



NEPTUNE BALANCED FUND

Interim Short Report

30 June 2012

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Neptune Balanced Fund

Investment Objective and Policy

The investment objective of the Neptune Balanced Fund ('the Fund') is to generate a positive total return from investments predominantly in equities and bonds, with a view to attaining top quartile performance amongst the relevant peer group.

There are no constraints on the regional or sectorial allocation policy adopted by the Fund.

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
30 June 31 December	31 August 28 February

Total Expense Ratio (TER)*

	30.06.12 %	31.12.11 %
Opening expenses	1.52	1.50
Total expense ratio	1.52	1.50
Expenses of underlying investments	0.09	0.10
Synthetic Total Expense Ratio	1.61	1.60

*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 the underlying funds is calculated monthly, based on the month-end NAV and averaged over the period. The prior period's TER has been restated as such. Previously, the TER was based on the period-end portfolio position.

Neptune Balanced Fund

Summary

Fund Performance

Unit Class	Net Asset Value as at 30.06.12 pence per share	Net Asset Value as at 31.12.11 pence per share	Net Asset Value % change
Income	415.0	405.0	2.47
Accumulation	457.6	444.7	2.90

Distributions

Unit class	Total distribution (p) for the period to 30.06.12	Total distribution (p) for the year to 31.12.11
Income	1.8149	1.8307
Accumulation	1.9926	2.0028

Comparative Tables

Calendar Year	Income units		Accumulation units	
	Highest buying price (p)	Lowest selling price (p)	Highest buying price (p)	Lowest selling price (p)
2010	437.1	360.7	477.6	392.1
2011	450.7	373.7	494.1	409.8
2012*	469.5	400.9	515.4	440.1

*To 30 June 2012.

Net Asset Value

Date	30.06.12		31.12.11	
Net Asset Value (£)	946,457,489		864,906,765	
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	7,142,289	415.0	6,539,063	405.0
Accumulation	200,349,167	457.6	188,550,411	444.7

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.

Neptune Balanced Fund

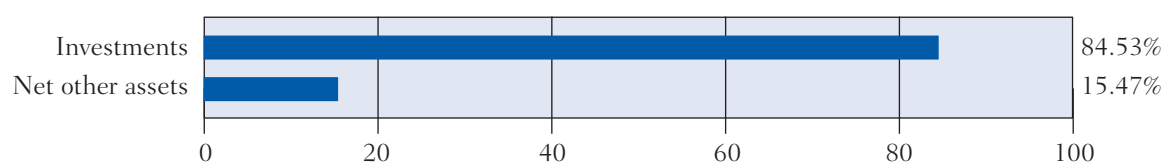
Ten Largest Holdings

as at 30 June 2012

	% of net assets
Baidu ADR	2.90
Halma	2.49
Apple	2.36
British American Tobacco	2.05
Walt Disney	1.97
Rolls-Royce	1.81
Diageo	1.73
Johnson Matthey	1.63
SABMiller	1.62
HSBC	1.57

