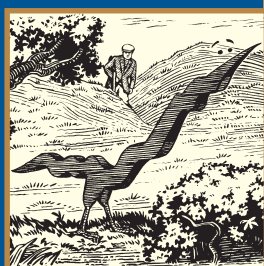


ARTEMIS Strategic Bond *Fund*

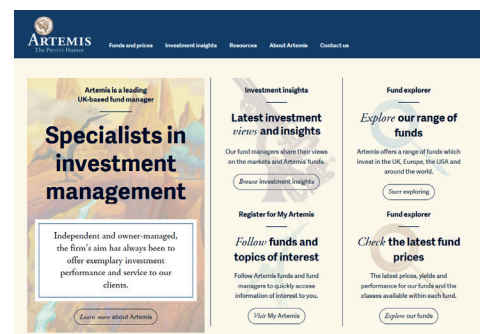
Manager's Report
and Financial Statements
for the year ended 31 March 2019



Keep up to date ...

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artemisfunds.com

General information

About Artemis ...

Artemis is a leading UK-based fund manager, offering a range of funds which invest in the UK, Europe, the US and around the world.

As a dedicated, active investment house, we specialise in investment management for both retail and institutional investors across Europe.

Independent and owner-managed, Artemis opened for business in 1997. Its aim was, and still is, exemplary investment performance and client service. All Artemis' staff share these two precepts – and the same flair and enthusiasm for fund management.

The firm now manages some £28.6 billion* across a range of funds, two investment trusts, a venture capital trust and both pooled and segregated institutional portfolios.

Our managers invest in their own and their colleagues' funds. This has been a basic tenet of the Artemis approach since the firm started. It means that interests of our fund managers are directly aligned with those of our investors.

* Source: Artemis as at 30 April 2019.

Fund status

Artemis Strategic Bond Fund was constituted by a Trust Deed dated 26 May 2005 and is an authorised unit trust scheme under the Financial Services and Markets Act 2000. The fund belongs to the category of UCITS schemes as defined in the Collective Investment Schemes Sourcebook ('COLL') of the Financial Conduct Authority ('FCA').

Investment objective

The fund seeks to achieve a combination of income and capital growth by investing predominantly in fixed income markets.

Investment policy

The fund aims to achieve its objective by investment predominantly in fixed income markets but may selectively invest in other markets. Equal emphasis is given to the security of capital and

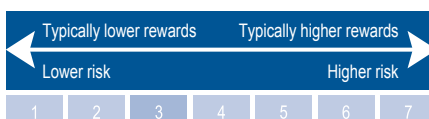
income although from time to time one may take prominence over the other in accordance with the strategy being pursued.

The fund may also invest in other transferable securities, units of collective investment schemes, money market instruments, warrants, cash and near cash, derivatives and forward transactions and other investments to the extent that each is permitted by the regulations.

Buying and selling

Units may be bought and sold by contacting the manager by telephone, at the address on page 2 or via the website artemisfunds.com. Valuation of the fund takes place each business day at 12 noon on a forward pricing basis. Investors are reminded that past performance is not a guarantee of performance in the future and that the price of units and the revenue from them can fall as well as rise.

Risk and reward profile



The fund is in the category shown due to its historic volatility (how much and how quickly the value of shares in the fund have risen and fallen in the past). It may not be a reliable indication of the future risk profile of the fund.

- The risk category shown is not guaranteed and may change over time.
- A risk indicator of "1" does not mean that the investment is "risk free".

The risk indicator may not fully take into account the following risks and the following may affect fund performance:

- The value of the fund and any income from it can fall or rise because of movements in stockmarkets, currencies and interest rates, each of which can move irrationally and be affected unpredictably by diverse factors, including political and economic events.
- Some or all of the fund's assets may be invested in a currency other than the fund's accounting currency. The value of

the assets, and the income from them, may decrease if the currency falls in relation to the accounting currency.

