

CAZENOVE  
ABSOLUTE RETURN  
FUND COMPANY



Annual Report  
Year ended 30<sup>th</sup> September 2013



# Cazenove Absolute Return Fund Company

## Final report

(audited)

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\* These, together with the ACD's investment report and portfolio statement for each sub-fund, collectively comprise the Authorised Corporate Director's report.



## Introduction

I have pleasure in presenting the annual report and accounts for the Cazenove Absolute Return Fund Company for the year ended 30 September 2013.

I hope you will find this report informative. In the following pages my colleagues have provided information on global economies, world markets and individual sub-fund performance.

**Andrew Ross**

**Chairman**

**Cazenove Investment Fund Management Limited**

**On behalf of the Authorised Corporate Director**

15 November 2013

## General information

### Cazenove Absolute Return Fund Company

Cazenove Absolute Return Fund Company ("CARFCo" or "the Company") is an umbrella company comprising two sub-funds which have their own investment objectives and policies. Its investment and borrowing powers and restrictions are prescribed by the Financial Conduct Authority's ("FCA") Collective Investment Schemes Sourcebook ("COLL") and the Open-Ended Investment Companies Regulations 2001 (as amended) ("the OEIC Regulations"). At 30 September 2013 CARFCo had the following sub-funds:

#### **Cazenove UK Absolute Target Fund**

#### **Cazenove Absolute UK Dynamic Fund**

This document has been designed to show the aggregated results of the sub-funds followed by their individual financial statements and other information.

## Pricing

Each sub-fund can have several share classes with different characteristics. As a consequence, each share class has a different price. There is a single price for buying, selling and switching shares in each share class of the sub-funds of CARFCo. This price is derived from the net asset value of each sub-fund attributable to the relevant share class.

## Risk factors

### Equities

Sub-funds investing in equities tend to be more volatile than sub-funds investing in bonds, but also offer greater potential for growth. The value of the underlying investments in the equity sub-funds may fluctuate quite dramatically in response to activities and results of individual companies, as well as in connection with general market and economic conditions. The sub-funds will invest primarily in equities or derivatives thereof.

### Liquidity consideration

The Authorised Corporate Director's ("ACD's") ability to invest and to liquidate the assets of the sub-funds invested in smaller companies may, from time to time, be restricted by the liquidity of the market for smaller company securities. In addition, given current market conditions, the same risk may exist for all other traded investments. The Cazenove Absolute UK Dynamic Fund may invest significantly in smaller companies or in derivatives thereof. It is unlikely that the Cazenove UK Absolute Target Fund will significantly invest in smaller companies.

### Liabilities of the Company

The sub-funds are segregated portfolios of assets and, accordingly, the assets of each sub-fund belong exclusively to that sub-fund and shall not be used to discharge directly or indirectly the liabilities of, or claims against, any other person or body, including the Company, or any other sub-fund, and shall not be available for any such purpose. Subject to the above, each sub-fund will be charged with the liabilities, expenses, costs and charges attributable to that sub-fund and within each sub-fund charges will be allocated as far as possible according to the net asset value of that particular share class. Any assets, liabilities, expenses, costs or charges not attributable to a particular sub-fund may be allocated by the ACD in a manner which it believes is fair to the shareholders generally. This will normally be pro rata to the net asset value of the relevant sub-funds.

## Risk factors (continued)

### Liabilities of the Company (continued)

Shareholders are not liable for the debts of the Company.

Shareholders are not liable to make any further payment to the Company after they have paid the purchase price of the share.

### Derivative instruments

The sub-funds may use derivative instruments and forward transactions for efficient portfolio management and to meet the investment objectives of those sub-funds. The use of derivative and forward transactions for investment purposes involves special risks which may:

- significantly raise the risk profile of the sub-fund;
- increase the volatility of the sub-fund when taking additional market or securities exposure;
- depend on the ability of the ACD to predict movements in the prices of securities;
- place some reliance on the imperfect correlation between instruments and the underlying securities; and
- involve investing in instruments not traded on exchanges and not standardised, which in turn may involve negotiations on transactions on an individual basis.

The following generic risks are particularly relevant in terms of the use of derivatives and forward transactions in the sub-funds:

- Market risk: the risk of loss due to adverse market movements in assets held by the sub-fund or changes in the anticipated or calculated volatility of these movements.
- Credit risk: the risk that the counterparty to a derivative contract may default.
- Interest rate risk: the risk associated with changes in interest rates which will impact the market value of assets held in the sub-fund.
- Foreign exchange risk: investing in overseas securities will be affected by currency fluctuations, in addition to usual stock market fluctuations. Where an asset is held in a currency denomination other than Sterling, the asset's value will be affected by changes in exchange rates between the reporting currency and the currency of the asset.

### Performance fees

A performance fee may be payable by the Company to the ACD in respect of each performance period for a sub-fund. The performance fee may be paid on unrealised gains. The performance fee accrual, where applicable, will be based on the net asset value of a sub-fund at the previous valuation point. The lag of one business day between the actual performance event and the levying of the performance fee accrual may result in investors buying or selling shares at prices different from those that would have prevailed in the absence of such a performance fee. This may either be to the benefit or disadvantage of investors depending on whether the net asset value has increased or fallen in that one day interval.

### Short sales

A short sale involves the sale of a security that the Company does not own in the expectation of purchasing the same security at a later date at a lower price. To make delivery to the buyer, the Company must borrow the security and later purchase the security to return to the lender. A short sale involves a risk of a theoretically unlimited increase in the market price of the security. Although a fund is prohibited under the FCA Rules from taking direct short positions in securities, it can employ certain derivative techniques such as using contracts for differences which may establish both "long" and "short" positions in securities. These positions may seek to take advantage of both rising and falling market values.

### Performance

The performance record given provides for a comparison between the sub-funds and relevant indices. The performance of each sub-fund is shown for the year ended 30 September 2013. Performance figures are only given for the share classes existing as at 30 September. It should also be noted that the distributions on share classes introduced in a sub-fund at different times may differ materially.

## Risk factors (continued)

### Portfolio concentration

The Cazenove Absolute UK Dynamic Fund may hold a higher concentration of stocks (usually 30-60 holdings on the long portfolio and 30-60 holders on the short portfolio) and as such may lack the diversity of traditional funds thus carrying increased risk. High portfolio concentration could mean that the returns of Cazenove Absolute UK Dynamic Fund are more volatile when compared with a fund that invests in a wider range of companies.

## Director's report

The Authorised Corporate Director ("ACD") presents its report and financial statements of the Company for the year ended 30 September 2013.

### Authorised status

CARFCo is an investment company with variable capital under Regulation 12 of the OEIC Regulations, incorporated with limited liability in England and Wales and authorised by the FCA under Regulation 14 of the OEIC Regulations. CARFCo is a UCITS scheme operating under Chapter 5 of the Collective Investment Schemes Sourcebook ("the COLL") issued by the Financial Conduct Authority.

For information on the Company's ACD, Depositary, Independent Auditors, Registrar and Administrator please refer to page 72.

### Incorporation and share capital

CARFCo is an investment company with variable capital incorporated with limited liability in England and Wales under number C000680 and authorised by the FCA on 8 July 2008.

The maximum share capital of the Company is £500,000,000,000 and the minimum share capital is £100. The shares have no par value. The share capital of the Company at all times equals the net asset values of its sub-funds.

The base currency for the Company is United Kingdom Pounds Sterling ("Sterling"). The Company is of unlimited duration.

### Significant events

On 16 July 2013, the P1 Euro Accumulation share class of the Cazenove UK Absolute Target Fund was reactivated.

Cazenove Capital Holdings Limited ("Cazenove Capital") was the ultimate holding company of Cazenove Investment Fund Management Limited, the Manager of CARFCo prior to its acquisition by Schroders plc ("Schroders") on 2 July 2013.

On 25 March 2013, the boards of Schroders and Cazenove Capital announced that they had reached agreement on the terms of the recommended acquisition by Schroders of the entire issued and to be issued share capital of Cazenove Capital by way of Scheme of Arrangement.

All regulatory approvals were obtained, and the Royal Court of Jersey sanctioned the Scheme of Arrangement on 1 July 2013. The Scheme of Arrangement became effective on 2 July and an announcement was made on that date.

### Principal activities

The Company's principal activity is to carry on business as an open-ended investment company. The Company is structured as an umbrella company and different sub-funds may be established by the ACD from time to time with the agreement of the Depositary and approval from the FCA.

The sub-funds are operated separately and the assets of each sub-fund are managed in accordance with the investment objective and policy applicable to that sub-fund.

### Results

The results for each sub-fund are set out in detail in the relevant section of the report.

**Charles Helmstetter**

**Cazenove Investment Fund Management Limited**

**On behalf of the Authorised Corporate Director**

15 November 2013

## Directors' statement

This report was approved for publication on 15 November 2013.

**Charles Helmstetter**

**Directors of Cazenove Investment Fund Management Limited**

**Carolyn Sims**



## Statement of ACD's responsibilities

The ACD is responsible for managing and administering the Company's affairs. The ACD provides investment management, administrative, accounting and secretarial services to the Company.

In accordance with the FCA's Collective Investment Schemes Sourcebook ("COLL"), the ACD is required to prepare financial statements for each annual and half yearly accounting period, which give a true and fair view of the financial position of the Company, of its revenue and expenditure and the net gain or loss on the property of the Company for the year. In preparing the financial statements, the ACD is required to:

- select suitable accounting policies and then apply them consistently;
- comply with the Prospectus, the Statement of Recommended Practice for financial statements of Authorised Funds issued by the IMA in October 2010, the COLL and generally accepted accounting principles and applicable accounting standards;
- make judgements and estimates that are reasonable and prudent; and
- keep proper accounting records which enable it to demonstrate that the Company complies with the above requirements.

The financial statements should comply with the disclosure requirements of the OEIC Regulations, COLL, and any relevant provisions of the Company's Instrument of Incorporation.

The ACD is responsible for:

- maintaining proper books of accounts which disclose with reasonable accuracy, at any time, the financial position of the Company;
- taking all reasonable steps for the prevention and detection of fraud and other irregularities.
- preparing the financial statements on a going concern basis unless it is inappropriate to presume that this Company will continue in operation.

## Certification of financial statements by Directors of the ACD

This report was approved for publication on 15 November 2013.

Charles Helmstetter	Director of the ACD
C Sims	Director of the ACD

## Statement of Depositary's responsibilities and report of the Depositary

The Depositary is responsible for the safekeeping of all of the property of the Company (other than tangible moveable property) which is entrusted to it and for the collection of revenue that arises from that property.

It is the duty of the Depositary to take reasonable care to ensure that the scheme is managed by the Authorised Corporate Director in accordance with the Financial Conduct Authority's Collective Investment Scheme Sourcebook ("the COLL Sourcebook"), the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) ('the OEIC Regulations') and the Company's Instrument of Incorporation and Prospectus, as appropriate, in relation to the pricing of, and dealings in, shares in the Company; the application of revenue of the Company; and the investment and borrowing powers of the Company.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Authorised Corporate Director:

- has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's revenue in accordance with the COLL Sourcebook, and where applicable, the OEIC Regulations and the Company's Instrument of Incorporation and Prospectus; and
- has observed the investment and borrowing powers and restrictions applicable to the Company.

J.P. Morgan Trustee and Depositary Company Limited  
Bournemouth  
15 November 2013

## Independent Auditors' report to the shareholders of Cazenove Absolute Return Fund Company

We have audited the financial statements of Cazenove Absolute Return Fund Company ("the Company") for the year ended 30 September 2013 which comprise the aggregated statement of total return, the aggregated statement of change in net assets attributable to shareholders, the aggregated balance sheet and related notes and for each of the Company's sub-funds, the statement of total return, the statement of change in net assets attributable to shareholders, the balance sheet, the related notes and the distribution tables. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice 'Financial Statements of Authorised Funds' issued by the Investment Management Association (the "Statement of Recommended Practice for Authorised Funds").

### Respective responsibilities of the Authorised Corporate Director and Auditors

As explained more fully in the Authorised Corporate Director's Responsibilities Statement the Authorised Corporate Director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook as required by paragraph 67(2) of the Open-Ended Investment Companies Regulations 2001 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authorised Corporate Director; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Company's Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Company and each of the sub-funds at 30 September 2013 and of the net expense and the net capital gains of the scheme property of the Company and each of the sub-funds for the year then ended; and
- have been properly prepared in accordance with the Statement of Recommended Practice for Authorised Funds, the Collective Investment Schemes sourcebook and the Instrument of Incorporation.

### Opinion on other matters prescribed by the Collective Investment Schemes sourcebook

In our opinion:

- we have obtained all the information and explanations we consider necessary for the purposes of the audit; and
- the information given in the Authorised Corporate Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Independent Auditors' report to the shareholders of Cazenove Absolute Return Fund Company (continued)

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Collective Investment Schemes sourcebook requires us to report to you if, in our opinion:

- proper accounting records for the Company have not been kept; or
- the financial statements are not in agreement with the accounting records and returns.

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

15 November 2013

- (a) The maintenance and integrity of the Cazenove website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Aggregated statement of total return

for the year ended 30 September 2013

		Year ended 30.09.13		Year ended 30.09.12	
	Note	£'000	£'000	£'000	£'000
Income					
Net capital gains	2		103,060		26,785
Revenue	3	3,711		3,318	
Expenses	4	(24,287)		(11,281)	
Finance costs: Interest	6	(1,064)		(1,012)	
<b>Net expense before taxation</b>		<b>(21,640)</b>		<b>(8,975)</b>	
Taxation	5	-		-	
<b>Net expense after taxation</b>			<b>(21,640)</b>		<b>(8,975)</b>
<b>Total return before distributions</b>			<b>81,420</b>		<b>17,810</b>
Finance costs: Distributions	6		1		-
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>81,421</b>		<b>17,810</b>

## Aggregated statement of change in net assets attributable to shareholders

for the year ended 30 September 2013

		Year ended 30.09.13		Year ended 30.09.12	
		£'000	£'000	£'000	£'000
<b>Opening net assets attributable to shareholders</b>			<b>482,588</b>		<b>340,144</b>
Amounts receivable on issue of shares		287,624		203,910	
Less: Amounts payable on cancellation of shares		(120,242)		(79,061)	
			167,382		124,849
Stamp duty reserve tax			(457)		(215)
Change in net assets attributable to shareholders from investment activities (see above)			81,421		17,810
Retained distribution on accumulation shares			-		-
<b>Closing net assets attributable to shareholders</b>			<b>730,934</b>		<b>482,588</b>

The notes on pages 10 to 18 form an integral part of these financial statements.

## Aggregated balance sheet

as at 30 September 2013

	Note	30.09.13 £'000	30.09.12 £'000
<b>ASSETS</b>			
Investment assets		208,266	146,986
Debtors	7	11,887	2,229
Cash and bank balances	8	549,508	350,399
<b>Total other assets</b>		<b>561,395</b>	<b>352,628</b>
<b>Total assets</b>		<b>769,661</b>	<b>499,614</b>
<b>LIABILITIES</b>			
Investment liabilities		10,062	7,715
Creditors	9	28,665	9,311
<b>Total other liabilities</b>		<b>28,665</b>	<b>9,311</b>
<b>Total liabilities</b>		<b>38,727</b>	<b>17,026</b>
<b>Net assets attributable to shareholders</b>		<b>730,934</b>	<b>482,588</b>

The notes on pages 10 to 18 form an integral part of these financial statements.

## Notes to the financial statements

### 1. Accounting policies

#### a) Basis of accounting

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for Financial Statements of Authorised Funds issued by the IMA in October 2010 ("SORP"). In addition, the financial statements have been prepared in accordance with applicable laws and UK GAAP.

#### b) Aggregated accounts

The aggregated financial statements contain an aggregated statement of total return, an aggregated statement of change in net assets attributable to shareholders and an aggregated balance sheet with supporting notes. These items comprise an aggregation of the relevant items from the financial statements of the individual sub-funds. Details of the sub-funds' portfolios are set out in the sub-funds themselves.

#### c) Investments

The investments of the Company are valued at market values, defined by the IMA SORP as fair value, at close of business on 30 September 2013 being the last business day of the accounting year, net of any accrued interest. Contracts for differences ("CFDs"), futures, options and investments for which published market values are not available are valued in accordance with the fair value policy operated by the ACD.

#### d) Foreign exchange

Assets and liabilities in foreign currencies are translated at the exchange rates ruling at the end of the accounting year. Revenue items denominated in foreign currencies are translated into Sterling at the exchange rates ruling at the date of the transaction. Exchange differences arising from investments are included in 'Net capital gains' in the Statement of total return. Exchange differences arising from capital items other than investments are also included in 'Net capital gains' in the Statement of total return. Exchange differences arising from the receipt of overseas revenue are included in 'Revenue' in the Statement of total return.

#### e) Revenue recognition

Revenue relating to each sub-fund is allocated on a daily basis to the share classes based on the proportion of net assets held within the share class.

Dividends on quoted ordinary shares, preference shares and collective investment schemes are recognised when the securities are quoted ex-dividend. Where such securities are not quoted, dividends on them are recognised when they are declared. The net dividend equivalent values on CFDs paid on short positions and received on long positions are recognised when the underlying securities are quoted ex-dividend. These are included in Revenue as 'Net dividends from contracts for differences'.

Special dividends are treated as revenue or capital according to the nature of the event giving rise to the payment.

Interest on bank deposits is recognised on an earned basis.

#### f) Stock dividends

The sub-funds may elect to receive stock dividends. Where an ordinary stock dividend is received the whole amount is recognised as revenue, on the basis of the market value of the shares on the date they are quoted ex-dividend. Where an enhancement is offered, the amount by which the market value of the shares (on the date they are quoted ex-dividend) exceeds the cash dividend is taken to capital.

#### g) Underwriting commission

Underwriting commission is wholly recognised as revenue when the issue takes place, except where the Company is required to take up all or some of the shares underwritten, in which case an appropriate proportion of the commission received is deducted from the cost of those shares.

