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KAMES
CAPITAL

Interim Short Report of Kames Capital ICVC to 31 January 2014

an AEGON Asset Management company

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Introduction

Welcome to Kames Capital ICVC's 2014 Interim Short Report

This report provides details of Kames Capital ICVC's 17 sub-funds during the period 31 July 2013 to 31 January 2014. For each sub-fund we have provided a summary of the strategy that was adopted during the period under review.

Change to primary share class
In December 2013, the primary share class for each sub-fund, with the exception of the Kames Strategic Assets Fund, changed from the A share class to the B share class to reflect the majority of underlying investors' holdings. The primary share class is used for the purposes of reporting performance.

Kames Strategic Assets Fund – closure
The Kames Strategic Assets Fund is currently closed to new subscriptions and it is intended that an application will be made to the FCA to withdraw authorisation of this Fund, upon settlement of any liquidation costs.

On 31 January 2014, all shareholders fully redeemed from the Fund. The anticipated costs of the liquidation of the Fund had been accounted for by the Fund prior to the shareholder redemptions.

Kames Inflation Linked Fund – tax status
As anticipated in the annual report and accounts for 2013, we followed through with changes to the asset allocation for the Kames Inflation Linked Fund allowing it to make greater use of its asset allocation powers and at times this may entail larger holdings in equities. While this will not entail any material change to your investment in the Fund, nor will it change the risk profile of the Fund, it will mean that from February 2014, income payments made (or deemed to be made) to you may no longer be deemed to be interest for taxation purposes. Instead, the income distributed by (or otherwise accumulated within) the Fund may be characterised as dividend income. Tax vouchers issued after March 2014 will reflect this change.

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

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

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

Kames Inflation Linked Fund, Kames Strategic Assets Fund, Kames UK Equity Absolute Return Fund
Following the implementation of COLL Rule 4.2.5 (3) (ca) we amended the investment objective of each of the above funds on 18 December 2013 to include the following:

- A statement that an investors capital is at risk
- A statement that there is no guarantee that the fund will deliver positive returns over any time period

These changes do not alter the way that any of the funds are managed.

Kames Inflation Linked Fund, Kames American Equity Fund and Kames Ethical Equity Fund
Following the implementation of COLL Rule 4.2.5 (3) (ca) we amended the investment objective of each of the above funds on 18 December 2013 to clarify that total return means income plus capital.

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

Kames Sterling Corporate Bond Fund

For the period from 1 August 2013 to 31 January 2014

Fund Description

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

Risk Profile

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

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

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

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

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

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

Performance

The Kames Sterling Corporate Bond Fund returned 2.46% compared to the Lipper peer group median return of 1.92%. The peer group is the IMA Sterling Corporate Bond sector.

Strategy Review

Core government bonds came under pressure as the economic recovery continued and the spectre of reduced assistance from central banks started to concern investors. This challenging backdrop was in place for most of the period although government bonds enjoyed a robust rally at the start of 2014 as sell-off in emerging markets caused investors to take cover in less risky assets. Corporate bonds performed better although the positive returns achieved were less than in previous years.

Given this environment, we minimised the Fund’s exposure to interest rate risk (it held a small short duration position relative to most of its peers). At the same time, we tended to have a larger weighting to corporate bonds than the majority of the peer group.

While this general positioning was in place throughout the period, we did take short-term tactical positions when warranted by the prevailing market conditions. For example, we increased the Fund’s duration when appropriate to capitalise on short-term volatility. For most of the period, we also steadily increased our weighting to the corporate bond market. Our preferred sectors were bonds issued by financial institutions, especially the subordinated debt of banks and insurers, which proved to be by far the best performing areas of the market. We also retained our bias towards the collateralised sector (bonds secured against underlying assets). The Fund’s overall positioning generally aided performance over the six-month period, with stock selection particularly strong.

The best individual holdings came from a variety of areas. As mentioned earlier bonds issued by financial institutions were among the standout names. Our holdings in subordinated issues from Nationwide, Lloyds, Rabobank, Aviva and Directline all added value. In the collateralised sector the exposure to pub landlords Mitchells & Butler and Unique Pubs performed very well, as did bonds from The AA, which was a new issue we purchased early in the period.

We retain our short duration position and will look to add value through short-term tactical trading as market conditions dictate, and through disciplined stock selection.

Top 10 Holdings 31 January 2014

	%
KFW 1% 07/12/2017	2.64
AA 6.269% 02/07/2043	1.61
Nats En Route 5.25% 31/03/2026	1.56
General Electric Capital 6.5% 15/09/2067	1.46
Transport for London 2.25% 09/08/2022	1.43
HSBC 7% 07/04/2038	1.32
White City Property Finance 5.1202% 17/04/2035	1.32
Mitchells & Butlers Finance 6.469% 15/09/2032	1.31
Temasek Financial I 4.625% 26/07/2022	1.29
Arqiva Financing 4.882% 31/12/2032	1.27

Top 10 Holdings 31 July 2013

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

Distribution Dates

31 March, 30 June, 30 September, 31 December

Ongoing Charge Figure

Share Class	31 January 2014 %	31 July 2013 %
A Accumulation shares	1.07	1.07
A Income shares	1.07	1.07
B Accumulation shares	0.57	0.57
B Income shares	0.57	0.57
D Accumulation shares*	0.82	0.82
D Income shares*	0.82	0.82
G accumulation shares	0.57	0.57

*Share class launched 12 December 2012, and as such the ongoing charges figure for the period to 31 July 2013 has been annualised based on the fees suffered during that accounting period.

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

Last Five Years' Performance

Discrete years					
1 year to	31/01/2014	31/01/2013	31/01/2012	31/01/2011	31/01/2010
Fund	4.5%	13.4%	6.8%	6.4%	35.2%

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

In December 2013 the fund's primary share class changed from 'A' to 'B' and performance is now reported using the 'B' share class. If comparing these figures with previous reports there may be differences in the performance figures.

Price & Revenue History

Calendar Year	Highest Price (p)	Lowest price (p)	Net revenue per share (p)
A accumulation (pence)			
2009	47.60	32.85	2.0387
2010	53.82	47.38	1.9839
2011	54.74	51.45	2.0179
2012	61.90	53.91	2.0614
2013	65.46	61.40	1.7772
2014**	64.82	63.60	0.4489
A Income shares (pence)			
2009	25.59	18.28	1.1377
2010	28.07	25.47	1.0495
2011	27.66	26.16	1.0279
2012	29.71	26.81	1.0111
2013	31.05	29.15	0.8494
2014**	30.24	29.67	0.2095
B Accumulation shares (pence)			
2009	49.23	33.92	2.2222
2010	55.85	49.02	2.2553
2011	56.99	53.45	2.3172
2012	64.81	56.22	2.3887
2013	68.63	64.29	2.1218
2014**	68.15	66.85	0.5363
B Income shares (pence)			
2009	26.06	18.62	1.2339
2010	28.59	25.95	1.1759
2011	28.18	26.65	1.1572
2012	30.25	27.32	1.1444
2013	31.63	29.69	0.9774
2014**	30.81	30.22	0.2434
D Accumulation shares (pence)*			
2012	100.91	99.22	-
2013	106.75	100.11	2.9851
2014**	105.85	103.85	0.7846
D Income shares (pence)*			
2012	100.91	99.22	-
2013	105.51	99.07	2.9814
2014**	102.79	100.84	0.7620
G Accumulation shares (pence)			
2009	103.87	70.93	5.9115
2010	118.88	103.46	5.9854
2011	122.35	114.05	6.2107
2012	141.07	121.20	6.4507
2013	149.80	139.96	5.8082
2014**	149.66	146.72	1.4729

*Share class launched 12 December 2012
**1 month to 31.01.2014

Statement of investments and other assets as at 31 January 2014

	2014		July 2013	
Investments	**£'000**	**%**	**£'000**	**%**
Futures Contracts	(1,164)	(0.22)	24	-
Sterling Denominated Bonds				
Corporate Bonds	498,345	95.58	490,522	92.46
Government Bonds	12,825	2.46	19,101	3.60
Total investments	**510,006**	**97.82**	**509,647**	**96.06**
Net other assets				
Uncommitted cash	6,184	1.18	20,804	3.92
Net debtors	5,202	1.00	92	0.02
Total net other assets	11,386	2.18	20,896	3.94
Total net assets	**521,392**	**100.00**	**530,543**	**100.00**

Synthetic risk and reward profile

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

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Kames UK Equity Fund

For the period from 1 August 2013 to 31 January 2014

Fund Description

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

Risk Profile

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

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

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

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

Performance

The Kames UK Equity Fund returned 2.58% compared to the Lipper peer group median return of 3.43%. The peer group is the IMA UK All Companies sector.

Strategy Review

UK Equities performed well for most of the period as signs of economic recovery continued to gain traction. However, the robust positive performance was softened somewhat by a correction in January, which left the FTSE All-Share up only 1.09% for the six months as a whole.

Overall, cyclical sectors (areas of the market that tend to perform well in a strengthening economy) outperformed defensives sectors. This benefited the Fund given our pro-cyclical strategy and our "buy the dips" approach to the market. One of the main investment themes in the Fund was the recovery in the domestic housing related and consumer discretionary sectors. In terms of stock selection, we looked for names with ability to meet or beat earnings expectations.

Our overweight exposure to the travel & leisure and media sectors added to the Fund's positive absolute return. Among the strongest contributors in this area was Thomas Cook, which benefited from earnings upgrades. IAG (formerly British Airways/Iberia) also witnessed upgrades as passenger and cargo yields surpassed expectations. The Fund's overweight position in the life insurance sector performed well, with the holding in St James's Place benefiting from better than expected sales. In other areas, AB Foods, owner of Primark also performed strongly thanks to the sales performance of that retail franchise. Carphone Warehouse reassured the market with good results and also announced a partnership with Samsung on European stores. Limiting our exposure to some of the traditional defensive sectors such as beverages and tobacco was also beneficial.

In contrast, the Fund's exposure to Partner Assurance detracted after the company suffered from lackluster sales. Elsewhere, the holding in Perform, the media rights holder, experienced earnings downgrades due to advertising weakness and delays to contract renewals.

UK equities had a difficult start to 2014 with the market looking somewhat overbought, which in turn led to a significant sell-off during January. However, we believe the longer-term recovery remains in place and should support further equity gains in 2014.

Top Ten Holdings 31 January 2014

	%
HSBC	4.67
Vodafone	4.53
St James's Place	4.04
Rolls-Royce	3.90
Barclays	3.72
Reed Elsevier	3.11
Prudential	2.79
GlaxoSmithKline	2.59
BHP Billiton	2.44
Melrose Industries	2.43

Top Ten Holdings 31 July 2013

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

Distribution Dates

30 November

Ongoing Charge Figure

Share Class	31 January 2014 %	31 July 2013 %
A Accumulation shares	1.57	1.57
A Income shares	1.57	1.57
B Accumulation shares	0.82	0.82
B Income shares	0.82	0.82
D Accumulation shares*	1.07	1.07
D Income shares*	1.07	1.07
E Accumulation shares	1.57	1.57

*Share class launched 14 December 2012, and as such the ongoing charges figure for the period to 31 July 2013 has been annualised based on the fees suffered during that accounting period.

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

Last Five Years' Performance

Discrete years 1 year to	31/01/2014	31/01/2013	31/01/2012	31/01/2011	31/01/2010
Fund	13.5%	13.7%	-3.8%	20.6%	32.1%

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

In December 2013 the fund's primary share class changed from 'A' to 'B' and performance is now reported using the 'B' share class. If comparing these figures with previous reports there may be differences in the performance figures.

Price & Revenue History

Calendar Year	Highest Price (p/c)	Lowest price (p/c)	Net revenue per share (p)
A Accumulation shares (pence)			
2009	152.01	97.53	3.1672
2010	178.87	141.76	1.3750
2011	182.43	143.91	1.3292
2012	180.35	160.47	2.8605
2013	215.95	182.65	3.0969
2014***	222.00	211.96	-
A Income shares (pence)*			
2010	109.57	100.43	-
2011	111.75	87.64	0.6103
2012	108.96	97.73	1.7421
2013	127.30	109.35	1.9071
2014***	130.87	124.95	-
B Accumulation shares (pence)			
2009	160.95	102.94	3.9607
2010	191.05	150.89	2.5784
2011	195.04	154.61	2.7921
2012	195.53	173.23	4.3984
2013	235.95	198.08	4.8865
2014***	242.65	231.72	-
B Income shares (pence)			
2009	896.64	589.76	22.6726
2010	1,046.22	839.54	14.3545
2011	1,068.09	833.99	15.2931
2012	1,040.27	934.44	23.7261
2013	1,215.18	1,042.64	25.7333
2014***	1,249.71	1,193.38	-
D Accumulation shares (pence)**			
2012	101.39	99.71	-
2013	122.06	102.71	2.1100
2014***	125.51	119.85	-
D Income shares (pence)**			
2012	101.39	99.71	-
2013	119.86	102.71	2.1487
2014***	123.25	117.69	-
E Accumulation shares (cents/pence)			
2009	101.83	63.99	1.8702
2010	125.19	97.10	0.8198
2011	129.86	99.99	0.7944
2012	132.89	117.83	1.7058
2013	154.42	130.81	1.8471
2014***	160.74	152.96	-

*Share class launched 1 October 2010. **Share class launched 14 December 2012. ***1 month to 31.01.2014