- The fund holds bonds which could prove difficult to sell. As a result, the fund may have to lower the selling price, sell other investments or forego more appealing investment opportunities.
- The fund can invest in higher-yielding bonds (also known as sub-investment grade bonds), which have a greater risk of default by the issuer. The value of these bonds is more sensitive to changes in market conditions and interest rates. As a result, the fund may be subject to greater swings in value.
- Investments in fixed interest securities are subject to market and credit risk and will be impacted by movements in interest rates. Interest rate movements are determined by a number of economic factors, in particular market expectations of future inflation.
- The fund may invest in derivatives with the aim of profiting from falling as well as rising prices ('shorting'). If the related assets' value moves in the opposite direction the fund will lose money. In addition, a derivative may not perform as expected, and may create losses for the fund greater than the cost of the derivative.

Prospectus

Copies of the most recent Prospectus are available free of charge from the manager at the address on page 2.

Remuneration

Following an amendment to the UCITS Directive in the UK on 18 March 2016, all UCITS schemes are required to comply with the UCITS Remuneration Code. This includes a requirement to disclose in the annual report of each scheme, details of the total amount of remuneration paid by the manager to its partners and staff for its financial year.

As the Artemis Strategic Bond Fund (the "fund") is a UCITS scheme, Artemis Fund Managers Limited ("AFML") as manager is required to make these disclosures. Artemis operates its remuneration policies and practices at a group level which includes both Artemis Investment Management LLP and its

General information (continued)

subsidiary AFML. Details of the group remuneration policies are available on Artemis' website artemisfunds.com. Remuneration levels are set to attract, retain and motivate talented partners and staff and align long term interests of partners and staff with those of our clients.

The remuneration policies which apply to all partners and staff across the group are overseen by the Remuneration Committee. The members of the Remuneration Committee are all non-executive officers. The Remuneration Committee is responsible for setting and overseeing the implementation of Artemis' remuneration policy, including approving the remuneration of partners and other senior staff. The Remuneration Committee will regularly review the remuneration policy to ensure it remains appropriate. The Remuneration Committee considers inputs from Artemis' Compliance and Risk functions when reviewing remuneration issues, including any risk adjustments or controls considered necessary. The Artemis remuneration period runs from 1 January to 31 December. As a consequence, for certain partners and staff who are classified as 'Identified Staff' as their professional activities have a material impact on the risk profile of the firm, the payment of some of the variable remuneration (which may include profit share for partners) is deferred. Further, Artemis has the ability to reduce all or part of deferred variable remuneration that has been previously allocated to identified staff, before the end of the vesting period.

No staff are employed by AFML directly but are employed and paid by other entities of Artemis. Artemis has apportioned the total amount of remuneration paid to all 197 Artemis partners and staff in respect of AFML's duties performed for the UCITS schemes based on the number of funds. It has estimated that the total amount of remuneration paid in respect of duties for the fund within the fund for the year ended 31 December 2018 is £1,109,357 of which £289,903 is fixed remuneration and £819,454 is

variable remuneration. No amount of remuneration, including any performance fees was paid directly by the fund.

The aggregate amount of remuneration paid to UCITS Remuneration Code and Identified Staff that is attributable to duties for the fund for the year ended 31 December 2018 is £271,698. Code and Identified Staff are those senior individuals whose managerial responsibilities or professional activities could influence, and have a material impact on, the overall risk profile of each regulated entity and the funds it manages. For the purposes of UCITS Remuneration Code the AFML Code staff are the members of Artemis's Management and Executive Committees, certain fund managers, the General Counsel, the Head of Compliance and the Head of Risk. This includes certain individuals who are partners in Artemis Investment Management LLP.

Tax information reporting

UK tax legislation requires fund managers to provide information to HM Revenue & Customs ('HMRC') on certain investors who purchase units in unit trusts. Accordingly, the fund may have to provide information annually to HMRC on the tax residencies of those unitholders that are tax resident outwith the UK, in those countries that have signed up to the OECD's ('Organisation for Economic Co-operation and Development') Common Reporting Standard for Automatic Exchange of Financial Account Information (the 'Common Reporting Standard'), or the United States (under the Foreign Account Tax Compliance Act, 'FATCA').