## 1. Accounting policies (continued)

### h) Expenses

All expenses, other than those relating to the purchase and sale of investments, SDRT and Finance costs, are included in 'Expenses' in the Statement of total return and are recognised on an accruals basis. Finance costs are disclosed separately in the Statement of total return. Transaction charges relating to the purchase and sale of investments are charged to the sub-funds and are included in note 2: Net capital gains, as 'Expenses relating to the purchase and sale of investments'.

Interest on CFDs is recognised on an earned basis and is included in 'Finance costs' as Net interest from contracts for differences.

Expenses relating to each sub-fund are allocated on a daily basis to the share classes based on the proportion of net assets held within the share class. The ACD charge and any performance fee payable is charged directly to each share class on a daily basis.

### i) Deferred taxation

Deferred taxation is provided on a full provision basis on timing differences arising from the different treatment of items for accounting and tax purposes. Potential future liabilities and assets are recognised at the average rate expected to apply on transactions or events giving rise to them before the balance sheet date.

### j) Distribution policy

The whole of the revenue after expenses and tax is required to be distributed from each sub-fund at the end of the Company's financial year. Interim distributions will usually be for the whole of revenue, after charging expenses determined at the end of the interim accounting period. The ACD may, however at interim, distribute a lesser amount, or make no distribution.

### k) Derivatives and forward currency transactions

Where appropriate, certain permitted financial instruments such as derivatives or forward currency contracts are used for efficient portfolio management. Where such financial instruments are used to protect or enhance revenue, the revenue and expenses derived therefrom are included in 'Revenue' or 'Expenses' in the Statement of total return. Where such financial instruments are used to protect or enhance capital, the gains and losses derived therefrom are included in 'Net capital gains' in the Statement of total return. Any positions on such financial instruments open at the year end are reflected in the Balance sheet at their marked-to-market value.

The Company may write options for investment purposes, consistent with the sub-funds' investment objectives. Premia received on such options are taken to capital.

### l) Shares

The sub-funds currently have up to four share classes: P1 GBP, P1 Euro, P2 GBP and P2 Euro accumulation share classes. Where a sub-fund has more than one share class, each class may incur different expenses. Consequently the level of net revenue and price attributable to each share class will differ.

## 2. Net capital gains

	Year ended 30.09.13 £'000	Year ended 30.09.12 £'000
Non-derivative securities	64,693	17,874
Contracts for differences	33,849	18,602
Forward currency contracts	8,155	(10,132)
Other derivative securities	(801)	(1,121)
Currency (losses)/gains from other capital items	(2,836)	1,562
<b>Total</b>	<b>103,060</b>	<b>26,785</b>

### 3. Revenue

	Year ended 30.09.13 £'000	Year ended 30.09.12 £'000
UK dividends	2,446	1,487
Bank interest	1,208	1,074
Underwriting commission	45	130
Net dividends from contracts for differences	12	607
Overseas dividends	-	10
Interest on margin deposits	-	8
Property income dividends from real estate investment trusts	-	2
<b>Total</b>	<b>3,711</b>	<b>3,318</b>

### 4. Expenses

	Year ended 30.09.13 £'000	Year ended 30.09.12 £'000
<b>Payable to the ACD</b>		
ACD fee	6,277	4,582
Performance fees	17,238	6,013
<b>Total payable to the ACD</b>	<b>23,515</b>	<b>10,595</b>
<b>Payable to the Depositary or associate of the Depositary</b>		
Depositary fees	81	65
Safe custody fees	4	2
<b>Total payable to the Depositary or associate of the Depositary</b>	<b>85</b>	<b>67</b>
<b>Payable to other related parties and third parties</b>		
Professional fees	259	250
Administration fees	231	187
Transfer agency fees	159	149
Audit fee*	28	26
Printing fee	6	3
Price publication fees	4	4
<b>Total payable to other related parties and third parties</b>	<b>687</b>	<b>619</b>
<b>Total</b>	<b>24,287</b>	<b>11,281</b>

Expenses include VAT, where applicable.

\*Audit fee excluding VAT for the period is £22,160 (2012 £21,740).



## 5. Taxation

	Year ended 30.09.13 £'000	Year ended 30.09.12 £'000
<b>(a) Analysis of tax charge</b>		
Corporation tax at 20%	-	-
<b>Current tax charge (see note 5(b))</b>	-	-
<b>(b) Factors affecting current tax charge</b>		
Net expense before taxation	(21,640)	(8,975)
Corporation tax at 20% (2012: 20%)	(4,328)	(1,795)
Effects of:		
Franked investment income not taxable	(489)	(298)
Overseas dividends not subject to corporation tax	-	(2)
Excess expenses not utilised	4,817	2,095
<b>Current tax charge (see note 5(a))</b>	-	-
<b>(c) Factors that may affect future tax charges</b>		
Details of unrecognised deferred tax assets are disclosed in the financial statements of the sub-funds.		

## 6. Finance costs

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares, and comprise:

	Year ended 30.09.13 £'000	Year ended 30.09.12 £'000
Interim	-	-
Final	-	-
	-	-
Add: Revenue deducted on cancellation of shares	-	-
Deduct: Revenue received on creation of shares	(1)	-
<b>Net distributions</b>	<b>(1)</b>	<b>-</b>
Net interest paid on contracts for differences	1,055	1,011
Bank and margin deposit interest	9	1
<b>Total interest</b>	<b>1,064</b>	<b>1,012</b>
<b>Total finance costs</b>	<b>1,063</b>	<b>1,012</b>
<b>Movement between net distributions and net expense after taxation</b>		
Net distributions	(1)	-
Less: Net expense payable from capital	(21,639)	(8,975)
<b>Net expense after taxation</b>	<b>(21,640)</b>	<b>(8,975)</b>

Details of the distributions are disclosed in the financial statements of the sub-funds.

## 7. Debtors

	30.09.13 £'000	30.09.12 £'000
Amounts receivable on creation of shares	11,474	1,439
Accrued revenue	388	549
Sales awaiting settlement	24	241
Prepaid expenses	1	-
<b>Total</b>	<b>11,887</b>	<b>2,229</b>

## 8. Cash and bank balances

	30.09.13 £'000	30.09.12 £'000
Cash and bank balances	545,304	346,321
Amounts held at futures clearing houses	4,204	4,078
<b>Total</b>	<b>549,508</b>	<b>350,399</b>

## 9. Creditors

	30.09.13 £'000	30.09.12 £'000
Accrued expenses	18,905	6,697
Purchases awaiting settlement	4,610	458
Amounts payable on cancellation of shares	3,963	1,890
Amounts due to broker on contracts for differences	1,187	266
<b>Total</b>	<b>28,665</b>	<b>9,311</b>

## 10. Contingent liabilities

Contingent liabilities are disclosed in the financial statements of the sub-funds.

## 11. Shareholders' funds

ACD fees are disclosed in the financial statements of the sub-funds.

## 12. Derivatives and other financial instruments

The numerical disclosures required under FRS 13 are included in the notes to the financial statements of the individual sub-funds where applicable.

The Company's financial instruments comprise securities and other investments, cash balances and debtors and creditors that arise directly from its operations. For example, in respect of sales and purchases awaiting settlement, amounts receivable for creations and payable for cancellations of shares, and debtors for accrued revenue.

The Company enters into derivative transactions in the form of contracts for differences ("CFDs") and other financial derivatives in order to achieve the investment objective of the sub-funds.

A CFD is a contract whereby the seller of the contract undertakes to pay to the buyer the difference between the current value of an asset and its future value if that value has increased. If the value falls then the buyer of the contract will pay the seller the difference between the current value and the future value. For example, if the CFD contract is underpinned by an equity then the buyer can speculate on share price movements without the need to own the underlying shares. Thus CFDs allow investors to take long or short positions synthetically and may have no fixed expiry date or contract size. Income which would normally be received by the holder of the asset underlying the CFD is paid from the seller to the buyer, in return the buyer pays the seller interest on the notional value of the underlying asset. Positions in CFDs lead to many of the same risks as holding the underlying asset, in addition there is potential credit risk exposure to the counterparty should the movements on the open CFDs be in the Company's favour. In addition, there is some interest rate exposure in respect of the interest payments.

## 12. Derivatives and other financial instruments (continued)

The Company may enter into derivatives transactions in the form of forward foreign currency contracts. Forward foreign currency contracts are used to manage currency risk arising from holdings of overseas securities. Forward contracts, unlike futures contracts, are not traded on exchanges and are not standardised; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and 'cash' trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies they trade and these markets can experience periods of illiquidity, sometimes of significant duration. Disruptions can occur in any market traded by the Company due to unusually high trading volumes, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward (and futures) trading to less than that which the ACD would otherwise recommend, to the possible detriment of the Company. In respect of such trading, the Company is subject to the risk of counterparty failure or the inability or refusal by a counterparty to perform with regard to such contracts. Market illiquidity or disruption could result in major losses to the Company.

The Company may also write (or sell) financial options in order to generate additional capital or revenue to the benefit of shareholders. The seller ('writer') of a put option which is covered (i.e. the writer has a short position in the underlying security or currency) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security below the exercise price of the option. If the seller of the put option owns a put option covering an equivalent number of shares with an exercise price equal to or greater than the exercise price of the put written, the position is 'fully hedged' if the option owned expires at the same time or later than the option written. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option. If the buyer of the put holds the underlying security, the loss on the put will be offset in whole or in part by any gain on the underlying security.

The writer of a call option which is covered (e.g. the writer holds the underlying security) assumes the risk of decline in the market price of the underlying security below the value of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The buyer of the call option assumes the risk of losing its entire investment in the call option. If the buyer of the call sells short the underlying security, the loss on the call will be offset, in whole or in part, by any gain on the short sale of the underlying security, currency or commodity. In entering into a closing purchase transaction, the Company may be subject to the risk of loss to the extent that the premium paid for entering into a closing purchase transaction exceeds the premium received when the option was written.

The Company may make use of futures contracts which will present the same types of volatility and leverage risks associated with transactions in derivative instruments generally. In addition, such transactions present a number of risks which might not be associated with the purchase and sale of other types of investment products. Prior to expiration, a futures contract can be terminated only by entering into an offsetting transaction. This requires a liquid secondary market on the exchange on which the original position was established. While the Company will enter into futures and option positions only if, in the judgment of the ACD, there appears to be a liquid secondary market for such instruments, there can be no assurance that such a market will exist for any particular contract at any point in time. In that event, it might not be possible to establish or liquidate a position.

The main risks arising from the Company's financial instruments are correlation, credit, foreign exchange, interest rate, legal, leveraged, liquidity and market price risks. The ACD's policies for dealing with these risks are summarised below and have been applied throughout the year.

### **Correlation risk**

Derivatives do not always perfectly or even highly correlate or track the value of the securities, rates or indices they are designed to track. Consequently, the sub-fund's use of derivative techniques may not always be an effective means of, and sometimes could be counter-productive to, the sub-fund's investment objective. An adverse price movement in a derivative position may require cash payments of variation margin that might in turn require, if there is insufficient cash available in the portfolio, the sale of a Company's investments under disadvantageous conditions.

### **Credit risk**

The Company is exposed to credit risk, which is the risk of loss due to another party not being able to meet its financial obligations. One source of this risk to the Company are trade counterparties who may fail to meet their transaction commitments. This risk is managed by appraising the credit profile of trade counterparties and financial instruments. As at the balance sheet date the counterparties are shown in the footnote of the Non-statutory portfolio statements of the sub-funds.

## 12. Derivatives and other financial instruments (continued)

### Foreign exchange risk

Investing in overseas securities will be affected by currency fluctuations, in addition to usual stock market fluctuations. Where an asset is held in a currency denomination other than Sterling, the asset's value will be affected by changes in exchange rates between the United Kingdom and the currency of the country in which the security is held.

Foreign exchange risk is an ongoing consideration during the asset allocation and investment selection process.

### Interest rate risk

The Company invests in debt securities and holds cash. The revenue of the Company may be affected by changes to interest rates relevant to particular securities or as a result of the ACD being unable to secure similar returns on the expiry of contracts or sale of securities. The value of debt securities may be affected by interest rate movements or the expectation of such movements in the future. Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates.

Interest rate risk is an ongoing consideration during the asset allocation and investment selection process.

### Legal risk

There are legal risks involved in using derivatives which may result in loss due to the unexpected application of a law or regulation or because contracts are not legally enforceable or documented correctly.

### Leveraged risk

Since many derivatives have a leverage component, adverse changes in the value or level of the underlying asset, rate or index can result in a loss substantially greater than the amount invested in the derivative itself. Certain derivatives have the potential for unlimited loss regardless of the size of the initial investment. If there is a default by the other party to any such transaction, there will be contractual remedies; however, exercising such contractual rights may involve delays or costs which could result in the value of the total assets of the related portfolio being less than if the transaction had not been entered.

### Liquidity risk

The Company is also exposed to liquidity risk in that it may be unable to meet its own commitments, in the event that there is insufficient cash available within its bank accounts. This risk is managed by forecasting cash balances and the sub-funds are permitted to overdraw, if necessary, to meet their obligations.

### Market price risk

Market price risk arises from the Company's financial instruments, being the risk that the value of investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate movement.

These risks are monitored by the ACD in pursuance of the investment objectives and policy as set out on in this ACD's report. Adherence to investment guidelines and to investment and borrowing powers set out in the Provisions of the Instrument of Incorporation, the Prospectus and in the rules of the Collective Investment Schemes Sourcebook ('COLL') mitigates the risk of excessive exposure to any particular type of security or issuer. Further information on the investment portfolio is set out in the ACD's report and Portfolio statement.

### Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value. The market value of investments is taken to equal 'fair value' for the purposes of FRS 13 'Derivatives and Other Financial Instruments: Disclosures'. Given the activities of the Company, none of the investments held fall within the definition of 'investments held for trading' as set out in FRS 13.

The base currency of the Company is Sterling. For the purpose of disclosures required by FRS 13, this is taken to be the 'functional currency' of the Company.

The borrowing facilities available to the Company as at 30 September 2013 comprise a bank overdraft facility of 10% of the value of the Company.

The Company has an agreed overdraft facility with J.P. Morgan Chase Bank at 1% above the Investor Services overdraft rate.

### 13. Related parties

The Company's ACD is related to the Company as defined by FRS 8 'Related Party Disclosures' and is named on page 72. Fees received by the ACD are disclosed in note 4 of the financial statements. By virtue of the regulations governing authorised funds, the ACD is party to every transaction in respect of shares of the Company, which are summarised in the Statement of change in net assets attributable to shareholders. Balances outstanding at the year end for these transactions are as follows:

	30.09.13 £'000	30.09.12 £'000
Performance fee	17,238	5,996
Amounts payable on cancellation of shares	3,963	1,890
ACD fee	1,269	401
Amounts receivable on creation of shares	(11,474)	(1,439)
<b>Total payable to the ACD or associate of the ACD</b>	<b>10,996</b>	<b>6,848</b>

Investments made in related party entities are disclosed in the financial statements of the sub-funds.

## Authorised Corporate Director's investment report

### Investment objective and policy

The objective of the Cazenove UK Absolute Target Fund ("the Fund") is to achieve absolute returns through targeted investment strategies independent of United Kingdom market conditions or indices.

The ACD will seek to achieve its investment objective by investing predominantly in companies incorporated in the United Kingdom or in companies which derive a significant proportion of their revenues or profits from this country or which are primarily operating in this jurisdiction. Investments will be made predominantly in the equities of large or mid-sized companies and other equity related transferable securities, such as preferred shares, debentures, warrants (not exceeding 5 per cent of the total assets of the Fund) and convertible securities or in derivatives thereof. This does not, however, preclude investment in a limited way in smaller companies. As the Fund has an absolute return objective it will not be managed against any index.

Whilst the Fund will mainly invest in equities, it may also invest in debt securities (such as bonds and notes of any maturity which are transferable securities), where this is deemed appropriate in the market conditions prevailing at that time. Any such securities will be rated investment grade by Moody's or S&P, or if not rated, deemed by the investment manager to have at least an equivalent rating and will be issued by the United Kingdom government or companies incorporated in the United Kingdom or in companies which derive a predominant proportion of their revenues or profits from this country or which are principally operating in that jurisdiction. The Fund may also invest in short-term securities which are rated investment grade (such as certificates of deposit, bankers' acceptances and commercial paper) for temporary defensive purposes.

The Fund will seek to achieve its investment objective and policy through the use of various investment strategies including the use of derivatives to obtain long and synthetic short positions principally through contracts for differences. The Fund may also use forward foreign exchange transactions, interest rate and government bond futures, and other exchange traded and off-exchange traded derivative contracts for the purposes of efficient portfolio management and/or meeting the investment objectives of the Fund. Such derivative contracts have the potential to significantly increase the Fund's risk profile.

The ACD employs a risk management process that seeks to control the volatility of Fund returns.

The Fund may at any time have substantial holdings in ancillary liquid assets.

### Performance

Over the year to 30 September 2013 the Cazenove UK Absolute Target Fund rose by 9.27% (P2 GBP Accumulation share class). The FTSE All-Share Index, for comparison only, rose by 18.93%. The Fund's beta and correlation to the market remain low at 0.1x and 0.3x respectively, but have risen modestly as you would expect in a rising market. The Fund's absolute volatility fell back with an absolute volatility of 4.1% compared with the market volatility of 11.6%.

### Market review

The period under review can be divided into three phases of contrasting fortunes. The first phase from October 2012 to May 2013 was characterised by strong index performance led by defensives and growth stocks as well as financials as the effects of Quantitative Easing (QE) led to lower bond yields, which in turn pushed up the valuation of long duration growth stocks. Then 22 May 2013 saw the US Federal Reserve (Fed) suggest it may begin to taper its monthly bond purchases and effectively withdraw monetary stimulus. The market gave back over half its year-to-date gains over the next month. Then the third phase saw equities rally again as global growth expectations rose, mainly thanks to the end of the recession in the eurozone. The UK enjoyed strong economic data too and only the emerging markets suffered from slowing growth and currency wobbles linked to the perceived end of US stimulus. Only at the end of the period did the Fed signal that it would not change its current policy of QE as they felt the move up in bond yields was too aggressive and the data was not strong enough to justify it. Equities and bonds rallied on the news.