Statement of investments and other assets as at 31 January 2014

	2014		July 2013	
Investments	**£'000**	**%**	**£'000**	**%**
United Kingdom				
Aerospace & Defence	14,117	3.90	12,531	3.18
Banks	39,373	10.88	53,707	13.62
Beverages	5,337	1.48	7,286	1.85
Chemicals	-	-	2,190	0.56
Electricity	4,369	1.21	7,265	1.84
Electronic & Electrical Equipment	-	-	7,827	1.98
Financial Services	2,881	0.80	7,566	1.92
Fixed Line Telecommunications	7,940	2.19	-	-
Food & Drug Retailers	-	-	7,114	1.80
Food Producers	12,531	3.46	17,533	4.45
General Financial	13,277	3.67	7,775	1.97
General Industrials	-	-	114	0.03
General Retailers	17,420	4.82	16,634	4.22
Household Goods & Home Construction	8,169	2.26	13,195	3.35
Industrial Engineering	13,934	3.85	6,980	1.77
Industrial Transportation	2,049	0.57	-	-
Life Insurance	38,765	10.71	39,438	10.00
Media	33,865	9.36	30,908	7.84
Mining	15,638	4.32	17,601	4.46
Mobile Telecommunications	16,386	4.53	12,688	3.22
Non-Life Insurance	3,296	0.91	5,548	1.41
Oil & Gas Producers	18,807	5.20	20,957	5.32
Pharmaceuticals & Biotechnology	9,373	2.59	18,991	4.82
Real Estate Investment & Services	1,630	0.45	-	-
Software & Computer Services	3,538	0.98	2,004	0.51
Support Services	25,414	7.02	24,847	6.30
Technology Hardware & Equipment	2,938	0.81	-	-
Tobacco	4,418	1.22	-	-
Travel & Leisure	15,457	4.27	20,177	5.12
Options	33	0.01	-	-
Bermuda	2,633	0.73	2,001	0.51
Canada	983	0.27	2,541	0.64
Cayman Islands	287	0.08	356	0.09
Channel Islands	5,001	1.38	5,303	1.35
India	705	0.19	1,214	0.31
Isle of Man	8,924	2.47	5,031	1.28
Netherlands	2,099	0.58	8,569	2.17
Spain	4,630	1.28	6,541	1.66
Total investments	**356,217**	**98.45**	**392,432**	**99.55**
Net other assets				
Uncommitted cash	3,112	0.86	1,284	0.32
Net debtors	2,478	0.69	500	0.13
Total net other assets	5,590	1.55	1,784	0.45
Total net assets	**361,807**	**100.00**	**394,216**	**100.00**

Synthetic risk and reward profile

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

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Kames UK Equity Income Fund

For the period from 1 August 2013 to 31 January 2014

Fund Description

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

Risk Profile

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

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

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

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

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

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

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

Performance

The Kames UK Equity Income Fund returned 1.32% compared to the Lipper peer group median return of 2.91%. The peer group is the IMA UK Equity Income sector.

Strategy Review

UK Equities performed well for most of the period as signs of economic recovery continued to gain traction. However, the robust positive performance was softened somewhat by a correction during January, which left the FTSE All-Share up only 1.09% for the six months as a whole.

Stock selection was the main contributor to the Fund's overall positive absolute return. However, during the period cyclical sectors (areas of the market that tend to perform well in a rising economy) outperformed defensives sectors. Given our income strategy, we generally positioned the Fund overweight large, defensive yield areas of the UK equity market relative to peers. Therefore, this positioning held back relative performance as the positive tone to the market led to small and mid-sized companies outperforming their larger counterparts.

In particular, the Fund's overweight exposure to the pharmaceutical giant GlaxoSmithKline hurt performance. In the electricity sector heavyweight name SSE detracted, although this was mitigated to some extent by the Fund's overweight position in Drax, which benefited from positive news on government subsidies. The Fund's underweight position in the mining sector also detracted as this area rallied on hopes that downgrades to Chinese economic growth forecasts were past the worst.

However, the Fund benefited from its overweight exposure to the life and non-life insurance sectors, which offered a good combination of income and growth. Among the best performers in this area were Beazley, Legal & General and St James's Place Capital, which performed well after Lloyds Bank placed the remainder of its holding. Elsewhere in the financial sector the exposure to fund manager Brewin Dolphin added value after the company reported earnings well ahead of consensus expectations, and also provided very positive dividend guidance.

UK equities had a difficult start to 2014 with the market looking somewhat overbought, which in turn led to a significant sell-off during January. However, we believe the longer-term recovery remains in place and should support further equity gains in 2014.

Top Ten Holdings 31 January 2014

	%
Vodafone	7.59
GlaxoSmithKline	5.65
HSBC	5.61
Legal & General	3.38
Reed Elsevier	3.04
AstraZeneca	2.95
Resolution	2.80
St James's Place	2.79
Prudential	2.72
Rolls-Royce	2.72

Top Ten Holdings 31 July 2013

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

Distribution Dates

31 March, 30 June, 30 September, 31 December

Ongoing Charge Figure

Share Class	31 January 2014 %	31 July 2013 %
A Accumulation shares	1.60	1.63
A Income shares	1.60	1.63
B Accumulation shares	1.10	1.13
B Income shares	1.10	1.13

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

Last Five Years' Performance

Discrete years					
1 year to	31/01/2014	31/01/2013	31/01/2012	31/01/2011	31/01/2010
Fund	11.9%	16.5%	3.3%	13.0%	-

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

In December 2013 the fund's primary share class changed from 'A' to 'B' and performance is now reported using the 'B' share class. If comparing these figures with previous reports there may be differences in the performance figures.

Price & Revenue History

Calendar Year	Highest Price (p)	Lowest price (p)	Net revenue per share (p)
A Accumulation shares (pence)*			
2009	125.77	96.81	1.3455
2010	141.71	115.62	5.2114
2011	147.79	123.63	5.4919
2012	154.87	135.97	6.1651
2013	189.21	156.22	6.8169
2014**	191.30	181.70	1.0839
A Income shares (pence)*			
2009	124.33	96.81	1.3437
2010	134.46	111.71	5.0739
2011	137.58	114.11	5.1417
2012	135.42	121.26	5.5362
2013	159.11	136.60	5.8750
2014**	160.87	152.80	0.9116
B Accumulation shares (pence)*			
2009	126.08	96.82	1.3464
2010	142.76	116.21	5.2320
2011	149.29	124.94	5.5420
2012	157.60	137.97	6.2521
2013	193.51	158.98	6.9484
2014**	195.71	185.92	1.1082
B Income shares (pence)*			
2009	124.64	96.82	1.3446
2010	135.47	112.27	5.0942
2011	138.99	115.33	5.1888
2012	137.82	123.06	5.6147
2013	162.75	139.03	5.9892
2014**	164.60	156.36	0.9321

*Share class launched 30 June 2009
**1 month to 31.01.2014

Statement of investments and other assets as at 31 January 2014

	2014		July 2013	
Investments	**£'000**	**%**	**£'000**	**%**
United Kingdom				
Aerospace & Defence	569	2.72	842	4.06
Banks	1,620	7.74	1,877	9.05
Beverages	744	3.55	546	2.63
Electricity	1,223	5.84	610	2.94
Electronic & Electrical Equipment	311	1.48	382	1.84
Financial Services	-	-	199	0.96
Fixed Line Telecommunications	427	2.04	268	1.29
Food & Drug Retailers	-	-	715	3.45
Food Producers	718	3.43	683	3.29
Gas, Water & Multiutilities	-	-	615	2.97
General Financial	411	1.96	404	1.95
General Retailers	419	2.00	465	2.24
Household Goods & Home Construction	374	1.79	351	1.69
Industrial Engineering	1,056	5.04	897	4.33
Industrial Transportation	70	0.33	-	-
Life Insurance	2,678	12.79	1,869	9.01
Media	1,390	6.64	1,405	6.78
Mining	823	3.93	482	2.32
Mobile Telecommunications	1,590	7.59	838	4.04
Non-Life Insurance	755	3.61	900	4.34
Oil & Gas Producers	490	2.34	816	3.94
Oil Equipment, Services & Distribution	183	0.87	179	0.86
Pharmaceuticals & Biotechnology	1,800	8.60	1,807	8.71
Support Services	605	2.89	668	3.22
Tobacco	563	2.69	851	4.10
Travel & Leisure	205	0.98	282	1.36
Bermuda	729	3.48	286	1.38
Netherlands	565	2.70	1,279	6.17
Total investments	**20,318**	**97.03**	**20,516**	**98.92**
Net other assets				
Uncommitted cash	655	3.13	165	0.80
Net (creditors)/debtors	(33)	(0.16)	59	0.28
Total net other assets	622	2.97	224	1.08
Total net assets	**20,940**	**100.00**	**20,740**	**100.00**

Synthetic risk and reward profile

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

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☑ 6 ☐ 7

Kames UK Equity Absolute Return Fund

For the period from 1 August 2013 to 31 January 2014

Fund Description
The investment objective is to achieve a positive return over a 12 month period in all market conditions. By investing in the Fund, capital is at risk. There is no guarantee that the Fund will deliver positive returns over this, or any, time period. To invest principally in a portfolio of equities and equity-related securities (including Contracts for Difference and other derivatives) of companies based in the UK, principally conducting business in the UK or listed on the UK stock market. Cash and near cash will be held. The Fund may also invest in other transferable securities, permitted money market instruments, permitted deposits and units in collective investment schemes.

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

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

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

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

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

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

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

Performance
The Kames UK Equity Absolute Return Fund returned 2.58% compared to the Bank of England base rate of 0.25%.

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

Within Themes, our long cash returns strategy was particularly beneficial given the market continued to look for the certainty of dividends and buybacks in the absence of a robust earnings recovery. During September, we implemented a long corporate capital expenditure theme to reflect our view that for the first time in the prevailing economic cycle, the background conditions were promising enough to allow spending intentions to materialise. This view proved to be correct and the strategy aided performance for the period overall. Our Long UK Domestics theme, which remained strongly biased towards the housing market, also added a small amount of value with our holdings in online property business Rightmove and home construction stocks Taylor Wimpey and Travis Perkins all performing well. Our structural growth theme was less positive; the weighting to chemicals company AZ Electronic Materials benefited from a bid approach but this was offset by a number of stock specific issues, including our holding in Perform Group, which fell sharply on delays to licence renewals.

Over the period our Best Ideas strategy was one of the main drivers of performance, particularly from our well-diversified long-side holdings. Our weighting in Drax, the UK's largest coal-fired power generator, continued to rise in value as the market appreciated the new regulatory regime for Drax's conversion to burn biomass instead of coal. Thomas Cook performed strongly as the announcement of further cost savings drove earnings upgrades. BTG in the healthcare sector also performed well as it received approval from the Food and Drug Administration for one of its key pipeline products. St James's Place performed strongly as Lloyds Banking Group exited its remaining holding, thereby eliminating an overhang on the stock. Finally, our position in Carphone Warehouse benefited from an agreement struck with Samsung to provide Samsung-branded stores across Europe.

The performance of our Pair Trades strategy was less positive. We benefited from our pair trade in the airline industry as the market worried about increasing supply in Europe following a long period of capacity discipline. However, this was offset by our stock selection in the healthcare industry, where pipeline news worked against our positions.

We continue to run the Fund with a balanced approach, keeping the risk profile well within our tolerance range and market beta (a measure of how closely the Fund moves with the market) close to zero.

Price & Revenue History

Calendar Year	Highest Price (p)	Lowest price (p)	Net revenue per share (p)
A Accumulation shares (pence)*			
2010	103.78	100.00	-
2011	107.16	101.99	-
2012	109.01	106.06	-
2013	114.02	108.03	-
2014***	114.45	113.42	-
B Accumulation shares (pence)*			
2010	104.29	100.00	-
2011	108.29	102.65	-
2012	110.97	107.35	-
2013	117.02	110.11	-
2014***	117.53	116.52	-
D Accumulation shares (pence)**			
2012	100.16	99.86	-
2013	106.36	100.29	-
2014***	106.81	105.87	-

*Share class launched 22 February 2010.
**Share class launched 14 December 2012.
***1 month to 31.01.2014

Distribution Dates

30 November

Ongoing Charge Figure

Share Class	31 January 2014 %	31 July 2013 %
A Accumulation shares*	1.62	1.57
B Accumulation shares**	0.87	0.82
D Accumulation shares***	1.12	1.07

*From 1 September 2013, the ACD's periodic charge was increased from 1.50% to 1.55% for A Accumulation.

**From 1 September 2013, the ACD's periodic charge was increased from 0.75% to 0.80% for B Accumulation.

***Share class launched 14 December 2012, and as such the ongoing charges figure for the period to 31 July 2013 has been annualised based on the fees suffered during that accounting period.

From 1 September 2013, the ACD's periodic charge was increased from 1.00% to 1.05% for D Accumulation.

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

Last Five Years' Performance

Discrete years

1 year to	31/01/2014	31/01/2013	31/01/2012	31/01/2011	31/01/2010
Fund	5.8%	3.0%	3.8%	-	-

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

In December 2013 the fund's primary share class changed from 'A' to 'B' and performance is now reported using the 'B' share class. If comparing these figures with previous reports there may be differences in the performance figures.

Position Exposure Table

	31 January 2014				
Sector Allocation	**Market Value £000**	**%**	**Long Position %**	**Short Position %**	**Gross Exposure %**
Industrials	365	0.24	8.64	10.94	19.58
Consumer Discretionary	2,086	1.39	13.11	9.06	22.17
Materials	(98)	(0.07)	5.25	6.95	12.20
Health Care	10	0.01	4.88	3.45	8.33
Financials	1,165	0.77	9.01	7.67	16.68
Energy	(60)	(0.04)	1.35	2.55	3.90
Consumer Staples	364	0.24	3.11	6.76	9.87
Information Technology	1,339	0.89	2.31	1.34	3.65
Utilities	100	0.07	3.40	0.78	4.18
Telecommunication Devices	(82)	(0.05)	1.37	1.35	2.72
	5,189	**3.45**	**52.43**	**50.85**	**103.28**
Certificate of Deposit	**33,000**	**21.93**			
Net other assets					
Net cash	**110,167**	**73.20**			
Net debtors	2,136	1.42			
Total net other assets	112,303	74.62			
Total net assets	**150,492**	**100.00**			

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

Synthetic risk and reward profile

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

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Kames UK Smaller Companies Fund

For the period from 1 August 2013 to 31 January 2014

Fund Description

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

Risk Profile

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

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

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

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

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

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

Performance

The Kames UK Smaller Companies Fund returned 11.20% compared to the Lipper peer group median return of 16.93%. The peer group is the IMA UK Smaller Companies sector.

