

Kames Capital Investment Portfolios ICVC Interim Report and Financial Statements for the period from 1 April 2016 to 30 September 2016 (unaudited)

Kames Capital Investment Portfolios ICVC

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*Collectively these comprise the Authorised Corporate Directors' Report. Information specific to the Fund is detailed within its respective section.

Kames Capital Investment Portfolios ICVC

Company Information

Authorised Corporate Director (ACD), Investment Manager*

Kames Capital plc**
Kames House
3 Lochside Crescent
Edinburgh Park
Edinburgh
EH12 9SA

Directors of the ACD

Arnab Banerji
Gregory Cooper
Martin Davis
Stephen Jones
Sarah Russell
David Watson

Registrar

BNY Mellon (International) Limited**
BNY Mellon House
Ingrave Road
Brentwood
Essex
CM15 8TG

†Northern Trust Global Services Limited**
50 Bank Street
London
E14 5NT

Property Manager

Savills (UK) Limited
33 Margaret Street
London
W1G 0JD

Depository

National Westminster Bank plc***
Trustee & Depositary Services
Younger Building
1st Floor, 3 Redheughs Avenue
Edinburgh
EH12 9RH

Custodian

Citibank N.A. London Branch**
Citigroup Centre
Canada Square
Canary Wharf
London
E14 5LB

Independent Auditor

PricewaterhouseCoopers LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

Independent Valuer

Jones Lang LaSalle Limited
30 Warwick Street
London
W1B 5NH

*Kames Capital plc is an Alternative Investment Fund Manager for the purposes of the Financial Conduct Authority rules.

**Authorised and regulated by the Financial Conduct Authority and a member of the Investment Association.

***Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

† With effective date 3rd October 2016, the Registrar of the Kames Capital Investment Portfolios ICVC was changed from BNY Mellon to Northern Trust.

Kames Capital Investment Portfolios ICVC

Report of the Authorised Corporate Director

The Company

Kames Capital Investment Portfolios ICVC (the "Company") is an Open-Ended Investment Company (OEIC) with variable capital, incorporated in England on 26 February 2014. It is governed by the OEIC Regulations, the Collective Investment Schemes sourcebook (COLL) and its Instrument of Incorporation. The registered number of the Company is IC000988.

The shareholders have no interest in the Scheme Property, and are not liable for the debts of the Company.

The Company is an umbrella company with one sub-fund trading as at 30 September 2016. The number of sub-funds may be increased or decreased in the future.

Authorised Status

The Company is a Collective Investment Scheme as defined in the Financial Services and Markets Act 2000 which is categorised as a Non-UCITS Retail Scheme (NURS). The Company was authorised by the Financial Conduct Authority (FCA) on 26 February 2014 and its Instrument of Incorporation was registered with the Registrar of Companies for England & Wales on 26 February 2014. The Company is an Alternative Investment Fund (AIF) for the purposes of the FCA Rules. The Company was granted AIF status on 21 July 2014. A unit trust in umbrella form (Kames Capital Unit Trust) was launched for those investors unable to invest directly in the Kames Property Income Fund. The unit trust has two sub-funds: Kames Property Income Feeder (Income) Fund and Kames Property Income Feeder (Accumulation) Fund.

The Company has an unlimited duration.

The Financial Statements

We are pleased to present the interim report and financial statements for the period ending 30 September 2016.

As required by the OEIC Regulations, information for the Fund has been included in these financial statements. We have provided a detailed description of the strategy that was adopted during the period under review.

Changes to the Prospectus

Registrar's Fee

With effect from 3 October 2016, the Registrar of the Company will change from The Bank of New York Mellon (International) Limited to Northern Trust Global Services Limited and as part of this change the Registrar's fee as detailed in the Prospectus will also change. The Registrar's fee payable to The Bank of New York Mellon (International) Limited is £22.31 per Shareholder per annum plus 0.005% of the Net Asset Value (plus VAT). The fee payable to Northern Trust Global Services Limited will be £9.50 per Shareholder per annum plus a distribution fee (currently a total of £57,000 per annum) based on the frequency of distribution payments and number of Share Classes at any given time. More information is available in the Prospectus in the section entitled 'Registrar's Fee'.

Kames Capital Investment Portfolios ICVC

Statements of Responsibility

Statement of Authorised Corporate Director's Responsibilities

The Rules of the Financial Conduct Authority's Collective Investment Schemes sourcebook require the Authorised Corporate Director (ACD) to prepare financial statements for each accounting period that give a true and fair view of the financial affairs of the company and of its net revenue and the net capital (losses)/gains for the period.

In preparing the financial statements the Authorised Corporate Director is required to:

- comply with the Prospectus and applicable accounting standards, subject to any material departures which are required to be disclosed and explained in the financial statements;
- comply with the Statement of Recommended Practice for Authorised Funds issued by the Investment Association (IA) in May 2014;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in operation for the foreseeable future; and
- take reasonable steps for the prevention and detection of fraud, error, and non-compliance with law or regulations.

