3.4486
2013**	99.45	93.20	2.2950
D Accumulation shares (pence)*			
2012	100.29	99.32	-
2013**	104.43	98.29	2.1223
D Income shares (pence)*			
2012	100.29	99.32	-
2013**	103.35	96.92	2.0363

*Share class launched 10 December 2012
**7 months to 31.07.2013

Statement of investments and other assets as at 31 July 2013

	2013		2012	
Investments	**£'000**	**%**	**£'000**	**%**
Sterling Denominated Bonds				
Asset Backed Security	2,529	0.95	2,521	1.05
Corporate Bonds	239,175	89.55	222,899	93.24
Government Bonds	4,483	1.68	-	-
Total investments	**246,187**	**92.18**	**225,420**	**94.29**
Net other assets				
Uncommitted cash	18,046	6.76	13,168	5.50
Net debtors	2,832	1.06	497	0.21
Total net other assets	20,878	7.82	13,665	5.71
Total net assets	**267,065**	**100.00**	**239,085**	**100.00**

Synthetic risk and reward profile

Lower risk/potentially lower rewards						Higher risk/potentially higher rewards
☐ 1	☐ 2	☐ 3	☑ 4	☐ 5	☐ 6	☐ 7

Kames Ethical Equity Fund

For the year from 1 August 2012 to 31 July 2013

Fund Description
The investment objective is to maximise total return. To invest in equities and equity type securities in companies based in the UK, principally conducting business in the UK or listed on the UK stock market which meet the Fund's predefined ethical criteria.

Risk Profile
The Fund is designed for retail and institutional investors seeking pooled exposure to UK equity stocks while pursuing an ethical investment policy which excludes unethical activity. Investors in this Fund should be comfortable with a higher level of investment risk. In most cases, we expect the Fund to be held as part of a diversified portfolio which may include other assets such as equities, bonds, property and cash. While investors will normally be able to liquidate their holdings on a daily basis, unit prices will fluctuate and may fall significantly in value. Consequently, it is important to understand that the Fund should be viewed as a longer term investment. The Fund is actively managed and exposed to:

Market risk: The potential for change in market value of instruments due to adverse movements in equity, bond, commodity, currency and other market prices, indices or interest rates or changes in the anticipated or calculated volatility of these movements.

Liquidity risk: This includes both market liquidity risk and funding risk. Market liquidity risk is the inability to trade an instrument at the desired price due to a lack of supply or market demand. Funding risk is where a fund has insufficient cash to meets its financial obligations.

Counterparty risk: The risk that the failure of a counterparty to meet its obligations leads to a financial loss to a fund, both through loss of any monies owed to the fund by the counterparty and the cost of reinstating economic exposure in the case of counterparty default.

Concentration risk: The risk of a portfolio being too concentrated in particular positions or too exposed to certain issuers. Highly concentrated positions can exacerbate market, liquidity and counterparty risk.

This makes it unsuitable for customers seeking guaranteed, protected or other 'low volatility' funds.

Performance
The Kames Ethical Equity Fund returned 33.15% compared to the Lipper peer group median return of 25.51%. The peer group is the IMA UK All Companies sector.

Strategy Review
Stock selection made a strong contribution to the Fund's positive relative performance over the year. A key focus for us was on finding companies with the ability to meet or beat earnings forecasts; in a low growth environment we expected that businesses delivering growth and earnings momentum would outperform. We retained, and increased, exposure to the domestic theme across a variety of sectors. For example, we were positive on the UK housing market, which is benefiting from increasing mortgage availability and supportive government schemes. Domestic consumer plays that contributed positively to performance included soft furnishing retailer Dunelm and house builders Bellway and Taylor Wimpey.

During the year we selectively increased exposure to global cyclical stocks and financials, including WPP and Resolution. We added to the Fund's media exposure, which was an area of strong relative performance; Rightmove performed particularly well, as did ITV. Other successful consumer-service names included tour operators Thomas Cook and TUI Travel. In financials, the overweight stance in both the life insurance and financial services sectors was beneficial, with Prudential and Schroders among the standout performers.

Other strong areas for the Fund included its overweight position in support services. Positive contributors included equipment rental business Ashtead, which continued its positive earnings trend given the strength in its US activities. Howden Joinery, the manufacturer and retailer of kitchens, also performed well.

An area of weaker relative performance was the Fund's exposure to the oil services sector, where the position in Petrofac detracted. We sold this holding during the year on the back of concerns about the company's changing business model and margin pressure. In the oil & gas producers sector, BG Group fell sharply on a disappointing trading update and production downgrades.

The restrictions placed on the Fund due to its ethical criteria also influenced relative performance. Most beneficial was the theme of weakness in the resource sectors; the Fund's underweight position in mining generated positive relative performance, as did the underweight position in oil & gas producers, most notably through not holding Royal Dutch Shell. Having no exposure to the tobacco sector also added on a relative basis.