Strategy Review

Throughout the period, we continued to hold a domestic cyclical tilt within the Fund with some exposure to select structural growth stocks. We retained an underweight exposure to commodity-related sectors, including oil exploration, oil & gas services and mining. This was mainly due to our concern over the downward pressure on commodity prices and cost cutting in these industries. At the same time, the Fund was overweight domestic housing activity related names, financials and selected growth stocks (many with an internet related theme).

This general positioning benefited performance over the period, given the more positive backdrop to equity markets and the strong outperformance of small-cap stocks in particular.

Within stock selection, we retained our preference for names that are in good financial health, with strong balance sheets and the ability to grow earnings. At the same time, we continued to avoid the riskier, highly indebted companies. Among the best performers were internet payment gateway stock Optimal Payments, which re-rated at the start of the period in anticipation of good results and then made further progress as those results came through. The exposure to telecoms stock Telecom Plus also added value as it benefited from accelerating customer numbers as well as the enhanced terms in its contract with energy supplier nPower. In the support services sector, the exposure to Robert Walter did well after there was some evidence of improving markets in global recruitment. In the technology area, software names blur Group and Quindell also added value.

On the downside, the holding in International Personal Finance fell back after a regulatory challenge was issued in Poland (we subsequently sold our holding). The exposure to media stock Perform Group also disappointed on results and issued a profit warning towards the end of the period.

Despite the difficult start to 2014 for equity markets overall, small-caps have continued to perform well. We believe the longer-term recovery remains in place and should support further equity gains in the year ahead. We retain our underweight exposure to commodity related sectors and our overweight domestic housing related plays, financials and selected growth stocks.

Top Ten Holdings 31 January 2014

	%
Thomas Cook	3.33
Howden Joinery	2.88
Workspace	2.88
Senior	2.74
Brewin Dolphin	2.73
Brooks Macdonald	2.50
Optimal Payments	2.41
Victrex	2.35
Bovis Homes	2.34
Telecom Plus	2.30

Top Ten Holdings 31 July 2013

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

Distribution Dates

30 November

Ongoing Charge Figure

Share Class	31 January 2014 %	31 July 2013 %
A Accumulation shares	1.62	1.65
B Accumulation shares	0.87	0.90
D Accumulation shares*	1.12	1.15

*Share class launched 14 December 2012, and as such the ongoing charges figure for the period to 31 July 2013 has been annualised based on the fees suffered during that accounting period.

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

Last Five Years' Performance

Discrete years					
1 year to	31/01/2014	31/01/2013	31/01/2012	31/01/2011	31/01/2010
Fund	34.7%	21.5%	-8.8%	31.4%	49.4%

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

In December 2013 the fund's primary share class changed from 'A' to 'B' and performance is now reported using the 'B' share class. If comparing these figures with previous reports there may be differences in the performance figures.

Price & Revenue History

Calendar Year	Highest Price (p)	Lowest price (p)	Net revenue per share (p)
A Accumulation shares (pence)			
2009	129.42	81.19	0.8040
2010	168.24	122.60	0.4444
2011	180.26	139.35	0.5390
2012	172.61	144.70	0.6096
2013	241.36	175.23	0.8905
2014**	252.00	239.44	-
B Accumulation shares (pence)			
2009	131.12	82.05	1.2292
2010	171.49	124.40	1.1111
2011	184.31	143.05	1.3765
2012	178.16	148.60	1.4118
2013	251.02	180.89	2.1023
2014**	262.18	249.16	-
D Accumulation shares (pence)*			
2012	100.96	99.50	-
2013	141.89	102.51	0.8509
2014**	148.18	140.81	-

*Share class launched 14 December 2012
**1 month to 31.01.2014

Statement of investments and other assets as at 31 January 2014

	2014		July 2013	
Investments	**£'000**	**%**	**£'000**	**%**
United Kingdom				
Beverages	502	2.22	587	3.14
Chemicals	265	1.17	183	0.98
Construction & Materials	443	1.96	545	2.91
Electricity	-	-	79	0.42
Electronic & Electrical Equipment	761	3.36	786	4.20
Financial Services	1,458	6.44	1,185	6.34
Food & Drug Retailers	220	0.97	-	-
General Financial	1,436	6.34	1,011	5.40
General Industrials	-	-	12	0.06
General Retailers	1,562	6.90	1,182	6.32
Health Care Equipment & Services	163	0.72	282	1.51
Household Goods & Construction	1,109	4.90	1,081	5.78
Industrial Engineering	1,495	6.61	648	3.46
Industrial Transportation	452	2.00	165	0.88
Media	1,719	7.60	1,653	8.84
Oil & Gas Producers	102	0.45	86	0.46
Oil Equipment, Services & Distribution	-	-	76	0.41
Pharmaceuticals & Biotechnology	438	1.94	771	4.12
Real Estate Investment & Services	834	3.68	619	3.31
Real Estate Investment Trusts	927	4.10	739	3.95
Software & Computer Services	1,738	7.68	1,506	8.05
Support Services	3,108	13.73	3,081	16.47
Technology Hardware & Equipment	188	0.83	-	-
Telecommunications	520	2.30	262	1.40
Travel & Leisure	1,402	6.19	1,101	5.89
Bermuda	-	-	57	0.30
Canada	56	0.25	-	-
Channel Islands	247	1.09	59	0.32
Ireland	137	0.61	35	0.19
Isle of Man	794	3.51	371	1.98
Israel	-	-	57	0.30
United Arab Emirates	163	0.72	49	0.26
United States	130	0.57	84	0.45
Total investments	**22,369**	**98.84**	**18,352**	**98.10**
Net other assets				
Uncommitted cash	252	1.11	208	1.11
Net debtors	11	0.05	147	0.79
Total net other assets	263	1.16	355	1.90
Total net assets	**22,632**	**100.00**	**18,707**	**100.00**

Synthetic risk and reward profile

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

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Kames UK Opportunities Fund

For the period from 1 August 2013 to 31 January 2014

Fund Description

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

Risk Profile

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

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

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

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

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

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

Performance

The Kames UK Opportunities Fund returned 3.84% compared to the Lipper peer group median return of 3.43%. The peer group is the IMA UK All Companies sector.

Strategy Review

UK Equities performed well for most of the period as signs of economic recovery continued to gain traction. However, the robust positive performance was softened somewhat by a correction during January, which left the FTSE All-Share up only 1.09% for the six months as a whole.

We focused on investing in selective domestic, financial and industrial businesses and in companies with strong free cash flow and cash return potential. In addition, we continued to look for opportunities in businesses with self-help characteristics and those with technology related growth. During the third quarter of 2013, we became increasingly positive on companies that are beneficiaries of improving corporate spend. We also added to businesses that stood to gain from the broadening out of the domestic recovery.

The Fund benefited from its overweight stance in the industrial, financial and consumer services sectors. It also gained from its underweight exposure to oil & gas and consumer goods (specifically beverages and tobacco). Performance headwinds came from being underweight pharmaceuticals and telecoms.

The key driver of the Fund's outperformance over the period was stock selection. We focused on stocks that we believed would benefit from the improving backdrop and specifically those companies that could meet or beat earnings expectations. Within financials, the holdings in life insurer St James's Place and in financial services provider Brewin Dolphin added value, with both rallying in the strong market environment. Other names that benefited from the domestic recovery theme were Howden Joinery and ITV, which rallied after earnings upgrades. Other positive contributors included Thomas Cook, Synthomer and Drax.

UK equities had a challenging start to 2014 with the market looking somewhat overbought, which in turn led to a significant sell-off during January. However, we believe the longer-term recovery remains in place and should support further equity gains in 2014.

Top Ten Holdings 31 January 2014

	%
St James's Place	4.44
Reed Elsevier	3.84
Prudential	3.75
Barclays	3.66
Rolls-Royce	3.64
Thomas Cook	3.45
ITV	3.39
Melrose Industries	3.28
Rightmove	3.15
Howden Joinery	3.09

Top Ten Holdings 31 July 2013

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

Distribution Dates

30 November

Ongoing Charge Figure

Share Class	31 January 2014 %	31 July 2013 %
A Accumulation shares	1.59	1.60
B Accumulation shares	0.84	0.85
D Accumulation shares*	1.09	1.10

*Share class launched 14 December 2012, and as such the ongoing charges figure for the period to 31 July 2013 has been annualised based on the fees suffered during that accounting period.

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

Last Five Years' Performance

Discrete years					
1 year to	31/01/2014	31/01/2013	31/01/2012	31/01/2011	31/01/2010
Fund	20.8%	13.1%	-4.8%	18.3%	31.8%

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

In December 2013 the fund's primary share class changed from 'A' to 'B' and performance is now reported using the 'B' share class. If comparing these figures with previous reports there may be differences in the performance figures.

Price & Revenue History

Calendar Year	Highest Price (p)	Lowest price (p)	Net revenue per share (p)
A Accumulation shares (pence)			
2009	106.13	67.42	1.7862
2010	122.68	96.31	0.9601
2011	124.98	97.62	0.9070
2012	121.38	108.72	1.3110
2013	154.79	121.76	2.0081
2014**	160.34	151.58	-
B Accumulation shares (pence)			
2009	107.54	68.11	2.3795
2010	124.99	97.90	1.4984
2011	127.67	99.84	1.5253
2012	124.42	111.54	1.9143
2013	160.52	125.33	2.9483
2014**	166.32	157.28	-
D Accumulation shares (pence)*			
2012	100.66	99.37	-
2013	130.39	102.03	2.0951
2014**	135.10	127.74	-

*Share class launched 14 December 2012
**1 month to 31.01.2014

Statement of investments and other assets as at 31 January 2014

	2014		July 2013	
Investments	**£'000**	**%**	**£'000**	**%**
United Kingdom				
Aerospace & Defence	1,686	3.64	1,146	2.84
Banks	3,618	7.82	4,940	12.22
Beverages	977	2.11	-	-
Chemicals	725	1.57	485	1.20
Construction & Materials	-	-	927	2.30
Electricity	700	1.51	138	0.34
Electronic & Electrical Equipment	765	1.65	579	1.43
Financial Services	1,714	3.70	1,723	4.26
General Financial	2,613	5.65	2,180	5.39
General Retailers	3,126	6.76	1,835	4.54
Household Goods & Home Construction	931	2.01	1,294	3.20
Industrial Engineering	3,132	6.77	1,573	3.89
Life Insurance	5,625	12.16	4,546	11.25
Media	6,089	13.16	6,198	15.34
Mining	1,030	2.23	631	1.56
Mobile Telecommunications	1,370	2.96	970	2.40
Oil & Gas Producers	-	-	1,078	2.67
Pharmaceuticals & Biotechnology	993	2.15	1,819	4.50
Software & Computer Services	1,737	3.75	1,445	3.58
Support Services	3,851	8.32	3,004	7.43
Travel & Leisure	3,485	7.53	2,843	7.03
Isle of Man	1,958	4.23	995	2.46
Total investments	**46,125**	**99.68**	**40,349**	**99.83**
Net other assets/(liabilities)				
Uncommitted cash	141	0.31	792	1.96
Net debtors/(creditors)	6	0.01	(722)	(1.79)
Total net other assets	147	0.32	70	0.17
Total net assets	**46,272**	**100.00**	**40,419**	**100.00**

Synthetic risk and reward profile

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

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☑ 6 ☐ 7

Kames American Equity Fund

For the period from 1 August 2013 to 31 January 2014

Fund Description

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

Risk Profile

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

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

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

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

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

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

Performance

The Kames American Equity Fund returned -0.13% compared to the Lipper peer group median return of -0.54%. The peer group is the IMA North American sector.

Strategy Review

US equities performed well over the period, boosted by encouraging economic data. However, returns for sterling investors were hampered by currency strength which, combined with the sharp correction witnessed in January, was enough to push sterling returns into negative territory for the period as a whole.

At the beginning of the period we recognised that economically sensitive areas of the market were continuing to make progress. At the same time we also believed that equities were trading at fair to expensive valuation levels. Therefore, we increased our exposure to cyclical areas (stocks that tend to do well when the economy is improving) but we retained our focus on good quality names that offered sustainability of returns.

In sector terms we held overweight positions in the industrial, consumer discretionary, technology and healthcare sectors. Our main corresponding underweight positions were in utilities, telecoms, financials and consumer staples.

While the Fund produced a negative return over the period as a whole, it performed better than the peer group median and the S&P 500 benchmark index. Within this relative outperformance both sector and stock selection added value. The absolute negative return was mainly caused by the weakness in markets during January, when cyclical sectors tended to underperform. Despite our preference for holding quality names, the Fund was not immune to the sell-off and our lack of exposure to traditional defensive sectors such as utilities was detrimental, given these areas benefited from the turbulence.

Over the period as a whole, the bias towards consumer discretionary sectors and media in particular, aided relative returns. The overweight position in the software sector was also beneficial. In the industrial space, the exposure to the capital goods sector performed well, as did the overweight position in healthcare.

Within stock selection, the standout performers in the technology sector included semiconductor company LSI, which benefited from a bid approach. The exposure to Google and Western Digital also added some relative performance. Elsewhere, the holdings in energy company Helmerich & Payne and chemicals stock LyondellBasel were also positive. On the downside, the exposure to both tobacco giant Phillip Morris and oil producer Chevron detracted.

Despite the sell-off witnessed in January, US equities should continue to make positive progress in 2014. However, valuations still look stretched and therefore we continue to focus on quality companies that have the potential to meet or beat earnings expectations.

Top Ten Holdings 31 January 2014

	%
Google	4.75
Chevron	3.27
Pfizer	3.27
American Express	3.24
Merck	3.15
Schlumberger	3.04
United Technologies	3.01
Philip Morris International	2.95
Emerson Electric	2.95
Comcast	2.94

Top Ten Holdings 31 July 2013

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

Distribution Dates

30 November

Ongoing Charge Figure

Share Class	31 January 2014 %	31 July 2013 %
A Accumulation shares	1.63	1.63
B Accumulation shares	0.88	0.88
D Accumulation shares*	1.13	1.13
E Accumulation shares	1.63	1.63

*Share class launched 10 December 2012, and as such the ongoing charges figure for the period to 31 July 2013 has been annualised based on the fees suffered during that accounting period.