All new unitholders that invest in the fund must complete a certification form as part of the application form. Existing unitholders may also be contacted by the Registrar should any extra information be needed to correctly determine their tax residence. Failure to provide this information may result in the account being reported to HMRC.

For further information, please see HMRC's Quick Guide: Automatic

Exchange of Information – information for account holders: gov.uk/government/publications/exchange-of-information-account-holders.

Removal of initial charge

The fund's prospectus includes the ability for Artemis to apply an initial charge on investments into the fund. The prospectus previously set out the maximum amount of this charge for different unit classes in the fund, although in almost all cases the initial charge has been waived in its entirety for a number of years. The prospectus was updated on 6 June 2018 to make it clear that no initial charge will be levied in respect of the existing unit classes. For further information please contact our client services team on 0800 092 2051.

Changes to Artemis' funds from February 2019

With effect from 1 February 2019, Artemis made changes to how its funds operate:

- the way in which fund charges are calculated, moving from variable expenses to an administration fee with a discount applied based on fund size.
- how our unit trust funds are priced, changing from 'bid price' and 'offer price' to a 'single price'.

The prospectus was updated on 4 February 2019 as a result of the changes.

Manager

Artemis Fund Managers Limited *
Cassini House
57 St James's Street
London SW1A 1LD

Dealing information:
Artemis Fund Managers Limited
PO Box 9688
Chelmsford CM99 2AE
Telephone: 0800 092 2051
Website: artemisfunds.com

Investment adviser

Artemis Investment Management LLP *
Cassini House

57 St James's Street
London SW1A 1LD

Trustee and Depositary

J.P. Morgan Europe Limited [†]
25 Bank Street
Canary Wharf
London E14 5JP

Registrar

DST Financial Services International
Limited ^{*}
DST House
St Nicholas Lane
Basildon
Essex SS15 5FS

Auditor

Ernst & Young LLP
Atria One
144 Morrison Street
Edinburgh EH3 8EX

^{*} Authorised and regulated by the FCA, 12
Endeavour Square, London E20 1JN.

[†] Authorised by the Prudential Regulation
Authority ('PRA'), 20 Moorgate, London EC2R
6DA and regulated by the PRA and the FCA.

Statement of the trustee's responsibilities in respect of the scheme and report of the trustee to the unitholders of Artemis Strategic Bond Fund ('the Trust') for the year ended 31 March 2019

The Trustee of Artemis Strategic Bond Fund must ensure that the Trust is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Financial Services and Markets Act 2000, as amended, (together 'the Regulations'), the Trust Deed and Prospectus (together 'the scheme documents') as detailed below.

The trustee must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Trust and its investors.

The trustee is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Trust in accordance with the Regulations.

The trustee must ensure that:

- the Trust's cash flows are properly monitored and that cash of the Trust is booked in the cash accounts in accordance with the Regulations;
- the sale, issue, repurchase, redemption and cancellation of units are carried out in accordance with the Regulations;
- the value of units of the Trust are calculated in accordance with the Regulations; any consideration relating to transactions in the Trust's assets is remitted to the Trust within the usual time limits;
- the Trust's income is applied in accordance with the Regulations; and the instructions of the Authorised Fund Manager ('the AFM'), which is the UCITS Management Company, are carried out (unless they conflict with the Regulations).

The trustee also has a duty to take reasonable care to ensure that the Trust is managed in accordance with the Regulations and Scheme documents of the Trust in relation to the investment and borrowing powers applicable to the Trust.

Having carried out such procedures as we considered necessary to discharge our responsibilities as trustee of the Trust, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Trust, acting through the AFM:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Trust's units and the application of the Trust's income in accordance with the Regulations and the scheme documents of the Trust; and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Trust in accordance with the Regulations and the Scheme documents of the Trust.

J.P. Morgan Europe Limited
London
28 May 2019

Statement of the manager's responsibilities

COLL requires the manager to prepare financial statements for each annual accounting period which give a true and fair view of the financial affairs of the fund and of its revenue and expenditure for the year.