This was offset to an extent by not being able to hold banks, which performed well over the period. Not owning Lloyds Banking Group, Barclays and HSBC was especially detrimental. In addition, there were a number of stock-specific headwinds for the Fund. For example, in the software & computer services sector, SDL fell on negative trading updates while growth play Telecity failed to keep up with the market rally. However, these positions were not material enough to impact the Fund's top quartile performance against peers.

Top Ten Holdings 31 July 2013

	%
Vodafone	4.32
Prudential	3.92
Reed Elsevier	2.61
Rightmove	2.53
Schroders	2.52
Ashtead	2.49
Legal & General	2.23
Dunelm	2.19
Brewin Dolphin	1.94
Bellway	1.93

Top Ten Holdings 31 July 2012

	%
Vodafone	6.52
BG	4.25
Prudential	3.36
Telecity	3.31
Aggreko	2.87
Tullow Oil	2.34
Rightmove	2.26
Petrofac	2.24
Tate & Lyle	2.18
Severn Trent	2.09

Distribution Dates

30 November

Ongoing Charge Figure

Share Class	31 July 2013 %	31 July 2012 %
A Accumulation shares	1.57	1.57
B Accumulation shares	0.82	0.82
B Income shares*	0.82	-
D Accumulation shares**	1.07	-

*Share class launched 29 October 2012, and as such the ongoing charges figure is annualised based on the fees suffered during the accounting period.
**Share class launched 10 December 2012, and as such the ongoing charges figure is annualised based on the fees suffered during the accounting period.

The ongoing charges figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the sub-fund over the year. The OCF is made up of the ACD's periodic charge and other operating costs deducted from the assets of the sub-fund during the year, except for those payments that are explicitly excluded by regulations.

Last Five Years' Performance

Discrete years					
1 year to	31/07/2013	31/07/2012	31/07/2011	31/07/2010	31/07/2009
Fund	33.2%	-1.4%	19.3%	20.3%	-16.5%

Source: Lipper, % growth, income re-invested at pay date, NAV-NAV, GBP, net of Basic Rate Tax, Acc shares. Past performance is not a guide to future performance.

Price & Revenue History

Calendar Year	Highest Price (p)	Lowest price (p)	Net revenue per share (p)
A Accumulation shares (pence)			
2008	102.50	62.85	1.1182
2009	89.60	63.21	1.1251
2010	108.28	83.54	0.9436
2011	114.05	91.68	1.3060
2012	117.71	99.86	1.8749
2013***	145.11	119.46	1.8178
B Accumulation shares (pence)			
2008	109.27	67.23	1.9760
2009	96.55	67.80	1.7894
2010	117.72	90.43	1.7200
2011	124.49	100.25	2.2819
2012	129.91	109.40	2.8989
2013***	160.82	131.86	3.0415
B Income shares (pence)*			
2012	103.03	98.38	-
2013***	127.55	104.57	1.9998
D Accumulation shares (pence)**			
2012	100.76	99.41	-
2013***	124.56	102.26	1.9313

*Share class launched 29 October 2012.
**Share class launched 10 December 2012.
***7 months to 31.07.2013

Statement of investments and other assets as at 31 July 2013

	2013		2012	
Investments	**£'000**	**%**	**£'000**	**%**
United Kingdom				
Beverages	5,232	1.47	3,028	1.18
Chemicals	-	-	5,063	1.97
Construction & Materials	6,437	1.80	1,721	0.67
Distribution & Wholesale	-	-	4,001	1.56
Electricity	7,945	2.22	2,882	1.12
Electronic & Electrical Equipment	10,315	2.89	10,458	4.07
Equity Investment Instruments	2,127	0.60	1,468	0.57
Financial Services	6,783	1.90	-	-
Fixed Line Telecommunications	-	-	8,514	3.31
Food Producers	5,659	1.58	5,605	2.18
Gas, Water & Multiutilities	5,838	1.63	5,370	2.09
General Financial	32,738	9.17	21,855	8.48
General Industrials	128	0.04	237	0.09
General Retailers	23,279	6.52	8,482	3.30
Healthcare Equipment & Services	6,573	1.84	5,814	2.26
Household Goods & Home Construction	8,732	2.45	5,272	2.04
Industrial Engineering	6,026	1.69	-	-
Industrial Transportation	2,729	0.76	-	-
Life Insurance	39,209	10.98	17,196	6.69
Media	40,295	11.28	17,842	6.94
Mining	-	-	1,314	0.51
Mobile Telecommunications	15,414	4.32	16,807	6.52
Non-Life Insurance	5,318	1.49	4,980	1.93
Oil & Gas Producers	17,146	4.80	26,485	10.29
Real Estate	3,424	0.96	6,855	2.67
Real Estate Investments Trusts	6,498	1.82	-	-
Software & Computer Services	18,472	5.17	10,244	3.99
Support Services	48,270	13.52	40,618	15.78
Technology Hardware & Equipment	3,673	1.03	-	-
Travel & Leisure	15,150	4.24	6,894	2.67
Bermuda	1,588	0.44	1,362	0.53
Cayman Islands	496	0.14	793	0.31
Channel Islands	698	0.20	11,223	4.36
India	840	0.23	993	0.39
Spain	2,564	0.72	-	-
Total investments	**349,596**	**97.90**	**253,376**	**98.47**
Net other assets/(liabilities)				
Uncommitted cash	7,678	2.15	2,964	1.15
Net (creditors)/debtors	(183)	(0.05)	965	0.38
Total net other assets	7,495	2.10	3,929	1.53
Total net assets	**357,091**	**100.00**	**257,305**	**100.00**