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

Last Five Years' Performance

Discrete years					
1 year to	31/01/2014	31/01/2013	31/01/2012	31/01/2011	31/01/2010
Fund	16.1%	13.9%	-0.3%	13.9%	18.3%

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

In December 2013 the fund's primary share class changed from 'A' to 'B' and performance is now reported using the 'B' share class. If comparing these figures with previous reports there may be differences in the performance figures.

Price & Revenue History

Calendar Year	Highest Price (p/c)	Lowest price (p/c)	Net revenue per share (p)
A Accumulation shares (pence)			
2009	160.43	108.64	0.4577
2010	184.89	142.01	-
2011	180.82	140.87	-
2012	184.23	164.31	0.2621
2013	226.30	176.45	0.2886
2014**	229.51	217.35	-
B Accumulation shares (pence)			
2009	168.31	114.21	1.2175
2010	194.46	149.59	-
2011	191.71	149.50	0.4975
2012	196.34	174.84	1.6115
2013	244.44	189.18	1.7985
2014**	247.99	234.91	-
D Accumulation shares (pence)*			
2012	101.02	98.53	-
2013	128.23	99.46	0.5779
2014**	130.08	123.21	-
E Accumulation shares (cents/pence)			
2009	59.16	39.72	0.1513
2010	71.41	57.35	-
2011	71.30	53.63	-
2012	77.07	65.52	0.0873
2013	90.27	72.33	0.1156
2014**	92.21	87.87	-

*Share class launched 10 December 2012
**1 month to 31.01.2014

Statement of investments and other assets as at 31 January 2014

	2014		July 2013	
Investments	**£'000**	**%**	**£'000**	**%**
United States				
Advertising	-	-	424	2.05
Aerospace & Defence	569	3.01	665	3.22
Apparel	-	-	184	0.89
Banks	566	2.99	645	3.12
Beverages	208	1.10	216	1.05
Electronic & Electrical Equipment	1,070	5.66	1,150	5.57
Financial Services	1,407	7.44	1,221	5.91
Food Producers	655	3.46	313	1.52
General Industries	-	-	206	1.00
General Retailers	1,239	6.55	895	4.33
Health Care Equipment & Services	494	2.61	336	1.63
Household Products	189	1.00	236	1.14
Industrial Engineering	182	0.96	209	1.01
Industrial Transportation	257	1.36	240	1.16
Insurance	-	-	192	0.93
Leisure Goods	392	2.07	488	2.36
Life Insurance	401	2.12	456	2.21
Machinery	263	1.39	290	1.40
Media	1,561	8.25	1,098	5.31
Medical	-	-	439	2.13
Non-Life Insurance	181	0.96	318	1.54
Oil & Gas Producers	1,051	5.56	1,380	6.68
Oil & Gas Services	-	-	284	1.37
Oil Equipment, Services & Distribution	820	4.33	202	0.98
Personal Goods	-	-	194	0.94
Pharmaceuticals	-	-	1,531	7.41
Pharmaceuticals & Biotechnology	2,358	12.46	975	4.72
Real Estate Investment Trusts	-	-	176	0.85
Software & Computer Services	1,471	7.77	1,547	7.49
Support Services	-	-	422	2.04
Technology Hardware & Equipment	1,433	7.57	1,741	8.43
Tobacco	559	2.95	740	3.58
Transportation	317	1.68	335	1.62
Bermuda	260	1.37	290	1.40
Ireland	395	2.09	-	-
Netherlands	435	2.30	440	2.13
Total investments	**18,733**	**99.01**	**20,478**	**99.12**
Net other assets/(liabilities)				
Uncommitted cash	291	1.54	301	1.46
Net creditors	(104)	(0.55)	(119)	(0.58)
Total net other assets	187	0.99	182	0.88
Total net assets	**18,920**	**100.00**	**20,660**	**100.00**

Synthetic risk and reward profile

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

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Kames European Equity Fund

For the period from 1 August 2013 to 31 January 2014

Fund Description

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

Risk Profile

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

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

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

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

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

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

Performance

The Kames European Equity Fund returned -0.70% compared to the Lipper peer group median return of 1.58%. The peer group is the IMA Europe Excluding UK sector.

Strategy Review

European equities carved out a positive return of just under 2.0% in sterling terms over the period as ongoing monetary assistance from central banks combined with improved sentiment towards the global economic recovery. At the same time, the market remained sensitive to negative events, which was highlighted in the emerging market inspired sell-off in January.

Prior to that start of the period we recognised that various central bank liquidity injections had given investors the opportunity to remove much of the extreme undervaluations that had persisted in the region through the recent crises. Therefore, during the period under review we focused on applying at least a neutral approach to the inherent risk in the market. This involved consistently adding to both financials and those areas of the market that were more sensitive to an upswing in the economy. At the same time we continued to ensure the core of the Fund reflected our strategic belief that better quality, cash generative companies would outperform over the long term.

This general positioning was beneficial at various stages of the period, however the Fund was hampered by stock specific issues and our policy of limiting the Fund's exposure to banks, utilities and telecoms within the peripheral nations of the Eurozone, all of which performed well.

In sector terms, the Fund's overweight position in the oil services area was detrimental, with the exposure to Norwegian seismic player TGS-NOPEC suffering due to earnings downgrade, while Seadrill was hampered by the general malaise in the industry. In the banking sector, the exposure to Swedish name Svenska Handelsbanken as well as Swiss giant UBS detracted, with the latter falling foul of an enforced regulatory capital charge that quite probably delays an enticing cash return story. Not holding the strong performing Spanish heavyweight bank Banco Santander was also detrimental. The lack of exposure to the utilities, and particularly within the peripheral nations, hampered the Funds progress.

On the positive side, being underweight the large oil & gas producers was beneficial, given the concerns about energy prices. The Fund also benefit from its overweight positions in some of the industrial sub-sectors, including general industrials and aerospace & defence. Within stock selection the Fund's weighting to Irish construction group Kingspan benefited from positive earnings momentum. Robust earnings also helped aerospace name Airbus Group.

The Fund retains its neutral approach to generic market risk and will look to add value through disciplined stock selection.

Top Ten Holdings 31 January 2014

	%
Novartis	4.55
Roche	4.54
Siemens	3.71
Societe Generale	3.67
UBS	3.33
Allianz	3.28
Airbus	3.12
Cie Financiere Richemont	2.85
Nokia	2.46
AXA	2.30

Top Ten Holdings 31 July 2013

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

Distribution Dates

30 November

Ongoing Charge Figure

Share Class	31 January 2014 %	31 July 2013 %
A Accumulation shares	1.73	1.72
B Accumulation shares	0.98	0.97
D Accumulation shares*	1.23	1.22
E Accumulation shares	1.73	1.72

*Share class launched 10 December 2012, and as such the ongoing charges figure for the period to 31 July 2013 has been annualised based on the fees suffered during that accounting period.

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

Last Five Years' Performance

Discrete years					
1 year to	31/01/2014	31/01/2013	31/01/2012	31/01/2011	31/01/2010
Fund	9.0%	26.4%	-12.0%	17.0%	19.6%

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

In December 2013 the fund's primary share class changed from 'A' to 'B' and performance is now reported using the 'B' share class. If comparing these figures with previous reports there may be differences in the performance figures.

Price & Revenue History

Calendar Year	Highest Price (p/c)	Lowest price (p/c)	Net revenue per share (p)
A Accumulation shares (pence)			
2009	193.62	99.48	2.5169
2010	198.03	156.39	1.4638
2011	212.29	146.59	2.8116
2012	200.24	158.46	2.9600
2013	244.22	201.18	3.3451
2014**	248.24	233.21	-
B Accumulation shares (pence)			
2009	204.82	76.40	4.8771
2010	211.35	166.25	2.8130
2011	227.19	157.34	4.5643
2012	216.93	170.93	4.6136
2013	266.27	217.98	4.7700
2014**	271.09	254.75	-
D Accumulation shares (pence)*			
2012	103.76	99.76	-
2013	127.11	104.26	2.4485
2014**	129.34	121.53	-
E Accumulation shares (cents/pence)			
2009	104.90	71.44	0.9406
2010	92.31	73.01	0.5439
2011	94.37	66.64	1.1108
2012	96.95	78.09	1.1848
2013	115.79	98.06	1.3434
2014**	118.36	112.32	-

*Share class launched 10 December 2012
**1 month to 31.01.2014

Statement of investments and other assets as at 31 January 2014

	2014		July 2013	
Investments	**£'000**	**%**	**£'000**	**%**
Equities				
Austria	96	0.37	118	0.45
Belgium	875	3.40	901	3.42
Denmark	138	0.54	493	1.87
Finland	717	2.79	277	1.05
France	5,658	21.98	5,761	21.87
Germany	5,668	22.02	4,844	18.38
Ireland	907	3.52	971	3.69
Italy	767	2.98	905	3.43
Luxembourg	325	1.26	-	-
Netherlands	416	1.62	278	1.06
Norway	649	2.52	960	3.64
Portugal	207	0.81	533	2.02
Spain	1,231	4.78	1,295	4.91
Sweden	2,279	8.86	2,847	10.81
Switzerland	5,399	20.98	5,952	22.59
Turkey	129	0.50	-	-
United Kingdom	147	0.57	176	0.67
Forward Foreign Exchange Contracts	19	0.07	-	-
Total investments	**25,627**	**99.57**	**26,311**	**99.86**
Net other assets/(liabilities)				
Uncommitted cash	193	0.75	146	0.55
Net creditors	(83)	(0.32)	(109)	(0.41)
Total net other assets	110	0.43	37	0.14
Total net assets	**25,737**	**100.00**	**26,348**	**100.00**

Synthetic risk and reward profile

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

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☑ 6 ☐ 7

Kames Strategic Bond Fund

For the period from 1 August 2013 to 31 January 2014

Fund Description

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

Risk Profile

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

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

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

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

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

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

Performance

The Kames Strategic Bond Fund returned 2.74% compared to the Lipper peer group median return of 2.94%. The peer group is the IMA Sterling Strategic Bond sector.

Strategy Review

Core government bonds came under pressure as the economic recovery continued and the spectre of reduced assistance from central banks started to concern investors. This challenging backdrop was in place for most of the period although government bonds enjoyed a robust rally at the start of 2014 as sell-off in emerging markets caused investors to take cover in less risky assets. Corporate bonds performed better although the positive returns achieved were less than in previous years.

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

Although we limited our exposure to government bond markets, we did move our positioning within the various core markets, taking tactical positions in the volatile conditions. This allowed us to add some value without adding materially to the overall level of risk in the Fund. However, our strategic view is that we are ultimately in a rate rising environment; this view came to fruition towards the end of the year as yields increased in core markets, which in turn helped the Fund to outperform on a relative basis.

In the high yield space, euro-denominated and lower-rated debt outperformed over the period, which hampered relative returns at times, given our preference for US high yield and B rated securities. Although we limited the amount of risk in the Fund we added value through strong stock selection and particularly through the new issue channel. Bonds issued by financial institutions were among the best performers. Elsewhere in the Fund, we continued to benefit from our bias towards US residential mortgage backed securities (RMBS) although we invested in this area on a very selective basis.

We retain our cautious stance and will look to add value during 2014 through disciplined stock selection, and by identifying good relative value trades within asset classes, sectors and across regions.

Top Ten Holdings 31 January 2014

	%
Belgium Government Bond 2.6% 22/06/2024	4.92
Spain Government Bond 3.8% 30/04/2024	2.26
Canada Housing Trust No 1 3.15% 15/09/2023	2.06
United Kingdom Gilt 4.25% 07/12/2055	1.74
United Kingdom Gilt 3.75% 22/07/2052	1.56
ING Bank 4.125% 21/11/2023	1.51
United Kingdom Gilt 3.25% 22/01/2044	1.40
Australia Government Bond 5.25% 15/03/2019	1.27
Nordea Bank 4.25% 21/09/2022	1.10
Telefonica Europe 6.75% Perpetual	1.08

Top Ten Holdings 31 July 2013

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

Distribution Dates

31 March, 30 June, 30 September, 31 December

Ongoing Charge Figure

Share Class	31 January 2014 %	31 July 2013 %
A Accumulation shares	1.31	1.31
A Income shares	1.31	1.31
B Accumulation shares*	0.81	0.81
B Income shares	0.81	0.81
D Accumulation shares**	1.06	1.06
D Income shares**	1.06	1.06

*Share class launched 3 September 2012, and as such the ongoing charges figure for the period to 31 July 2013 has been annualised based on the fees suffered during that accounting period.

**Share class launched 14 December 2012, and as such the ongoing charges figure for the period to 31 July 2013 has been annualised based on the fees suffered during that accounting period.

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

Last Five Years' Performance

Discrete years					
1 year to	31/01/2014	31/01/2013	31/01/2012	31/01/2011	31/01/2010
Fund	4.1%	12.3%	1.0%	7.1%	41.3%

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

In December 2013 the fund's primary share class changed from 'A' to 'B' and performance is now reported using the 'B' share class. If comparing these figures with previous reports there may be differences in the performance figures.

Price & Revenue History

Calendar Year	Highest Price (p)	Lowest price (p)	Net revenue per share (p)
A Accumulation shares (pence)			
2009	136.77	90.24	6.6642
2010	151.46	137.01	5.0194
2011	154.67	142.95	5.2353
2012	167.91	146.41	4.7860
2013	174.42	167.58	2.8677
2014***	176.39	174.25	0.7562
A Income shares (pence)			
2009	105.36	72.16	5.3585
2010	113.67	105.55	3.8046
2011	113.43	102.71	3.8507
2012	116.89	105.12	3.3924
2013	120.20	115.49	1.9616
2014***	120.79	119.32	0.5268
B Accumulation shares (pence)*			
2012	104.27	99.71	0.3569
2013	108.63	104.07	2.3398
2014***	109.94	108.58	0.5650
B Income shares (pence)			
2009	104.37	71.52	5.6465
2010	112.56	104.51	4.1929
2011	112.34	101.66	4.2505
2012	115.72	104.08	3.7928
2013	119.05	114.34	2.4007
2014***	119.60	118.12	0.6271
D Accumulation shares (pence)**			
2012	100.93	100.00	-
2013	104.97	100.74	2.0047
2014***	106.22	104.91	0.5062
D Income shares (pence)**			
2012	100.93	100.00	-
2013	103.81	99.76	1.9230
2014***	104.24	102.96	0.4979

*Share class launched 3 September 2012. **Share class launched 14 December 2012. ***1 month to 31.01.2014.