### Portfolio activity

The net position of the Fund has averaged around 7% on a cash basis and 12% beta-adjusted, with a peak around 18% and a trough around -6%. The gross position has been averaging around 112%, with a peak of 129% and a trough of 96%.

Over the course of the year we made 12.4% gross returns, achieved by adding 22.7% on the long book on capital employed of 60%, which translates into a return of capital employed (ROCE) of 38%, which handily outperformed the FTSE All-Share Index by over 19%. The main contributors on the long book were a mix of long term holdings like Howden Joinery (237bps) and newer additions like 3i (166bps) and Thomas Cook (109bps). Cyclical did well, with ITV (122bps), DS Smith (91bps) and Taylor Wimpey (98bps) all featuring in the top ten. Growth defensives also did well, led by Reed Elsevier (119bps) and Babcock (102bps). Negative contributors to the long book's performance included a few industrial and commodity cyclical like African Barrick Gold (-28bps) and Rio Tinto (-12bps) which suffered from an end to the boom conditions in their respective markets. Ophir Energy also cost 17bps as it raised capital to meet development requirements.

Our short book lost 10.3% on capital employed of 52.8 % which equated to a ROCE of -19.5%. Our short book performed much better this year as a result of a more pragmatic approach, which saw us trade more frequently to lock in gains when they occurred. We also saw good success from a focus on stocks with earnings downgrades, especially in reporting season. In general, commodity cyclical saw the biggest gains as they continued

## Authorised Corporate Director's investment report (continued)

### Portfolio activity (continued)

their bear market. BHP Billiton (50bps), Antofagasta (32bps), Kazakhmys (23bps) and Fresnillo (24bps) topped the charts this year. Winners from profit warnings included Lanxess (21bps), Aggreko (30bps) and G4S (16bps). Losers were mainly stocks with upgrades such as JD Wetherspoon (-116bps), LSE (-66bps), Prudential (-39bps) or Johnson Matthey (-37bps). We also lost 50bps on our FTSE-250 Index Hedge.

Trading activity on the Fund was lower than last year as we held many of our long positions throughout the period. Stocks added included two Initial Public Offerings (IPOs) in the form of HellermannTyton in engineering which added 55bps and Partnership Assurance in life assurance. Thomas Cook was the biggest contributor of the new entrants to the portfolio as the management successfully refinanced the balance sheet and delivered cost savings faster than expected. Stocks on the long book we sold included the losers in the year, African Barrick Gold, which saw a bid from a Chinese competitor fail to materialise, and Rio Tinto. We also sold some of our early cycle winners, such as Hammerson in real estate and Debenhams in retailing after they hit our price targets.

### Outlook

As ever, our strategy will be driven by the business cycle, and on that we are optimistic. We have probably seen the peak in the Purchasing Managers Index (PMI) surveys for the UK, however, and so we are looking to move more into growth stocks with good earnings momentum and to sell some of our early cycle winners. We are also adding more exposure to Spain and Italy on the long book as these economies begin their recovery. The slowdown phase for the UK could be more volatile as the market starts to factor in interest rate risk again after years of easy money. This may lower multiples across the market but we believe the time is not yet right to get more defensive. Upgrades are needed to keep markets rising, however, and although we are confident they are coming, the speed of the upgrades may disappoint some investors. The biggest risk, however, lies with the upward adjustment to gilt yields as the UK economy grows and inflation picks up. Mark Carney, the new governor of the Bank of England has pledged to keep rates low for the foreseeable future, but markets may not allow him that luxury.

### Synthetic risk & reward indicator

The synthetic risk & reward indicator ranges from 1 to 7, with 1 being the lowest risk. The risk and reward indicator for the Fund is 5.

The Fund buys securities (known as derivatives) whose price is dependent upon or derived from one or more underlying assets. Such investments can significantly raise the Fund's risk profile and cause its share price to fluctuate. Since many derivatives have a borrowing component, changes in the value of the underlying shares or bonds can cause a loss to the Fund which is substantially greater than the amount invested in the derivative itself. Where the Fund has a positive performance, a performance fee of 20% is taken at the Fund's year-end. The Fund may take the annual management charge from capital if insufficient income is generated by the investments. This may result in the Fund not growing and could result in the value of the Fund's shares falling. Investment in shares and/or bonds is subject to normal market fluctuations. There is no assurance that your investment will increase in value. Your original investment is not guaranteed. The value of the Fund may fluctuate significantly in response to the performance of individual companies, as well as in connection with market and economic conditions. The Fund's risk profile is based on historical data and this may not be a reliable indicator of its future risk profile. The lowest risk category does not mean an investment is risk free. The risk category shown is not a target or a guarantee and may change over time.



## Non-statutory portfolio statement

(unaudited)

as at 30 September 2013

The following portfolio structure statement has been provided to show the investment exposure of the portfolio, by investment. It differs from the statutory portfolio statement in that only the equity exposure is shown.

Holding	Stock description	Market value £	Percentage of net assets %
<b>Long positions</b>			
<b>Alternative energy</b>			
610,000	Gamesa	3,286,668	0.91
<b>Electronic &amp; electrical equipment</b>			
3,506,342	HellermannTyton <sup>†</sup>	9,467,123	2.61
633,312	Xaar	5,053,830	1.39
		<b>14,520,953</b>	<b>4.00</b>
<b>Financial services</b>			
4,213,120	3i	15,327,331	4.22
244,700	Bolsas y Mercados Espanoles	4,796,646	1.32
1,358,120	Intermediate Capital	6,062,648	1.67
		<b>26,186,625</b>	<b>7.21</b>
<b>Food &amp; drug retailers</b>			
5,966,620	Booker	8,043,004	2.22
<b>Food producers</b>			
366,920	Associated British Foods	6,883,419	1.90
1,214,350	Devro	3,940,566	1.08
		<b>10,823,985</b>	<b>2.98</b>
<b>General industrials</b>			
3,990,790	DS Smith	11,493,475	3.17
<b>General retailers</b>			
1,509,673	N Brown	7,925,783	2.18
<b>Household goods &amp; home construction</b>			
2,062,970	Taylor Wimpey	2,071,222	0.57
<b>Industrial engineering</b>			
4,710,097	Melrose Industries	14,120,871	3.89
<b>Life insurance</b>			
559,550	Aviva	2,220,294	0.62
2,370,940	Legal & General	4,651,784	1.28
951,640	Partnership Assurance <sup>†</sup>	3,908,385	1.07
		<b>10,780,463</b>	<b>2.97</b>
<b>Media</b>			
2,452,200	ITV	4,298,707	1.18
935,804	Perform <sup>†</sup>	5,231,144	1.44
		<b>9,529,851</b>	<b>2.62</b>
<b>Mining</b>			
1,189,200	Glencore Xstrata	4,004,036	1.10
663,830	Vedanta Resources	7,182,641	1.98
		<b>11,186,677</b>	<b>3.08</b>

## Non-statutory portfolio statement (continued)

(unaudited)

as at 30 September 2013

Holding	Stock description	Market value £	Percentage of net assets %
<b>Long positions (continued)</b>			
<b>Mobile telecommunications</b>			
1,279,290	Vodafone	2,763,266	0.76
<b>Nonlife insurance</b>			
3,772,020	RSA Insurance	4,560,372	1.26
<b>Real estate investment trusts</b>			
11,358,320	Hansteen	11,244,737	3.10
<b>Software &amp; computer services</b>			
696,020	Invensys	3,466,180	0.95
572,769	Micro Focus International	4,341,589	1.20
1,128,260	Sage	3,721,001	1.03
		<b>11,528,770</b>	<b>3.18</b>
<b>Support services</b>			
976,097	Babcock International	11,674,120	3.21
7,597,980	Hays	8,996,008	2.48
2,128,030	Howden Joinery	6,203,207	1.71
2,538,056	Premier Farnell	5,512,658	1.52
		<b>32,385,993</b>	<b>8.92</b>
<b>Technology hardware &amp; equipment</b>			
609,820	Infineon Technologies	3,768,844	1.04
2,010,320	Spirent Communications	2,565,168	0.70
		<b>6,334,012</b>	<b>1.74</b>
<b>Travel &amp; leisure</b>			
5,200,481	Marston's	7,852,727	2.16
5,395,717	Thomas Cook	8,277,030	2.28
		<b>16,129,757</b>	<b>4.44</b>
	<b>Total long positions</b>	<b>214,916,484</b>	<b>59.20</b>
<b>Short positions</b>			
<b>Aerospace &amp; defense</b>			
(836,920)	Meggitt	(4,594,691)	(1.27)
<b>Beverages</b>			
(522,160)	Diageo	(10,260,444)	(2.83)
<b>Chemicals</b>			
(89,040)	Johnson Matthey	(2,500,243)	(0.69)
<b>Construction &amp; materials</b>			
(365,380)	CRH	(5,400,317)	(1.49)

## Non-statutory portfolio statement (continued)

(unaudited)

as at 30 September 2013

Holding	Stock description	Market value £	Percentage of net assets %
<b>Short positions (continued)</b>			
<b>Financial services</b>			
(3,188,322)	Henderson	(6,022,740)	(1.66)
(485,620)	London Stock Exchange	(7,463,980)	(2.06)
		<b>(13,486,720)</b>	<b>(3.72)</b>
<b>Fixed line telecommunications</b>			
(1,358,420)	Portugal Telecom SGPS	<b>(3,781,612)</b>	<b>(1.04)</b>
<b>Food &amp; drug retailers</b>			
(678,760)	WM Morrison Supermarkets	<b>(1,900,528)</b>	<b>(0.52)</b>
<b>Food producers</b>			
(244,000)	Unilever	<b>(5,953,600)</b>	<b>(1.64)</b>
<b>Gas, water &amp; multiutilities</b>			
(1,000,000)	Centrica	<b>(3,697,000)</b>	<b>(1.02)</b>
<b>General retailers</b>			
(179,470)	Hennes & Mauritz	(4,834,488)	(1.33)
(510,850)	Marks & Spencer	(2,536,881)	(0.70)
		<b>(7,371,369)</b>	<b>(2.03)</b>
<b>Household goods &amp; home construction</b>			
(366,110)	Electrolux	(5,897,483)	(1.62)
(486,290)	Persimmon	(5,281,110)	(1.45)
		<b>(11,178,593)</b>	<b>(3.07)</b>
<b>Industrial engineering</b>			
(173,920)	Atlas Copco	(3,159,133)	(0.87)
(116,540)	Outotec	(985,652)	(0.27)
		<b>(4,144,785)</b>	<b>(1.14)</b>
<b>Industrial transportation</b>			
(404,576)	e Eurotunnel	(2,277,901)	(0.63)
(173,570)	Koninklijke Vopak	(6,143,949)	(1.69)
		<b>(8,421,850)</b>	<b>(2.32)</b>
<b>Life insurance</b>			
(1,346,170)	Old Mutual	(2,525,415)	(0.70)
(250,620)	Prudential	(2,884,636)	(0.79)
(1,378,600)	Standard Life	(4,761,684)	(1.31)
		<b>(10,171,735)</b>	<b>(2.80)</b>
<b>Media</b>			
(166,550)	Eutelsat Communications	(3,252,907)	(0.90)
(165,030)	SES	(2,917,034)	(0.80)
		<b>(6,169,941)</b>	<b>(1.70)</b>
<b>Nonlife insurance</b>			
(175,940)	Admiral	<b>(2,169,340)</b>	<b>(0.60)</b>

## Non-statutory portfolio statement (continued)

(unaudited)

as at 30 September 2013

Holding	Stock description	Market value £	Percentage of net assets %
<b>Short positions (continued)</b>			
<b>Oil &amp; gas producers</b>			
(1,924)	Royal Dutch Shell	(39,250)	(0.01)
<b>Oil equipment, services &amp; distribution</b>			
(614,810)	AMEC	(6,603,060)	(1.82)
(366,330)	Petroleum Geo-Services	(2,802,700)	(0.77)
		<b>(9,405,760)</b>	<b>(2.59)</b>
<b>Pharmaceuticals &amp; biotechnology</b>			
(267,610)	AstraZeneca	(8,605,000)	(2.37)
<b>Support services</b>			
(159,990)	Aggreko	(2,566,240)	(0.71)
(1,219,560)	Electrocomponents	(3,365,986)	(0.93)
(488,000)	Experian	(5,743,760)	(1.58)
(1,067,853)	Homeserve	(2,744,382)	(0.75)
(333,100)	Intertek	(11,008,955)	(3.03)
		<b>(25,429,323)</b>	<b>(7.00)</b>
<b>Technology hardware &amp; equipment</b>			
(244,000)	ARM	(2,405,840)	(0.66)
(610,820)	Imagination Technologies	(1,991,273)	(0.55)
		<b>(4,397,113)</b>	<b>(1.21)</b>
<b>Travel &amp; leisure</b>			
(404,670)	InterContinental Hotels	(7,292,154)	(2.01)
(702,968)	JD Wetherspoon	(5,135,181)	(1.41)
(942,380)	Ladbrokes	(1,594,507)	(0.44)
(1,235,860)	TUI Travel	(4,544,257)	(1.25)
(152,500)	Whitbread	(4,520,100)	(1.25)
		<b>(23,086,199)</b>	<b>(6.36)</b>
<b>Futures</b>			
(1,290)	FTSE 250 Index	(19,231,552)	(5.30)
<b>Total short positions</b>		<b>(191,396,965)</b>	<b>(52.72)</b>
<b>Net long exposure</b>		<b>23,519,519</b>	<b>6.48</b>

## Non-statutory portfolio statement (continued)

(unaudited)

as at 30 September 2013

Holding	Stock description	Market value £	Percentage of net assets %
<b>Other derivative positions</b>			
<b>Forward currency hedges</b>			
€122,513,248	Buy EUR 122,513,248, Sell GBP 103,066,714	(839,421)	(0.23)
£273,923	Buy GBP 273,923, Sell EUR 327,432	195	-
		<b>(839,226)</b>	<b>(0.23)</b>
<b>Net investment exposure</b>		<b>22,680,293</b>	<b>6.25</b>

Note: this portfolio statement differs from the statutory portfolio statement in that only the equivalent equity exposure of the contracts for differences ("CFDs") is shown. The statutory portfolio statement on page 29 shows the unrealised gain/(loss) on the CFD holdings at 30 September 2013. The counterparty for all CFDs is Bank of America Merrill Lynch. The counterparty for all forwards is J.P. Morgan.

All holdings are CFDs unless otherwise stated.

<sup>‡</sup> Direct equity investments.

## Fund facts

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

## Performance record

	30.09.13 p	30.09.12 p	Share price % change*	Total return % change* (net of tax)
P1 GBP Accumulation	121.47	111.67	8.78	8.78
P2 GBP Accumulation	124.19	113.65	9.27	9.27
	30.09.13 €	30.09.12 €	Share price % change*	Total return % change* (net of tax)
P1 Euro Accumulation	115.87	115.98*	(0.09)	(0.09)
P2 Euro Accumulation	116.19	107.01	8.58	8.58

\* % change reflects net income reinvested.

\*The share class was dormant with the final pricing point being 4 November 2011 and was reactivated on 16 July 2013.

## Price history

Calendar year	P1 GBP Accumulation		P1 Euro Accumulation**		P2 GBP Accumulation		P2 Euro Accumulation	
	Lowest price p	Highest price p	Lowest price €	Highest price €	Lowest price p	Highest price p	Lowest price €	Highest price €
2013*	111.97	123.28	115.67	117.78	114.08	126.00	107.23	117.84
2012	107.47	112.34	-	-	109.18	114.36	103.18	107.64
2011	96.86	107.70	92.83	100.07	97.96	109.41	92.61	103.45
2010	96.85	107.47	92.82	103.51	97.91	108.32	92.59	102.79
2009	95.57	109.08	92.60	105.51	95.52	109.64	91.48	104.35

\* To 30 September 2013.

\*\*The share class was dormant with the final pricing point being 4 November 2011 and then was reactivated on 16 July 2013.

## Ongoing charges figure

An ongoing charges figure ("OCF") is shown which takes into account the management fee and all other operating expenses over the year and is expressed as a percentage of average daily assets over the same period.

	30.09.13 %	30.09.12 %
P1 GBP Accumulation	1.39	1.43
P1 Euro Accumulation*	1.47	1.39
P2 GBP Accumulation	0.89	0.94
P2 Euro Accumulation	0.90	0.94

\*The share class was dormant with the final pricing point being 4 November 2011 and was reactivated on 16 July 2013.

## Net asset value record

Date	Net asset value £	Number of shares in issue	Net asset value per share p
<b>30 September 2013</b>			
P1 GBP Accumulation	143,891,093	117,850,427	122.10
P1 Euro Accumulation*	7,746,051	7,958,191	97.33
P2 GBP Accumulation	116,261,489	93,138,823	124.83
P2 Euro Accumulation	95,150,751	97,484,411	97.61
	<b>363,049,384</b>	<b>316,431,852</b>	
<b>30 September 2012</b>			
P1 GBP Accumulation	89,528,266	80,062,602	111.82
P1 Euro Accumulation*	-	-	-
P2 GBP Accumulation	62,959,022	55,321,977	113.80
P2 Euro Accumulation	69,054,930	80,744,367	85.52
	<b>221,542,218</b>	<b>216,128,946</b>	
<b>30 September 2011</b>			
P1 GBP Accumulation	68,198,860	64,161,820	106.29
P1 Euro Accumulation	199,111	229,710	86.68
P2 GBP Accumulation	41,040,329	38,034,812	107.90
P2 Euro Accumulation	31,540,221	35,687,865	88.38
	<b>140,978,521</b>	<b>138,114,207</b>	

\*The share class was dormant with the final pricing point being 4 November 2011 and was reactivated on 16 July 2013.