Synthetic risk and reward profile

Lower risk/potentially lower rewards — Higher risk/potentially higher rewards

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☑ 6 ☐ 7

Kames Ethical Cautious Managed Fund

For the year from 1 August 2012 to 31 July 2013

Fund Description
The investment objective is to provide a combination of income and long term capital growth. To invest in a diversified range of UK equities, bonds and cash, which meet the Fund's predefined ethical criteria. Equities will be limited to a maximum of 60% of the Fund's value at all times.

Risk Profile
The Fund is designed for retail and institutional investors seeking pooled exposure to a mixture of UK equities and sterling fixed income securities, while pursuing an ethical investment policy which excludes unethical activity. Investors in this Fund should be comfortable with a higher level of investment risk. In most cases, we expect the Fund to be held as part of a diversified portfolio which may include other assets such as bonds, equities, property and cash. While investors will normally be able to liquidate their holdings on a daily basis, unit prices will fluctuate and may fall significantly in value. Consequently, it is important to understand that the Fund should be viewed as a longer term investment. The Fund is actively managed and exposed to:

Market risk: The potential for change in market value of instruments due to adverse movements in equity, bond, commodity, currency and other market prices, indices or interest rates or changes in the anticipated or calculated volatility of these movements.

Liquidity risk: This includes both market liquidity risk and funding risk. Market liquidity risk is the inability to trade an instrument at the desired price due to a lack of supply or market demand. Funding risk is where a fund has insufficient cash to meets its financial obligations.

Counterparty risk: The risk that the failure of a counterparty to meet its obligations leads to a financial loss to a fund, both through loss of any monies owed to the fund by the counterparty and the cost of reinstating economic exposure in the case of counterparty default.

Concentration risk: The risk of a portfolio being too concentrated in particular positions or too exposed to certain issuers. Highly concentrated positions can exacerbate market, liquidity and counterparty risk.

This makes it unsuitable for customers seeking guaranteed, protected or other 'low volatility' funds.

Performance
The Kames Ethical Cautious Managed Fund returned 20.25% compared to the Lipper peer group median return of 11.53%. The peer group is the IMA Mixed Investment 20-60% Shares sector.

Strategy Review
Over the period both equity and bond markets produced positive returns, although equities were notably stronger. The Fund benefited from holding a larger weighting in equities, which increased in the second half of the period as the economic outlook improved. In particular, we increased the Fund's exposure to global cyclical stocks and selective financial and domestic plays. At the same time, we looked for attractive opportunities to add to our corporate bond exposure.

In the equity portfolio, a number of holdings exposed to the domestic economy added value. These included soft furnishing retailer Dunelm and house builders Bellway and Taylor Wimpey. Other successful consumer service names included tour operators Thomas Cook and TUI Travel. During the year we selectively increased exposure to financials and global cyclical stocks such as WPP. In financials the overweight stance in both life insurance and financial services was positive, with Prudential and Schroders both performing well. The Fund also benefited from its lack of exposure (due to the ethical criteria) to some of the poorer performing sectors, including mining, pharmaceuticals and tobacco.

Within the bonds portfolio, we retained a short duration position (we minimised our exposure to interest rate risk) which added to performance given the weakness seen in government bonds markets over the period as a whole. Given the Fund's restricted mandate (it cannot own government bonds or use derivatives) we implemented our short duration position relative to peers by running a slightly elevated cash position.

In terms of the Fund's exposure to corporate bonds, we held a preference for bonds issued by financial companies and from the insurance sector in particular. This generated positive relative returns as it was the strongest area in financials over the period. Standout performers included insurance companies Aviva, Direct Line, Standard Life and Friends Life. Issue selection across others sectors also helped performance. Moreover, the Fund continued to benefit from its long-held preference for the collateralised sector, where Tees & Hartlepool Port Authority and CPUK (Center Parcs) performed strongly. Index-linked bonds from Anglian Water also performed well.