In preparing the financial statements the manager is required to:

- (i) select suitable accounting policies and then apply them consistently;
- (ii) comply with the disclosure requirements of the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association in May 2014 ('SORP');
- (iii) follow applicable accounting standards;
- (iv) keep proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements;
- (v) make judgements and estimates that are reasonable and prudent; and
- (vi) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the fund will continue in operation.

The manager is responsible for the management of the fund in accordance with its Trust Deed, Prospectus and COLL requirements.

The manager is also responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the manager

We hereby approve the Manager's Report and Financial Statements of the Artemis Strategic Bond Fund for the year ended 31 March 2019 on behalf of Artemis Fund Managers Limited in accordance with the requirements of COLL as issued and amended by the FCA.

M J Murray
Director
Artemis Fund Managers Limited
London
28 May 2019

J L Berens
Director

General information (continued)

Independent auditor's report to the unitholders of the Artemis Strategic Bond Fund

Opinion

We have audited the financial statements of the Artemis Strategic Bond Fund ("the Fund") for the year ended 31 March 2019 which comprise the statement of total return, statement of change in net assets attributable to unitholders, balance sheet, distribution tables and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Fund as at 31 March 2019 and of the net revenue and the net losses on the scheme property of the Fund for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the manager's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the manager has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The manager is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority

In our opinion:

- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice relating to Authorised Funds, the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority and the Trust Deed;
- the information given in the manager's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- there is nothing to indicate that proper accounting records have not been kept or that the financial statements are not in agreement with those records.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter in relation to which the Collective Investment Schemes Sourcebook of the Financial Conduct Authority rules requires us to report to you if, in our opinion:

- we have not received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Responsibilities of the manager

As explained more fully in the manager's responsibilities statement set out on page 3, the manager is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters

related to going concern and using the going concern basis of accounting unless the manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the unitholders of the Fund, as a body, pursuant to Paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority. Our audit work has been undertaken so that we might state to the unitholders of the Fund those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the unitholders of

the Fund as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP
Statutory Auditor
Edinburgh
28 May 2019

Notes:

1. The maintenance and integrity of the artemisfunds.com web site is the responsibility of the manager; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Investment review

- The fund returns 1.3%* versus 2.3%* from its peer group.
- We reduced our exposure to high yield at the right time but not sufficiently aggressively.
- We have increased the fund's exposure to government bonds.

Performance – A shift in sentiment ...

Over the year, the fund returned a rather meagre 1.3%. The average return from funds in its peer group, meanwhile, was 2.3%. Although we are disappointed to have underperformed somewhat, our record remains strong over longer timeframes. Since its launch in June 2005, for instance, our fund has more than doubled your money while the average fund in its peer group has returned around 73%.

The damage to our short-term performance came during a difficult period in the fourth quarter, particularly November and early December. We will provide more detail in the weeds of the report below but, in summary, as sentiment about the outlook for the global economy deteriorated our high-yield and financial bonds fell sharply. Moreover, the political climate, not least President Trump's trade dispute, affected sentiment in the US and in Europe.

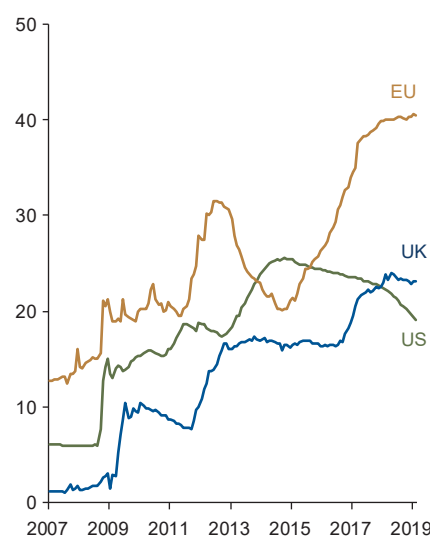
We fully understood and anticipated that change in sentiment. With growth slowing, we began gradually shifting the composition of the portfolio in the summer and early autumn – before the sharp moves in the market. While this was the right policy, we had less time to reposition the portfolio than we anticipated: as prices fell, many of our orders to sell were left unexecuted. Fortunately, many of these positions went on to recover quite sharply over the first quarter of 2019, enabling us to continue repositioning the portfolio for the future.