The ACD is required to keep proper accounting records and to manage the Company in accordance with the Regulations and the Instrument of Incorporation.

The report has been prepared in accordance with the Financial Conduct Authority's Collective Investment Schemes sourcebook.

Statement of the Depositary's Responsibilities in respect of the financial statements of the Scheme

The Depositary is responsible for the safekeeping of all property of the Company (other than tangible moveable property) that is entrusted to it. It is the duty of the Depositary to take reasonable care to ensure that the Company is managed in accordance with the Regulations, in relation to the pricing of, and dealings in, shares in the Company, and in relation to the revenue of the Company.

Authorised Corporate Director's Statement

In accordance with the requirements of the Financial Conduct Authority's Collective Investment Schemes sourcebook, we hereby certify the report on behalf of the Board of Kames Capital plc.

Gregory Cooper

Stephen Jones

Edinburgh
18 November 2016

Kames Capital Investment Portfolios ICVC

Independent Valuer's Report

Jones Lang LaSalle Limited, acting in its capacity as appointed standing independent valuer to Kames Property Income Fund (the "Fund"), has valued the immoveables held by the Fund as at 30 September 2016 in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation - Professional Standards (January 2014) and in accordance with 8.4.13R of the Collective Investment Schemes sourcebook. The immoveables have been valued on the basis of Market Value as defined in the RICS Valuation - Professional Standards subject to existing leases. Kames Capital plc, as Authorised Corporate Director of the Fund, has been provided with a full valuation certificate dated 30 September 2016.

We have been provided with information from the Fund's property managers including tenancy schedules and, where we have not measured the immoveables ourselves, floor areas. We have assumed that the Fund's interests in the immoveables are not subject to any onerous restrictions, to the payment of any unusual outgoings or to any changes, easements or rights of way, other than those to which we have referred in our reports. We rely upon the property managers to keep us advised of any changes that may occur in the investments. We are not generally instructed to carry out structural surveys or test any of the service installations. Our valuations therefore have regard only to the general condition of the immoveables evident from our inspections. We have assumed that no materials have been used in the construction or subsequent alteration of the buildings which are deleterious, hazardous or likely to cause structural defects. We are not instructed to carry out investigations into environmental contamination which might affect the immoveables and our valuations assume the immoveables are not adversely affected by any environmental contamination.

In our opinion the aggregate value of the market values of the immoveables owned by the Fund as at 30 September 2016 is £315,340,000. This figure represents the aggregate of the individual values attributable to the individual immoveables and should not be regarded as a valuation of the portfolio as a whole in the context of a sale as a single lot.

No allowances are made for any expenses of realisation, or for taxation, which might arise in the event of a disposal. The immoveables are considered as if free and clear of all mortgages or other charges which may be secured thereon. Valuations are prepared and expressed exclusive of VAT. The Budget changed the basis of assessing Stamp Duty Land Tax in England and Wales to a tiered approach and this has been adopted in the valuation as at 31 March 2016. Pending clarity in the market's response to the new International Property Measurement Standard (IPMS), we have continued to use floor areas as defined by the RICS Code of Measuring Practice 6th Edition 2007. This has been discussed and agreed with the Fund Manager.

Jones Lang LaSalle Limited

18 November 2016

Kames Property Income Fund

Investment objective

The investment objective is to carry on property investment business and to manage cash raised from investors for investment in the property investment business. In doing so, the Kames Property Income Fund (the "Fund") aims to provide income with potential for capital growth through investment mainly in commercial property.

Investment policy

The investment policy is to invest mainly in commercial property in the British Isles. The Fund will seek to add value through active asset management.

The Fund may also invest in other types of immoveable property and property related assets including collective investment schemes and transferable securities, as well as cash, deposits and money-market instruments.

Risk profile

The Fund is designed for retail and institutional investors seeking pooled exposure from investments mainly in commercial property in the British Isles 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 and cash. Property 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.

Investors should be aware of the following risk factors:

- Investment property is not as liquid as other asset classes such as bonds or equities. Investors may not be able to switch or cash-in their Investment when they want to because property in the Fund may not always be readily saleable.
- Investment property transaction charges are higher than those which apply in other asset classes. High volumes of transactions would have a material impact on Fund's returns.
- The Fund's Investment portfolio is exposed to market price fluctuations. Property valuations are a matter of the independent valuer's opinion rather than fact.
- The yield from the Investment property may be negatively affected by tenant failure or availability of supply in the sector.

Review of investment activities

The last six months have been dominated by the run-up to, and the fallout from, the UK referendum on membership of the European Union (EU), held on 23 June. In keeping with the first three months of the year, transaction volumes were down in the period leading up to the vote, with a large number of investors adopting a 'wait and see' approach. Notwithstanding this, the market as a whole expected a vote to remain in the EU, with investment activity anticipated to pick up once that decision had been confirmed.