Top Ten Holdings 31 July 2013

Holding	%
Vodafone	2.72
Prudential	1.97
Reed Elsevier	1.59
Schroders	1.41
Ashtead	1.32
Taylor Wimpey	1.29
Legal & General	1.20
WPP	1.16
St James's Place	1.14
ITV	1.13

Top Ten Holdings 31 July 2012

Holding	%
Vodafone	2.97
BG	2.11
KFW 5.55% 07/06/2021	1.94
Prudential	1.73
Telecity	1.48
Aggreko	1.35
KFW 5.625% 25/08/2017	1.22
Petrofac	1.20
Rightmove	1.12
Bellway	1.06

Distribution Dates

31 March, 30 June, 30 September, 31 December

Ongoing Charge Figure

Share Class	31 July 2013 %	31 July 2012 %
A Accumulation shares	1.34	1.36
A Income shares	1.34	1.36
B Accumulation shares*	0.84	-
B Income shares*	0.84	-
D Accumulation shares**	1.09	-
D Income shares**	1.09	-

*Share class launched 14 May 2013, and as such the ongoing charges figure is annualised based on the fees suffered during the accounting period.
**Share class launched 10 December 2012, and as such the ongoing charges figure is annualised based on the fees suffered during the accounting period.

The ongoing charges figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the sub-fund over the year. The OCF is made up of the ACD's periodic charge and other operating costs deducted from the assets of the sub-fund during the year, except for those payments that are explicitly excluded by regulations.

Last Five Years' Performance

Discrete years 1 year to	31/07/2013	31/07/2012	31/07/2011	31/07/2010	31/07/2009
Fund	20.3%	3.2%	13.0%	21.4%	-8.9%

Source: Lipper, % growth, income re-invested at pay date, NAV-NAV, GBP, net of Basic Rate Tax, Acc shares. Past performance is not a guide to future performance.

Price & Revenue History

Calendar Year	Highest Price (p)	Lowest price (p)	Net revenue per share (p)
A Accumulation shares (pence)			
2008	98.13	75.67	2.5236
2009	94.43	73.59	2.2722
2010	109.78	92.97	2.2877
2011	115.18	104.11	2.4812
2012	124.40	108.98	2.3508
2013***	140.95	125.11	1.9334
A Income shares (pence)			
2008	96.56	72.99	2.4543
2009	88.17	70.20	2.0220
2010	99.45	85.71	2.1095
2011	103.30	92.78	2.2258
2012	107.98	96.53	2.0665
2013***	121.33	108.59	1.6711
B Accumulation shares (pence)*			
2013***	102.22	95.20	0.7024
B Income shares (pence)*			
2013***	102.22	95.20	0.6794
D Accumulation shares (pence)**			
2012	101.07	100.00	-
2013***	114.65	101.65	1.6632
D Income shares (pence)**			
2012	101.07	100.00	-
2013***	113.72	101.65	1.6350

*Share class launched 14 May 2013.
**Share class launched 10 December 2012.
***7 months to 31.07.2013

Statement of investments and other assets as at 31 July 2013

	2013		2012	
Investments	**£'000**	**%**	**£'000**	**%**
Sterling Denominated Bonds				
Australia	302	0.35	-	-
Cayman Islands	1,473	1.73	1,169	2.94
Denmark	547	0.64	303	0.76
Finland	747	0.88	-	-
Germany	2,168	2.55	2,063	5.19
Guernsey	235	0.28	-	-
Ireland	520	0.61	146	0.37
Italy	154	0.18	145	0.36
Jersey	783	0.92	294	0.74
Netherlands	2,843	3.34	486	1.22
Norway	190	0.22	225	0.57
Supranational	571	0.67	614	1.55
United Kingdom	19,987	23.48	9,761	24.57
United States	958	1.13	468	1.18
Equities				
Bermuda	280	0.33	99	0.25
Channel Islands	20	0.02	950	2.39
India	30	0.04	36	0.09
Spain	408	0.48	-	-
United Kingdom	46,250	54.32	18,644	46.92
Total investments	**78,466**	**92.17**	**35,403**	**89.10**
Net other assets/(liabilities)				
Uncommitted cash	6,725	7.90	4,067	10.24
Net (creditors)/debtors	(55)	(0.07)	264	0.66
Total net other assets	6,670	7.83	4,331	10.90
Total net assets	**85,136**	**100.00**	**39,734**	**100.00**

Synthetic risk and reward profile

Lower risk/potentially lower rewards						Higher risk/potentially higher rewards
☐ 1	☐ 2	☐ 3	☑ 4	☐ 5	☐ 6	☐ 7

Kames Inflation Linked Fund

For the year from 1 August 2012 to 31 July 2013.

Fund Description

The investment objective is to maximise total return and outperform the FTSE Index Linked Gilts, over 5 years (total return) index (for which underlying securities are linked to UK price inflation). To invest principally in: fixed income assets; equities; and derivatives (including commodity indices) denominated in any currency. Cash and near cash will be held. The Fund may also hold other Collective Investment Schemes, permitted money market instruments and may occasionally have indirect exposure to property.

Risk Profile

The Fund is designed for retail and institutional investors seeking to mitigate the effects of inflation over the longer term and who are comfortable with a medium to high level of investment risk. In most cases, we expect the Fund to be held as part of a diversified portfolio including other assets e.g. bonds, other equities, property and cash. While investors will normally be able to liquidate their holdings on a daily basis, unit prices will fluctuate and may fall significantly in value. Consequently, it is important to understand that the Fund should be viewed as a longer term investment. The Fund is actively managed and is exposed to:

Market risk: The potential for change in market value of instruments due to adverse movements in equity, bond, commodity, currency and other market prices, indices or interest rates or changes in the anticipated or calculated volatility of these movements.