Review – The world turned upside down ...

In the last year, the world has been turned on its head. Twelve months ago, we were facing stronger economic growth, higher inflation and higher interest rates. In the space of a few months, that changed markedly. This was not helped, of course, by the US president's rather glib trade policies towards China. "Trade wars are easy to win" is a statement that might return to haunt him. If such wars were, in fact, easy to win then they would be fought more often... The consequence has been a marked slowdown in economic growth and a distinct loss of confidence.

The early part of the year under review, however, was all very positive. The dangers for your portfolio at that time were posed by the potential damage from rising interest rates. Even in the UK, where activity has probably been affected by the uncertainty surrounding Brexit, the Bank of England raised interest rates in response to improved growth and the fear of inflation. The Europeans, meanwhile, scaled back their quantitative easing (QE). The US Federal Reserve (Fed) even started to unwind its QE, selling bonds back into the market ('quantitative tightening' – QT) while raising interest rates three times.

Central bank - holdings as percentage of GDP



(Source: Bloomberg as at 28 February 2019)

Over the last 30 years, markets have grown used to a steady diet of falling interest rates. But with tighter labour markets fuelling fears of wage inflation, policymakers were forced to react. Almost immediately, however, the markets took fright: were the central banks about to overcook it? The asset purchases shown in the chart above have been a crucial factor in supporting markets. As they have paused or reversed, so have markets. So a lacklustre summer turned into a distinctly miserable autumn and winter for equity markets.

What damaged us during this period was the underperformance of high-yield bonds, returns from which can be closely correlated with equities. Bank equities also struggled and this had a knock-on effect on their bonds. The more junior the bond; the bigger the fall. Investment-grade bonds also struggled, underperforming government bonds, with the less highly rated credits suffering the most.

Through the summer, we benefited from having a 'short duration' strategy. In other words, the fund's sensitivity to interest rates was low. Our strategy was to retain our short position in government bonds using futures, which perform well when bond prices fall. With government bond yields rising (and so their prices falling) through the summer this helped returns. Fortunately, we changed course during the summer, closed these short positions and took profits. This reflected our increasingly cautious outlook on the prospects for the global economy.

We also decided to sell some of our riskiest high-yield bonds. Once again, this was profit-taking, but it also reflected our feeling that markets had run a little ahead of themselves. We had a reasonably long list of high-yield bonds on our 'sale' list, at admittedly pretty aggressive prices. Unfortunately, markets turned before some of these sell orders were executed. At its peak, the percentage of the fund invested in high-yield bonds was just shy of 60%. Our target

* Source: Lipper Limited, class QI accumulation units, mid to mid basis in sterling with interest reinvested to 31 March 2019. Sector is IA £ Strategic Bond.

had been to reduce this to around 40%. We had only been able to reduce this to around 50% when conditions suddenly soured. While this was frustrating, we chose to sit on our hands rather than selling 'at any price'. That was not because of a lack of liquidity, but more because we were not being offered the prices we desired. Delay proved to be a sensible strategy: we subsequently witnessed a recovery after the new year, one that allowed us to continue our disposal programme at better levels. By the end of the year under review, we had reduced the percentage of the fund invested in high-yield bonds to approximately 38%.

Selling these high-yield bonds generated a lot of cash. We reinvested it in government bonds, both UK gilts and US Treasuries. As a result, our weighting in government bonds has risen from around 9% (solely in shorter-dated UK government bonds) to around 30% (half of which is invested in 10-year US Treasuries). This again proved to be helpful, as the Fed revised its guidance in January. It no longer anticipates increasing interest rates another three times – but perhaps only once (the market doesn't believe even one rate rise is likely).