Statement of investments and other assets as at 31 January 2014

	2014		July 2013	
Investments	**£'000**	**%**	**£'000**	**%**
Australian Dollar Denominated Bonds				
Corporate Bonds	13,069	1.92	24,396	3.75
Government Bonds	8,685	1.27	-	-
Canada Dollar Denominated Bonds				
Government Bonds	14,056	2.06	-	-
Credit Default Swaps	(2,543)	(0.37)	(2,258)	(0.35)
Euro Denominated Bonds				
Corporate Bonds	107,872	15.82	140,044	21.54
Government Bonds	48,979	7.18	-	-
Forward Foreign Exchange Contracts	4,633	0.68	(11,246)	(1.73)
Futures Contracts	(3,547)	(0.52)	2,032	0.31
Sterling Denominated Bonds				
Corporate Bonds	205,352	30.11	169,178	26.02
Government Bonds	37,056	5.44	10,345	1.59
Swedish Krona Denominated Bonds				
Government Bonds	-	-	39,376	6.06
Swiss Franc Denominated Bonds				
Corporate Bonds	9,909	1.45	9,934	1.53
United States Dollar Denominated Bonds				
Asset Backed Security	42,003	6.16	34,622	5.33
Corporate Bonds	181,569	26.62	174,594	26.85
Government Bonds			13,341	2.05
Total investments	**667,093**	**97.82**	**604,358**	**92.95**
Net other assets/(liabilities)				
Uncommitted cash	39,069	5.73	36,137	5.56
Net (creditors)/debtors	(24,194)	(3.55)	9,711	1.49
Total net other assets	14,875	2.18	45,848	7.05
Total net assets	**681,968**	**100.00**	**650,206**	**100.00**

Synthetic risk and reward profile

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

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Kames Global Equity Fund

For the period from 1 August 2013 to 31 January 2014

Fund Description

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

Risk Profile

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

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

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

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

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

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

Performance

The Kames Global Equity Fund returned -2.46%, compared to the Lipper peer group median return of -1.07%. The peer group is the IMA Global sector.

Strategy Review

Global equity markets came under pressure during the period with the MSCI AC World index returning -1.95% in sterling terms. Developed markets tended to outperform their emerging market cousins, with the UK, US, European and Japanese markets all producing positive results in local currency terms (these results were reduced somewhat in sterling terms due to currency strength). The main themes over the period were the strengthening economic recovery in developed markets which led to concerns about the pace at which central banks would remove their support to markets. In turn, this caused a significant amount of turbulence in emerging markets and ultimately to January's sharp sell-off.

Over the period, we held a significant overweight position in China and in Europe, where valuations in both regions looked attractive. At the same time, we limited our exposure to the US, where we believed the rally witnessed during the first half of 2013 had left the equity market appearing somewhat overextended. We held a neutral position in Japan as valuations in this area also looked slightly stretched; the equity market had enjoyed a strong rally up to the start of the period, driven by the significant stimulus measures implemented by the country's central bank. Our overall positioning had mixed results over the period, with the exposure to the US and Japan detracting while the positions in Europe and China (particularly though stock selection) benefited performance.

The Fund's relative underperformance was due mainly to stock specific issues. At the start of the period Partnership Assurance issued a poor trading update and this set the tone for the period with the company suffering from lacklustre sales and failing to meet its own growth expectations. Also in the financial sector, the exposure to Swiss banking giant UBS hampered the Fund's performance after the Swiss regulator surprised the market with higher than anticipated capital charges. Other disappointing holdings included Ryanair, which issued a profit warning due to a planned price discounting strategy on winter flights. It is worth noting that both Ryanair and Partnership Assurance have recovered since the end of the period under review.

Some of these negative outcomes were offset by the strong performance of the Fund's overweight position in the technology sector. Among the best performers were Amadeus IT and Google, which posted solid results during the period and also cheered the market with its disposal of Motorola. Chinese technology names Tencent and Vipshop also benefited from good earnings results and Tencent also enjoyed a favourable market reaction to its ability to expand business competencies beyond gaming. Stock selection within China was a strong contributor to performance overall.

Despite the sharp sell-off witnessed in January, we believe global equity markets will make further progress during 2014. Fund returns will, as intended, be dominated by the stock specific opportunities we identify.

Top Ten Holdings 31 January 2014

	%
Google	4.69
iShares MSCI Japan Fund	4.26
AbbVie	3.36
Schlumberger	3.20
TJX	3.15
Roche	3.05
Allianz	2.96
Airbus	2.84
Emerson Electric	2.74
Mead Johnson Nutrition	2.63

Top Ten Holdings 31 July 2013

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

Distribution Dates

30 November

Ongoing Charge Figure

Share Class	31 January 2014 %	31 July 2013 %
A Accumulation shares	1.75	1.98
B Accumulation shares	1.00	1.23
D Accumulation shares*	1.25	1.49
E Accumulation shares	1.75	1.98

*Share class launched 10 December 2012, and as such the ongoing charges figure for the period to 31 July 2013 has been annualised based on the fees suffered during that accounting period.

The ongoing charges figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the sub-fund over the period. The OCF is made up of the ACD's periodic charge and other operating costs deducted from the assets of the sub-fund during the period, except for those payments that are explicitly excluded by the regulations. The OCF includes a synthetic element of 0.03% in respect of underlying investments.

Last Five Years' Performance

Discrete years 1 year to	31/01/2014	31/01/2013	31/01/2012	31/01/2011	31/01/2010
Fund	10.6%	17.3%	-5.7%	12.4%	19.2%

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

In December 2013 the fund's primary share class changed from 'A' to 'B' and performance is now reported using the 'B' share class. If comparing these figures with previous reports there may be differences in the performance figures.

Price & Revenue History

Calendar Year	Highest Price (p/c)	Lowest price (p/c)	Net revenue per share (p)
A Accumulation shares (pence)			
2009	90.02	61.72	-
2010	99.05	78.85	-
2011	97.83	75.83	-
2012	95.31	83.55	0.1725
2013	117.53	95.49	0.3708
2014**	117.52	111.29	-
B Accumulation shares (pence)			
2009	97.37	66.37	0.3554
2010	107.35	85.60	0.0529
2011	107.02	83.11	0.4227
2012	105.41	92.00	0.9114
2013	130.57	105.62	1.2759
2014**	131.00	124.10	-
D Accumulation shares (pence)*			
2012	101.36	99.35	-
2013	125.37	101.56	1.0060
2014**	125.64	119.01	-
E Accumulation shares (cents/pence)			
2009	56.10	37.96	-
2010	64.35	53.92	-
2011	65.67	49.80	-
2012	66.93	57.37	0.0467
2013	78.54	66.24	0.1932
2014**	79.89	76.08	-

*Share class launched 10 December 2012
**1 month to 31.01.2014

Statement of investments and other assets as at 31 January 2014

	2014		July 2013	
Investments	**£'000**	**%**	**£'000**	**%**
Equities				
Australia	1,212	3.53	213	2.40
Canada	-	-	119	1.34
Cayman Islands	955	2.79	136	1.54
China	740	2.16	247	2.79
Finland	627	1.83	-	-
France	974	2.84	728	8.22
Germany	1,779	5.19	44	0.50
Hong Kong	-	-	116	1.31
Ireland	3,635	10.60	933	10.54
Malaysia	754	2.20	81	0.91
Netherlands	642	1.87	155	1.75
Portugal	542	1.58	-	-
Singapore	-	-	80	0.90
South Korea	603	1.76	-	-
Spain	339	0.99	145	1.64
Sweden	-	-	214	2.42
Switzerland	2,686	7.83	499	5.63
Taiwan	-	-	88	0.99
United Kingdom	2,254	6.57	312	3.52
United States	15,232	44.42	4,363	49.27
Forward Foreign Exchange Contracts	3	0.01	5	0.06
Future Contracts	(40)	(0.12)	8	0.09
Total investments	**32,937**	**96.05**	**8,486**	**95.82**
Net other assets/(liabilities)				
Uncommitted cash	1,274	3.72	401	4.53
Net debtors/(creditors)	80	0.23	(31)	(0.35)
Total net other assets	1,354	3.95	370	4.18
Total net assets	**34,291**	**100.00**	**8,856**	**100.00**

Synthetic risk and reward profile

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

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Kames High Yield Bond Fund

For the period from 1 August 2013 to 31 January 2014

Fund Description

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

Risk Profile

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

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

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

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

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

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

Performance

The Kames High Yield Bond Fund returned 3.78% compared to the Lipper peer group median return of 4.55%. The peer group is the IMA Sterling High Yield sector.

Strategy Review

High yield bonds performed well over the period as investors continued to seek out good income generating opportunities. However, the returns achieved were less than in previous periods, which increasingly led many investors to accept greater risk by investing in lower-rated bonds.

Throughout the period we retained our cautious positioning which was manifested in, for example, our bias towards the US market as we believed it offered a better risk/reward balance than its European counterpart. This positioning proved to be the largest driver of the Fund's relative underperformance, given the marked outperformance of the European high yield market over the US.

In general, we were reluctant to reach too far down the credit spectrum, which cost relative performance. However, we did add some risk to the Fund when warranted by the prevailing market conditions. In particular, we participated in attractively priced new issuance from companies we liked fundamentally and that needed to issue in a dislocated market. We believed it was prudent to stick to our mantra of preferring to buy two units of medium risk positions rather than one very high risk position (for the same increase in either yield or value at risk). Therefore, we retained our overall cautious approach and where we did add risk it tended to be in solid B credits rather than lower-rated CCC names.

We added value to the Fund through disciplined issue selection and taking advantage of relative value opportunities. Among the best performers was a new issue from VUE Cinema, which we purchased just before the start of the period. Other names that benefited performance included Hilton Worldwide – a household name with an extremely strong, globally diversified ownership. We purchased a new issue from the company in September. During the same month we sold some of our holding in Nokia Siemens, which had performed very well following positive news about the disposal of assets to Microsoft. In October, the Fund benefited from the upgrade to investment grade of Catalyst Healthcare, the UK private finance initiative deal that involved constructing and then servicing hospitals in Manchester. Finally, we sold our holding in Warner Chilcott in November, given its previous outperformance and the fact it had moved up to investment grade status.

We continue to actively manage the Fund with a rigorous attention to issue selection, a keen review discipline and a relatively defensive tilt.

Top Ten Holdings 31 January 2014

	%
Virgin Media Secured Finance 5.5% 15/01/2021	1.94
Unitymedia Hessen 5.5% 15/09/2022	1.84
HCA 7.75% 15/05/2021	1.65
DISH DBS 5% 15/03/2023	1.55
Hawk Acquisition Sub 4.25% 15/10/2020	1.47
T-Mobile USA 6.125% 15/01/2022	1.43
Sunrise Communications 8.5% 31/12/2018	1.38
Service International 4.5% 15/11/2020	1.28
Reynolds 5.75% 15/10/2020	1.22
Constellation Brands 4.25% 01/05/2023	1.20

Top Ten Holdings 31 July 2013

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

Distribution Dates

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

Ongoing Charge Figure

Share Class	31 January 2014 %	31 July 2013 %
A Accumulation shares	1.30	1.30
A Income shares	1.30	1.30
B Accumulation shares	0.80	0.80
B Income shares	0.80	0.80
D Accumulation shares*	1.05	1.05
D Income shares*	1.05	1.05

*Share class launched 12 December 2012, and as such the ongoing charges figure for the period to 31 July 2013 has been annualised based on the fees suffered during that accounting period.

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

Last Five Years' Performance

Discrete years					
1 year to	31/01/2014	31/01/2013	31/01/2012	31/01/2011	31/01/2010
Fund	5.8%	13.6%	3.8%	15.2%	54.7%

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

In December 2013 the fund's primary share class changed from 'A' to 'B' and performance is now reported using the 'B' share class. If comparing these figures with previous reports there may be differences in the performance figures.

Price & Revenue History

Calendar Year	Highest Price (p)	Lowest price (p)	Net revenue per share (p)
A Accumulation shares (pence)			
2009	76.64	47.45	4.5567
2010	84.74	77.06	5.4260
2011	94.21	84.97	5.1636
2012	105.77	90.16	5.5564
2013	111.09	104.71	5.3578
2014**	112.27	111.12	0.4273
A Income shares (pence)			
2009	48.59	31.10	2.8847
2010	51.48	47.60	3.2725
2011	53.55	47.19	2.9123
2012	54.89	49.30	2.9582
2013	55.85	52.97	2.6937
2014**	55.21	54.64	0.2106
B Accumulation shares (pence)			
2009	157.55	97.78	9.3521
2010	175.67	159.67	11.2836
2011	196.63	177.69	10.7700
2012	222.53	188.76	11.6606
2013	234.90	220.85	11.2983
2014**	237.47	234.95	0.9027
B Income shares (pence)			
2009	86.96	57.01	5.3198
2010	94.14	87.15	5.8681
2011	98.51	86.99	5.3645
2012	101.82	90.99	5.4582
2013	103.79	98.50	5.0253
2014**	102.94	101.85	0.3914
D Accumulation shares (pence)*			
2012	101.08	100.00	0.4031
2013	106.37	100.14	5.2071
2014**	107.52	106.40	0.4100
D Income shares (pence)*			
2012	101.08	100.00	0.4168
2013	102.96	97.66	4.8926
2014**	101.86	100.79	0.3880

*Share class launched 12 December 2012

**1 month to 31.01.2014

Statement of investments and other assets as at 31 January 2014

	2014		July 2013	
Investments	**£'000**	**%**	**£'000**	**%**
Australian Dollar Denominated Bonds				
Corporate Bonds	-	-	21,879	1.45
Canadian Dollars Denominated Bonds				
Corporate Bonds	14,492	0.90	10,049	0.66
Euro Denominated Bonds				
Corporate Bonds	312,575	19.35	377,195	24.92
Forward Foreign Exchange Contracts	8,742	0.54	(32,017)	(2.11)
Futures Contracts	(377)	(0.03)	-	-
Sterling Denominated Bonds				
Corporate Bonds	309,473	19.16	268,885	17.76
Swedish Krona Denominated Bonds				
Corporate Bonds	15,163	0.94	14,714	0.97
Swiss Franc Denominated Bonds				
Corporate Bonds	24,515	1.52	45,013	2.97
United States Dollar Denominated Bonds				
Corporate Bonds	886,044	54.85	713,562	47.13
Total investments	**1,570,627**	**97.23**	**1,419,280**	**93.75**
Net other assets/(liabilities)				
Uncommitted cash	57,399	3.55	72,567	4.79
Net (creditors)/debtors	(12,577)	(0.78)	22,084	1.46
Total net other assets	44,822	2.77	94,651	6.25
Total net assets	**1,615,449**	**100.00**	**1,513,931**	**100.00**

Synthetic risk and reward profile

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

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Kames Investment Grade Bond Fund

For the period from 1 August 2013 to 31 January 2014

Fund Description

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

Risk Profile

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

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

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

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

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

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

Performance

The Kames Investment Grade Bond Fund returned 3.45% compared to the Lipper peer group median return of 1.92%. The peer group is the IMA Sterling Corporate Bond sector.