The UK's ultimate decision to leave the EU caught many by surprise and created significant challenges within the property market. Sizeable redemptions were witnessed by all retail property funds, as well as some funds in the institutional space. In several cases, these rapid redemption requests could not be accommodated by pre-existing cash levels and funds were forced to suspend trading to allow time to sell sufficient direct property holdings.

A further challenge resulted from the lack of comparable evidence within the investment market immediately after 23 June. Independent valuers adopt a comparables-based approach to property valuation, and with very limited transactional data at valuation points immediately following the vote, they were forced to include an uncertainty clause within their valuation certificates. In essence, the valuers felt that property values were lower as a result of the UK's decision to leave the EU, but were unable to quantify that fall without evidence. Given the uncertainty clause, and these exceptional market circumstances, the onus fell on fund managers to apply fair value adjustments (FVAs) to their direct property portfolios (thus protecting investors in a fund from other investors exiting the fund at inflated levels).

In the case of the Kames Property Income Fund, we took a conscious decision to build up a greater than normal weighting of liquid assets, i.e. cash and REITs. We at Kames, like the rest of the market, expected a referendum vote to remain in the EU but, with the downside of an exit vote being greater than the upside of stay vote, it was considered prudent to increase the Fund's liquid holdings. We effectively hedged this with further acquisitions lined up to complete shortly after the vote, in the event of a decision to remain in the EU. Following the 'leave' vote, the excess cash and REIT levels were instead used to pay down redemption requests prior to implementing a property sales programme. The approach adopted allowed the Fund to remain open during this difficult period. We believe that the Fund's focus on smaller, more liquid lot sizes of £3-20 million also stood it in good stead. As noted below, all sales undertaken by the Fund during this time were ahead of, or at, pre-23 June valuation levels.

The manager applied a series of FVAs to the direct property portfolio which, at their peak, totalled a 10% discount to the valuation levels as at 30 June. As new evidence came to light and market sentiment gradually improved, the FVA discounts were reduced. At the end of September, the valuers removed their uncertainty clause and the remaining FVA was simultaneously removed.

Since 23 June, the IPD Monthly index has shown a fall in property values of approximately 5%. Whilst we have witnessed relatively wide variations between sectors, regions, property types, quality and lot sizes, the scale of the falls have not been as significant as some market commentators had forecast. The underlying occupational markets by and large remain healthy, reflective of good demand and supply dynamics. In addition, debt levels are significantly below those seen at the point of the downturn in 2007-2009. It is thought that these factors, combined with the weight of money to be invested within the property sector and the devaluation of sterling have resulted in a relatively swift stabilisation in property prices across the majority of markets. Uncertainty undoubtedly remains, with the UK's EU exit negotiations yet to commence, but the attractive income return offered by property in an exceptionally low income environment, suggests that property is likely to remain attractive to long-term investors.

Cashflows over the last six months have unsurprisingly been volatile compared to previous periods. After a period of continued inflows up to 23 June, a period of substantial net outflows followed for 4-5 weeks. This trend reversed in August, with cashflows turning positive over the last 7-8 weeks of the period under review. As at the end of September, the Fund's assets under management stood at around £425 million. Approximately £315 million is invested in direct property, £3 million is invested in REITs and £103 million in cash. At this point, our REIT holdings comprise small investments in London Metric and Derwent London only.

Kames Property Income Fund

Review of investment activities (continued)

There are 38 properties currently held within the Fund following the sale of four properties over the last six months. The Fund completed the sale of the Tesco unit on Princes Street, Edinburgh in April ahead of valuation and then went on to conclude the sale of three properties after the referendum. Leisure units let to Mecca Bingo in Wood Green, London and York were sold at premiums to their pre-23 June valuations of around 15% and 7% respectively. The Mitchells & Butlers restaurant on Mosley Street in Newcastle was sold at its pre-23 June valuation level. The managers believe these sales to represent an excellent result for the Fund, in what were difficult market conditions.

Asset management initiatives continue to be pursued, with no noticeable impact after 23 June. At Lockmeadow Leisure Park in Maidstone two new lettings and a lease extension have been agreed since the referendum.

Looking ahead we expect total returns to be driven by income. We do however anticipate some continued scope for capital value increases through the successful completion of asset management initiatives on elements of the direct portfolio. Whilst rental growth is likely to be more limited in the 'Brexit' world, we do expect to see some rental increases in specific markets.

The Fund's strategy remains largely unchanged, with a bias towards good secondary (active value) properties. This is balanced with an allocation to prime (core) properties and REITs/cash for liquidity purposes. Looking ahead, buying activity is likely to be focused on the core part of the portfolio, as we seek to replenish this element of the portfolio following the sale of the properties mentioned above. Our target lot size range will be £3-10 million which is where the greatest liquidity was witnessed over the summer months. Given wider macro-economic uncertainty, the managers anticipate holding above average cash weightings for the foreseeable future.