## Net revenue distributions

Calendar year	Interim 31.03	Final 30.09	Total
<b>P1 GBP Accumulation</b>			
2013* **	0.0000p	0.0000p	0.0000p
2012**	0.0000p	0.0000p	0.0000p
2011**	0.0000p	0.0000p	0.0000p
2010	0.0000p	0.0466p	0.0466p
2009**	0.0000p	0.0000p	0.0000p
<b>P1 Euro Accumulation***</b>			
2013* **	0.0000€	0.0000€	0.0000€
2012**	-	-	-
2011**	0.0000€	0.0000€	0.0000€
2010**	0.0000€	0.0000€	0.0000€
2009**	0.0000€	0.0000€	0.0000€
<b>P2 GBP Accumulation</b>			
2013* **	0.0000p	0.0000p	0.0000p
2012**	0.0000p	0.0000p	0.0000p
2011	0.1594p	0.0000p	0.1594p
2010	0.0000p	0.5529p	0.5529p
2009**	0.0000p	0.0000p	0.0000p
<b>P2 Euro Accumulation</b>			
2013* **	0.0000€	0.0000€	0.0000€
2012**	0.0000€	0.0000€	0.0000€
2011	0.1109€	0.0000€	0.1109€
2010	0.0000€	0.5370€	0.5370€
2009**	0.0000€	0.0000€	0.0000€

\* To 30 September 2013.

\*\* The share class did not pay a distribution during the year

\*\*\*The share class was dormant with the final pricing point being 4 November 2011 and was reactivated on 16 July 2013.

Please remember that past performance is not a guide to future performance and it might not be repeated.



## Portfolio statement

as at 30 September 2013

Holding	Stock description	Market value £	Percentage of net assets %
<b>Equities 5.12% (30 September 2012 0.64%)</b>			
<b>Electronic &amp; electrical equipment 2.61% (30 September 2012 0.00%)</b>			
3,506,342	HellermannTyton	9,467,123	2.61
<b>Life insurance 1.07% (30 September 2012 0.00%)</b>			
951,640	Partnership Assurance	3,908,386	1.07
<b>Media 1.44% (30 September 2012 0.64%)</b>			
935,804	Perform	5,231,144	1.44
<b>Derivatives 0.03% (30 September 2012 0.17%)</b>			
<b>Contracts for differences (CFDs) long positions (0.99)% (30 September 2012 (1.64)%)</b>			
<b>Alternative energy 0.06% (30 September 2012 0.00%)</b>			
610,000	Gamesa	215,590	0.06
<b>Automobiles &amp; parts 0.00% (30 September 2012 (0.18)%)</b>			
<b>Banks 0.00% (30 September 2012 (0.12)%)</b>			
<b>Chemicals 0.00% (30 September 2012 (0.03)%)</b>			
<b>Electronic &amp; electrical equipment 0.00% (30 September 2012 (0.07)%)</b>			
633,312	Xaar	3,979	-
<b>Financial services (0.06)% (30 September 2012 (0.11)%)</b>			
4,213,120	3i	(254,797)	(0.07)
244,700	Bolsas y Mercados Espanoles	162,483	0.04
1,358,120	Intermediate Capital	(107,276)	(0.03)
		<b>(199,590)</b>	<b>(0.06)</b>
<b>Food &amp; drug retailers (0.02)% (30 September 2012 (0.04)%)</b>			
5,966,620	Booker	(82,593)	(0.02)
<b>Food producers (0.06)% (30 September 2012 0.00%)</b>			
366,920	Associated British Foods	(103,330)	(0.03)
1,214,350	Devro	(99,171)	(0.03)
		<b>(202,501)</b>	<b>(0.06)</b>
<b>General industrials 0.02% (30 September 2012 (0.09)%)</b>			
3,990,790	DS Smith	78,560	0.02
<b>General retailers (0.08)% (30 September 2012 0.02%)</b>			
1,509,673	N Brown	(299,788)	(0.08)
<b>Household goods &amp; home construction (0.03)% (30 September 2012 (0.04)%)</b>			
2,062,970	Taylor Wimpey	(91,031)	(0.03)

## Portfolio statement

as at 30 September 2013

Holding	Stock description	Market value £	Percentage of net assets %
<b>Derivatives (continued)</b>			
<b>Contracts for differences (CFDs) long positions (continued)</b>			
<b>Industrial engineering (0.09)% (30 September 2012 (0.19)%)</b>			
4,710,097	Melrose Industries	(322,975)	(0.09)
<b>Life insurance (0.06)% (30 September 2012 0.00%)</b>			
559,550	Aviva	(103,552)	(0.03)
2,370,940	Legal & General	(105,266)	(0.03)
		<b>(208,818)</b>	<b>(0.06)</b>
<b>Media (0.04)% (30 September 2012 (0.05)%)</b>			
2,452,200	ITV	(136,901)	(0.04)
<b>Mining (0.17)% (30 September 2012 (0.14)%)</b>			
1,189,200	Glencore Xstrata	(61,838)	(0.02)
663,830	Vedanta Resources	(550,986)	(0.15)
		<b>(612,824)</b>	<b>(0.17)</b>
<b>Mobile telecommunications 0.01% (30 September 2012 0.00%)</b>			
1,279,290	Vodafone	19,921	0.01
<b>Nonlife insurance (0.03)% (30 September 2012 0.00%)</b>			
3,772,020	RSA Insurance	(104,071)	(0.03)
<b>Oil &amp; gas producers 0.00% (30 September 2012 (0.07)%)</b>			
<b>Oil equipment, services &amp; distribution 0.00% (30 September 2012 (0.04)%)</b>			
<b>Real estate investment trusts (0.03)% (30 September 2012 (0.10)%)</b>			
11,358,320	Hansteen	(113,583)	(0.03)
<b>Software &amp; computer services (0.10)% (30 September 2012 0.03%)</b>			
696,020	Invensys	(31,321)	(0.01)
572,769	Micro Focus International	(50,173)	(0.01)
1,128,260	Sage	(281,015)	(0.08)
		<b>(362,509)</b>	<b>(0.10)</b>
<b>Support services (0.05)% (30 September 2012 (0.29)%)</b>			
976,097	Babcock International	(30,340)	(0.01)
7,597,980	Hays	292,584	0.08
2,128,030	Howden Joinery	(7,392)	-
2,538,056	Premier Farnell	(436,105)	(0.12)
		<b>(181,253)</b>	<b>(0.05)</b>
<b>Technology hardware &amp; equipment (0.04)% (30 September 2012 (0.10)%)</b>			
609,820	Infineon Technologies	(60,878)	(0.01)
2,010,320	Spirent Communications	(99,916)	(0.03)
		<b>(160,794)</b>	<b>(0.04)</b>
<b>Tobacco 0.00% (30 September 2012 (0.01)%)</b>			

## Portfolio statement

as at 30 September 2013

Holding	Stock description	Market value £	Percentage of net assets %
<b>Derivatives (continued)</b>			
<b>Contracts for differences (CFDs) long positions (continued)</b>			
<b>Travel &amp; leisure (0.22)% (30 September 2012 0.01%)</b>			
5,200,481	Marston's	(529,694)	(0.14)
5,395,717	Thomas Cook	(277,496)	(0.08)
		<b>(807,190)</b>	<b>(0.22)</b>
<b>Contracts for differences (CFDs) short positions 1.02% (30 September 2012 1.81%)</b>			
<b>Aerospace &amp; defense 0.03% (30 September 2012 0.05%)</b>			
(836,920)	Meggitt	<b>102,553</b>	<b>0.03</b>
<b>Automobiles &amp; parts 0.00% (30 September 2012 0.03%)</b>			
<b>Banks 0.00% (30 September 2012 0.07%)</b>			
<b>Beverages 0.06% (30 September 2012 0.00%)</b>			
(522,160)	Diageo	<b>199,439</b>	<b>0.06</b>
<b>Chemicals 0.03% (30 September 2012 0.07%)</b>			
(89,040)	Johnson Matthey	<b>91,661</b>	<b>0.03</b>
<b>Construction &amp; materials 0.02% (30 September 2012 0.09%)</b>			
(365,380)	CRH	<b>57,331</b>	<b>0.02</b>
<b>Electronic &amp; electrical equipment 0.00% (30 September 2012 0.03%)</b>			
<b>Financial services 0.07% (30 September 2012 0.16%)</b>			
(3,188,322)	Henderson	(78,305)	(0.02)
(485,620)	London Stock Exchange	341,829	0.09
		<b>263,524</b>	<b>0.07</b>
<b>Fixed line telecommunications (0.03)% (30 September 2012 0.00%)</b>			
(1,358,420)	Portugal Telecom SGPS	<b>(108,987)</b>	<b>(0.03)</b>
<b>Food &amp; drug retailers 0.03% (30 September 2012 0.04%)</b>			
(678,760)	WM Morrison Supermarkets	<b>90,802</b>	<b>0.03</b>
<b>Food producers 0.03% (30 September 2012 0.02%)</b>			
(244,000)	Unilever	<b>123,010</b>	<b>0.03</b>
<b>Gas, water &amp; multiutilities 0.08% (30 September 2012 0.00%)</b>			
(1,000,000)	Centrica	<b>303,531</b>	<b>0.08</b>
<b>General retailers (0.06)% (30 September 2012 (0.02)%)</b>			
(179,470)	Hennes & Mauritz	(282,380)	(0.08)
(510,850)	Marks & Spencer	68,361	0.02
		<b>(214,019)</b>	<b>(0.06)</b>

## Portfolio statement

as at 30 September 2013

Holding	Stock description	Market value £	Percentage of net assets %
<b>Derivatives (continued)</b>			
<b>Contracts for differences (CFDs) short positions (continued)</b>			
<b>Household goods &amp; home construction 0.16% (30 September 2012 0.03%)</b>			
(366,110)	Electrolux	270,981	0.07
(486,290)	Persimmon	325,814	0.09
		<b>596,795</b>	<b>0.16</b>
<b>Industrial engineering 0.02% (30 September 2012 0.04%)</b>			
(173,920)	Atlas Copco	26,367	0.01
(116,540)	Outotec	53,568	0.01
		<b>79,935</b>	<b>0.02</b>
<b>Industrial transportation 0.01% (30 September 2012 0.15%)</b>			
(404,576)	e Eurotunnel	(183,036)	(0.05)
(173,570)	Koninklijke Vopak	231,970	0.06
		<b>48,934</b>	<b>0.01</b>
<b>Life insurance 0.05% (30 September 2012 0.00%)</b>			
(1,346,170)	Old Mutual	46,508	0.01
(250,620)	Prudential	73,404	0.02
(1,378,600)	Standard Life	51,098	0.02
		<b>171,010</b>	<b>0.05</b>
<b>Media 0.01% (30 September 2012 (0.06%))</b>			
(166,550)	Eutelsat Communications	(17,572)	-
(165,030)	SES	48,906	0.01
		<b>31,334</b>	<b>0.01</b>
<b>Mining 0.00% (30 September 2012 0.23%)</b>			
<b>Nonlife insurance (0.01)% (30 September 2012 0.01%)</b>			
(175,940)	Admiral	(29,059)	(0.01)
<b>Oil &amp; gas producers (0.01)% (30 September 2012 0.00%)</b>			
(1,924)	Royal Dutch Shell	(39,250)	(0.01)
<b>Oil equipment, services &amp; distribution 0.09% (30 September 2012 0.00%)</b>			
(614,810)	AMEC	57,966	0.02
(366,330)	Petroleum Geo-Services	257,794	0.07
		<b>315,760</b>	<b>0.09</b>
<b>Personal goods 0.00% (30 September 2012 0.18%)</b>			
<b>Pharmaceuticals &amp; biotechnology 0.01% (30 September 2012 0.00%)</b>			
(267,610)	AstraZeneca	31,938	0.01
<b>Real estate investment trusts 0.00% (30 September 2012 0.09%)</b>			
<b>Software &amp; computer services 0.00% (30 September 2012 0.01%)</b>			
<b>Support services 0.15% (30 September 2012 0.47%)</b>			
(159,990)	Aggreko	54,166	0.02
(1,219,560)	Electrocomponents	40,451	0.01

## Portfolio statement

as at 30 September 2013

Holding	Stock description	Market value £	Percentage of net assets %
<b>Derivatives (continued)</b>			
<b>Contracts for differences (CFDs) short positions (continued)</b>			
<b>Support services (continued)</b>			
(488,000)	Experian	122,046	0.03
(1,067,853)	Homeserve	86,097	0.02
(333,100)	Intertek	237,890	0.07
		<b>540,650</b>	<b>0.15</b>
<b>Technology hardware &amp; equipment 0.02% (30 September 2012 0.08%)</b>			
(244,000)	ARM	(23,525)	(0.00)
(610,820)	Imagination Technologies	86,420	0.02
		<b>62,895</b>	<b>0.02</b>
<b>Travel &amp; leisure 0.16% (30 September 2012 0.01%)</b>			
(404,670)	InterContinental Hotels	314,828	0.09
(702,968)	JD Wetherspoon	115,990	0.03
(942,380)	Ladbrokes	306,274	0.08
(1,235,860)	TUI Travel	(130,960)	(0.03)
(152,500)	Whitbread	(32,959)	(0.01)
		<b>573,173</b>	<b>0.16</b>
<b>Futures 0.10% (30 September 2012 0.00%)</b>			
(1,290)	FTSE 250 Index	<b>377,906</b>	<b>0.10</b>
<b>Other derivative positions (0.23)% (30 September 2012 0.12%)</b>			
<b>Forward currency hedges (0.23)% (30 September 2012 0.12%)</b>			
€122,513,248	Buy EUR 122,513,248, Sell GBP 103,066,714	(839,421)	(0.23)
£273,923	Buy GBP 273,923, Sell EUR 327,432	195	-
		<b>(839,226)</b>	<b>(0.23)</b>
<b>Net investment assets</b>		<b>17,869,922</b>	<b>4.92</b>
<b>Net other assets</b>		<b>345,179,462</b>	<b>95.08</b>
<b>Net assets attributable to shareholders</b>		<b>363,049,384</b>	<b>100.00</b>

† Listed on Alternative Investment Market (AIM).

All holdings are ordinary shares or stock units and admitted to official stock exchange listings unless otherwise stated.

## Statement of total return

for the year ended 30 September 2013

	Note	Year ended 30.09.13		Year ended 30.09.12	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	2		34,886		8,432
Revenue	3	664		1,022	
Expenses	4	(8,028)		(3,406)	
Finance costs: Interest	6	(531)		(354)	
<b>Net expense before taxation</b>		<b>(7,895)</b>		<b>(2,738)</b>	
Taxation	5	-		-	
<b>Net expense after taxation</b>			<b>(7,895)</b>		<b>(2,738)</b>
<b>Total return before distributions</b>			<b>26,991</b>		<b>5,694</b>
Finance costs: Distributions	6		1		-
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>26,992</b>		<b>5,694</b>

## Statement of change in net assets attributable to shareholders

for the year ended 30 September 2013

	Year ended 30.09.13		Year ended 30.09.12	
	£'000	£'000	£'000	£'000
<b>Opening net assets attributable to shareholders</b>		<b>221,542</b>		<b>140,979</b>
Amounts receivable on issue of shares	169,431		101,204	
Less: Amounts payable on cancellation of shares	(54,690)		(26,304)	
		114,741		74,900
Stamp duty reserve tax		(226)		(31)
Change in net assets attributable to shareholders from investment activities (see above)		26,992		5,694
Retained distribution on accumulation shares		-		-
<b>Closing net assets attributable to shareholders</b>		<b>363,049</b>		<b>221,542</b>

The notes on pages 36 to 43 form an integral part of these financial statements.

## Balance sheet

as at 30 September 2013

	Note	30.09.13 £'000	30.09.12 £'000
<b>ASSETS</b>			
Investment assets		23,977	6,236
Debtors	7	5,595	581
Cash and bank balances	8	349,703	221,511
<b>Total other assets</b>		<b>355,298</b>	<b>222,092</b>
<b>Total assets</b>		<b>379,275</b>	<b>228,328</b>
<b>LIABILITIES</b>			
Investment liabilities		6,107	4,181
Creditors	9	10,119	2,605
<b>Total other liabilities</b>		<b>10,119</b>	<b>2,605</b>
<b>Total liabilities</b>		<b>16,226</b>	<b>6,786</b>
<b>Net assets attributable to shareholders</b>		<b>363,049</b>	<b>221,542</b>

The notes on pages 36 to 43 form an integral part of these financial statements.

## Notes to the financial statements

### 1. Accounting policies

The applicable accounting policies adopted by the Cazenove UK Absolute Target Fund are included in the notes to the aggregated financial statements.

### 2. Net capital gains

	Year ended 30.09.13 £'000	Year ended 30.09.12 £'000
Contracts for differences	29,341	11,043
Forward currency contracts	4,334	(3,545)
Non-derivative securities	2,582	131
Currency (losses)/gains from other capital items	(1,371)	507
Other derivative securities	-	296
<b>Total</b>	<b>34,886</b>	<b>8,432</b>

### 3. Revenue

	Year ended 30.09.13 £'000	Year ended 30.09.12 £'000
Bank interest	772	523
Underwriting commission	45	104
UK dividends	29	-
Net dividends from contracts for differences	(182)	392
Interest on margin deposits	-	3
<b>Total</b>	<b>664</b>	<b>1,022</b>



## 4. Expenses

	Year ended 30.09.13 £'000	Year ended 30.09.12 £'000
<b>Payable to the ACD</b>		
ACD fee	2,571	1,630
Performance fees	5,077	1,453
<b>Total payable to the ACD</b>	<b>7,648</b>	<b>3,083</b>
<b>Payable to the Depositary or associate of the Depositary</b>		
Depositary fees	39	29
<b>Total payable to the Depositary or associate of the Depositary</b>	<b>39</b>	<b>29</b>
<b>Payable to other related parties and third parties</b>		
Professional fees	127	135
Administration fees	111	80
Transfer agency fees	84	62
Audit fee*	14	13
Printing fee	3	2
Price publication fees	2	2
<b>Total payable to other related parties and third parties</b>	<b>341</b>	<b>294</b>
<b>Total</b>	<b>8,028</b>	<b>3,406</b>

Expenses include VAT, where applicable.