Strategy Review

Core government bonds came under pressure as the economic recovery continued and the spectre of reduced assistance from central banks started to concern investors. This challenging backdrop was in place for most of the period although government bonds enjoyed a robust rally at the start of 2014 as a sell-off in emerging markets caused investors to take cover in less risky assets. Corporate bonds performed better although the positive returns achieved were less than in previous years.

The Fund's strong performance over the period was due to a variety of factors. Prior to the start of the period we had reduced the Fund's exposure to non-financial investment grade bonds, particularly in the industrial and utilities sectors, as we believed this area of the market had become expensive. Reducing these positions allowed us to take advantage of attractively priced new issues, which came to the market throughout the period under review.

In sector terms, our preferred areas of the market were financials, and specifically bonds issued by life insurance companies and banks. We increased our holdings in these areas through the new issue market, with purchases in a new subordinated deal from Allianz in euros and additional tier-1 bonds from Credit Suisse amongst the highlights. We also took advantage of opportunities within the non-financials space, participating in new deals from American Movil (telecom), and British American. We moderated the Fund's significant underweight in peripheral European names by participating in a new deal from Spanish telecom giant Telefonica. The most significant new issue over the period (both in terms of the quantum of issuance and impact on portfolio performance) came from Verizon, another telecoms name. We bought the 30-year dollar deal and given the sheer size of issuance that Verizon was undertaking, the bonds were extremely attractively priced. As the period ended, we sold our holding for a healthy profit. The other standout performer was EDF, with the Fund's involvement in the new 100-year sterling deal in January proving to be very profitable.

In terms of interest rate risk, we were happy to retain a strategic short duration position (we limited the Fund's exposure to interest rate risk) throughout the period. However, we actively managed this position by taking short-term tactical positions to suit the prevailing conditions. For example, we sought to lock-in some profits on this strategic position in early December (by reducing the scale of the interest rate underweight) after a sustained sell-off in gilts. While these short-term adjustments to the portfolio's interest rate risk added some value, it was the Fund's overall (strategic) short duration position that was of most benefit, given the rise in UK government bond yields (with a corresponding fall in price) over the period.

Top Ten Holdings 31 January 2014

	%
LCR Finance 4.5% 07/12/2028	1.94
Electricite de France 6% 23/01/2114	1.87
BUPA Finance 6.125% Perpetual	1.52
Unique Pub Finance 6.542% 30/03/2021	1.49
KFW 5.55% 07/06/2021	1.48
Nats En Route 5.25% 31/03/2026	1.47
Longstone Finance 4.791% 19/04/2036	1.47
AA 6.269% 02/07/2043	1.47
DIRECTV Financing 5.2% 18/11/2033	1.45
Lloyds TSB Bank 13% Perpetual	1.40

Top Ten Holdings 31 July 2013

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

Distribution Dates

31 March, 30 June, 30 September, 31 December

Ongoing Charge Figure

Share Class	31 January 2014 %	31 July 2013 %
A Accumulation shares	1.31	1.31
A Income shares	1.31	1.31
B Accumulation shares	0.81	0.81
B Income shares	0.81	0.81
D Accumulation shares*	1.06	1.06
D Income shares*	1.06	1.06

*Share class launched 12 December 2012, and as such the ongoing charges figure for the period to 31 July 2013 has been annualised based on the fees suffered during that accounting period.

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

Last Five Years' Performance

Discrete years					
1 year to	31/01/2014	31/01/2013	31/01/2012	31/01/2011	31/01/2010
Fund	4.5%	13.8%	7.4%	4.8%	30.6%

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

In December 2013 the fund's primary share class changed from 'A' to 'B' and performance is now reported using the 'B' share class. If comparing these figures with previous reports there may be differences in the performance figures.

Price & Revenue History

Calendar Year	Highest Price (p)	Lowest price (p)	Net revenue per share (p)
A Accumulation shares (pence)			
2009	108.64	81.58	4.4217
2010	119.21	107.49	3.9644
2011	120.79	114.23	4.2311
2012	139.70	119.70	4.2554
2013	146.21	137.00	3.6985
2014**	145.25	142.30	0.9843
A Income shares (pence)			
2009	94.92	73.51	3.9657
2010	101.21	93.72	3.4216
2011	99.50	94.89	3.5140
2012	109.75	97.22	3.4119
2013	113.47	106.18	2.8705
2014**	111.16	108.89	0.7534
B Accumulation shares (pence)			
2009	110.20	82.59	4.7667
2010	121.55	109.68	4.4711
2011	123.56	116.61	4.8094
2012	143.73	122.66	4.8810
2013	150.63	141.23	4.3879
2014**	150.08	146.98	1.1535
B Income shares (pence)			
2009	94.74	73.62	4.3091
2010	101.34	93.77	3.7919
2011	99.64	94.99	3.9048
2012	109.90	97.36	3.8261
2013	113.66	106.31	3.3082
2014**	111.35	109.05	0.8601
D Accumulation shares (pence)*			
2012	101.38	100.00	-
2013	106.14	99.48	2.7778
2014**	105.59	103.42	0.7645
D Income shares (pence)*			
2012	101.38	100.00	-
2013	104.86	98.06	2.7065
2014**	102.69	100.58	0.7425

*Share class launched 12 December 2012
**1 month to 31.01.2014

Statement of investments and other assets as at 31 January 2014

	2014		July 2013	
Investments	**£'000**	**%**	**£'000**	**%**
Australian Dollar Denominated Bonds				
Corporate Bonds	-	-	1,526	0.25
Euro Denominated Bonds				
Corporate Bonds	31,789	4.62	27,657	4.48
Forward Foreign Exchange Contracts	690	0.10	(1,837)	(0.30)
Future Contracts	(2,162)	(0.31)	-	-
Sterling Denominated Bonds				
Corporate Bonds	618,821	89.93	508,793	82.43
Credit Default Swaps	(3,026)	(0.44)	-	-
United States Dollar Denominated Bonds				
Corporate Bonds	29,376	4.27	45,277	7.33
Total investments	**675,488**	**98.17**	**581,416**	**94.19**
Net other assets/(liabilities)				
Uncommitted cash	15,291	2.22	36,269	5.88
Net creditors	(2,703)	(0.39)	(437)	(0.07)
Total net other assets	12,588	1.83	35,832	5.81
Total net assets	**688,076**	**100.00**	**617,248**	**100.00**

Synthetic risk and reward profile

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

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Kames Ethical Corporate Bond Fund

For the period from 1 August 2013 to 31 January 2014

Fund Description

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

Risk Profile

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

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

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

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

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

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

Performance

The Kames Ethical Corporate Bond Fund returned 2.11% compared to the Lipper peer group median return of 1.92%. The peer group is the IMA Sterling Corporate Bond sector.

Strategy Review

Core government bonds came under pressure as the economic recovery continued and the spectre of reduced assistance from central banks started to concern investors. This challenging backdrop was in place for most of the period although government bonds enjoyed a robust rally at the start of 2014 as a sell-off in emerging markets caused investors to take cover in less risky assets. Corporate bonds performed better than government bonds, although the positive returns achieved were less than in previous years.

The Fund's positive return and outperformance relative to peers was due to a number of factors. Firstly, the preference for holding corporate bonds issued by financial institutions, especially insurers, generated good relative returns. This was one of the strongest performing sectors over the period. Standout performers included Aviva, Direct Line, Standard Life and Friends Life. Our bias towards the collateralised sector also proved to be a good source of individual stock successes, with positions in bonds from Tees & Hartlepool Port Authority, High Speed Rail and Great Rolling Stock performing well.

In the new issue market, the Fund made a number of successful purchases including a new deal from The AA, which was adding to (tapping) an existing deal it had brought to the market earlier in the summer. The deal was attractively priced and in-line with our long-held preference for lending to corporates on a secured (as opposed to unsecured) basis. We also subscribed to a new deal from Greater Gabbard, a bond secured on the infrastructure (pipes) linking a wind farm in the Thames estuary to the national grid.

The return from duration management (managing the effect of interest rate risk in the Fund) was more volatile. Given the overall decline in the price of UK government bonds, it was better to limit the size of exposure to this area of the market (to be short duration). However, the Fund is restricted in its ability to take short-term tactical duration positions (it cannot hold government bonds or derivatives) and therefore we carefully managed duration in other ways. For example, we increased the level of cash at various points during the period by selling corporate bonds, which in turn reduced the level of duration in the Fund.

We retain our preference for bonds issued by financial institutions as well as our bias towards the collateralised sector. In terms of interest rate risk, our longer-term aim is to allow the cash balance to increase as we seek to preserve capital in an environment where yields are likely to continue on an upward trajectory.

Top Ten Holdings 31 January 2014

	%
Municipality Finance 1.125% 07/12/2017	1.62
AA 6.269% 02/07/2043	1.56
Dignity Finance 8.151% 31/12/2031	1.50
Legal & General 10% 23/07/2041	1.47
BL Superstores Finance 5.27% 04/10/2030	1.42
Land Securities Capital Markets 4.875% 29/09/2025	1.42
Investec Bank 9.625% 17/02/2022	1.41
Trafford Centre Finance 6.5% 28/07/2033	1.35
CPUK Finance 7.239% 28/02/2042	1.34
White City Property Finance 5.1202% 17/04/2035	1.32

Top Ten Holdings 31 July 2013

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

Distribution Dates

31 March, 30 June, 30 September, 31 December

Ongoing Charge Figure

Share Class	31 January 2014 %	31 July 2013 %
A Accumulation shares	1.07	1.07
A Income shares	1.07	1.07
B Accumulation shares	0.57	0.57
B Income shares	0.57	0.57
D Accumulation shares*	0.82	0.82
D Income shares*	0.82	0.82

*Share class launched 10 December 2012, and as such the ongoing charges figure for the period to 31 July 2013 has been annualised based on the fees suffered during that accounting period.

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

Last Five Years' Performance

Discrete years					
1 year to	31/01/2014	31/01/2013	31/01/2012	31/01/2011	31/01/2010
Fund	2.9%	10.8%	8.0%	5.8%	20.5%

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

In December 2013 the fund's primary share class changed from 'A' to 'B' and performance is now reported using the 'B' share class. If comparing these figures with previous reports there may be differences in the performance figures.

Price & Revenue History

Calendar Year	Highest Price (p)	Lowest price (p)	Net revenue per share (p)
A Accumulation shares (pence)			
2009	138.53	108.71	5.8914
2010	153.21	136.09	5.3916
2011	157.46	146.99	5.1630
2012	175.71	157.25	5.5035
2013	182.93	172.12	4.9572
2014**	179.58	175.80	1.2805
A Income shares (pence)			
2009	94.57	74.73	4.1950
2010	101.32	92.51	3.6283
2011	100.15	95.63	3.6916
2012	107.50	99.06	3.4373
2013	110.78	103.28	3.0093
2014**	106.84	104.58	0.7660
B Accumulation shares (pence)			
2009	117.52	92.04	5.4833
2010	130.37	115.45	5.1411
2011	134.63	125.22	4.5352
2012	150.85	134.47	5.2693
2013	157.26	148.06	4.8578
2014**	154.82	151.52	1.2475
B Income shares (pence)			
2009	84.70	66.93	4.0502
2010	90.94	82.96	3.5966
2011	89.84	85.77	3.3210
2012	96.47	88.86	3.4486
2013	99.45	92.67	3.0683
2014**	95.91	93.86	0.7753
D Accumulation shares (pence)*			
2012	100.29	99.32	-
2013	104.43	98.29	2.8969
2014**	102.65	100.48	0.7823
D Income shares (pence)*			
2012	100.29	99.32	-
2013	103.35	96.37	2.7941
2014**	99.71	97.60	0.7592

*Share class launched 10 December 2012
**1 month to 31.01.2014

Statement of investments and other assets as at 31 January 2014

	2014		July 2013	
Investments	**£'000**	**%**	**£'000**	**%**
Sterling Denominated Bonds				
Asset Backed Security	2,520	0.92	2,529	0.95
Corporate Bonds	247,133	90.17	239,175	89.55
Government Bonds	4,426	1.62	4,483	1.68
Total investments	**254,079**	**92.71**	**246,187**	**92.18**
Net other assets				
Uncommitted cash	19,741	7.20	18,046	6.76
Net debtors	243	0.09	2,832	1.06
Total net other assets	19,984	7.29	20,878	7.82
Total net assets	**274,063**	**100.00**	**267,065**	**100.00**

Synthetic risk and reward profile

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

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Kames Ethical Equity Fund

For the period from 1 August 2013 to 31 January 2014

Fund Description

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

Risk Profile

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

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

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

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

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

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

Performance

The Kames Ethical Equity Fund returned 7.98% compared to the Lipper peer group median return of 3.43%. The peer group is the IMA UK All Companies sector.