Performance

The Kames Property Income Fund showed a total return of (6.63)% over the six months to end of September 2016, compared to (7.16)% for the peer group median. This reflects a fall in direct property and REIT values, as well as a move from a creation to cancellation pricing basis in the period after 23 June 2016.

Authorised status

The Fund is a Non-UCITS Retail Scheme, in accordance with the classifications of the Collective Investment Schemes sourcebook of the Financial Conduct Authority. The Fund is an Alternative Investment Fund (AIF) for the purposes of the FCA Rules.

Kames Property Income Fund

Material portfolio changes (unaudited)

Top five direct property purchases	£'000	Top five property related securities purchases	£'000
There were no direct property purchases during the period.		There were no property related security purchases during the period.	

Top five direct property sales*	£'000	Top five property related securities sales**	£'000
707-725 Lordship Lane, Wood Green	10,037	Land Securities	13,923
Fishergate, Fulford, York	3,242	British Land	9,556
26 Mosley Street, Newcastle	2,801	Derwent London	548

* There were 3 direct property sales during the period.

** There were 3 direct property related sales during the period.

Expense ratios (unaudited)

As at 30 September 2016	B Net Acc	B Net Inc	B Gross Acc	B Gross Inc	F Gross Acc***	F Gross Inc***
ACD's periodic charge	0.75%	0.75%	0.75%	0.75%	-	-
Fund operating expenses	0.12%	0.12%	0.12%	0.12%	0.12%	0.12%
Ongoing charges figure (OCF)*	0.87%	0.87%	0.87%	0.87%	0.12%	0.12%
Property expense ratio (PER)**	0.47%	0.47%	0.47%	0.47%	0.47%	0.47%
Real estate expense ratio (OCF + PER)	1.34%	1.34%	1.34%	1.34%	0.59%	0.59%

*The Ongoing Charges Figures (OCF) is calculated as the ratio of the total expenses to the average net asset value of the 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 Fund during the period, except for those payments that are explicitly excluded by regulations.

**The Property Expense Ratio (PER) reflects any additional costs associated with the day-to-day operation of the direct property assets and is presented as a percentage of average net assets over the period.

***F share classes are only available to the Feeder Funds.

Performance Information (unaudited)

As at 30 September 2016	B Net Acc	B Net Inc	B Gross Acc	B Gross Inc	F Gross Acc**	F Gross Inc**
Closing net asset value (£'000)	36,948	31,783	24,326	84,700	158,585	90,267
Closing number of shares	32,082,878	30,993,952	20,632,296	82,597,835	131,994,940	86,384,265
Net asset value per share	115.16	102.55	117.90	102.55	120.14	104.50
Direct transaction costs*	(0.67)%	(0.67)%	(0.67)%	(0.67)%	(0.67)%	(0.67)%

*In line with the requirements of the 2014 Statement of Recommended Practice for authorised funds, direct transaction costs are stated after the proportion of the amounts collected from dilution adjustments in relation to direct transaction costs. These costs might appear positive or negative depending on the timing of investment activity within the Fund. The current negative charge reflects the fact that the fund has collected a dilution adjustment but has not yet incurred all costs of fully investing the portfolio.

**F share classes are only available to the Feeder Funds.

Kames Property Income Fund

Portfolio Statement (unaudited)