A handful of the bonds in your portfolio struggled particularly badly over the last year. Our financial bonds came under pressure as the global interest-rate environment changed. We also own some perpetual bonds which may well be repurchased ('called') when the capital rules for banks change at the end of 2021. This is not set in stone – interpretations of the new rules differ. Only time will tell, but during the summer perceptions about the likelihood of these bonds been called changed, causing them to fall in price rather sharply. Not all of our financial bonds were poor performers, however. Fund manager M&G issued a bond which has rallied approximately nine points since issue in October and is paying us a 6.25% coupon. We won't let pride prevent us from making money for our unitholders by holding debt issued by our competitors...

Bonds issued by a couple of oil-related

companies – Vallourec (steel tubes for oil companies) and KCA (offshore drilling) – struggled when oil prices fell sharply at the end of 2018. Annoyingly, they haven't yet fully recovered even though oil prices have rallied. But we are confident that they will eventually.

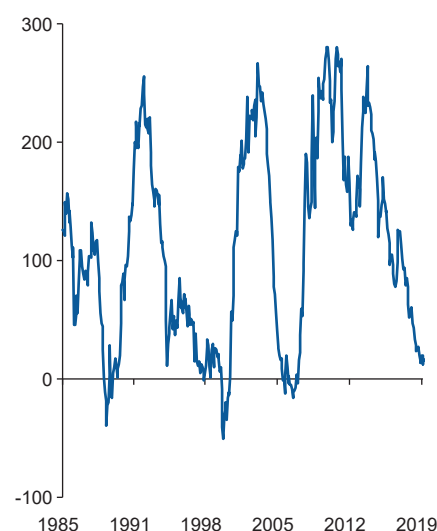
Taken as a whole, the past 12 months have been somewhat frustrating. We were short of government bonds when yields were rising and moved the duration longer (increased the fund's sensitivity to falling interest rates) when yields were falling. We reduced the percentage of the fund invested in high-yield bonds at broadly the right time. But we didn't shift the portfolio dramatically enough – and perhaps we didn't always move with enough conviction. To an extent, that was due to our concerns about portfolio trading costs. It also reflects our underlying view that – in the longer term – it is often sensible to ride out short-term market volatility.

Outlook

Our main focus is on the timing of the next recession. As highlighted in our interim report, we believe we are at the inflection point where owning high-yield bonds for too long could be dangerous if a recession causes defaults to increase.

The yield curve flattens – inversion next?

US Treasury 10-year yield – 2-year yield (basis points)



Source: Bloomberg as at 31 March 2019

At the moment, not many loud alarm bells warning of imminent recession in the US are ringing. But one is: the slope of the yield curve. When the gap between yields on long-dated US Treasuries (which are usually higher) and short-dated yields (usually lower) shrinks and then inverts, we have historically seen a recession nine months or so later. We're not far off that happening again.

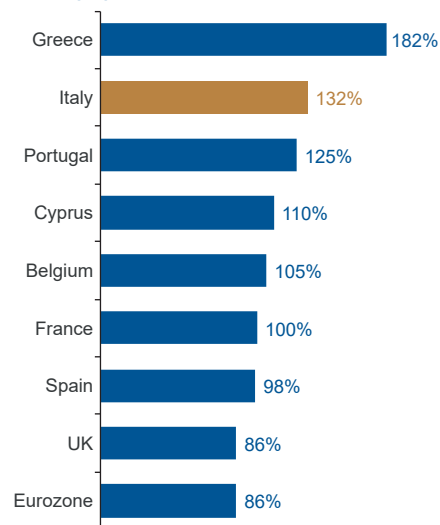
Further, trade wars with China are slowing growth in the US economy. Protracted trade disputes could easily tip the developed world into a recession. At the time of writing, President Trump looks to be heading towards making some form of deal with China. The danger is he will regard this as a victory and then turn his fire on Europe. We will see.