Strategy Review

UK Equities performed well for most of the period as signs of economic recovery continued to gain traction. However, the robust positive performance was softened somewhat by a correction during January, which left the FTSE All-Share up only 1.09% for the six months as a whole.

During the period, the Fund benefited from strong stock selection while sector exposure also added value particularly in the more economically sensitive areas of the market. Our positive view within specific areas of consumer services (notably, media and travel & leisure) and financials (life insurance and financial services) aided performance, as did the overweight stance in support services. A number of the Fund's ethically-driven underweight sector positions also helped relative performance, particularly having no exposure to banks and defensive areas such as tobacco, which underperformed the broader market.

Stock selection within financial services was a key positive in the period with Hargreaves Lansdown, Close Brothers and asset manager Brewin Dolphin all performing well on re-assuring trading updates. The overweight stance in life insurance was also a performance benefit with Prudential, Legal & General, St James' Place and Resolution amongst the winners held in the Fund.

In the consumer-related space, media was the Fund's second largest active sector weight and assisted performance both at the sector and stock level. ITV, Reed Elsevier, Euromoney Institutional Investor were all positive contributors. ITV gained from an improving domestic and advertising backdrop, which drove earnings upgrades. In the travel & leisure sector, Tui Travel and Whitbread performed well as did Thomas Cook, which benefited after it increased its cost savings guidance, re-affirmed on full-year earnings expectations and raised its 2015 targets.

Additional stocks held that gained in the second half of 2013 included Oxford Instruments (re-assuring trading update and earnings accretive acquisition), Bellway, Howden Joinery (robust trading allowing earnings upgrades), RPS (earnings enhancing acquisitions) and Robert Walters (some evidence of improving markets in global recruitment). Relative performance was also helped by the Fund's ethical restrictions, in particular, not holding HSBC, British American Tobacco, Diageo and Royal Dutch Shell.

Offsetting the positive performance to some degree was not owning Astra Zeneca, Lloyds Banking Group, BP, BT and Rio Tinto, which are all deemed un-investable based on our proprietary ethical criteria. The exposure to Telecity, the European datacentre business, lagged on concerns regarding capacity additions and customer churn.

UK equities had a challenging start to 2014 with the market looking somewhat overbought, which in turn led to a significant sell-off during January. However, we believe the longer-term recovery remains in place and should support further equity gains in 2014.

Top Ten Holdings 31 January 2014

	%
Vodafone	4.67
Prudential	3.67
Rightmove	2.58
Reed Elsevier	2.52
Legal & General	2.42
Schroders	2.31
Hargreaves Lansdown	2.15
Brewin Dolphin	2.08
Travis Perkins	1.98
Victrex	1.86

Top Ten Holdings 31 July 2013

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

Distribution Dates

30 November

Ongoing Charge Figure

Share Class	31 January 2014 %	31 July 2013 %
A Accumulation shares	1.56	1.57
B Accumulation shares	0.81	0.82
B Income shares*	0.81	0.82
D Accumulation shares**	1.06	1.07

*Share class launched 29 October 2012, and as such the ongoing charges figure for the period to 31 July 2013 has been annualised based on the fees suffered during that accounting period.

**Share class launched 10 December 2012, and as such the ongoing charges figure for the period to 31 July 2013 has been annualised based on the fees suffered during that accounting period.

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

Last Five Years' Performance

Discrete years 1 year to	31/01/2014	31/01/2013	31/01/2012	31/01/2011	31/01/2010
Fund	26.1%	21.9%	-4.1%	26.0%	26.1%

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

In December 2013 the fund's primary share class changed from 'A' to 'B' and performance is now reported using the 'B' share class. If comparing these figures with previous reports there may be differences in the performance figures.

Price & Revenue History

Calendar Year	Highest Price (p)	Lowest price (p)	Net revenue per share (p)
A Accumulation shares (pence)			
2009	89.60	63.21	1.1251
2010	108.28	83.54	0.9436
2011	114.05	91.68	1.3060
2012	117.71	99.86	1.8749
2013	159.47	119.46	1.8178
2014***	162.77	154.63	-
B Accumulation shares (pence)			
2009	96.55	67.80	1.7894
2010	117.72	90.43	1.7200
2011	124.49	100.25	2.2819
2012	129.91	109.40	2.8989
2013	177.33	131.86	3.0465
2014***	181.09	172.04	-
B Income shares (pence)*			
2012	103.03	98.38	-
2013	138.43	104.57	1.9998
2014***	141.63	134.30	-
D Accumulation shares (pence)**			
2012	100.76	99.41	-
2013	137.19	102.26	1.9313
2014***	140.08	133.08	-

*Share class launched 29 October 2012.
**Share class launched 10 December 2012.
***1 month to 31.01.2014

Statement of investments and other assets as at 31 January 2014

	2014		July 2013	
Investments	**£'000**	**%**	**£'000**	**%**
United Kingdom				
Beverages	7,356	1.83	5,232	1.47
Electricity	7,693	1.92	7,945	2.22
Electronic & Electrical Equipment	15,710	3.91	10,315	2.89
Equity Investment Instruments	2,274	0.57	2,127	0.60
Financial Services	5,894	1.47	6,783	1.90
Food Producers	5,109	1.27	5,659	1.58
Gas, Water & Multiutilities	5,687	1.42	5,838	1.63
General Financial	40,401	10.07	32,738	9.17
General Industrials	-	-	128	0.04
General Retailers	28,533	7.11	23,279	6.52
Health Care Equipment & Services	7,930	1.98	6,573	1.84
Household Goods & Home Construction	13,858	3.45	15,169	4.25
Industrial Engineering	10,104	2.52	6,026	1.69
Industrial Transportation	4,581	1.14	2,729	0.76
Life Insurance	36,360	9.06	39,209	10.98
Media	46,001	11.46	40,295	11.28
Mobile Telecommunications	18,729	4.67	15,414	4.32
Non-Life Insurance	2,681	0.67	5,318	1.49
Oil & Gas Producers	14,203	3.54	17,146	4.80
Real Estate Investment & Services	5,038	1.25	3,424	0.96
Real Estate Investments Trusts	5,294	1.32	6,498	1.82
Software & Computer Services	17,183	4.28	18,472	5.17
Support Services	51,261	12.77	48,270	13.52
Technology Hardware & Equipment	3,925	0.98	3,673	1.03
Travel & Leisure	17,567	4.38	15,150	4.24
Bermuda	1,656	0.41	1,588	0.44
Cayman Islands	401	0.10	496	0.14
Channel Islands	7,179	1.79	698	0.20
India	544	0.14	840	0.23
Isle of Man	6,034	1.50	-	-
Spain	2,937	0.73	2,564	0.72
Total investments	**392,123**	**97.71**	**349,596**	**97.90**
Net other assets/(liabilities)				
Uncommitted cash	9,054	2.25	7,678	2.15
Net debtors/(creditors)	145	0.04	(183)	(0.05)
Total net other assets	9,199	2.29	7,495	2.10
Total net assets	**401,322**	**100.00**	**357,091**	**100.00**

Synthetic risk and reward profile

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

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Kames Ethical Cautious Managed Fund

For the period from 1 August 2013 to 31 January 2014

Fund Description

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

Risk Profile

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

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

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

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

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

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

Performance

The Kames Ethical Cautious Managed Fund returned 5.08% compared to the Lipper peer group median return of 0.73%. The peer group is the IMA Mixed Investment 20-60% Shares sector.

Strategy Review

For most of the period, UK equities rallied strongly before suffering a correction in January that brought overall returns for the FTSE All-Share to 1.09%. Corporate bonds were positive but subdued for most of the period while government bonds sold-off significantly. However, this changed in the first month of 2014 as investors looked to the safety of government bonds as equity markets fell back.

Throughout the period, the Fund held an overweight position in equities, which benefited performance. At the end of the period, around 52% of assets were held in equities compared to approximately 40% in fixed income and the remainder in cash.

Stock selection in the UK equity portfolio was one of the key drivers of performance. Our positive view within specific areas of consumer services (notably, media and travel & leisure) and financials (life insurance and financial services) aided performance, as did the overweight stance in support services. A number of the Fund's ethically driven underweight positions also helped relative performance, particularly having no exposure to banks and tobacco. Within financial services the holdings in Hargreaves Lansdown, Close Brothers and asset manager Brewin Dolphin all performed well on re-assuring trading updates. Within life insurance, the exposure to Prudential, Legal & General and St James's Place also contributed strongly.

In the media sector, the holdings in ITV and Euromoney Institutional Investor both added value. In the travel & leisure sector, Thomas Cook performed well after it increased its cost savings guidance and raised its 2015 targets. Other names that did well included Oxford Instruments, RPS and Robert Walters.

Within the fixed income portfolio, the preference for holding corporate bonds issued by financial institutions, especially insurers, generated good relative returns. Standout performers included insurance companies Aviva, Direct Line and Standard Life. Our bias towards the collateralised sector was also beneficial, with positions in bonds from Tees & Hartlepool Port Authority, High Speed Rail and Great Rolling Stock performing well. In the new issue market, the Fund benefited from a new deal from The AA.

We believe the longer-term recovery remains in place and should support further equity gains during the year. In fixed income markets, we retain our preference for bonds issued by financial institutions as well as our bias towards the collateralised sector.

Top Ten Holdings 31 January 2014

	%
Vodafone	2.72
Prudential	1.53
Reed Elsevier	1.52
Legal & General	1.43
St James's Place	1.39
WPP	1.22
ITV	1.19
Travis Perkins	1.13
Schroders	1.08
Ashtead	1.05

Top Ten Holdings 31 July 2013

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

Distribution Dates

31 March, 30 June, 30 September, 31 December

Ongoing Charge Figure

Share Class	31 January 2014 %	31 July 2013 %
A Accumulation shares	1.33	1.34
A Income shares	1.33	1.34
B Accumulation shares*	0.83	0.84
B Income shares*	0.83	0.84
D Accumulation shares**	1.08	1.09
D Income shares**	1.08	1.09

*Share class launched 14 May 2013, and as such the ongoing charges figure for the period to 31 July 2013 has been annualised based on the fees suffered during that accounting period.

**Share class launched 10 December 2012, and as such the ongoing charges figure for the period to 31 July 2013 has been annualised based on the fees suffered during that accounting period.

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

Last Five Years' Performance

Discrete years					
1 year to	31/01/2014	31/01/2013	31/01/2012	31/01/2011	31/01/2010
Fund	15.9%	15.2%	1.4%	16.0%	22.0%

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

In December 2013 the fund's primary share class changed from 'A' to 'B' and performance is now reported using the 'B' share class. If comparing these figures with previous reports there may be differences in the performance figures.

Price & Revenue History

Calendar Year	Highest Price (p)	Lowest price (p)	Net revenue per share (p)
A Accumulation shares (pence)			
2009	94.43	73.59	2.2722
2010	109.78	92.97	2.2877
2011	115.18	104.11	2.4812
2012	124.40	108.98	2.3508
2013	148.47	125.11	2.6113
2014***	151.27	147.15	0.3560
A Income shares (pence)			
2009	88.17	70.20	2.0220
2010	99.45	85.71	2.1095
2011	103.30	92.78	2.2258
2012	107.98	96.53	2.0665
2013	126.44	108.59	2.2512
2014***	128.83	125.32	0.3032
B Accumulation shares (pence)*			
2013	107.87	95.20	1.2940
2014***	109.93	106.94	0.3632
B Income shares (pence)*			
2013	106.54	95.20	1.2685
2014***	108.58	105.63	0.3591
D Accumulation shares (pence)**			
2012	101.07	100.00	-
2013	120.87	101.65	2.2726
2014***	123.17	119.82	0.3495
D Income shares (pence)**			
2012	101.07	100.00	-
2013	118.46	101.65	2.2351
2014***	120.70	117.42	0.3450

*Share class launched 14 May 2013.
**Share class launched 10 December 2012.
***1 month to 31.01.2014

Statement of investments and other assets as at 31 January 2014

	2014		July 2013	
Investments	**£'000**	**%**	**£'000**	**%**
Sterling Denominated Bonds				
Australia	1,124	0.83	302	0.35
Cayman Islands	3,488	2.58	1,473	1.73
Denmark	767	0.57	547	0.64
Finland	738	0.55	747	0.88
France	1,102	0.82	-	-
Germany	3,161	2.34	2,168	2.55
Guernsey	248	0.18	235	0.28
Ireland	929	0.69	520	0.61
Italy	159	0.12	154	0.18
Jersey	1,458	1.08	783	0.92
Netherlands	4,068	3.01	2,843	3.34
Norway	198	0.15	190	0.22
Supranational	1,358	1.01	571	0.67
Sweden	798	0.59	-	-
United Kingdom	32,915	24.39	19,987	23.48
United States	1,978	1.46	958	1.13
Equities				
Bermuda	355	0.26	280	0.33
Channel Islands	1,004	0.74	20	0.02
India	-	-	30	0.04
Isle of Man	1,258	0.93	-	-
Spain	467	0.35	408	0.48
United Kingdom	66,305	49.13	46,250	54.32
Total investments	**123,878**	**91.78**	**78,466**	**92.17**
Net other assets/(liabilities)				
Uncommitted cash	9,944	7.37	6,725	7.90
Net debtors/(creditors)	1,144	0.85	(55)	(0.07)
Total net other assets	11,088	8.22	6,670	7.83
Total net assets	**134,966**	**100.00**	**85,136**	**100.00**

Synthetic risk and reward profile

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

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Kames Inflation Linked Fund

For the period from 1 August 2013 to 31 January 2014

Fund Description

The investment objective is to maximise total return (income plus capital) and outperform the UK Retail Prices Index by at least 4% per annum over the medium term. By investing in the Fund, capital is at risk. There is no guarantee that the Fund will deliver positive returns over this, or any, time period. To invest principally in: fixed income assets; equities; and derivatives (including commodity indices) denominated in any currency. Cash and near cash will be held. The Fund may also hold other Collective Investment Schemes, permitted money market instruments and may occasionally have indirect exposure to property.

Risk Profile

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

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

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

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

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

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

Performance

The Kames Inflation Linked Fund returned -0.24% (based on net and noon prices) compared to the benchmark return of 3.54%. The benchmark is the UK Retail Price index +4%.