The Fund's investments as at 30 September 2016

Location	Investment	Sector	Market value £'000	Total net assets %
Direct properties (31 March 2016: 72.69%)				
Market value over £15,000,000 (31 March 2016: 19.91%)				
Manchester	The Hive, 47-51 Lever Street	Office		
Newcastle	Newburn Business Park, Newburn	Industrial & Office		
Leeds	2 City Walk, Victoria Road	Office		
Maidstone	Lockmeadow Leisure Scheme	Retail		
Total market value over £15,000,000			76,950	18.40
Market value between £10,000,000 and £15,000,000 (31 March 2016: 17.50%)				
Sheffield	Ventana House, 2 Concourse Way	Office		
Cheltenham	St James House, St James Square	Office		
Glasgow	200 Renfield Street	Office		
Sheffield	Fountain Precinct, Balm Green	Office		
Bexleyheath	Units 1-3, 131 Broadway	Retail		
Edinburgh	Elgin House, 20 Haymarket Yards	Office		
Preston	Premier Inn, Fox Street	Retail		
Total market value between £10,000,000 and £15,000,000			91,525	21.45
Market value between £5,000,000 and £10,000,000 (31 March 2016: 28.48%)				
Rawtenstall	New Hall Hey Retail Park, New Hall Hey Road	Retail Warehouse		
Plymouth	10-46 Cornwall Street and 152-156 Armada Way	Retail		
Wimbledon	1-9 Wimbledon Hill Road	Retail		
Bury	Edinburgh and Warwick Houses, Castlebrook Business Park	Office		
Wick	Wick Retail Park, South Road	Retail		
Middlesbrough	Jennings Motor Group, Cargo Fleet Lane	Retail Warehouse		
Newcastle	Nexus House, 33 St James' Boulevard	Office		
Bolton	Mecca Bingo, Moor Lane	Retail		
Liverpool	Knowsley Business Park, Lockton Road/Ainsworth Lane	Industrial		
Glasgow	120 Buchanan Street	Retail		
Warrington	Dominion House, Temple Court, Birchwood	Office		
Bromborough	Matalan Unit, New Chester Road	Retail		
Birmingham	33-61 Summer Row	Retail & Office		
Wombwell	1 Waterside Park	Industrial		
Stockport	Kingsgate, Wellington Road North	Office		
Total market value between £5,000,000 and £10,000,000			106,475	24.96
Market value under £5,000,000 (31 March 2016: 6.87%)				
Rochdale	Nixon Street	Industrial		
Exeter	Manor Court, Dix's Field	Office		
Stockton-on-Tees	Dunedin House, Colombia Drive, Thornaby	Office		
Bristol	Bridge House, 48-52 Baldwin Street	Office		
Edinburgh	77-79 George Street	Retail		
Bristol	Armourers House, 50 Queen Charlotte Street	Office		
Newcastle	Norfolk House, 8-12 Shakespeare Street	Retail		
Hereford	6-8 High Town	Retail		
Preston	Nationwide, 41/41A Fishergate	Retail		
Deeside	Unit 107, Tenth Avenue, Zone 3, Deeside Industrial Estate	Industrial		
Lichfield	13 Bird Street	Retail		
Total market value under £5,000,000			40,390	9.47
Total valuation per independent valuer			315,340	73.92
Deductions for the lease incentive adjustment*			(664)	(0.16)
Total direct properties after fair value adjustments			314,676	73.76

Kames Property Income Fund

Portfolio Statement (unaudited) (continued)

The Fund's investments as at 30 September 2016

Holding	Investment	Sector	Market value £'000	Total net assets %
	Property related securities (31 March 2016: 6.35%)			
37,023	Derwent London		962	0.22
1,351,351	Londonmetric Property		2,161	0.51
	Total property related securities		3,123	0.73
	Portfolio of investments		317,799	74.49
	Net other assets		108,810	25.51
	Total net assets attributable to shareholders		426,609	100.00

*The fair value of direct properties as at 30 September 2016 is calculated after deductions for the lease incentives amounting to £664,000 (31 March 2016 £340,000).

Kames Property Income Fund

Statement of Total Return for the six months ended 30 September 2016 (unaudited)

	£'000	2016 £'000	£'000	2015 £'000
Income				
Net capital (losses)/gains		(19,415)		1,683
Revenue	13,530		9,996	
Expenses	(1,984)		(1,528)	
Interest payable and similar charges	-		(2)	
Net revenue before taxation	11,546		8,466	
Taxation	-		-	
Net revenue after taxation		11,546		8,466
Total return before distributions		(7,869)		10,149
Distributions		(12,573)		(9,298)
Change in net assets attributable to shareholders from investment activities		(20,442)		851

Statement of Change in Net Assets Attributable to Shareholders for the six months ended 30 September 2016 (unaudited)

	£'000	2016 £'000	£'000	2015 £'000
Opening net assets attributable to shareholders*		476,488		243,833
Movement due to creation and cancellation of shares:				
Amounts receivable on creation of shares	93,741		127,662	
Amounts payable on cancellation of shares	(132,290)		(12,701)	
		(38,549)		114,961
Dilution adjustment		3,244		5,493
Change in net assets attributable to shareholders from investment activities		(20,442)		851
Retained distribution on accumulation shares		5,868		2,594
Closing net assets attributable to shareholders		426,609		367,732

*The opening net assets attributable to shareholders for the current period do not equal the closing net assets attributable to shareholders for the comparative period as they are not consecutive periods.

Kames Property Income Fund

Balance Sheet as at 30 September 2016 (unaudited)

	30 September 2016		31 March 2016	
	£'000	£'000	£'000	£'000
Assets				
Fixed assets:				
Tangible assets:				
Land and buildings		314,676		346,385
Investments		3,123		30,238
		<u>317,799</u>		<u>376,623</u>
Current assets:				
Debtors	11,742		11,615	
Cash equivalents	<u>104,070</u>		<u>98,350</u>	
		<u>115,812</u>		<u>109,965</u>
Total assets		433,611		486,588
Liabilities				
Creditors				
Distribution payable on income shares	980		1,530	
Bank overdrafts	1,236		1,468	
Other creditors	<u>4,786</u>		<u>7,102</u>	
Total liabilities		<u>7,002</u>		<u>10,100</u>
Net assets attributable to shareholders		426,609		476,488

Kames Property Income Fund

Cash Flow Statement for the six months ended 30 September 2016 (unaudited)