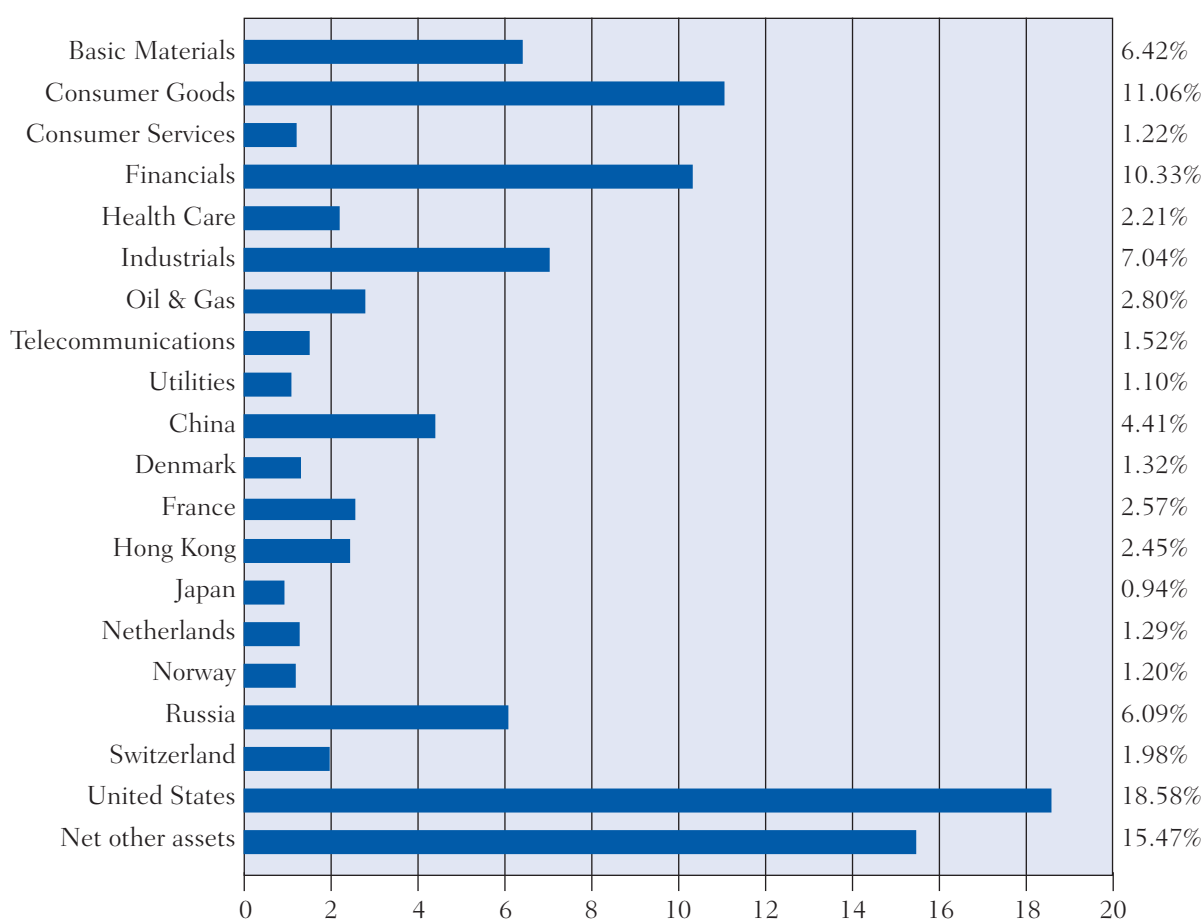
Classification of Investments

as at 30 June 2012



Geographical/Sector Spread of Investments

as at 30 June 2012



Manager's Report

for the six months ended 30 June 2012

The Neptune Balanced Fund gained 2.18% in the first half of 2012, versus the IMA Mixed Investment 40-85% Shares sector average return of 2.67%. However, as the Fund is priced at midday, whereas the benchmark is priced at the close of the day, the Fund did not benefit from a substantial market rally that occurred in the final afternoon of the period under review. Therefore this short-term performance does not accurately reflect the upside captured by the Fund after its midday pricing. The Fund is ranked solidly in the top quartile of the peer group over 5 and 10 years, whilst since launch it remains the top performer with a return of 354.09% versus the sector average gain of 90.82%.*

Following a stabilisation in the global macroeconomic climate, equities enjoyed a strong start to 2012 and the Neptune Balanced Fund was well positioned for this, with a number of its developed and emerging market holdings outperforming during the first quarter of the year. These included information technology firms, such as Apple and Baidu, in addition to industrials and materials stocks across both the developed and emerging markets.

However, the second quarter saw a reversal of the optimism that characterised the first three months of 2012. This was largely due to Eurozone fears resurfacing, particularly in relation to whether the bigger economies, such as Spain and Italy, could continue to pay back their debts as bond yields crept higher. Alongside this, a slight deterioration in US economic data, as well as fears of a Chinese slowdown, saw global equity markets falter as the quarter progressed.

Against this background, it was the emerging markets that suffered somewhat unfairly as investors continued their 'risk-off' trade. The Fund's emerging market exposure therefore impacted performance in the second quarter, with the exception of the more defensive names, such as China Mobile. Furthermore, our weighting in the economically sensitive energy sector hurt our relative performance, as both our developed and

emerging market holdings underperformed.

However, we remain positive on the prospects for global growth, especially over a multi-year horizon, and the Fund maintains conviction in high-quality companies that stand to benefit from this growth.

The Fund's UK equity exposure was particularly strong in the second quarter, as stocks with well-known global brand names outperformed, including Diageo and Unilever. The Fund remained underweight in Europe which was also positive for performance amidst the market turbulence, whilst those selective stocks we held delivered strong returns. Looking forward, we believe that Europe will 'muddle-through' and that sufficient firewalls exist to prevent global contagion. This, combined with a continuation in the US recovery and emerging market-derived growth, should provide a positive backdrop for equities going forward.

**Source: Lipper, A Accumulation share class performance, IMA Mixed Investment 40-85% shares sector, in sterling with no initial charges, net income reinvested to 30.06.12. The performance of other share classes may differ. Past performance is not a guide for future performance. The value of an investment and any income from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the original amount invested. Some Neptune funds may be higher risk than other funds and past performance is not a guide to future performance. Investing in emerging markets can involve a higher degree of risk. References to specific securities are for illustration purposes only and should not be taken as a recommendation to buy or sell these securities. Neptune funds are not tied to replicating a benchmark and holdings can therefore vary from those in the index quoted. For this reason the comparison index should be used for reference only. Neptune funds may invest more than 35% in government and public securities in a number of jurisdictions. Forecasts are not a reliable indicator of future performance. Any views expressed are those of Neptune as at the date of issue and we do not undertake to advise you as to any changes in our views.*

General Information

Buying and Selling of Units

The Manager will accept orders to buy or sell units on normal 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 30 June 2012 and has been distributed to shareholders, where applicable, on 31 August 2012.

Report and Accounts

This document is a short report of the Neptune Balanced Fund for the six months ended 30 June 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 on 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 ISA qualification as determined by the HM Revenue and Customs ISA Regulations.

Contacts

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