\*Audit fee excluding VAT for the period is £11,080 (2012 £10,870).

## 5. Taxation

	Year ended 30.09.13 £'000	Year ended 30.09.12 £'000
<b>(a) Analysis of tax charge</b>		
Corporation tax at 20%	-	-
<b>Current tax charge (see note 5(b))</b>	-	-
<b>(b) Factors affecting current tax charge</b>		
Net expense before taxation	(7,895)	(2,738)
Corporation tax at 20% (2012: 20%)	(1,579)	(548)
Effects of:		
Franked investment income not taxable	(6)	-
Excess expenses not utilised	1,585	548
<b>Current tax charge (see note 5(a))</b>	-	-

### (c) Factors that may affect future tax charges

At 30 September 2013 there is a potential deferred tax asset of £2,622,800 (30 September 2012: £1,037,977) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised in the current or prior year.

## 6. Finance costs

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares, and comprise:

	Year ended 30.09.13 £'000	Year ended 30.09.12 £'000
Interim	-	-
Final	-	-
	-	-
Add: Revenue deducted on cancellation of shares	-	-
Deduct: Revenue received on creation of shares	(1)	-
<b>Net distributions</b>	<b>(1)</b>	<b>-</b>
Net interest paid on contracts for differences	525	353
Bank and margin deposit interest	6	1
<b>Total interest</b>	<b>531</b>	<b>354</b>
<b>Total finance costs</b>	<b>530</b>	<b>354</b>
<b>Movement between net distributions and net expense after taxation</b>		
Net distributions	(1)	-
Less: Net expense payable from capital	(7,894)	(2,738)
<b>Net expense after taxation</b>	<b>(7,895)</b>	<b>(2,738)</b>

Details of the distributions are set out on page 44.

## 7. Debtors

	30.09.13 £'000	30.09.12 £'000
Amounts receivable on creation of shares	5,483	130
Accrued revenue	111	451
Prepaid expenses	1	-
<b>Total</b>	<b>5,595</b>	<b>581</b>

## 8. Cash and bank balances

	30.09.13 £'000	30.09.12 £'000
Cash and bank balances	346,757	219,961
Amounts held at futures clearing houses	2,946	1,550
<b>Total</b>	<b>349,703</b>	<b>221,511</b>

## 9. Creditors

	30.09.13 £'000	30.09.12 £'000
Accrued expenses	5,803	1,733
Purchases awaiting settlement	3,199	-
Amounts due to broker on contracts for differences	719	237
Amounts payable on cancellation of shares	398	635
<b>Total</b>	<b>10,119</b>	<b>2,605</b>

## 10. Contingent liabilities

As at 30 September 2013, the Fund had no contingent liabilities (30 September 2012: nil).

## 11. Portfolio transaction costs

	Year ended 30.09.13 £'000	Year ended 30.09.12 £'000
<b>Purchases in year before transaction costs</b>	<b>15,044</b>	<b>3,486</b>
Commissions	13	5
Taxes	46	12
<b>Total purchase costs</b>	<b>59</b>	<b>17</b>
<b>Gross purchase total</b>	<b>15,103</b>	<b>3,503</b>
<b>Gross sales in year before transaction costs</b>	<b>495</b>	<b>3,426</b>
Commissions	(1)	(2)
<b>Total sales costs</b>	<b>(1)</b>	<b>(2)</b>
<b>Total sales net of transaction costs</b>	<b>494</b>	<b>3,424</b>

Transaction costs of £686,262 (30 September 2012: £431,766) relating to contracts for differences are included in note 2.

## 12. Performance fee

The ACD is entitled to receive out of the assets of each share class of the Fund a performance related management fee ("the Performance fee") equal to 20% of the increase in the net asset value per share of each class (after adding back any distributions made if applicable) of the Fund outstanding in respect of each performance period less any carry forward per share of such class. The Performance fee is payable in arrears in respect of each performance period. Each performance period shall be twelve months. A fuller explanation of the calculation of the Performance fee can be found in the Prospectus.

Performance fees received by the ACD are disclosed in note 4 of the financial statements.

## 13. Shareholders' funds

During the year the Fund had 4 share classes; P1 GBP Accumulation, P2 GBP Accumulation, P1 Euro Accumulation (dormant as at 4 November 2011 and reactivated on 16 July 2013) and P2 Euro Accumulation.

The ACD fee on each share class is as follows:

Share Class P1 GBP Accumulation: 1.25%

Share Class P2 GBP Accumulation: 0.75%

Share Class P1 Euro Accumulation: 1.25%

Share Class P2 Euro Accumulation: 0.75%

The net asset value of each share class, the net asset value per share, and the number of shares in each class are given on page 27. The distribution per share class is given in the distribution tables on page 44.

All share classes have the same rights on winding up.

## 14. Derivatives and other financial instruments

### Value at Risk (VaR)

Given the interdependencies between market variables, the Company measures its Value at Risk (VaR) daily. VaR is measured by the Head of Risk using an in-house proprietary model developed by the Investment Manager. The model uses position data (at a security level) from the administration system and daily security price data from Bloomberg. The volatility and correlation data underlying each VaR figure is measured using price changes on the previous 250 trading days, with more recent data carrying more weight in the calculations (half life of 34 days). The calculation methodology is parametric (assumes that daily price changes follow a normal distribution).

The VaR figures use a projection period of one month and a confidence level of 99%. In other words, the VaR model estimates that there is a 5% probability that the portfolio could lose more than the VaR over the ten trading days following the measurement point.

In addition, a number of stress tests are carried out daily which examine how the portfolio might react to historic extreme periods in the markets.

VaR is calculated daily based on the previous day's closing positions. It should be noted that, given the dynamic nature of the portfolio's construction, the VaR is likely to vary considerably over time. As such, the VaR, at any point in time, should not be relied upon to gauge the average level of risk taken during the accounting period or the likely level of risk in the future. It should also be noted that, all other things being equal, the VaR will be driven by the prevailing level of volatility in the market based on variables such as currency and price risk.

Also, the VaR estimated by the model may underestimate/(overestimate) the risk facing the portfolio during the projection period if volatility increases/(decreases) materially after the measurement point. The assumption that security price changes follow a normal distribution is an approximation. There may be more extreme price movements than suggested by normality and therefore VaR may be understated at times. It is important to note that if and when actual portfolio losses exceed the levels implied by the VaR model, they may do so by a substantial margin.

## 14. Derivatives and other financial instruments (continued)

### Value at Risk (VaR) (continued)

Some limitations of VaR analysis are:

- the models are based on historical data and cannot take account of the fact that future market price movements, correlations between markets and levels of market liquidity in conditions of market stress may bear no relation to historical patterns;
- the market price risk information is a relative estimate of risk rather than a precise and accurate number;
- the market price information represents a hypothetical outcome and is not intended to be predictive (in the case of probability-based methods, such as VaR, actual profits and losses are almost certain to exceed the reported amount with a frequency depending on the confidence interval chosen); and
- future market conditions could vary significantly from those experienced in the past.

At 30 September 2013, the estimated VaR (one-month, 99%) was 2.48% (30 September 2012: 2.44%) of net asset value.

### (a) Currency exposure

The net assets of the Fund are denominated mainly in Sterling. Additionally, the Fund has entered into an agreement with the Currency Overlay Manager to neutralise the Euro share classes' currency exposure to Sterling. Accordingly it is unlikely that the balance sheet and total return will be directly affected by currency movements.

### (b) Interest rate risk profile of financial assets and liabilities

Currency	Floating rate financial assets* £'000	Financial assets not carrying interest £'000	Total market value £'000
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The interest rate risk profile of the Fund's financial assets as at 30 September 2013 was:

Danish krone	-	-	-
Euro	-	713	713
Norwegian krone	-	260	260
Swedish krona	-	301	301
Sterling	349,703	28,632	378,335
Swiss franc	-	-	-
<b>Total</b>	<b>349,703</b>	<b>29,906</b>	<b>379,609</b>

The interest rate risk profile of the Fund's financial assets as at 30 September 2012 was:

Danish krone	-	(4)	(4)
Euro	-	661	661
Norwegian krone	-	-	-
Swedish krona	-	53	53
Sterling	221,511	911	222,422
Swiss franc	-	778	778
<b>Total</b>	<b>221,511</b>	<b>2,399</b>	<b>223,910</b>

\*The floating rate financial assets include bank deposits that earned interest at variable rates.

## 14. Derivatives and other financial instruments (continued)

### (b) Interest rate risk profile of financial assets and liabilities (continued)

Currency	Financial liabilities not carrying interest £'000	Total market value £'000
The interest rate risk profile of the Fund's financial liabilities as at 30 September 2013 was:		
Euro	1,670	1,670
Norwegian krone	1	1
Swedish krona	283	283
Sterling	14,606	14,606
<b>Total</b>	<b>16,560</b>	<b>16,560</b>
The interest rate risk profile of the Fund's financial liabilities as at 30 September 2012 was:		
Sterling	2,368	2,368
<b>Total</b>	<b>2,368</b>	<b>2,368</b>

### (c) Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value. The market value of investments is taken to equal 'fair value' for the purposes of FRS 13. Given the activities of the Fund, none of the investments held fall within the definition of 'investments held for trading' as set out in FRS 13.

The base currency of the Fund is Sterling. For the purpose of disclosures required by FRS 13, this is taken to be the 'functional currency' of the Fund.

The borrowing facilities available to the Fund as at 30 September 2013 comprise a bank overdraft facility of 10% of the value of the Fund.

The Fund has an agreed overdraft facility with J.P. Morgan Chase Bank at 1% above the Investor Services overdraft rate. There was no borrowing at the balance sheet date.

## 15. Related parties

The Company's ACD is related to the Company as defined by FRS 8 'Related Party Disclosures' and is named on page 72. Fees received by the ACD are disclosed in note 4 of the financial statements. By virtue of the regulations governing authorised funds, the ACD is party to every transaction in respect of shares of the Company, which are summarised in the Statement of change in net assets attributable to shareholders. Balances outstanding at the year end for these transactions are as follows:

	30.09.13 £'000	30.09.12 £'000
Performance fee	5,077	1,436
Amounts payable on cancellation of shares	398	635
ACD fee	553	153
Amounts receivable on creation of shares	(5,483)	(130)
<b>Total payable to the ACD or associate of the ACD</b>	<b>545</b>	<b>2,094</b>

## 16. Counterparty Exposure

The types of derivatives held at the balance sheet date were forward currency contracts and contracts for difference. Details of individual contracts are disclosed separately in the Portfolio statement and the value of the exposure is shown in the Non Statutory Portfolio Statement.

The collateral value held on behalf of Bank of America Merrill Lynch (the Counterparty for the Contracts for Difference) is nil (30.09.12 nil).

The collateral value held on behalf of JP Morgan (the Counterparty for the Forward Currency Contracts) is nil (30.09.12 nil).

## Distribution tables

for the year ended 30 September 2013

### Final distribution

Group 1 – Shares purchased on or before 31 March 2013

Group 2 – Shares purchased on 1 April 2013 to 30 September 2013

Distribution	Tax credit p	Net revenue distributable p	Equalisation* p	Payable 30.11.13 total p	Paid 30.11.12 total p
<b>P1 GBP Accumulation</b>					
Group 1	0.0000000	0.0000000	-	0.0000000	0.0000000
Group 2	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000
<b>P2 GBP Accumulation</b>					
Group 1	0.0000000	0.0000000	-	0.0000000	0.0000000
Group 2	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000
Distribution	Tax credit €	Net revenue distributable €	Equalisation* €	Payable 30.11.13 total €	Paid 30.11.12 total €
<b>P1 Euro Accumulation</b>					
Group 1	0.0000000	0.0000000	-	0.0000000	0.0000000
Group 2	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000
<b>P2 Euro Accumulation</b>					
Group 1	0.0000000	0.0000000	-	0.0000000	0.0000000
Group 2	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000

### Interim distribution

Group 1 – Shares purchased on or before 30 September 2013

Group 2 – Shares purchased on 1 October 2012 to 31 March 2013

Distribution	Tax credit p	Net revenue distributable p	Equalisation* p	Paid 31.05.13 total p	Paid 31.05.12 total p
<b>P1 GBP Accumulation</b>					
Group 1	0.0000000	0.0000000	-	0.0000000	0.0000000
Group 2	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000
<b>P2 GBP Accumulation</b>					
Group 1	0.0000000	0.0000000	-	0.0000000	0.0000000
Group 2	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000
Distribution	Tax credit €	Net revenue distributable €	Equalisation* €	Paid 31.05.13 total €	Paid 31.05.12 total €
<b>P1 Euro Accumulation</b>					
Group 1	0.0000000	0.0000000	-	0.0000000	0.0000000
Group 2	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000
<b>P2 Euro Accumulation</b>					
Group 1	0.0000000	0.0000000	-	0.0000000	0.0000000
Group 2	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000

### \* Equalisation

Equalisation applies only to shares purchased during the current distribution period (Group 2 shares). It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being a capital repayment, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.



## Authorised Corporate Director's investment report

### Investment objective and policy

The objective of the Cazenove Absolute UK Dynamic Fund ("the Fund") is to achieve absolute returns through targeted investment strategies independent of United Kingdom market conditions or indices.

The ACD will seek to achieve its investment objective by investing in a concentrated portfolio of companies (usually between 30 to 60 companies both on the long side and the short side of the portfolio) predominantly incorporated in the United Kingdom or in companies which derive a significant proportion of their revenues or profits from this country or which are primarily operating in this jurisdiction. Investments will be made primarily in companies and other securities which are constituents of the FTSE All-Share Index with a bias towards medium sized and smaller companies. The Fund may also invest in securities listed on the Alternative Investment Market and in equity related transferable securities, such as preferred shares, debentures, warrants (warrants may not exceed more than 5 per cent of the total assets of the Fund) and convertible securities or in derivatives thereof. As the Fund has an absolute return objective it will not be managed against any index.

Whilst the Fund will mainly invest in equities, it may also invest in debt securities (such as bonds and notes of any maturity which are transferable securities), where this is deemed appropriate in the market conditions prevailing at that time. Any such securities will be rated investment grade by Moody's or S&P, or if not rated, deemed by the investment manager to have at least an equivalent rating and will be issued by the United Kingdom government or companies incorporated in the United Kingdom or in companies which derive a predominant proportion of their revenues or profits from this country or which are principally operating in that jurisdiction. The Fund may also invest in short-term securities which are rated investment grade (such as certificates of deposit, bankers' acceptances and commercial paper) for temporary defensive purposes.

The Fund will seek to achieve its investment objective and policy through the use of various investment strategies including the use of derivatives to obtain long and synthetic short positions principally through contracts for differences. The Fund may also use forward foreign exchange transactions, interest rate and government bond futures, and other exchange traded and off-exchange traded derivative contracts for the purposes of efficient portfolio management and/or meeting the investment objectives of the Fund. Such derivative contracts have the potential to significantly increase the Fund's risk profile.

The ACD employs a risk management process that seeks to control the volatility of Fund returns.

The Fund may at any time have substantial holdings in ancillary liquid assets.

### Performance

The Fund delivered a return of 17.53% over the year (P1 GBP Accumulation share class).

### Market review

This was another good year for the Fund. We maintained positive momentum into the end of 2012, had a slow start to calendar 2013 but performance accelerated in Q2 and Q3 with consistent stock selection and effective portfolio construction. As one would expect in a rising market the long book was the main positive driver once we had sustained a few headwinds in Q1. The short book provided good capital protection in the tougher months the market encountered such as June and August. As 2013 developed long smaller caps and short mid and large caps, particularly expensive defensive stocks, was a favourable overall tilt to the portfolio that we had established at the start of the year. Our stand-out contributors were primarily long term positions such as Xaar, British Polythene Industries and Perform but we also benefited from good debuts from names such as Clinigen and Crest Nicholson which were both Initial Public Offerings (IPOs).

### Portfolio activity

This was a much more active year for equity placements, both primary and secondary. We added new positions in Telford Homes, BTG and Keller in secondary placings while new companies we acquired at IPO included HellermannTyton, Esure and Foxtons and Partnership Assurance in addition to those mentioned above. We also added new positions in Lancashire, an insurer, Spirit Pub and software specialist WANDisco during the period. We also exited our successful investments in Cineworld, Quindell and Waterlogic.

### Outlook

This has, not unlike last year, been a period when a focus on stock selection has worked well in the face of mixed macroeconomic signals. Smaller companies have been a good place to be as investors have sought riskier equities as the wider rally has taken hold. We believe this trend is likely to continue into this year, but we also need to mindful that smaller companies and our long book in general have been very strong. A more positive tone from the management teams we meet across many different sectors in recent months and some evidence that earnings downgrades are being outnumbered by upgrades suggests that despite the sector rerating we still have some further gains to make. Additionally the macro issues that have resurfaced regularly over the last few years seem not to be spooking markets as they did, even if they still persist. As ever we need to maintain diligence in stock selection, particularly to ensure we have an array of performance drivers into 2014, and continue to meet management teams from all sectors to give us the best chance of continuing to deliver for our investors.

## Authorised Corporate Director's investment report (continued)

### Synthetic risk & reward indicator

The synthetic risk & reward indicator ranges from 1 to 7, with 1 being the lowest risk. The risk and reward indicator for the Fund is 6.