	30 September 2016 £'000	30 September 2015 £'000
Cash flows from operating activities		
Net revenue after taxation	11,546	8,466
Adjustments for:		
Interest paid	-	2
Interest received	(171)	(87)
Decrease/(increase) in debtors	1,132	(1,608)
(Decrease)/increase in creditors	(2,320)	100
Cash from operations	10,187	6,873
Interest paid	-	(2)
Income taxes paid	(232)	(94)
Net cash generated from operating activities	9,955	6,777
Cash flows from investing activities		
Purchases of land and buildings	(781)	(88,802)
Sale of land and buildings	18,637	-
Sale of property related securities	24,002	-
Interest received	171	87
Net cash from investing activities	42,029	(88,715)
Cash flows from financing activities		
Amounts received on issue of shares	90,047	127,760
Amounts paid on cancellation of shares	(132,637)	(13,186)
Dilution adjustment	3,431	5,427
Distributions paid	(6,873)	(6,491)
Net cash generated from financing activities	(46,032)	113,510
Net increase in cash and cash equivalents	5,952	31,572
Cash and cash equivalents at beginning of period	96,882	31,153
Cash and cash equivalents at end of period	102,834	62,725

Kames Property Income Fund

Accounting Policies

1 Accounting policies

These financial statements have been prepared on the same basis as the audited financial statements for the period ended 31 March 2016. The Financial Statements have been prepared in accordance with FRS102 and the Statement of Recommended Practice (SORP) for Authorised Funds, issued by the Investment Association (IA) in May 2014.

2 Changes to Accounting Policies

There have been no changes in the accounting policies since the previous financial statements.

Kames Property Income Fund

Distribution Tables

The Fund pays 12 distributions to its shareholders each year on the last calendar day of each month ("pay date"). Those distributions are based on the net distributable income for the previous month and are paid to those shareholders on the register on the last day of the previous month ("period end").

Share Class B Net Accumulation

Period end	Pay date	Group	Gross Revenue	Income Tax	Net Revenue	Equalisation*	Net Distribution	Streaming (Unaudited)			2015/16 Net Distribution
								PID**	Interest	Franked	
30/04/16	31/05/16	Group 1	0.4431	0.0727	0.3704	N/A	0.3704	77.02%	1.46%	21.52%	0.4399
		Group 2	0.2275	0.0373	0.1902	0.1802					
31/05/16	30/06/16	Group 1	0.5137	0.0855	0.4282	N/A	0.4282	78.24%	1.61%	20.15%	0.4220
		Group 2	0.2240	0.0373	0.1867	0.2415					
30/06/16	31/07/16	Group 1	0.5349	0.0868	0.4481	N/A	0.4481	75.74%	1.74%	22.52%	0.4868
		Group 2	0.2847	0.0462	0.2385	0.2096					
31/07/16	31/08/16	Group 1	0.5704	0.0961	0.4743	N/A	0.4743	80.31%	0.74%	18.95%	0.5054
		Group 2	0.2097	0.0353	0.1744	0.2999					
31/08/16	30/09/16	Group 1	0.6569	0.1129	0.5440	N/A	0.5440	82.68%	0.35%	16.97%	0.4730
		Group 2	0.3698	0.0636	0.3062	0.2378					
30/09/16	31/10/16	Group 1	0.5577	0.0913	0.4664	N/A	0.4664	77.89%	0.39%	21.72%	0.4580
		Group 2	0.1999	0.0327	0.1672	0.2992					

Share Class B Net Income

Period end	Pay date	Group	Gross Revenue	Income Tax	Net Revenue	Equalisation*	Net Distribution	Streaming (Unaudited)			2015/16 Net Distribution
								PID**	Interest	Franked	
30/04/16	31/05/16	Group 1	0.4041	0.0662	0.3379	N/A	0.3379	76.92%	1.48%	21.60%	0.4222
		Group 2	0.1784	0.0292	0.1492	0.1887					
31/05/16	30/06/16	Group 1	0.4642	0.0768	0.3874	N/A	0.3874	77.56%	1.76%	20.68%	0.4026
		Group 2	0.2844	0.0471	0.2373	0.1501					
30/06/16	31/07/16	Group 1	0.4862	0.0800	0.4062	N/A	0.4062	77.33%	1.45%	21.22%	0.4635
		Group 2	0.2760	0.0454	0.2306	0.1756					
31/07/16	31/08/16	Group 1	0.5035	0.0848	0.4187	N/A	0.4187	80.22%	0.79%	18.99%	0.4775
		Group 2	0.2171	0.0366	0.1805	0.2382					
31/08/16	30/09/16	Group 1	0.5896	0.1012	0.4884	N/A	0.4884	82.51%	0.37%	17.12%	0.4437
		Group 2	0.1771	0.0304	0.1467	0.3417					
30/09/16	31/10/16	Group 1	0.4976	0.0813	0.4163	N/A	0.4163	77.73%	0.41%	21.86%	0.4321
		Group 2	0.2189	0.0358	0.1831	0.2332					

