



NEPTUNE QUARTERLY INCOME FUND

Interim Short Report

31 July 2012

Contents

Investment Objective	3
Risk Profile	3
Fund Facts	3
Summary	4
Ten Largest Holdings	5
Classification of Investments	5
Sector Spread of Investments	5
Manager's Report	6
General Information & Contacts	7



Neptune Quarterly Income Fund

Investment Objective

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

Other eligible asset classes may include collective investment schemes, other transferable securities, cash or near cash, deposits and money market instruments.

It is anticipated that derivative instruments and forward transactions may be used by the Manager for the purpose of efficient portfolio management.

It is the intention to be near-fully invested at all times, however, the Fund has the facility to take tactical positions in cash or near cash should the Manager feel it appropriate.

The portfolio will be managed to ensure that the Fund is at all times eligible to qualify and to be included in an Individual Savings Account.

Risk Profile

The Fund has little exposure to credit or cash flow risk. There are no borrowings or unlisted securities of a material nature and so there is little exposure to liquidity risk. The main risks it faces from its financial instruments are market price, foreign currency and interest rate risk. The Manager reviews the policies for managing these risks in order to follow and achieve the Investment Objective as summarised above.

Fund Facts

Accounting and Distribution Dates

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

Total Expense Ratio (TER)*

TER % as at 31.07.12		TER % as at 31.01.12	
Income	1.70	Income	1.72
Accumulation	1.70	Accumulation	1.72

*The TER shows the annual operating expenses of the Fund as a percentage of the average net asset value. Operating expenses includes annual management charge and other expenses. Transaction charges are not included. The TER helps you compare the annual operating expenses to different schemes. The TER for both unit classes is currently capped at 2.00% by the Investment Manager. This capping may cease at any time.

Neptune Quarterly Income Fund

Summary

Fund Performance

Unit Class	Net Asset Value as at 31.07.12 pence per share	Net Asset Value as at 31.01.12 pence per share	Net Asset Value % change
Income	105.1	101.6	3.44
Accumulation	143.4	135.3	5.99

Distributions

Unit class	Total distribution (p) for the period to 31.07.12	Total distribution (p) for the year to 31.01.12
Income	2.5583	4.7854
Accumulation	3.4251	6.1886

Performance Record

	1 year*	Since launch†
Neptune Quarterly Income Fund	4.28%	51.03%
FTSE All-Share	0.37%	49.01%

*Source: Lipper in sterling; bid to bid; net income reinvested – 1 year to 31.07.12.

†Source: Lipper in sterling; bid to bid; net income reinvested – 15.06.05 to 31.07.12.

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

Comparative Tables

Calendar Year	Income Units		Accumulation Units	
	Highest buying price (p)	Lowest selling price (p)	Highest buying price (p)	Lowest selling price (p)
2011	113.0	109.4	142.6	138.0
2012*	115.7	99.41	154.0	133.0

*To 31 July 2012.

Net Asset Value

Date	31.07.12		31.01.12	
Net Asset Value (£)	43,028,146		41,135,915	
Unit Class	Number of units in issue	Net asset value per unit (p)	Number of units in issue	Net asset value per unit (p)
Income	29,339,092	105.1	29,530,599	101.6
Accumulation	8,495,270	143.4	8,219,801	135.3

Risk Warning

Please remember that past performance should not be seen as a guide to future performance and that the value of an investment in a unit trust and the income from it can fall as well as rise and may be affected by exchange rate variations.