The Fund buys securities (known as derivatives) whose price is dependent upon or derived from one or more underlying assets. Such investments can significantly raise the Fund's risk profile and cause its share price to fluctuate. Since many derivatives have a borrowing component, changes in the value of the underlying shares or bonds can cause a loss to the Fund which is substantially greater than the amount invested in the derivative itself. Where the Fund has a positive performance, a performance fee of 20% is taken at the Fund's year-end. The Fund may take the annual management charge from capital if insufficient income is generated by the investments. This may result in the Fund not growing and could result in the value of the Fund's shares falling. The Fund will invest in medium and smaller sized companies and it may have a more concentrated portfolio of shares than is usual in most funds. Investment in shares and/or bonds is subject to normal market fluctuations. There is no assurance that your investment will increase in value. Your original investment is not guaranteed. The value of the fund may fluctuate significantly in response to the performance of individual companies, as well as in connection with market and economic conditions. The Fund's risk profile is based on historical data and this may not be a reliable indicator of its future risk profile. The lowest risk category does not mean an investment is risk free. The risk category shown is not a target or a guarantee and may change over time.

## Non-statutory portfolio statement

(unaudited)

as at 30 September 2013

The following portfolio structure statement has been provided to show the investment exposure of the portfolio, by investment. It differs from the statutory portfolio statement in that only the equity exposure is shown.

Holding	Stock description	Market value £	Percentage of net assets %
<b>Long positions</b>			
<b>Aerospace &amp; defense</b>			
1,118,900	Chemring <sup>†</sup>	3,394,743	0.92
<b>Banks</b>			
189,357	Secure Trust Bank <sup>†</sup>	4,165,854	1.13
<b>Beverages</b>			
747,200	Britvic	4,277,720	1.16
302,225	Nichols <sup>†</sup>	3,659,945	1.00
		<b>7,937,665</b>	<b>2.16</b>
<b>Chemicals</b>			
5,373,600	Scapa	4,970,580	1.35
<b>Construction &amp; materials</b>			
308,800	Keller	3,208,432	0.87
6,196,637	Low & Bonar <sup>†</sup>	4,601,003	1.25
		<b>7,809,435</b>	<b>2.12</b>
<b>Electronic &amp; electrical equipment</b>			
998,690	Andor Technology <sup>†</sup>	3,595,284	0.98
987,570	Gooch & Housego <sup>†</sup>	5,431,635	1.48
2,501,394	HellermannTyton <sup>†</sup>	6,753,764	1.84
1,161,800	Morgan Advanced Materials	3,615,522	0.98
191,955	Renishaw	3,460,949	0.93
1,825,735	Xaar <sup>†</sup>	14,487,207	3.94
		<b>37,344,361</b>	<b>10.15</b>
<b>Equity investment instruments</b>			
441,673	Brookwell <sup>†</sup>	236,295	0.06
<b>Fixed line telecommunications</b>			
11,281,900	Cable & Wireless Communications	4,471,017	1.22
<b>Food &amp; drug retailers</b>			
3,603,500	Booker	4,857,518	1.32
1,846,576	Clinigen <sup>†</sup>	7,935,660	2.16
		<b>12,793,178</b>	<b>3.48</b>
<b>Food producers</b>			
4,607,100	Premier Foods <sup>†</sup>	7,152,523	1.94
<b>General industrials</b>			
1,063,268	British Polythene Industries <sup>†</sup>	6,725,170	1.83
2,412,400	DS Smith	6,947,712	1.89
914,100	Rexam	4,402,306	1.19
		<b>18,075,188</b>	<b>4.91</b>

## Non-statutory portfolio statement (continued)

(unaudited)

as at 30 September 2013

Holding	Stock description	Market value £	Percentage of net assets %
<b>Long positions (continued)</b>			
<b>General retailers</b>			
2,866,931	Carphone Warehouse	6,773,124	1.84
907,932	N Brown	4,766,643	1.30
20,072,887	Pendragon <sup>†</sup>	6,724,417	1.83
5,624,525	Topps Tiles	4,977,705	1.35
		<b>23,241,889</b>	<b>6.32</b>
<b>Household goods &amp; home construction</b>			
539,800	Barratt Developments	1,665,823	0.45
1,345,832	Crest Nicholson	4,464,125	1.22
315,512	Crest Nicholson <sup>†</sup>	1,075,618	0.29
2,049,818	Telford Homes <sup>†</sup>	5,811,234	1.58
		<b>13,016,800</b>	<b>3.54</b>
<b>Industrial engineering</b>			
751,277	Vitec <sup>†</sup>	<b>5,119,953</b>	<b>1.39</b>
<b>Industrial transportation</b>			
1,111,800	BBA Aviation	<b>3,390,990</b>	<b>0.92</b>
<b>Life insurance</b>			
1,089,751	Partnership Assurance	4,489,774	1.22
332,549	Partnership Assurance <sup>†</sup>	1,365,779	0.37
		<b>5,855,553</b>	<b>1.59</b>
<b>Media</b>			
1,867,885	Entertainment One	4,100,008	1.11
482,315	Entertainment One <sup>†</sup>	1,056,270	0.29
947,445	Moneysupermarket.com	1,434,432	0.39
2,440,616	Perform <sup>†</sup>	13,643,043	3.71
		<b>20,233,753</b>	<b>5.50</b>
<b>Mobile telecommunications</b>			
2,130,500	Vodafone	<b>4,601,880</b>	<b>1.25</b>
<b>Nonlife insurance</b>			
1,336,400	esure	3,264,825	0.89
1,006,250	esure <sup>†</sup>	2,458,269	0.67
274,673	Lancashire <sup>†</sup>	2,101,248	0.57
		<b>7,824,342</b>	<b>2.13</b>
<b>Oil &amp; gas producers</b>			
960,300	BP	<b>4,159,059</b>	<b>1.13</b>
<b>Oil equipment, services &amp; distribution</b>			
254,900	Petrofac	<b>3,581,345</b>	<b>0.98</b>

## Non-statutory portfolio statement (continued)

(unaudited)

as at 30 September 2013

Holding	Stock description	Market value £	Percentage of net assets %
<b>Long positions (continued)</b>			
<b>Pharmaceuticals &amp; biotechnology</b>			
497,200	BTG	1,905,270	0.52
418,000	BTG <sup>†</sup>	1,598,850	0.43
		<b>3,504,120</b>	<b>0.95</b>
<b>Real estate investment &amp; services</b>			
447,150	CLS <sup>†</sup>	5,188,817	1.41
223,876	Foxtons <sup>†</sup>	599,988	0.16
991,800	LSL Property Services <sup>†</sup>	4,594,514	1.25
475,500	Savills	2,938,590	0.80
		<b>13,321,909</b>	<b>3.62</b>
<b>Real estate investment trusts</b>			
7,300,000	Hansteen	<b>7,227,000</b>	<b>1.97</b>
<b>Software &amp; computer services</b>			
2,546,100	Brady <sup>†</sup>	1,578,582	0.43
855,851	Computacenter	4,574,524	1.24
384,679	EMIS <sup>†</sup>	2,577,349	0.70
17,495,864	Innovation <sup>†</sup>	5,073,801	1.38
626,700	WANDisco <sup>†</sup>	7,050,375	1.92
		<b>20,854,631</b>	<b>5.67</b>
<b>Support services</b>			
5,482,923	Hogg Robinson <sup>†</sup>	4,139,607	1.12
1,151,259	John Menzies <sup>†</sup>	9,192,803	2.50
12,252,700	Johnson Service <sup>†</sup>	6,003,823	1.63
1,358,202	Robert Walters <sup>†</sup>	4,380,201	1.19
2,182,800	Smart Metering Systems <sup>†</sup>	7,421,520	2.02
		<b>31,137,954</b>	<b>8.46</b>
<b>Technology hardware &amp; equipment</b>			
1,580,600	Laird	3,483,642	0.95
2,702,517	Sepura	3,932,162	1.07
427,315	Sepura <sup>†</sup>	620,675	0.17
2,921,867	Spirent Communications	3,728,302	1.01
59,000	Wolfson Microelectronics	100,890	0.03
1,927,088	Wolfson Microelectronics <sup>†</sup>	3,295,320	0.89
		<b>15,160,991</b>	<b>4.12</b>
<b>Travel &amp; leisure</b>			
7,842,500	Spirit Pub <sup>†</sup>	5,587,781	1.52
239,400	Young & Co's Brewery 'A' <sup>†</sup>	2,334,150	0.63
268,700	Young & Co's Brewery <sup>†</sup>	1,786,855	0.49
		<b>9,708,786</b>	<b>2.64</b>
<b>Total long positions</b>		<b>300,291,794</b>	<b>81.62</b>

## Non-statutory portfolio statement (continued)

(unaudited)

as at 30 September 2013

Holding	Stock description	Market value £	Percentage of net assets %
<b>Short positions</b>			
<b>Beverages</b>			
(200,000)	Coca-Cola	(3,700,000)	(1.01)
(216,200)	Diageo	(4,248,330)	(1.15)
		<b>(7,948,330)</b>	<b>(2.16)</b>
<b>Chemicals</b>			
(127,700)	Croda International	(3,390,435)	(0.92)
(209,900)	Victrex	(3,352,103)	(0.91)
		<b>(6,742,538)</b>	<b>(1.83)</b>
<b>Construction &amp; materials</b>			
(1,361,000)	Balfour Beatty	<b>(3,869,323)</b>	<b>(1.05)</b>
<b>Electronic &amp; electrical equipment</b>			
(115,000)	Domino Printing Sciences	(736,000)	(0.20)
(622,828)	Halma	(3,528,321)	(0.96)
		<b>(4,264,321)</b>	<b>(1.16)</b>
<b>Financial services</b>			
(250,000)	Hargreaves Lansdown	<b>(2,448,750)</b>	<b>(0.67)</b>
<b>Food &amp; drug retailers</b>			
(350,000)	Greggs	(1,482,600)	(0.40)
(1,015,300)	WM Morrison Supermarkets	(2,842,840)	(0.78)
		<b>(4,325,440)</b>	<b>(1.18)</b>
<b>Food producers</b>			
(195,900)	Associated British Foods	<b>(3,675,084)</b>	<b>(1.00)</b>
<b>General retailers</b>			
(65,000)	ASOS	(3,341,650)	(0.91)
(80,700)	Next	(4,164,120)	(1.13)
		<b>(7,505,770)</b>	<b>(2.04)</b>
<b>Healthcare equipment &amp; services</b>			
(163,411)	Synergy Health	<b>(1,790,985)</b>	<b>(0.49)</b>
<b>Household goods &amp; home construction</b>			
(78,500)	Reckitt Benckiser	<b>(3,548,200)</b>	<b>(0.96)</b>
<b>Industrial engineering</b>			
(162,330)	Rotork	<b>(4,426,739)</b>	<b>(1.20)</b>
<b>Nonlife insurance</b>			
(301,300)	Admiral	<b>(3,715,029)</b>	<b>(1.01)</b>
<b>Personal goods</b>			
(223,300)	Burberry	<b>(3,648,722)</b>	<b>(0.99)</b>

## Non-statutory portfolio statement (continued)

(unaudited)

as at 30 September 2013

Holding	Stock description	Market value £	Percentage of net assets %
<b>Short positions (continued)</b>			
<b>Pharmaceuticals &amp; biotechnology</b>			
(138,100)	AstraZeneca	(4,440,605)	(1.21)
(134,374)	Genus	(1,924,236)	(0.52)
		<b>(6,364,841)</b>	<b>(1.73)</b>
<b>Software &amp; computer services</b>			
(122,600)	Fidessa	(2,437,288)	(0.66)
(447,600)	Telecity	(3,715,080)	(1.01)
		<b>(6,152,368)</b>	<b>(1.67)</b>
<b>Support services</b>			
(257,700)	Bunzl	(3,448,026)	(0.94)
(326,746)	Capita	(3,254,390)	(0.88)
(314,200)	Experian	(3,698,134)	(1.01)
(1,154,700)	Homeserve	(2,967,579)	(0.81)
(1,385,700)	Mitie	(4,100,286)	(1.11)
(1,501,500)	Regus	(2,732,730)	(0.74)
		<b>(20,201,145)</b>	<b>(5.49)</b>
<b>Travel &amp; leisure</b>			
(357,500)	Compass	(3,038,750)	(0.83)
(333,500)	Restaurant	(1,774,220)	(0.48)
(115,000)	Whitbread	(3,408,600)	(0.93)
(686,400)	William Hill	(2,766,192)	(0.75)
		<b>(10,987,762)</b>	<b>(2.99)</b>
<b>Futures</b>			
(1,276)	FTSE 250 Index	<b>(19,022,838)</b>	<b>(5.17)</b>
<b>Total short positions</b>		<b>(120,638,185)</b>	<b>(32.79)</b>
<b>Net long exposure</b>		<b>179,653,609</b>	<b>48.83</b>
<b>Other derivative positions</b>			
<b>Foreign currency hedges</b>			
€150,997,873	Buy EUR 150,997,873, Sell GBP 127,238,570	(1,003,190)	(0.27)
£75,368	Buy GBP 75,368, Sell EUR 75,342	249	-
		<b>(1,002,941)</b>	<b>(0.27)</b>
<b>Futures</b>			
(197)	FTSE 100 Index December 2013	<b>(12,666,115)</b>	<b>(3.44)</b>
<b>Net investment exposure</b>		<b>165,984,553</b>	<b>45.12</b>

Note: this portfolio statement differs from the statutory portfolio statement in that only the equivalent equity exposure of the contracts for differences ("CFDs") is shown. The statutory portfolio statement on page 54 shows the unrealised gain/(loss) on the CFD holdings at 30 September 2013. The counterparty for all CFDs and futures is Bank of America Merrill Lynch. The counterparty for all forwards is J.P. Morgan.

All holdings are CFDs unless otherwise stated.

† Direct equity investments.

## Fund facts

	Accounting date	Distribution payment date
Interim	31 March	-
Final	30 September	30 November

## Performance record

	30.09.13 p	30.09.12 p	Share price % change*	Total return % change* (net of tax)
P1 GBP Accumulation	147.30	125.33	17.53	17.53
P2 GBP Accumulation	150.13	127.11	18.11	18.11
	30.09.13 ¢	30.09.12 ¢	Share price % change*	Total return % change* (net of tax)
P1 Euro Accumulation	162.34	139.01	16.78	16.78
P2 Euro Accumulation	168.65	143.53	17.50	17.50

\* % change reflects net income reinvested.

## Price history

Calendar year	P1 GBP Accumulation		P1 Euro Accumulation		P2 GBP Accumulation		P2 Euro Accumulation	
	Lowest price p	Highest price p	Lowest price ¢	Highest price ¢	Lowest price p	Highest price p	Lowest price ¢	Highest price ¢
2013*	128.49	149.05	141.83	164.28	130.50	151.89	146.97	170.66
2012	115.07	129.55	128.21	143.49	116.46	131.42	131.93	148.36
2011**	105.75	121.35	126.36	135.98	106.23	122.40	127.34	139.80
2010	91.56	105.54	-	-	91.87	106.00	-	-
2009***	98.65	102.24	-	-	98.66	102.32	-	-

\* To 30 September 2013.

\*\* P1 Euro Accumulation shares were first issued on 7 June 2011 at a price of 129.04¢. P2 Euro Accumulation shares were first issued on 6 April 2011 at a price of 126.59¢.

\*\*\* P1 and P2 GBP Accumulation shares were first issued on 7 September 2009 at a price of 100p.

## Ongoing charges figure

An ongoing charges figure ("OCF") is shown which takes into account the management fee and all other operating expenses over the year and is expressed as a percentage of average daily assets over the same period.

	30.09.13 %	30.09.12* (revised)%	30.09.12 (published)%
P1 GBP Accumulation	1.63	1.64	1.64
P1 Euro Accumulation**	1.97	1.80	1.74
P2 GBP Accumulation	1.13	1.14	1.12
P2 Euro Accumulation***	1.14	1.15	1.12

\*The OCF for the prior year was incorrect in the published Report and Accounts for the year ended 30 September 2012.

\*\* P1 Euro Accumulation shares were first issued on 7 June 2011 at a price of 129.04¢.

\*\*\* P2 Euro Accumulation shares were first issued on 6 April 2011 at a price of 126.59¢.



## Net asset value record

Date	Net asset value £	Number of shares in issue	Net asset value per share p
<b>30 September 2013</b>			
P1 GBP Accumulation	149,860,723	101,717,241	147.33
P1 Euro Accumulation	4,150,529	3,058,456	135.71
P2 GBP Accumulation	92,069,405	61,312,619	150.16
P2 Euro Accumulation	121,803,863	86,396,989	140.98
	<b>367,884,520</b>	<b>252,485,305</b>	
<b>30 September 2012</b>			
P1 GBP Accumulation	133,132,095	106,787,867	124.67
P1 Euro Accumulation	4,368,300	3,957,974	110.37
P2 GBP Accumulation	54,414,136	43,036,146	126.44
P2 Euro Accumulation	69,131,142	60,660,690	113.96
	<b>261,045,673</b>	<b>214,442,677</b>	
<b>30 September 2011</b>			
P1 GBP Accumulation	100,242,176	86,261,855	116.21
P1 Euro Accumulation	3,229,399	2,875,392	112.31
P2 GBP Accumulation	51,261,286	43,636,959	117.47
P2 Euro Accumulation	44,431,991	38,543,032	115.28
	<b>199,164,852</b>	<b>171,317,238</b>	

## Net revenue distributions

Calendar year	Final 30.09	Total
<b>P1 GBP Accumulation</b>		
2013* **	0.0000p	0.0000p
2012**	0.0000p	0.0000p
2011**	0.0000p	0.0000p
2010	0.4160p	0.4160p
2009**	0.0000p	0.0000p
<b>P1 Euro Accumulation</b>		
2013* **	0.0000¢	0.0000¢
2012**	0.0000¢	0.0000¢
2011**	0.0000¢	0.0000¢
<b>P2 GBP Accumulation</b>		
2013* **	0.0000p	0.0000p
2012**	0.0000p	0.0000p
2011**	0.0000p	0.0000p
2010	0.8225p	0.8225p
2009**	0.0000p	0.0000p
<b>P2 Euro Accumulation</b>		
2013* **	0.0000¢	0.0000¢
2012**	0.0000¢	0.0000¢
2011**	0.0000¢	0.0000¢

\* To 30 September 2013.