Liquidity risk: This includes both market liquidity risk and funding risk. Market liquidity risk is the inability to trade an instrument at the desired price due to a lack of supply or market demand. Funding risk is where a fund has insufficient cash to meets its financial obligations.

Counterparty risk: The risk that the failure of a counterparty to meet its obligations leads to a financial loss to a fund, both through loss of any monies owed to the fund by the counterparty and the cost of reinstating economic exposure in the case of counterparty default.

Concentration risk: The risk of a portfolio being too concentrated in particular positions or too exposed to certain issuers. Highly concentrated positions can exacerbate market, liquidity and counterparty risk.

This makes it unsuitable for customers seeking guaranteed, protected or other ‘low volatility’ funds.

Performance

The Kames Inflation Linked Fund returned minus 4.7% (based on net and noon prices) compared to a gain 3.0% for the FTSE Index-Linked Over Five Years index (based on closing prices). The FTSE All Share Index rose by 24.3% while the All Stocks Gilt index fell by 3.5%.

Strategy Review

On balance investment returns for the period were led by those from real assets. Equity markets rose strongly over the period as investors gained confidence from the reassurances offered by the world’s major central banks ‘to do whatever it takes’ to avoid the seizure of financial markets in Europe.

UK index-linked government bonds performed well over the period, reflected in the benchmark’s positive absolute return. This generated positive returns in the Fund’s core of index-linked holdings; in particular, we made money from our preference for long-dated index-linked gilts. However, relative to a pure index-linked benchmark the Fund was underweight this market and its positions in other bond assets, both in the UK and elsewhere, led to the Fund’s relative underperformance.

Despite the sluggish nature of economic activity for the first half of the review period, bond yields came under increasingly strong upward pressure. These moves accelerated dramatically in the second quarter of 2013 when the US Federal Reserve first mooted that it was considering ‘tapering’ its monthly $85bn asset purchase programme. Although this possibility was made strongly contingent upon a raft of economic data returning to pre-crisis levels, bond markets fell sharply.

At this point, we held a number of positions intended to protect the long duration nature of the Fund’s asset allocation. These included maintaining a position in nominal bond markets to protect against a market focused on deflation rather than inflation. We also held an overweight position in the US dollar against fears that the US would start to restrict monetary policies. We held an underweight exposure to selected emerging market currencies to protect against a downshift in sentiment across riskier markets. Despite taking these protective steps, such was the severity of the sell-off that the market penalised investments in anything and our offsetting positions failed to react as intended.

An important source of real asset exposure can be found in the commodities markets. Rising food and energy prices are often an important driver of the inflation cycle in any country and we, selectively, maintain such exposure. Unfortunately, the Fund lost ground from this allocation to commodities, with the exposure to grains and corn particularly detrimental as investor sentiment turned hostile.

Currency positioning over the period also detracted. We held an overweight position in the US dollar against fears that the US would start to restrict monetary policies; in the event the dollar fell as investors fled the US bond market. We held an underweight exposure to selected emerging market currencies to protect against a downshift in sentiment across riskier markets. However, these were not of a scale sufficient to absorb losses elsewhere.

Away from index-linked bonds, the Fund benefited from its exposure to equities, which rallied strongly over the period given the more positive economic backdrop.

Looking forward, and despite the still relatively benign nature of published inflation data, we believe the threats to investors’ real purchasing power are growing. The Fund will continue to be dominated by long duration real assets.

Top Ten Holdings 31 July 2013

Top Ten Holdings 31 July 2013	%
US Treasury Inflation Indexed Bonds 0.75% 15/02/2042	15.43
United Kingdom Gilt Inflation Linked 1.25% 22/11/2055	7.62
United Kingdom Gilt Inflation Linked 0.25% 22/03/2052	6.38
United Kingdom Gilt Inflation Linked 0.75% 22/11/2047	5.76
United Kingdom Gilt Inflation Linked 0.75% 22/03/2034	5.75
United Kingdom Gilt Inflation Linked 0.5% 22/03/2050	5.26
United Kingdom Gilt Inflation Linked 1.125% 22/11/2037	4.56
United Kingdom Gilt Inflation Linked 1.25% 22/11/2027	4.24
United Kingdom Gilt Inflation Linked 0.625% 22/11/2042	4.02
United Kingdom Gilt Inflation Linked 0.625% 22/03/2040	3.87