Share Class B Gross Accumulation***

Period end	Pay date	Group	Gross Revenue	Income Tax	Net Revenue	Equalisation*	Net Distribution	Streaming (Unaudited)			2015/16 Net Distribution
								PID**	Interest	Franked	
30/04/16	31/05/16	Group 1	0.4524	0.0000	0.4524	N/A	0.4524	80.57%	1.50%	17.93%	0.5310
		Group 2	0.1782	0.0000	0.1782	0.2742					
31/05/16	30/06/16	Group 1	0.5208	0.0000	0.5208	N/A	0.5208	81.59%	1.67%	16.74%	0.5138
		Group 2	0.2948	0.0000	0.2948	0.2260					
30/06/16	31/07/16	Group 1	0.5480	0.0000	0.5480	N/A	0.5480	80.29%	1.70%	18.01%	0.5867
		Group 2	0.3709	0.0000	0.3709	0.1771					
31/07/16	31/08/16	Group 1	0.5757	0.0000	0.5757	N/A	0.5757	83.08%	0.85%	16.07%	0.5793
		Group 2	0.3996	0.0000	0.3996	0.1761					
31/08/16	30/09/16	Group 1	0.6694	0.0000	0.6694	N/A	0.6694	85.59%	0.37%	14.04%	0.5686
		Group 2	0.2895	0.0000	0.2895	0.3799					
30/09/16	31/10/16	Group 1	0.5706	0.0000	0.5706	N/A	0.5706	81.26%	0.44%	18.30%	0.5697
		Group 2	0.2165	0.0000	0.2165	0.3541					

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

**Property Income Distribution

***Gross share classes are only available to investors who are permitted in accordance with UK tax law to receive income from the Fund without deduction of any income tax.

Kames Property Income Fund

Distribution Tables (continued)

Share Class B Gross Income***

Period end	Pay date	Group	Gross Revenue	Income Tax	Net Revenue	Equalisation*	Net Distribution	Streaming (Unaudited)			2015/16 Net Distribution
								PID**	Interest	Franked	
30/04/16	31/05/16	Group 1	0.4051	0.0000	0.4051	N/A	0.4051	80.60%	1.50%	17.90%	0.5040
		Group 2	0.1663	0.0000	0.1663	0.2388					
31/05/16	30/06/16	Group 1	0.4648	0.0000	0.4648	N/A	0.4648	81.58%	1.68%	16.74%	0.4857
		Group 2	0.2261	0.0000	0.2261	0.2387					
30/06/16	31/07/16	Group 1	0.4859	0.0000	0.4859	N/A	0.4859	80.28%	1.67%	18.05%	0.5518
		Group 2	0.3066	0.0000	0.3066	0.1793					
31/07/16	31/08/16	Group 1	0.5031	0.0000	0.5031	N/A	0.5031	83.10%	0.88%	16.02%	0.5422
		Group 2	0.1781	0.0000	0.1781	0.3250					
31/08/16	30/09/16	Group 1	0.5888	0.0000	0.5888	N/A	0.5888	85.60%	0.35%	14.05%	0.5282
		Group 2	0.3158	0.0000	0.3158	0.2730					
30/09/16	31/10/16	Group 1	0.4989	0.0000	0.4989	N/A	0.4989	81.26%	0.44%	18.30%	0.5290
		Group 2	0.1671	0.0000	0.1671	0.3318					

Share Class F Gross Accumulation***†

Period end	Pay date	Group	Gross Revenue	Income Tax	Net Revenue	Equalisation*	Net Distribution	Streaming (Unaudited)			2015/16 Net Distribution
								PID**	Interest	Franked	
30/04/16	31/05/16	Group 1	0.4594	0.0000	0.4594	N/A	0.4594	96.28%	1.72%	2.00%	0.5352
		Group 2	0.1732	0.0000	0.1732	0.2862					
31/05/16	30/06/16	Group 1	0.5297	0.0000	0.5297	N/A	0.5297	96.33%	1.93%	1.74%	0.5184
		Group 2	0.3709	0.0000	0.3709	0.1588					
30/06/16	31/07/16	Group 1	0.5668	0.0000	0.5668	N/A	0.5668	94.07%	1.94%	3.99%	0.5920
		Group 2	0.3558	0.0000	0.3558	0.2110					
31/07/16	31/08/16	Group 1	0.5767	0.0000	0.5767	N/A	0.5767	93.55%	1.02%	5.43%	0.5853
		Group 2	0.1733	0.0000	0.1733	0.4034					
31/08/16	30/09/16	Group 1	0.6815	0.0000	0.6815	N/A	0.6815	96.86%	0.51%	2.63%	0.5719
		Group 2	0.3776	0.0000	0.3776	0.3039					
30/09/16	31/10/16	Group 1	0.5812	0.0000	0.5812	N/A	0.5812	93.60%	0.60%	5.80%	0.5788
		Group 2	0.4470	0.0000	0.4470	0.1342					