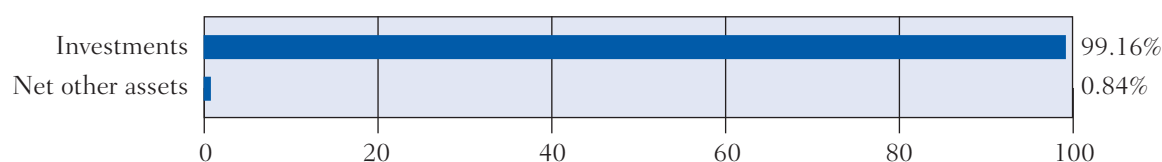
Ten Largest Holdings

as at 31 July 2012

	% of net assets
Melrose	2.88
Altria	2.56
Croda International	2.40
Diageo	2.38
De La Rue	2.37
Legal & General	2.37
Filtrona	2.26
Unilever	2.24
Compass	2.22
AstraZeneca	2.22

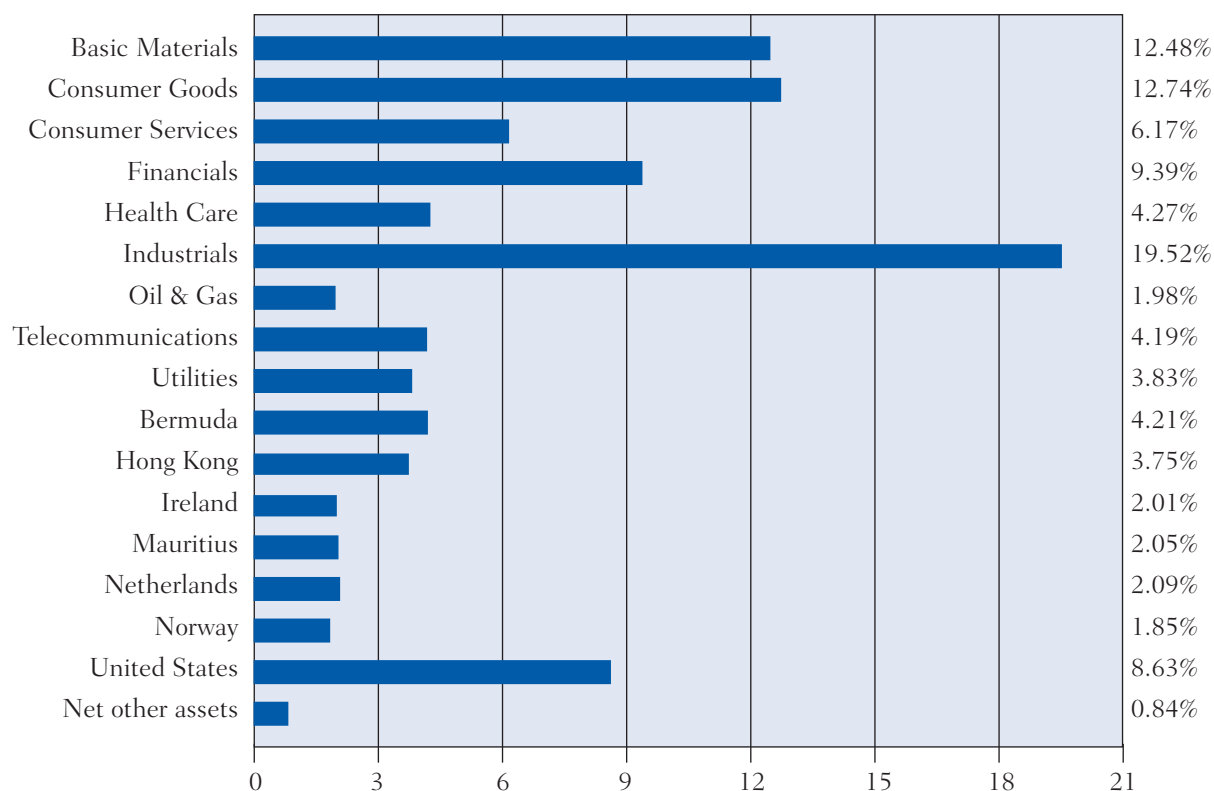
Classification of Investments

as at 31 July 2012



Sector Spread of Investments

as at 31 July 2012



Manager's Report

for the six months ended 31 July 2012

The Neptune Quarterly Income Fund performed strongly in the six months to the end of July 2012, returning 6.28% versus the FTSE All-Share Index's gain of 1.92%. This outperformance saw the Fund ranked in the first quartile of the IMA UK Equity Income sector, where the average return was 4.46%. Since inception in 2005, the Fund has returned 51.03%, outperforming the FTSE All-Share Index gain of 49.01% and the peer group average return of 41.66%.*