\*\* The share class did not pay a distribution during the year.

Please remember that past performance is not a guide to future performance and it might not be repeated.

## Portfolio statement

as at 30 September 2013

Holding	Stock description	Market value £	Percentage of net assets %
<b>Equities 49.07% (30 September 2012 52.80%)</b>			
<b>Aerospace &amp; defense 0.92% (30 September 2012 0.00%)</b>			
1,118,900	Chemring	3,394,743	0.92
<b>Banks 1.13% (30 September 2012 1.70%)</b>			
189,357	Secure Trust Bank <sup>†</sup>	4,165,854	1.13
<b>Beverages 1.00% (30 September 2012 1.15%)</b>			
302,225	Nichols <sup>†</sup>	3,659,945	1.00
<b>Construction &amp; materials 1.25% (30 September 2012 1.16%)</b>			
6,196,637	Low & Bonar	4,601,003	1.25
<b>Electronic &amp; electrical equipment 8.23% (30 September 2012 7.58%)</b>			
998,690	Andor Technology	3,595,284	0.98
987,570	Gooch & Housego <sup>†</sup>	5,431,635	1.48
2,501,394	HellermannTyton	6,753,764	1.83
1,825,735	Xaar	14,487,207	3.94
		<b>30,267,890</b>	<b>8.23</b>
<b>Equity investment instruments 0.06% (30 September 2012 0.11%)</b>			
441,673	Brookwell <sup>†</sup>	236,295	0.06
<b>Financial services 0.00% (30 September 2012 1.56%)</b>			
<b>Food &amp; drug retailers 2.16% (30 September 2012 1.08%)</b>			
1,846,576	Clinigen <sup>†</sup>	7,935,660	2.16
<b>Food producers 1.94% (30 September 2012 1.51%)</b>			
4,607,100	Premier Foods	7,152,523	1.94
<b>General industrials 1.83% (30 September 2012 2.35%)</b>			
1,063,268	British Polythene Industries	6,725,170	1.83
<b>General retailers 1.83% (30 September 2012 1.11%)</b>			
20,072,887	Pendragon	6,724,417	1.83
<b>Household goods &amp; home construction 1.87% (30 September 2012 0.00%)</b>			
324,862	Crest Nicholson	1,075,618	0.29
2,049,818	Telford Homes <sup>†</sup>	5,811,234	1.58
		<b>6,886,852</b>	<b>1.87</b>
<b>Industrial engineering 1.39% (30 September 2012 3.39%)</b>			
751,277	Vitec	5,119,953	1.39
<b>Life insurance 0.37% (30 September 2012 0.00%)</b>			
332,549	Partnership Assurance	1,365,779	0.37
<b>Media 4.00% (30 September 2012 5.54%)</b>			
482,315	Entertainment One	1,056,270	0.29

## Portfolio statement (continued)

as at 30 September 2013

Holding	Stock description	Market value £	Percentage of net assets %
<b>Equities (continued)</b>			
<b>Media (continued)</b>			
2,440,616	Perform	13,643,043	3.71
		<b>14,699,313</b>	<b>4.00</b>
<b>Nonlife insurance 1.24% (30 September 2012 0.00%)</b>			
1,006,250	esure	2,458,269	0.67
274,673	Lancashire	2,101,248	0.57
		<b>4,559,517</b>	<b>1.24</b>
<b>Pharmaceuticals &amp; biotechnology 0.44% (30 September 2012 0.00%)</b>			
418,000	BTG	<b>1,598,850</b>	<b>0.44</b>
<b>Real estate investment &amp; services 2.82% (30 September 2012 0.98%)</b>			
445,392	CLS	5,188,817	1.41
223,876	Foxtons	599,988	0.16
991,800	LSL Property Services	4,594,514	1.25
		<b>10,383,319</b>	<b>2.82</b>
<b>Software &amp; computer services 4.43% (30 September 2012 4.37%)</b>			
2,546,100	Brady <sup>†</sup>	1,578,582	0.43
384,679	EMIS <sup>†</sup>	2,577,349	0.70
17,495,864	Innovation	5,073,801	1.38
626,700	WANdisco <sup>†</sup>	7,050,375	1.92
		<b>16,280,107</b>	<b>4.43</b>
<b>Support services 8.46% (30 September 2012 12.78%)</b>			
5,482,923	Hogg Robinson	4,139,607	1.12
1,151,259	John Menzies	9,192,803	2.50
12,252,700	Johnson Service <sup>†</sup>	6,003,823	1.63
1,358,202	Robert Walters	4,380,201	1.19
2,182,800	Smart Metering Systems <sup>†</sup>	7,421,520	2.02
		<b>31,137,954</b>	<b>8.46</b>
<b>Technology hardware &amp; equipment 1.06% (30 September 2012 1.57%)</b>			
427,315	Sapura	620,675	0.17
1,927,088	Wolfson Microelectronics	3,295,320	0.89
		<b>3,915,995</b>	<b>1.06</b>
<b>Travel &amp; leisure 2.64% (30 September 2012 4.86%)</b>			
7,842,500	Spirit Pub	5,587,781	1.52
239,400	Young & Co's Brewery 'A' <sup>†</sup>	2,334,150	0.63
268,700	Young & Co's Brewery <sup>†</sup>	1,786,855	0.49
		<b>9,708,786</b>	<b>2.64</b>
<b>Derivatives 0.14% (30 September 2012 (0.39)%)</b>			
<b>Contracts for differences (CFDs) long positions (0.51)% (30 September 2012 (0.81)%)</b>			
<b>Aerospace &amp; defense 0.00% (30 September 2012 (0.03)%)</b>			
<b>Automobiles &amp; parts 0.00% (30 September 2012 (0.14)%)</b>			
<b>Beverages (0.01)% (30 September 2012 0.00%)</b>			
747,200	Britvic	<b>(33,624)</b>	<b>(0.01)</b>

## Portfolio statement (continued)

as at 30 September 2013

Holding	Stock description	Market value £	Percentage of net assets %
<b>Derivatives (continued)</b>			
<b>Contracts for differences (CFDs) long positions (continued)</b>			
<b>Chemicals 0.02% (30 September 2012 (0.04)%)</b>			
5,373,600	Scapa <sup>†</sup>	80,604	0.02
<b>Construction &amp; materials (0.06)% (30 September 2012 0.00%)</b>			
308,800	Keller	(213,072)	(0.06)
<b>Electronic &amp; electrical equipment (0.02)% (30 September 2012 0.01%)</b>			
1,161,800	Morgan Advanced Materials	4,647	-
191,955	Renishaw	(86,442)	(0.02)
		<b>(81,795)</b>	<b>(0.02)</b>
<b>Financial services 0.00% (30 September 2012 (0.04)%)</b>			
<b>Fixed line telecommunications (0.03)% (30 September 2012 0.00%)</b>			
11,281,900	Cable & Wireless Communications	(118,460)	(0.03)
<b>Food &amp; drug retailers (0.02)% (30 September 2012 (0.07)%)</b>			
3,603,500	Booker	(68,467)	(0.02)
<b>General industrials (0.03)% (30 September 2012 (0.01)%)</b>			
2,412,400	DS Smith	45,836	0.01
914,100	Rexam	(172,765)	(0.04)
		<b>(126,929)</b>	<b>(0.03)</b>
<b>General retailers 0.04% (30 September 2012 (0.20)%)</b>			
2,866,931	Carphone Warehouse	64,506	0.02
907,932	N Brown	(217,904)	(0.06)
5,624,525	Topps Tiles	309,349	0.08
		<b>155,951</b>	<b>0.04</b>
<b>Household goods &amp; home construction (0.06)% (30 September 2012 0.00%)</b>			
539,800	Barratt Developments	(134,950)	(0.04)
1,345,832	Crest Nicholson	(76,712)	(0.02)
		<b>(211,662)</b>	<b>(0.06)</b>
<b>Industrial engineering 0.00% (30 September 2012 (0.02)%)</b>			
<b>Industrial transportation (0.06)% (30 September 2012 (0.05)%)</b>			
1,111,800	BBA Aviation	(233,478)	(0.06)
<b>Life insurance (0.04)% (30 September 2012 0.00%)</b>			
1,089,751	Partnership Assurance	(158,014)	(0.04)
<b>Media (0.05)% (30 September 2012 (0.07)%)</b>			
1,867,885	Entertainment One	(65,376)	(0.02)
947,445	Moneysupermarket.com	(114,641)	(0.03)
		<b>(180,017)</b>	<b>(0.05)</b>
<b>Mining 0.00% (30 September 2012 (0.10)%)</b>			

## Portfolio statement (continued)

as at 30 September 2013

Holding	Stock description	Market value £	Percentage of net assets %
<b>Derivatives (continued)</b>			
<b>Contracts for differences (CFDs) long positions (continued)</b>			
<b>Mobile telecommunications 0.01% (30 September 2012 0.00%)</b>			
2,130,500	Vodafone	44,741	0.01
<b>Nonlife insurance 0.04% (30 September 2012 0.00%)</b>			
1,336,400	esure	151,013	0.04
<b>Oil &amp; gas producers (0.03)% (30 September 2012 0.00%)</b>			
960,300	BP	(97,470)	(0.03)
<b>Oil equipment, services &amp; distribution 0.00% (30 September 2012 0.00%)</b>			
254,900	Petrofac	15,294	-
<b>Pharmaceuticals &amp; biotechnology 0.01% (30 September 2012 0.00%)</b>			
497,200	BTG	20,882	0.01
<b>Real estate investment &amp; services 0.00% (30 September 2012 0.00%)</b>			
475,500	Savills	7,132	-
<b>Real estate investment trusts (0.02)% (30 September 2012 (0.02)%)</b>			
7,300,000	Hansteen	(73,000)	(0.02)
<b>Software &amp; computer services (0.03)% (30 September 2012 (0.02)%)</b>			
855,851	Computacenter	(106,981)	(0.03)
<b>Support services 0.00% (30 September 2012 (0.07)%)</b>			
<b>Technology hardware &amp; equipment (0.17)% (30 September 2012 0.06%)</b>			
1,580,600	Laird	(262,380)	(0.07)
2,702,517	Sapura	(182,420)	(0.05)
2,921,867	Spirent Communications	(165,535)	(0.05)
59,000	Wolfson Microelectronics	(5,310)	-
		<b>(615,645)</b>	<b>(0.17)</b>
<b>Contracts for differences (CFDs) short positions 0.65% (30 September 2012 0.42%)</b>			
<b>Beverages 0.03% (30 September 2012 0.01%)</b>			
(200,000)	Coca-Cola	893	-
(216,200)	Diageo	102,695	0.03
		<b>103,588</b>	<b>0.03</b>
<b>Chemicals 0.05% (30 September 2012 (0.01)%)</b>			
(127,700)	Croda International	(6,385)	-
(209,900)	Victrex	172,118	0.05
		<b>165,733</b>	<b>0.05</b>
<b>Construction &amp; materials (0.02)% (30 September 2012 (0.06)%)</b>			
(1,361,000)	Balfour Beatty	(83,021)	(0.02)

## Portfolio statement (continued)

as at 30 September 2013

Holding	Stock description	Market value £	Percentage of net assets %
<b>Derivatives (continued)</b>			
<b>Contracts for differences (CFDs) short positions (continued)</b>			
<b>Electronic &amp; electrical equipment 0.01% (30 September 2012 0.05%)</b>			
(115,000)	Domino Printing Sciences	17,618	-
(622,828)	Halma	31,141	0.01
		<b>48,759</b>	<b>0.01</b>
<b>Financial services 0.03% (30 September 2012 0.01%)</b>			
(250,000)	Hargreaves Lansdown	<b>98,750</b>	<b>0.03</b>
<b>Fixed line telecommunications 0.00% (30 September 2012 0.01%)</b>			
<b>Food &amp; drug retailers 0.06% (30 September 2012 0.12%)</b>			
(350,000)	Greggs	64,750	0.02
(1,015,300)	WM Morrison Supermarkets	166,509	0.04
		<b>231,259</b>	<b>0.06</b>
<b>Food producers (0.02)% (30 September 2012 0.01%)</b>			
(195,900)	Associated British Foods	<b>(64,647)</b>	<b>(0.02)</b>
<b>General retailers 0.05% (30 September 2012 (0.07)%)</b>			
(65,000)	ASOS <sup>†</sup>	143,650	0.04
(80,700)	Next	32,280	0.01
		<b>175,930</b>	<b>0.05</b>
<b>Healthcare equipment &amp; services 0.01% (30 September 2012 0.02%)</b>			
(163,411)	Synergy Health	<b>29,414</b>	<b>0.01</b>
<b>Household goods &amp; home construction 0.01% (30 September 2012 0.02%)</b>			
(78,500)	Reckitt Benckiser	<b>21,980</b>	<b>0.01</b>
<b>Industrial engineering 0.05% (30 September 2012 0.07%)</b>			
(162,330)	Rotork	<b>170,446</b>	<b>0.05</b>
<b>Nonlife insurance (0.02)% (30 September 2012 0.07%)</b>			
(301,300)	Admiral	<b>(57,247)</b>	<b>(0.02)</b>
<b>Personal goods (0.02)% (30 September 2012 0.00%)</b>			
(223,300)	Burberry	<b>(71,456)</b>	<b>(0.02)</b>
<b>Pharmaceuticals &amp; biotechnology (0.01)% (30 September 2012 0.00%)</b>			
(138,100)	AstraZeneca	18,643	0.01
(134,374)	Genus	(60,468)	(0.02)
		<b>(41,825)</b>	<b>(0.01)</b>
<b>Software &amp; computer services 0.07% (30 September 2012 0.00%)</b>			
(122,600)	Fidessa	226,810	0.06
(447,600)	Telecity	42,522	0.01
		<b>269,332</b>	<b>0.07</b>
<b>Support services 0.09% (30 September 2012 (0.01)%)</b>			
(257,700)	Bunzl	69,579	0.02
(326,746)	Capita	58,814	0.02

## Portfolio statement (continued)

as at 30 September 2013

Holding	Stock description	Market value £	Percentage of net assets %
<b>Derivatives (continued)</b>			
<b>Contracts for differences (CFDs) short positions (continued)</b>			
<b>Support services (continued)</b>			
(314,200)	Experian	81,692	0.02
(1,154,700)	Homeserve	113,161	0.03
(1,385,700)	Mitie	(22,171)	(0.01)
(1,501,500)	Regus	39,039	0.01
		<b>340,114</b>	<b>0.09</b>
<b>Tobacco 0.00% (30 September 2012 0.01)%</b>			
<b>Travel &amp; leisure 0.15% (30 September 2012 0.07)%</b>			
(357,500)	Compass	32,175	0.01
(333,500)	Restaurant	135,068	0.04
(115,000)	Whitbread	192,050	0.05
(686,400)	William Hill	193,565	0.05
		<b>552,858</b>	<b>0.15</b>
<b>Futures 0.13% (30 September 2012 0.12)%</b>			
(1,276)	FTSE 250 Index	<b>489,793</b>	<b>0.13</b>
<b>Other derivative positions (0.19)% (30 September 2012 0.15)%</b>			
<b>Foreign currency hedges (0.27)% (30 September 2012 0.11)%</b>			
€150,997,873	Buy EUR 150,997,873, Sell GBP 127,238,570	(1,003,190)	(0.27)
£75,368	Buy GBP 75,368, Sell EUR 75,342	249	-
		<b>(1,002,941)</b>	<b>(0.27)</b>
<b>Futures 0.08% (30 September 2012 0.04)%</b>			
(197)	FTSE 100 Index December 2013	<b>279,740</b>	<b>0.08</b>
<b>Net investment assets</b>		<b>180,333,487</b>	<b>49.02</b>
<b>Net other assets</b>		<b>187,551,033</b>	<b>50.98</b>
<b>Net assets attributable to shareholders</b>		<b>367,884,520</b>	<b>100.00</b>

† Listed on Alternative Investment Market (AIM).

All holdings are ordinary shares or stock units and admitted to official stock exchange listings unless otherwise stated.

## Statement of total return

for the year ended 30 September 2013

	Note	Year ended 30.09.13		Year ended 30.09.12	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	2		68,174		18,353
Revenue	3	3,047		2,296	
Expenses	4	(16,259)		(7,875)	
Finance costs: Interest	6	(533)		(658)	
<b>Net expense before taxation</b>		<b>(13,745)</b>		<b>(6,237)</b>	
Taxation	5	-		-	
<b>Net expense after taxation</b>			<b>(13,745)</b>		<b>(6,237)</b>
<b>Total return before distributions</b>			<b>54,429</b>		<b>12,116</b>
Finance costs: Distributions	6		-		-
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>54,429</b>		<b>12,116</b>

## Statement of change in net assets attributable to shareholders

for the year ended 30 September 2013

	Year ended 31.09.13		Year ended 30.09.12	
	£'000	£'000	£'000	£'000
<b>Opening net assets attributable to shareholders</b>		<b>261,046</b>		<b>199,165</b>
Amounts receivable on issue of shares	118,193		102,706	
Less: Amounts payable on cancellation of shares	(65,552)		(52,757)	
		52,641		49,949
Stamp duty reserve tax		(231)		(184)
Change in net assets attributable to shareholders from investment activities (see above)		54,429		12,116
<b>Closing net assets attributable to shareholders</b>		<b>367,885</b>		<b>261,046</b>

The notes on pages 62 to 69 form an integral part of these financial statements.