Top Ten Holdings 31 July 2012

Top Ten Holdings 31 July 2012	%
United Kingdom Gilt Inflation Linked 1.25% 22/11/2027	8.45
United States Treasury Inflation Indexed Bonds 0.75% 15/02/2042	8.08
United Kingdom Gilt Index Linked 0.385% 22/03/2062	7.44
United Kingdom Gilt Inflation Linked 1.25% 22/11/2055	6.87
United Kingdom Gilt Inflation Linked 0.75% 22/03/2034	6.62
United Kingdom Gilt Inflation Linked 0.75% 22/11/2047	5.25
ETFS Grains Commodity Fund	4.99
United Kingdom Gilt Inflation Linked 0.5% 22/03/2050	4.75
United Kingdom Gilt Inflation Linked 1.125% 22/11/2037	4.18
Australia Government Bond 2.5% 20/09/2030	4.15

Distribution Dates

31 March, 30 June, 30 September, 31 December

Ongoing Charge Figure

Share Class	31 July 2013 %	31 July 2012 %
A Accumulation shares	1.07	1.06
B Accumulation shares	0.57	0.56
C Accumulation shares	0.22	0.21
D Accumulation shares*	0.82	-

*Share class launched 12 December 2012, and as such the ongoing charges figure is annualised based on the fees suffered during the accounting period.

The ongoing charges figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the sub-fund over the year. The OCF is made up of the ACD's periodic charge and other operating costs deducted from the assets of the sub-fund during the year, except for those payments that are explicitly excluded by regulations.

Last Five Years' Performance

Discrete years					
1 year to	31/07/2013	31/07/2012	31/07/2011	31/07/2010	31/07/2009
Fund	-4.7%	18.2%	-	-	-

Source: Lipper, % growth, income re-invested at pay date, NAV-NAV, GBP, net of Basic Rate Tax, Acc shares. Past performance is not a guide to future performance.

Price & Revenue History

Calendar Year	Highest Price (p)	Lowest price (p)	Net revenue per share (p)
A Accumulation shares (pence)*			
2010	102.53	97.47	-
2011	124.26	98.02	1.7481
2012	127.07	115.19	2.0217
2013****	135.21	117.35	1.4802
B Accumulation shares (pence)**			
2010	106.94	100.12	0.5408
2011	130.12	102.26	2.0904
2012	133.37	120.73	2.4684
2013****	142.32	123.62	1.9481
C Accumulation shares (pence)*			
2010	102.53	97.51	-
2011	124.86	97.87	2.2225
2012	127.87	115.92	2.7239
2013****	137.07	119.09	2.1368
D Accumulation shares (pence)***			
2012	101.09	99.29	-
2013****	113.10	98.20	1.4180

*Share class launched 15 November 2010.
**Share class launched 30 July 2010.
***Share class launched 12 December 2012.
****7 months to 31.07.2013

Statement of investments and other assets as at 31 July 2013

	2013		2012	
Investments	**£'000**	**%**	**£'000**	**%**
Australian Dollars Denominated Bonds				
Government Bonds	-	-	20,753	7.59
New Zealand Dollar Denominated Bonds				
Government Bonds	3,875	1.51	-	-
Sterling Denominated Bonds				
Corporate Bonds	6,581	2.57	12,159	4.44
Government Bonds	133,653	52.22	155,237	56.77
United Dollars Denominated Bonds				
Corporate Bonds	-	-	2,074	0.76
Government Bonds	39,506	15.43	22,096	8.08
Equities				
United Kingdom				
Electricity	-	-	720	0.26
Equity Investments Instruments	1,141	0.45	-	-
Gas, Water & Multiutilities	972	0.38	1,542	0.57
Investment Companies	2,015	0.79	-	-
Life Insurance	2,978	1.16	985	0.36
Media	1,449	0.57	812	0.30
Mining	-	-	1,226	0.44
Mobile Telecommunications	-	-	1,264	0.46
Oil & Gas Producers	2,427	0.95	1,806	0.66
Pharmaceuticals & Biotechnology	1,546	0.60	1,348	0.49
Support Services	1,434	0.56	1,480	0.55
Tobacco	1,009	0.39	978	0.36
Australia	-	-	1,070	0.39
Bermuda	-	-	1,708	0.62
Canada	-	-	716	0.26
Channel Islands	4,396	1.72	17,811	6.51
France	1,163	0.45	791	0.29
Germany	2,686	1.05	-	-
Norway	3,521	1.38	1,193	0.44
Switzerland	3,177	1.24	2,680	0.98
United States	13,478	5.26	6,447	2.36
Credit Default Swaps	(69)	(0.03)	-	-
Forward Foreign Currency Contracts	1,631	0.64	(815)	(0.30)
Futures Contracts	480	0.19	286	0.10
Interest Rate Swap Contracts	30	0.01	297	0.11
Options	182	0.07	1	-
Total investments	**229,261**	**89.56**	**256,665**	**93.85**
Net other assets/(liabilities)				
Uncommitted cash	27,131	10.60	17,918	6.55
Net creditors	(418)	(0.16)	(1,120)	(0.40)
Total net other assets	26,713	10.44	16,798	6.15
Total net assets	**255,974**	**100.00**	**273,463**	**100.00**