Note: prior to 1 November 2013, the benchmark was the FTSE Index-Linked Over Five Years index (based on closing prices). Over the period, a blend of the FTSE Index-Linked Over Five Years index and the UK Retail Price Index + 4% returned 3.64%.

Strategy Review

The Fund contained around three principal allocations over the period: index-linked bonds, equities and selected diversifying strategies.

During the period we increased our weighting to equity markets, given the more positive backdrop and correspondingly reduced our exposure to index-linked bonds. The Fund's exposure to equity markets was implemented across a broad base. We remained committed to the merits of resilient real yield as the cornerstone of a general inflation beating strategy; we pursued this through the equities of companies that have a proven record of delivering a strong dividend stream and through increased exposure to specialist investments (infrastructure, leasing, renewable energy, insurance linked assets, mortgage REITs). During the period, we added to our infrastructure related holdings, many of which have a direct retail price index link to their income streams. We also added positions in HSBC, Catlin, Seadrill (exceptional dividend outlook), National Grid (solid premium yield), Partnership Assurance (growth prospects) and Moneysupermarket.com (dividend growth potential).

The remaining investments in the Fund were focused on a spread of bond investments that were dominated by US nominal bonds, UK index-linked bonds and 30-year Mexican inflation-protected bonds. We continued to see long duration bonds as an attractive counterpoint to the equity allocations both in terms of their valuation and in their defensive merits.

The Fund's exposure to equities had mixed results with some stock specific issues dragging down overall returns. For example, the holding in Partnership Assurance performed poorly after short-term sales expectations were revised down, while global banking giant HSBC fell due to weakness seen in emerging markets. Norwegian oil company Seadrill also struggled as commodity related sectors came under pressure.

The majority of the index-linked holdings (both government and corporate) were long duration assets. The index-linked government bond holdings detracted from performance as these assets sold-off significantly over most of the period. This included exposure to US, UK, Mexico and New Zealand securities. The rise in real yields witnessed towards the end of the year was more severe than anticipated and hurt our positioning. In contrast, the weighting in index-linked corporate bonds performed well, with the holding in Catalyst Health a standout performer. The Fund's diversifying strategies had very limited impact over the period.

Overall, we retain our strong exposure to equity markets and continue to focus on the dividend yield theme. We also retain our exposure to long duration bonds.

Top Ten Holdings 31 January 2014

	%
United Kingdom Gilt Inflation Linked 0.125% 22/03/2068	15.32
US Treasury Inflation Indexed Bonds 2.875% 15/05/2043	10.73
Mexican Udibonos Inflation Linked 4% 15/11/2040	7.63
United Kingdom Gilt Inflation Linked 0.5% 22/03/2050	5.67
United Kingdom Gilt Inflation Linked 1.875% 22/11/2022	4.05
United Kingdom Gilt Inflation Linked 1.25% 22/11/2027	2.62
United Kingdom Gilt Inflation Linked 2% 26/01/2035	1.72
United Kingdom Gilt Inflation Linked 2.5% 16/04/2020	1.55
Anglo American	1.52
Rio Tinto	1.50

Top Ten Holdings 31 July 2013

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

Distribution Dates

31 March, 30 June, 30 September, 31 December

Ongoing Charge Figure

Share Class	31 January 2014 %	31 July 2013 %
A Accumulation shares	1.07	1.07
B Accumulation shares	0.57	0.57
C Accumulation shares*	-	0.22
D Accumulation shares**	0.82	0.82

*C Accumulation share class merged with the B Accumulation share class on 4 November 2013.

**Share class launched 12 December 2012, and as such the ongoing charges figure for the period to 31 July 2013 has been annualised based on the fees suffered during that accounting period.

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

Last Five Years' Performance

Discrete years					
1 year to	31/01/2014	31/01/2013	31/01/2012	31/01/2011	31/01/2010
Fund	-5.8%	3.6%	24.6	-	-

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

In December 2013 the fund's primary share class changed from 'A' to 'B' and performance is now reported using the 'B' share class. If comparing these figures with previous reports there may be differences in the performance figures.

Price & Revenue History

Calendar Year	Highest Price (p)	Lowest price (p)	Net revenue per share (p)
A Accumulation shares (pence)*			
2010	102.53	97.47	-
2011	124.26	98.02	1.7481
2012	127.07	115.19	2.0217
2013	135.21	115.79	1.7385
2014****	120.90	118.33	0.1983
B Accumulation shares (pence)**			
2010	106.94	100.12	0.5408
2011	130.12	102.26	2.0904
2012	133.37	120.73	2.4684
2013	142.32	122.06	2.3458
2014****	127.66	124.92	0.3387
C Accumulation shares (pence)*			
2010	102.53	97.51	-
2011	124.86	97.87	2.2225
2012	127.87	115.92	2.7239
2013	137.07	117.68	2.6052
2014*****	-	-	-
D Accumulation shares (pence)***			
2012	101.09	99.29	-
2013	113.10	96.92	1.6833
2014****	101.27	99.11	0.2185

*Share class launched 15 November 2010.
**Share class launched 30 July 2010.
***Share class launched 12 December 2012.
****1 month to 31.01.2014
*****C Accumulation share class merged with the B Accumulation share class on 4 November 2013.

Statement of investments and other assets as at 31 January 2014

	2014		July 2013	
Investments	**£'000**	**%**	**£'000**	**%**
Euro Denominated Bonds				
Corporate Bonds	1,173	0.40	-	-
Mexican Nuevo Peso Denominated Bonds				
Government Bonds	22,370	7.63	-	-
New Zealand Dollar Denominated Bonds				
Government Bonds	3,592	1.22	3,875	1.51
Sterling Denominated Bonds				
Corporate Bonds	7,102	2.42	6,581	2.57
Government Bonds	105,930	36.14	133,653	52.22
United Dollars Denominated Bonds				
Government Bonds	31,443	10.73	39,506	15.43
Equities				
United Kingdom	44,885	15.31	14,971	5.85
Belgium	1,530	0.52	-	-
Bermuda	1,349	0.46	-	-
Channel Islands	16,168	5.52	4,396	1.72
France	1,827	0.62	1,163	0.45
Germany	2,958	1.01	2,686	1.05
Norway	3,843	1.31	3,521	1.38
Portugal	861	0.30	-	-
Switzerland	7,000	2.39	3,177	1.24
United States	15,366	5.24	13,478	5.26
Credit Default Swaps	(501)	(0.17)	(69)	(0.03)
Forward Foreign Exchange Contracts	232	0.08	1,631	0.64
Futures Contracts	(1,732)	(0.59)	480	0.19
Interest Rate Swap Contracts	(220)	(0.08)	30	0.01
Options	-	-	182	0.07
Total investments	**265,176**	**90.46**	**229,261**	**89.56**
Net other assets/(liabilities)				
Uncommitted cash	46,214	15.77	27,131	10.60
Net creditors	(18,261)	(6.23)	(418)	(0.16)
Total net other assets	27,953	9.54	26,713	10.44
Total net assets	**293,129**	**100.00**	**255,974**	**100.00**

Synthetic risk and reward profile

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

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Kames Strategic Assets Fund#

For the period from 1 August 2013 to 31 January 2014

Fund Description

The investment objective is to achieve positive returns over a 3 year period through a multi asset approach. By investing in the Fund, capital is at risk. There is no guarantee that the Fund will deliver positive returns over this, or any, time period. To invest generally in a portfolio of equities, fixed income as well as other assets. Cash and near cash will be held. The Fund aims to achieve this by taking advantage of long term investment themes but at the same time preserving capital when broad market conditions are challenging. The asset allocations will be determined by prevailing market conditions and will have capital preservation at the centre of the investment philosophy. The individual positions will generally be selected based upon thematic strategies. The Fund may also hold units in other Collective Investment Schemes, other transferable securities, warrants, permitted money market instruments, deposits and derivatives and forwards (including commodity indices) for investment purposes. The Fund may have indirect exposure to property and assets may be denominated in any currency.

Risk Profile

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

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

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

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

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

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

Performance

The Kames Strategic Assets Fund returned 2.25% compared to the Lipper peer group median return of 0.73%. The peer group is the IMA Mixed Investment 20-60% Shares sector.

Note: The Kames Strategic Assets Fund was closed to new subscriptions and it is intended that an application will be made to the FCA to withdraw authorisation of this Fund, upon settlement of any liquidation costs.

Strategy Review

During the six-month period the Fund was actively managed up to the date of its closure. We maintained our thematic-based strategy, implemented across a range of asset classes and based on disciplined research from our Multi-Asset Group. To choose individual positions from our selected themes we continued to use the expertise of Kames Capital's asset and region-specific teams.

We continued to focus on a number of themes, which included exploiting short-term tactical opportunities where possible. Key themes over the period included "Inflation", "Dividends & Income", "Japan and Abenomics", "US & UK Economic Recovery" and "European Normalisation". A multi asset approach was taken when implementing the themes, with positions held including UK index-linked bonds and US Treasury inflation-protected securities (TIPS), quality dividend paying equities, other equity income strategies and Japanese Equities and European Equities. Within the currency complex the fund broadly had a preference towards GBP and Euros against the Swiss Franc Japanese Yen. In particular the find held a number of assets denominated in foreign currencies and through the period these exposures were substantially hedged back to GBP as the recovery in the UK's economic situation continued to gather momentum.

Top Ten Holdings 31 January 2014 %

All holdings were sold as at 31 January 2014.

Top Ten Holdings 31 July 2013 %

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

Distribution Dates

31 March, 30 June, 30 September, 31 December

Ongoing Charge Figure

Share Class	31 January 2014 %	31 July 2013 %
A Accumulation shares	1.60	1.57
B Accumulation shares	0.85	0.83
D Accumulation shares*	1.10	1.07

*Share class launched 12 December 2012, and as such the ongoing charges figure for the period to 31 July 2013 has been annualised based on the fees suffered during that accounting period.

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

Last Five Years' Performance

Discrete years					
1 year to	31/01/2014	31/01/2013	31/01/2012	31/01/2011	31/01/2010
Fund	2.6%	2.4%	-	-	-

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

#The Kames Strategic Assets Fund was closed to new subscriptions and it is intended that an application will be made to the FCA to withdraw authorisation of this Fund, upon settlement of any liquidation costs.

Price & Revenue History

Calendar Year	Highest Price (p)	Lowest price (p)	Net revenue per share (p)
A Accumulation shares (pence)*			
2011	100.43	93.25	1.0623
2012	98.62	93.39	0.9944
2013	104.67	96.67	1.1904
2014***	101.86	100.47	-
B Accumulation shares (pence)*			
2011	100.53	93.67	1.4552
2012	99.23	94.10	1.5782
2013	106.07	98.02	1.8631
2014***	103.70	102.26	-
D Accumulation shares (pence)**			
2012	100.75	99.83	-
2013	109.02	100.72	1.6918
2014***	106.41	104.94	-

*Share class launched 1 March 2011.
**Share class launched 12 December 2012.
***1 month to 31.01.2014

Statement of investments and other assets as at 31 January 2014

	2014		July 2013	
Investments	**£'000**	**%**	**£'000**	**%**
Australian Dollar Denominated Bonds				
Government Bonds	-	-	1,443	2.69
Euro Denominated Bonds				
Corporate Bonds	-	-	255	0.47
Sterling Denominated Bonds				
Corporate Bonds	-	-	4,456	8.31
Government Bonds	-	-	999	1.86
US Dollar Denominated Bonds				
Corporate Bonds	-	-	481	0.90
Government Bonds	-	-	7,858	14.64
Equities				
United Kingdom				
Equity Investment Instruments	-	-	539	1.00
Investment Companies	-	-	554	1.03
Life Insurance	-	-	326	0.61
Media	-	-	357	0.67
Support Services	-	-	309	0.58
Australia	-	-	446	0.83
Canada	-	-	568	1.06
Channel Islands	-	-	6,452	12.02
China	-	-	186	0.35
Finland	-	-	99	0.18
Germany	-	-	1,540	2.87
Hong Kong	-	-	504	0.94
Italy	-	-	348	0.65
Japan	-	-	174	0.32
Luxembourg	-	-	480	0.89
Netherlands	-	-	108	0.20
Norway	-	-	679	1.27
Singapore	-	-	400	0.75
Spain	-	-	244	0.45
Sweden	-	-	770	1.44
Switzerland	-	-	1,121	2.09
United States	-	-	4,742	8.84
Forward Foreign Exchange Contracts	-	-	134	0.25
Futures Contracts	-	-	(2)	-
Credit Default Swaps	-	-	(4)	(0.01)
Interest Rate Swaps	-	-	(15)	(0.03)
Options	-	-	147	0.27
Total investments	**-**	**-**	**36,698**	**68.39**
Net other assets/(liabilities)				
Uncommitted cash	29,093	-	16,764	31.24
Net (creditors)/debtors	(29,093)	-	196	0.37
Total net other assets	-	-	16,960	31.61
Total net assets	**-**	**-**	**53,658**	**100.00**

Synthetic risk and reward profile

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

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Authorised Corporate Director (ACD), Investment Manager & Secretary

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0800 45 44 22

Depository

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Trustee & Depositary Services
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Auditors

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KAMES
CAPITAL

Kames Capital is an AEGON Asset Management company and includes Kames Capital plc (Company Number SC113505) and Kames Capital Management Limited (Company Number SC212159). Both are registered in Scotland and have their registered office at Kames House, 3 Lochside Crescent, Edinburgh, EH12 9SA. Kames Capital plc is authorised and regulated by the Financial Conduct Authority (FCA reference no: 144267). Kames Capital plc provides segregated and retail funds and is the Authorised Corporate Director of Kames Capital ICVC, an Open Ended Investment Company. Kames Capital Management Limited provides investment management services to AEGON, which provides pooled funds, life and pension contracts. Kames Capital Management Limited is an appointed representative of Scottish Equitable plc (Company Number SC144517), an AEGON company, whose registered office is 1 Lochside Crescent, Edinburgh Park, Edinburgh, EH12 9SE (PRA/FCA reference no: 165548).