## Balance sheet

as at 30 September 2013

	Note	30.09.13 £'000	30.09.12 £'000
<b>ASSETS</b>			
Investment assets		184,289	140,750
Debtors	7	6,292	1,648
Cash and bank balances	8	199,805	128,888
<b>Total other assets</b>		<b>206,097</b>	<b>130,536</b>
<b>Total assets</b>		<b>390,386</b>	<b>271,286</b>
<b>LIABILITIES</b>			
Investment liabilities		3,955	3,534
Creditors	9	18,546	6,706
<b>Total other liabilities</b>		<b>18,546</b>	<b>6,706</b>
<b>Total liabilities</b>		<b>22,501</b>	<b>10,240</b>
<b>Net assets attributable to shareholders</b>		<b>367,885</b>	<b>261,046</b>

The notes on pages 62 to 69 form an integral part of these financial statements.

## Notes to the financial statements

### 1. Accounting policies

The applicable accounting policies adopted by the Cazenove Absolute UK Dynamic Fund are included in the notes to the aggregated financial statements.

### 2. Net capital gains

	Year ended 30.09.13 £'000	Year ended 30.09.12 £'000
Non-derivative securities	62,111	17,743
Contracts for differences	4,508	7,559
Forward currency contracts	2,356	(5,532)
Other derivative securities	(801)	(1,417)
<b>Total</b>	<b>68,174</b>	<b>18,353</b>

### 3. Revenue

	Year ended 30.09.13 £'000	Year ended 30.09.12 £'000
UK dividends	2,417	1,487
Bank interest	436	551
Net dividends from contracts for differences	194	215
Underwriting commission	-	26
Overseas dividends	-	10
Interest on margin deposits	-	5
Property income dividends from real estate investment trusts	-	2
<b>Total</b>	<b>3,047</b>	<b>2,296</b>

## 4. Expenses

	Year ended 30.09.13 £'000	Year ended 30.09.12 £'000
<b>Payable to the ACD</b>		
Performance fees	12,161	4,560
ACD fee	3,706	2,952
<b>Total payable to the ACD</b>	<b>15,867</b>	<b>7,512</b>
<b>Payable to the Depositary or associate of the Depositary</b>		
Depositary fees	42	36
Safe custody fees	4	2
<b>Total payable to the Depositary or associate of the Depositary</b>	<b>46</b>	<b>38</b>
<b>Payable to other related parties and third parties</b>		
Professional fees	132	115
Administration fees	120	107
Transfer agency fees	75	87
Audit fee*	14	13
Printing fee	3	1
Price publication fees	2	2
<b>Total payable to other related parties and third parties</b>	<b>346</b>	<b>325</b>
<b>Total</b>	<b>16,259</b>	<b>7,875</b>

Expenses include VAT, where applicable.

\*Audit fee excluding VAT for the period is £11,080 (2012 £10,870).

## 5. Taxation

	Year ended 30.09.13 £'000	Year ended 30.09.12 £'000
<b>(a) Analysis of tax charge</b>		
Corporation tax at 20%	-	-
<b>Current tax charge (see note 5(b))</b>	-	-
<b>(b) Factors affecting current tax charge</b>		
Net expense before taxation	(13,745)	(6,237)
Corporation tax at 20% (2012: 20%)	(2,749)	(1,247)
Effects of:		
Franked investment income not taxable	(483)	(298)
Overseas dividends not subject to corporation tax	-	(2)
Excess expenses not utilised	3,232	1,547
<b>Current tax charge (see note 5(a))</b>	-	-

**(c) Factors that may affect future tax charges**

At 30 September 2013 there is a potential deferred tax asset of £5,447,728 (30 September 2012: £2,215,289) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised in the current year.

## 6. Finance costs

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares, and comprise:

	Year ended 30.09.13 £'000	Year ended 30.09.12 £'000
<b>Net distributions</b>	-	-
Net interest paid on contracts for differences	530	658
Bank and margin deposit interest	3	-
<b>Total interest</b>	<b>533</b>	<b>658</b>
<b>Total finance costs</b>	<b>533</b>	<b>658</b>
<b>Movement between net distributions and net expense after taxation</b>		
Net distributions	-	-
Less: Net expense payable from capital	(13,745)	(6,237)
<b>Net expense after taxation</b>	<b>(13,745)</b>	<b>(6,237)</b>

Details of the distributions are set out on page 70.

## 7. Debtors

	30.09.13 £'000	30.09.12 £'000
Amounts receivable on creation of shares	5,991	1,309
Accrued revenue	277	98
Sales awaiting settlement	24	241
<b>Total</b>	<b>6,292</b>	<b>1,648</b>

**8. Cash and bank balances**

	30.09.13 £'000	30.09.12 £'000
Cash and bank balances	198,547	126,360
Amounts held at futures clearing houses	1,258	2,528
<b>Total</b>	<b>199,805</b>	<b>128,888</b>

**9. Creditors**

	30.09.13 £'000	30.09.12 £'000
Accrued expenses	13,102	4,964
Amounts payable on cancellation of shares	3,565	1,255
Purchases awaiting settlement	1,411	458
Amounts due to broker on contracts for differences	468	29
<b>Total</b>	<b>18,546</b>	<b>6,706</b>

**10. Contingent liabilities**

As at 30 September 2013, the Fund had no contingent liabilities (30 September 2012: nil).

**11. Portfolio transaction costs**

	Year ended 30.09.13 £'000	Year ended 30.09.12 £'000
<b>Purchases in year before transaction costs</b>	<b>93,723</b>	<b>123,118</b>
Commissions	37	37
Taxes	161	562
<b>Total purchase costs</b>	<b>198</b>	<b>599</b>
<b>Gross purchase total</b>	<b>93,921</b>	<b>123,717</b>
<b>Gross sales in year before transaction costs</b>	<b>113,321</b>	<b>27,981</b>
Commissions	(55)	(41)
<b>Total sales costs</b>	<b>(55)</b>	<b>(41)</b>
<b>Total sales net of transaction costs</b>	<b>113,266</b>	<b>27,940</b>

Transaction costs of £553,071 (30 September 2012: £567,538) relating to contracts for differences are included in note 2.

## 12. Performance fee

The ACD is entitled to receive out of the assets of each share class of the Fund a performance related management fee ("the Performance fee") equal to 20% of the increase in the net asset value per share of each class (after adding back any distributions made if applicable) of the Fund outstanding in respect of each performance period less any carry forward per share of such class. The Performance fee is payable in arrears in respect of each performance period. Each performance period shall be twelve months. A fuller explanation of the calculation of the Performance fee can be found in the Prospectus.

Performance fees received by the ACD are disclosed in note 4 of the financial statements.

## 13. Shareholders' funds

During the year the Fund had 4 share classes; P1 GBP Accumulation, P2 GBP Accumulation, P1 Euro Accumulation and P2 Euro Accumulation.

The ACD fee on each share class is as follows:

Share Class P1 GBP Accumulation: 1.50%

Share Class P2 GBP Accumulation: 1.00%

Share Class P1 Euro Accumulation: 1.50%

Share Class P2 Euro Accumulation: 1.00%

The net asset value of each share class, the net asset value per share, and the number of shares in each class are given on page 53. The distribution per share class is given in the distribution tables on page 70.

All share classes have the same rights on winding up.

## 14. Derivatives and other financial instruments

### Value at Risk (VaR)

Given the interdependencies between market variables, the Company measures its Value at Risk (VaR) daily. VaR is measured by the Head of Risk using an in-house proprietary model developed by the Investment Manager. The model uses position data (at a security level) from the administration system and daily security price data from Bloomberg. The volatility and correlation data underlying each VaR figure is measured using price changes on the previous 250 trading days, with more recent data carrying more weight in the calculations (half life of 34 days). The calculation methodology is parametric (assumes that daily price changes follow a normal distribution).

The VaR figures use a projection period of one month and a confidence level of 99%. In other words, the VaR model estimates that there is a 5% probability that the portfolio could lose more than the VaR over the ten trading days following the measurement point.

In addition, a number of stress tests are carried out daily which examine how the portfolio might react to historic extreme periods in the markets.

VaR is calculated daily based on the previous day's closing positions. It should be noted that, given the dynamic nature of the portfolio's construction, the VaR is likely to vary considerably over time. As such, the VaR, at any point in time, should not be relied upon to gauge the average level of risk taken during the accounting period or the likely level of risk in the future. It should also be noted that, all other things being equal, the VaR will be driven by the prevailing level of volatility in the market based on variables such as currency and price risk.

Also, the VaR estimated by the model may underestimate/(overestimate) the risk facing the portfolio during the projection period if volatility increases/(decreases) materially after the measurement point. The assumption that security price changes follow a normal distribution is an approximation. There may be more extreme price movements than suggested by normality and therefore VaR may be understated at times. It is important to note that if and when actual portfolio losses exceed the levels implied by the VaR model, they may do so by a substantial margin.

Some limitations of VaR analysis are:

- the models are based on historical data and cannot take account of the fact that future market price movements, correlations between markets and levels of market liquidity in conditions of market stress may bear no relation to historical patterns;
- the market price risk information is a relative estimate of risk rather than a precise and accurate number;
- the market price information represents a hypothetical outcome and is not intended to be predictive (in the case of probability-based methods, such as VaR, actual profits and losses are almost certain to exceed the reported amount with a frequency depending on the confidence interval chosen); and
- future market conditions could vary significantly from those experienced in the past.

## 14. Derivatives and other financial instruments (continued)

At 30 September 2013, the estimated VaR (one-month, 99%) was 3.29% (30 September 2012: 3.33%) of net asset value.

### (a) Currency exposure

The net assets of the Fund are denominated mainly in Sterling. Additionally, the Fund has entered into an agreement with the Currency Overlay Manager to neutralise the Euro share classes' currency exposure to Sterling. Accordingly it is unlikely that the balance sheet and total return will be directly affected by currency movements.

### (b) Interest rate risk profile of financial assets and liabilities

Currency	Floating rate financial assets* £'000	Financial assets not carrying interest £'000	Total market value £'000
----------	---	--	--------------------------------

The interest rate risk profile of the Fund's financial assets as at 30 September 2013 was:

Euro	1	-	1
Sterling	199,804	190,581	390,385
<b>Total</b>	<b>199,805</b>	<b>190,581</b>	<b>390,386</b>

The interest rate risk profile of the Fund's financial assets as at 30 September 2012 was:

Euro	1	282	283
Sterling	128,887	138,553	267,440
<b>Total</b>	<b>128,888</b>	<b>138,835</b>	<b>267,723</b>

\*The floating rate financial assets include bank deposits that earned interest at variable rates.

Currency	Financial liabilities not carrying interest £'000	Total market value £'000
----------	---	--------------------------------

The interest rate risk profile of the Fund's financial liabilities as at 30 September 2013 was:

Euro	1,003	1,003
Sterling	21,498	21,498
<b>Total</b>	<b>22,501</b>	<b>22,501</b>

The interest rate risk profile of the Fund's financial liabilities as at 30 September 2012 was:

Sterling	6,677	6,677
<b>Total</b>	<b>6,677</b>	<b>6,677</b>



## 14. Derivatives and other financial instruments (continued)

### (c) Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value. The market value of investments is taken to equal 'fair value' for the purposes of FRS 13. Given the activities of the Fund, none of the investments held fall within the definition of 'investments held for trading' as set out in FRS 13.

The base currency of the Fund is Sterling. For the purpose of disclosures required by FRS 13, this is taken to be the 'functional currency' of the Fund.

The borrowing facilities available to the Fund as at 30 September 2013 comprise a bank overdraft facility of 10% of the value of the Fund.

The Fund has an agreed overdraft facility with J.P. Morgan at 1% above the Investor Services overdraft rate. There was no borrowing at the balance sheet date.

## 15. Related parties

The Company's ACD is related to the Company as defined by FRS 8 'Related Party Disclosures' and is named on page 72. Fees received by the ACD are disclosed in note 4 of the financial statements. By virtue of the regulations governing authorised funds, the ACD is party to every transaction in respect of shares of the Company, which are summarised in the Statement of change in net assets attributable to shareholders. Balances outstanding at the year end for these transactions are as follows:

	30.09.13 £'000	30.09.12 £'000
Performance fee	12,161	4,560
Amounts payable on cancellation of shares	3,565	1,255
ACD fee	717	248
Amounts receivable on creation of shares	(5,991)	(1,309)
<b>Total payable to the ACD or associate of the ACD</b>	<b>10,452</b>	<b>4,754</b>

## 16. Counterparty Exposure

The types of derivatives held at the balance sheet date were forward currency contracts, future contracts and contracts for difference. Details of individual contracts are disclosed separately in the Portfolio statement and the value of the exposure is shown in the Non Statutory Portfolio Statement.

The collateral value held on behalf of Bank of America Merrill Lynch (the Counterparty for the Contracts for Difference and Futures) is nil (30.09.12 nil).

The collateral value held on behalf of JP Morgan (the Counterparty for the Forward Currency Contracts) is nil (30.09.12 nil).

## Distribution tables

for the year ended 30 September 2013

### Final distribution

Group 1 – Shares purchased on or before 30 September 2012

Group 2 – Shares purchased on 1 October 2012 to 30 September 2013

Distribution	Tax credit p	Net revenue distributable p	Equalisation* p	Payable 30.11.13 total p	Paid 30.11.12 total p
<b>P1 GBP Accumulation</b>					
Group 1	0.0000000	0.0000000	-	0.0000000	0.0000000
Group 2	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000
<b>P2 GBP Accumulation</b>					
Group 1	0.0000000	0.0000000	-	0.0000000	0.0000000
Group 2	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000
Distribution	Tax credit €	Net revenue distributable €	Equalisation* €	Payable 30.11.13 total €	Paid 30.11.12 total €
<b>P1 Euro Accumulation</b>					
Group 1	0.0000000	0.0000000	-	0.0000000	0.0000000
Group 2	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000
<b>P2 Euro Accumulation</b>					
Group 1	0.0000000	0.0000000	-	0.0000000	0.0000000
Group 2	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000

### \* Equalisation

Equalisation applies only to shares purchased during the current distribution period (Group 2 shares). It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being a capital repayment, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

## Regulatory information and risk warnings

The contents of the ACD's report are based upon sources of information believed to be reliable, however, save to the extent required by applicable law or regulations, no guarantee, warranty or representation (express or implied) is given as to its accuracy or completeness and Cazenove Investment Fund Management Limited, its directors, officers and employees do not accept any liability or responsibility in respect of the information or any recommendations expressed herein which, moreover, are subject to change without notice.

Nothing in this document should be deemed to constitute the provision of financial, investment or other professional advice in any way. Past performance is not a guide to future performance. The value of investments and the revenue from them can go down as well as up and an investor may not get back the amount invested and may be affected by fluctuations in exchange rates. The levels and bases of, and reliefs from, taxation may change. You should obtain professional advice on taxation where appropriate before proceeding with any investment. You should be aware that investments in higher yielding bonds issued by borrowers with lower credit ratings may result in a greater risk of default and have a negative impact on revenue and capital value. Revenue payments may constitute a return of capital in whole or in part. Revenue may be achieved by foregoing future capital growth. You should be aware of the additional risks associated with investment in emerging and developing markets.

Cazenove Investment Fund Management Limited can only promote its own products and services.

## Stamp duty reserve tax

The redemption of shares by a shareholder may result in CARFCo incurring a liability for stamp duty reserve tax ("SDRT"). The SDRT liability (if any) will be determined by reference to the nature of the relevant sub-fund's underlying investments and by the number of shares issued in the relevant sub-fund during the week in which the redemption occurs and in the following week.

The ACD will, as permitted by the COLL and the Regulations, pay any liability for SDRT out of the capital property of the relevant sub-fund. The maximum amount of SDRT which will be due is 0.5% of the value of the shares redeemed.

The ACD may also, where it believes that it is in the overall best interests of shareholders to do so, impose an SDRT provision on large deals. The imposition of an SDRT provision will have the effect of increasing the cost of buying shares or reducing the proceeds on selling shares. The ACD does not at present intend to charge an SDRT provision on other transactions.

The amount of the SDRT provision will not exceed 0.5% of the value of the transaction before the imposition of the provision. If the ACD receives an SDRT provision in respect of any share bought or sold it shall, forthwith upon receipt of that SDRT provision, pay it to the Depositary to become part of the Company property.

## FTSE disclaimer

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## Other information

### Prospectus

The Prospectus for the Company has been prepared and is available from the ACD on request.

### The Company

Cazenove Absolute Return Fund Company  
12 Moorgate, London EC2R 6DA.

### Authorised Corporate Director

Cazenove Investment Fund Management Limited  
Registered office: 12 Moorgate, London EC2R 6DA.  
*The ACD is authorised and regulated by the Financial Conduct Authority.*

### Directors of Cazenove Investment Fund Management Limited

A J S Ross (*Chairman*)  
P Harrison (appointed 16 July 2013)  
C E Helmstetter (appointed 2 October 2013)  
R S Jeffrey (resigned 2 July 2013)  
R Minter-Kemp (resigned 2 July 2013)  
C Sims  
R E Stoakley (appointed 18 July 2013)  
J Troiano (appointed 4 September 2013)  
J W J Turnbull (resigned 2 July 2013)  
P C Wallace (appointed 15 July 2013)

### Depositary

J.P. Morgan Trustee and Depositary Company Limited  
Chaseside, Bournemouth BH7 7DA.  
*The Depositary is authorised and regulated by the Financial Conduct Authority.*

### Independent Auditors

PricewaterhouseCoopers LLP  
7 More London Riverside, London SE1 2RT.

### Registrar

J.P. Morgan Europe Limited  
1 Angel Court  
London EC2R 7HJ.  
*The Registrar is authorised and regulated by the Financial Conduct Authority.*

### Administrator

J.P. Morgan Europe Limited  
3 Lochside View, Edinburgh Park, Edinburgh EH12 9DH.  
*The Administrator is authorised and regulated by the Financial Conduct Authority.*

### For more information

Please telephone the Business Development Department at Cazenove Investment Fund Management Limited, on 020 3479 1000, or access the website at [www.cazenovecapital.com](http://www.cazenovecapital.com).