Synthetic risk and reward profile

Lower risk/potentially lower rewards						Higher risk/potentially higher rewards
☐ 1	☐ 2	☐ 3	☐ 4	☑ 5	☐ 6	☐ 7

Kames Strategic Assets Fund

For the year from 1 August 2012 to 31 July 2013

Fund Description

The investment objective is to achieve positive returns over a 3 year period through a multi asset approach. To invest generally in a portfolio of equities, fixed income as well as other assets. Cash and near cash will be held. The Fund aims to achieve this by taking advantage of long term investment themes but at the same time preserving capital when broad market conditions are challenging. The asset allocations will be determined by prevailing market conditions and will have capital preservation at the centre of the investment philosophy. The individual positions will generally be selected based upon thematic strategies. The Fund may also hold units in other Collective Investment Schemes, other transferable securities, warrants, permitted money market instruments, deposits and derivatives and forwards (including commodity indices) for investment purposes. The Fund may have indirect exposure to property and assets may be denominated in any currency.

Risk Profile

The Fund is designed for retail and institutional investors seeking total returns over a rolling three year period by investing in a range of assets including equities, government bonds including index-linked, corporate bonds, commodities and currencies and who are comfortable with a medium to high level of investment risk. In most cases, we expect the Fund to be held as part of a diversified portfolio which may include other assets such as bonds, equities, property and cash. While investors will normally be able to liquidate their holdings on a daily basis, unit prices will fluctuate and may fall significantly in value. Consequently, it is important to understand that the Fund should be viewed as a longer term investment. The Fund is actively managed and is exposed to:

Market risk: The potential for change in market value of instruments due to adverse movements in equity, bond, commodity, currency and other market prices, indices or interest rates or changes in the anticipated or calculated volatility of these movements.

Liquidity risk: This includes both market liquidity risk and funding risk. Market liquidity risk is the inability to trade an instrument at the desired price due to a lack of supply or market demand. Funding risk is where a fund has insufficient cash to meets its financial obligations.

Counterparty risk: The risk that the failure of a counterparty to meet its obligations leads to a financial loss to a fund, both through loss of any monies owed to the fund by the counterparty and the cost of reinstating economic exposure in the case of counterparty default.

Concentration risk: The risk of a portfolio being too concentrated in particular positions or too exposed to certain issuers. Highly concentrated positions can exacerbate market, liquidity and counterparty risk.

This makes it unsuitable for customers seeking guaranteed, protected or other ‘low volatility’ funds.

Performance

The Kames Strategic Assets Fund returned 3.07% compared to the Lipper peer group median return of 11.53%. The peer group is the IMA Mixed Investment 20-60% Shares sector.

Strategy Review

We maintained the Fund’s thematic-based strategy, implemented across a range of asset classes and based on disciplined research from our Multi-Asset Group. To choose individual positions from our selected themes we continued to use the expertise of Kames Capital’s asset and region-specific teams.

Over the period we focused on a number of key themes, while also exploiting short-term tactical opportunities where possible. In the uncertain and often challenging financial environment we continued to focus on protecting investor capital.

Key themes over the last year included inflation; dividends and income; Japan and ‘Abenomics’; US economic recovery; and receding tail risks in Europe. We took a multi-asset approach when implementing the themes – for example we held positions in UK index-linked bonds, US Treasury inflation-protected securities, quality dividend paying equities, other equity income assets and Japanese equities. Within the currency complex the Fund broadly had a preference towards US dollars and euros against the Swiss franc, yen and sterling.

The Fund performed well in the second half of 2012 and made a good start to 2013. However, the performance of the Fund changed after US Federal Reserve Chairman Ben Bernanke’s testimony to the US Congress on 22 May. While others factors were influential on asset price performance after this date, the comments Bernanke made about the possibility of “tapering” the Federal Reserve’s current quantitative easing programme unsettled financial markets to a large extent. There was a broad sell-off across all asset classes and positions that were previously uncorrelated or negatively correlated moved in line with each other. In this environment, the diversification benefit and defensive asset protection seen in previous equity sell-offs was not exhibited. Therefore, even though the Fund reduced positioning when the sell-off began, the losses suffered offset some of the positive performance achieved up until that point.

Top Ten Holdings 31 July 2013

	%
US Treasury Bonds 2.875% 15/05/2043	4.43
ETFS Physical Gold Commodity Fund	4.43
US Treasury Inflation Indexed Bonds 0.75% 15/02/2042	3.60
US Treasury Note Bond 2.125% 15/08/2021	3.36
US Treasury Inflation Indexed 0.125% 15/01/2023	3.25
Australia Government Bond 5.5% 21/04/2023	2.69
Doric Nimrod Air Two	2.35
HICL Infrastructure	2.10
United Kingdom Gilt Inflation Linked 0.375% 22/03/2062	1.86
Chevron	1.29