More worrying has been the anaemic growth in the European economy. Last year was hardly exciting but prospects for future growth look paltry at best. Italy is a particular worry. The government continues to spend profusely, even though overall debt levels are dangerously high. Germany, meanwhile, continues to run a budget surplus. This may seem commendable but doesn't help its neighbours. The German economy is particularly sensitive to global trade so a trade war would severely affect it. Moreover, the decline in demand for cars and new emissions legislation represent real challenges. For its part, France is struggling with high taxation and an unsettled electorate. The gilets jaunes protests have been a symptom of this malaise. Growth remains moribund, partly due to high taxes.

We therefore retain a higher proportion of government bonds than we have in the past. While not imminent, a recession feels more likely than it once did. Europe has excessive borrowing, especially in certain countries. When fear of sovereign defaults in the eurozone increases, investors are likely to hide in US sovereign bonds.

Investment review (continued)

European government debt to GDP (%)



Source: Bloomberg

A rough rule of thumb is that when countries' borrowing relative to their GDP exceeds 100%, it can be the tipping point where they start to have difficulties financing themselves. There are exceptions, of course. Japan has a deficit of around 250% of annual GDP. But it has the advantage of being able to print its own currency, a high savings ratio and a balance of payments surplus. Of these positives, Italy only has a high savings ratio to rely upon. In the short term, it must rely on the European Central Bank (and, until his departure on 31 October, its Italian governor) providing QE. We worry that Italy's debts could again start to worry investors. If that were to occur, US Treasuries would probably perform well.

The response of the central banks to weaker economic growth has been to slacken monetary policy. This should extend the economic cycle. But many industrial companies have borrowed quite heavily to buy back shares and their gearing is comparatively high. There is a danger that these companies start to retrench. Share prices are being punished when results fall short of expectations and companies with excess debt are particularly finding themselves in the crosshairs. As bondholders, this is good news for us: management are increasingly focusing on improving the strength of their balance sheets.

That said, they must tread a fine line between borrowing too much and borrowing too little, which tends to attract the private-equity predators.

We have avoided talking about Brexit. We have little to add to what has become an all-consuming topic. A no-deal Brexit would be bad for many UK companies and banks. Arguably, it might also presage a Corbyn-led Labour government which could send the UK financial markets into panic. For debt markets, longer-dated bonds would be under particular pressure. Mr Corbyn's policies seem likely to be inflationary, undermining the value of long-term debt whose coupons are fixed in nominal terms. Making predictions about UK politics seems an impossible game at the moment, but a general election to break the Parliamentary deadlock or another referendum seem increasingly likely. We therefore remain cautious about many parts of UK bond market, (although we have been exploiting some selected opportunities among some UK power companies and banks).

One area that has featured heavily in the portfolio in the past has been our financial bonds. It is still a core part of our portfolio, although it was disappointing to see this struggling as much as it did during the winter. It subsequently bounced back. We treated this as an opportunity to reduce holdings in some of the more volatile (Additional Tier 1 or 'AT1') bank bonds. We retain the core positions in banks' legacy bonds. Many could be refinanced in 2021 and 2022 when the banking regulations change. If so, there could be some healthy gains.

In summary, the outlook for the bond market seems rather more difficult. A recession is perhaps not imminent – in fact central banks have probably extended the economic cycle. But that 'high-yield' bonds in Europe are being issued with coupons of less than 3% seems like an oxymoron. Remember that a high-yield bond is defined as one that "may struggle to survive throughout the economic cycle". So, for us, it seems prudent to reduce our

weightings here as we approach the next recession. And with UK political risk so high this almost by default means increasing our weightings to US Treasuries.

It feels like navigating through the next year or two will continue to demand flexibility. The political and economic environment is so volatile that we must be prepared to change the portfolio. In many regards, volatility creates opportunities and we have demonstrated our ability to exploit that in the past. So although the next couple of years may well be difficult or unsettling, they could also be profitable. On your behalf, we look forward to managing the fund to take advantage of those opportunities.