Share Class F Gross Income***†

Period end	Pay date	Group	Gross Revenue	Income Tax	Net Revenue	Equalisation*	Net Distribution	Streaming (Unaudited)			2015/16 Net Distribution
								PID**	Interest	Franked	
30/04/16	31/05/16	Group 1	0.4113	0.0000	0.4113	N/A	0.4113	96.25%	1.73%	2.02%	0.5080
		Group 2	0.2006	0.0000	0.2006	0.2107					
31/05/16	30/06/16	Group 1	0.4722	0.0000	0.4722	N/A	0.4722	96.33%	1.93%	1.74%	0.4898
		Group 2	0.2772	0.0000	0.2772	0.1950					
30/06/16	31/07/16	Group 1	0.4947	0.0000	0.4947	N/A	0.4947	94.08%	1.94%	3.98%	0.5570
		Group 2	0.2940	0.0000	0.2940	0.2007					
31/07/16	31/08/16	Group 1	0.5119	0.0000	0.5119	N/A	0.5119	93.96%	1.06%	4.98%	0.5477
		Group 2	0.1167	0.0000	0.1167	0.3952					
31/08/16	30/09/16	Group 1	0.5995	0.0000	0.5995	N/A	0.5995	96.83%	0.53%	2.64%	0.5353
		Group 2	0.2239	0.0000	0.2239	0.3756					
30/09/16	31/10/16	Group 1	0.5082	0.0000	0.5082	N/A	0.5082	93.61%	0.59%	5.80%	0.5346
		Group 2	0.2544	0.0000	0.2544	0.2538					

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

**Property Income Distribution

***Gross share classes are only available to investors who are permitted in accordance with UK tax law to receive income from the Fund without deduction of any income tax.

†F share classes are only available to the Feeder Funds.

Kames Property Income Fund

Further Information

Base currency

The Company's base currency is Sterling.

Shares

The Fund may have up to four share classes, B, F, Q and S class. Further information on investment limits, management charges, and currency denomination is available from the ACD on request. The Fund may offer different types of shares within the classes.

Income shares - Investors with this type of share receive income payments from their shareholding periodically.

Accumulation shares - With this type of share all income earned on investments will be reinvested into the Fund.

Valuation point

The valuation point for the Fund is midday on each dealing day. The Fund deals on a forward basis.

Buying and selling shares

Buying

New investors or existing shareholders (in other Kames Capital funds) who wish to purchase shares may do so by contacting their IFA, stockbroker, banker, or solicitor who will provide you with an application form. Once an application form, with completed declarations, has been accepted and processed, you can telephone our dealing team on 0800 358 3009 to place future orders.

Selling

You can sell your shares back to the Authorised Corporate Director (ACD) at the next quoted price, on the dealing day following receipt of your instructions. You will then receive your contract note, and within 3 business days of our receipt of the completed statement of renunciation you will receive a cheque for the amount due.

Shares may normally be bought or sold on any working day between 8.30am and 5.30pm.

You may also save on a regular basis from as little as £50 a month. Contributions will be made by direct debit.

A share exchange service may, at the ACD's discretion, be available in respect of investment amounts of £250 or more.

Association of Real Estate Funds code of practice

The Fund is a member of the Association of Real Estate Funds (AREF). The aim of the Code of Practice is to achieve high standards of transparency across the sector and promote consistency of reporting to allow investors to compare different funds.

In accordance with the "Fund Pricing Recommendations" issued by AREF in August 2014, we can confirm that the Accounting NAV presented within these financial statements equates to the Standard NAV. Property acquisition costs are recovered through the offer price – we operate a mechanism through pricing to ensure fair allocation of those costs, and monitor this on a regular basis.

Alternative Investment Fund Managers Directive

Leverage

In accordance with the Alternative Investment Funds Management Directive (AIFMD) the Alternative Investment Fund Manager (AIFM) is required to disclose the leverage of the Alternative Investment Fund (AIF). Leverage is defined as any method by which the Fund increases its exposure through borrowing or the use of derivatives. The Kames Property Income Fund was not leveraged during the performance period.

Liquidity

In accordance with the AIFMD the AIFM is required to disclose the percentage of the AIF's assets that are subject to special arrangements arising from their illiquid nature. The Kames Property Income Fund had no such assets during the performance period.

Risk

In accordance with the AIFMD the AIFM is required to disclose the current risk profile of the AIF and the risk management systems employed by the AIFM to manage those risks. These disclosures have been made within the main body of this document.

Kames Property Income Fund

Who to contact

Investors

email: kames@ntrs.com
telephone: 0800 358 3009

Our investor helpdesk is open from 8.30am to 5.30pm (Monday to Friday).

To improve customer service, and for training purposes, calls may be recorded.

www.kamescapital.com