The year started with optimism following the European Central Bank's (ECB) injection of liquidity under the Long-Term Refinancing Operation (LTRO) mechanism. The market reacted positively to the prospect of higher liquidity in January and February. However, the ECB's actions were not accompanied by reform within the Eurozone, and fears rose over the solvency of its weaker members – particularly Spain and Greece – drove market volatility. Weaker US economic data in the second quarter and concerns regarding China's growth also weighed on equity markets.

The Neptune Quarterly Income Fund remained overweight in consumer staples to gain exposure to growing emerging market consumer demand and we benefited from positions in global leaders such as Diageo. The Fund was also overweight utilities during this volatile period, which was positive for returns. In particular, International Power was acquired by the French utility GDF Suez at an attractive price and this was positive for performance. Dividend increases helped stocks such as Legal & General deliver a strong performance whilst companies, including Johnson Matthey, are starting to return excess cash to shareholders by special dividend.

During the period, we sold two European energy companies to buy Chevron, a US energy company with a more attractive valuation and more profitable

assets, and Seadrill, a Nordic energy services company with an attractive dividend yield. This also took the Fund's direct exposure to the euro to zero. We also replaced Telenor in order to reduce exposure to the low growth European telecommunications market. In its place, we bought Apple which has higher growth prospects driven by an emerging market consumer demand growth. The Fund's international holdings are close to the maximum, at nine stocks, with a bias for US exposure, as the fund seeks exposure to best-in-sector companies. The Fund increased its holding in the industrials sector through the addition of high quality names, such as Smiths Group the engineering conglomerate that benefits from significant pricing power, and in turn strong cash generation.

Looking to the remainder of the year, we believe that the Neptune Quarterly Income Fund's continued focus on strong, cash-generative companies that are able to reinvest in their businesses for growth, while also delivering growing dividends, will be well rewarded in this volatile low-growth environment.

**Source: Lipper, Accumulation unit class performance, IMA UK Equity Income sector, in sterling with no initial charges, net income reinvested to 31.07.12. The performance of other unit classes may differ. Past performance is not a guide for future performance. The value of an investment and any income from it can fall as well as rise as a result of market and currency fluctuations and your clients may not get back the original amount invested. References to specific securities are for illustrative purposes only and should not be regarded as recommendations to buy or sell these securities. This Fund is not tied to replicating a benchmark and holdings can therefore vary from those in the index quoted. For this reason the comparison index should be used for reference only.*

General Information

Buying and Selling of Units

The Manager will accept orders to buy or sell units on normal UK business days between 9.00am and 5.00pm (UK time) and transactions will be effected at prices determined by the next following valuation. Instructions to buy or sell units may be either in writing to: Neptune Investment Management Limited, PO Box 9004, Chelmsford, Essex CM99 2WR or by telephone on 0800 587 5051. A contract note will be issued by close of business on the next business day after the dealing date to confirm the transaction.

Distributions

Where a distribution is to be paid, it has been calculated as at 31 July 2012 and will be distributed to shareholders, where applicable, on 30 September 2012.

Report and Accounts

This document is a short report of the Neptune Quarterly Income Fund for the period ended 31 July 2012. The full Report and Accounts for the Fund is available upon written request to Neptune Investment Management Limited, 3 Shortlands, London W6 8DA.

Other Information

The information in this report is designed to enable you to make an informed judgement on the activities of the Fund during the period it covers and the results of those activities at the end of the period.

ISA Status

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

Contacts

The Manager

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