Top Ten Holdings 31 July 2012

	%
United Kingdom Gilt 4% 07/03/2022	10.11
United States Treasury Bond 2.125% 15/08/2021	9.56
ETFS Physical Gold Commodity Fund	3.41
New Zealand Government Bond 6% 15/05/2021	2.98
United Kingdom Gilt Inflation Linked 1.875% 22/11/2022	2.58
Doric Nimrod Air Two	2.02
Reynolds American	1.90
BASF	1.51
Vodafone	1.40
Royal Dutch Shell 'A'	1.33

Distribution Dates

31 March, 30 June, 30 September, 31 December

Ongoing Charge Figure

Share Class	31 July 2013 %	31 July 2012 %
A Accumulation shares	1.57	1.57
B Accumulation shares	0.83	0.83
D Accumulation shares*	1.07	-

*Share class launched 12 December 2012, and as such the ongoing charges figure is annualised based on the fees suffered during the accounting period.

The ongoing charges figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the sub-fund over the year. The OCF is made up of the ACD's periodic charge and other operating costs deducted from the assets of the sub-fund during the year, except for those payments that are explicitly excluded by regulations.

Last Five Years' Performance

Discrete years 1 year to	31/07/2013	31/07/2012	31/07/2011	31/07/2010	31/07/2009
Fund	3.1%	-2.3%	-	-	-

Source: Lipper, % growth, income re-invested at pay date, NAV-NAV, GBP, net of Basic Rate Tax, Acc shares. Past performance is not a guide to future performance.

Price & Revenue History

Calendar Year	Highest Price (p)	Lowest price (p)	Net revenue per share (p)
A Accumulation shares (pence)*			
2011	100.43	93.25	1.0623
2012	98.62	93.39	0.9944
2013***	104.67	96.67	1.1205
B Accumulation shares (pence)*			
2011	100.53	93.67	1.4552
2012	99.23	94.10	1.5782
2013***	106.07	98.02	1.6258
D Accumulation shares (pence)**			
2012	100.75	99.83	-
2013***	109.02	100.72	1.5040

*Share class launched 1 March 2011.
**Share class launched 12 December 2012.
***7 months to 31.07.2013

Statement of investments and other assets as at 31 July 2013

	2013		2012	
Investments	**£'000**	**%**	**£'000**	**%**
Australian Dollar Denominated Bonds				
Government Bonds	1,443	2.69	-	-
Euro Denominated Bonds				
Corporate Bonds	255	0.47	568	0.97
New Zealand Dollar Denominated Bonds				
Government Bonds	-	-	1,739	2.98
Sterling Denominated Bonds				
Corporate Bonds	4,456	8.31	1,237	2.13
Government Bonds	999	1.86	7,398	12.69
US Dollar Denominated Bonds				
Corporate Bonds	481	0.90	1,297	2.22
Government Bonds	7,858	14.64	5,575	9.56
Equities				
United Kingdom				
Equity Investment Instruments	539	1.00	-	-
General Financial	-	-	118	0.20
Investment Companies	554	1.03	-	-
Life Insurance	326	0.61	-	-
Media	357	0.67	207	0.35
Mining	-	-	456	0.78
Mobile Telecommunications	-	-	816	1.40
Oil and Gas Producers	-	-	774	1.33
Pharmaceuticals & Biotechnology	-	-	674	1.16
Support Services	309	0.58	319	0.55
Australia	446	0.83	1,237	2.12
Austria	-	-	397	0.68
Bermuda	-	-	364	0.62
Canada	568	1.06	1,087	1.86
Channel Islands	6,452	12.02	5,503	9.45
China	186	0.35	-	-
Finland	99	0.18	-	-
France	-	-	846	1.45
Germany	1,540	2.87	2,176	3.73
Hong Kong	504	0.94	1,013	1.74
Italy	348	0.65	-	-
Japan	174	0.32	-	-
Luxembourg	480	0.89	-	-
Netherlands	108	0.20	387	0.66
Norway	679	1.27	210	0.36
Singapore	400	0.75	-	-
Spain	244	0.45	498	0.85
Sweden	770	1.44	314	0.54
Switzerland	1,121	2.09	1,256	2.15
United States	4,742	8.84	5,073	8.70
Credit Default Swaps	(4)	(0.01)	-	-
Forward Foreign Currency Contracts	134	0.25	(41)	(0.07)
Future Contracts	(2)	-	256	0.44
Interest Rate Swap Contracts	(15)	(0.03)	22	0.04
Options	147	0.27	54	0.09
Total investments	**36,698**	**68.39**	**41,830**	**71.73**
Net other assets				
Uncommitted cash	16,764	31.24	16,216	27.81
Net debtors	196	0.37	271	0.46
Total net other assets	16,960	31.61	16,487	28.27
Total net assets	**53,658**	**100.00**	**58,317**	**100.00**

Synthetic risk and reward profile

Lower risk/potentially lower rewards — Higher risk/potentially higher rewards

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☑ 5 ☐ 6 ☐ 7

Authorised Corporate Director (ACD), Investment Manager & Secretary

Kames Capital plc
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