James Foster and Alex Ralph
Fund managers

Investment information

Five largest purchases and sales for the year ended 31 March 2019

Purchases	Cost £'000	Sales	Proceeds £'000
UK Treasury 0.75% 22/07/2023	146,134	UK Treasury 1.75% 22/07/2019	60,616
US Treasury 3.13% 15/11/2028	144,350	ING Bank, FRN 4.12% 21/11/2023	11,947
US Treasury 2.63% 15/02/2029	91,393	Nationwide Building Society, FRN 6.88% Perpetual	11,618
UK Treasury 1.50% 22/01/2021	60,866	RWE, FRN 7.00% Perpetual	11,100
Naturgy Finance, FRN 4.13% Perpetual	14,025	KBC Group, FRN 5.63% Perpetual	9,898

Portfolio statement as at 31 March 2019

Investment	Holding or nominal value	Valuation £'000	% of net assets
Equities 0.00% (0.00%)			
Cayman Islands 0.00% (0.00%)			
NVP ^	1,301	—	—
		—	—
Norway 0.00% (0.00%)			
Oceanteam ^	373,558	—	—
		—	—
Spain 0.00% (0.00%)			
Grupo Isolux Corsan Warrant 22/12/2021 ^	3,572	—	—
		—	—
Equities total		—	—
Government Bonds 30.04% (4.96%)			
United Kingdom 14.02% (4.96%)			
UK Treasury 1.50% 22/01/2021	£60,000,000	60,895	4.09
UK Treasury 0.75% 22/07/2023	£148,000,000	148,068	9.93
		208,963	14.02
United States of America 16.02% (0.00%)			
US Treasury 3.13% 15/11/2028	\$180,000,000	145,636	9.77
US Treasury 2.63% 15/02/2029	\$120,000,000	93,199	6.25
		238,835	16.02
Government Bonds total		447,798	30.04
Corporate Bonds 63.96% (84.13%)			
Australia 1.71% (2.22%)			
Australia & New Zealand Banking Group, FRN 2.96% Perpetual	\$12,100,000	6,301	0.42
BHP Billiton Finance, FRN 6.50% 22/10/2077	£9,000,000	10,049	0.68
Westpac Banking, FRN 2.79% Perpetual	\$17,200,000	9,097	0.61
		25,447	1.71
Belgium 0.00% (1.37%)			
Bermuda 0.73% (0.88%)			
XLIT, FRN 3.25% 29/06/2047	€12,250,000	10,880	0.73
		10,880	0.73
Bulgaria 0.00% (0.66%)			
Denmark 0.82% (0.68%)			
Danske Bank, FRN 6.13% Perpetual	\$6,600,000	4,692	0.32
DKT Finance ApS 7.00% 17/06/2023	€8,100,000	7,515	0.50
		12,207	0.82
France 4.28% (5.96%)			
Altice France 7.38% 01/05/2026	\$8,000,000	5,976	0.40

Investment information (continued)

Investment	Nominal value	Valuation £'000	% of net assets
Electricite de France, FRN 6.00% Perpetual	£13,000,000	13,260	0.89
Horizon Parent Holdings 8.25% 15/02/2022	€6,600,000	5,794	0.39
Orange, FRN 5.88% Perpetual	£12,450,000	13,412	0.90
Societe Generale, FRN 7.38% Perpetual	\$13,500,000	10,633	0.71
Total, FRN 0.00% Perpetual	€1,720,000	1,477	0.10
Total, FRN 3.88% Perpetual	€5,700,000	5,302	0.36
Vallourec 6.63% 15/10/2022	€11,000,000	7,903	0.53
		63,757	4.28
Germany 2.73% (5.89%)			
Bayer, FRN 2.38% 02/04/2075	€10,300,000	8,555	0.57
Deutsche Pfandbriefbank, FRN 5.75% Perpetual	€5,600,000	4,682	0.31
EnBW Energie Baden-Wuerttemberg, FRN 3.38% 05/04/2077	€10,000,000	9,034	0.61
Kirk Beauty One 8.75% 15/07/2023	€5,163,000	3,007	0.20
Raffinerie Heide 6.38% 01/12/2022	€9,400,000	6,407	0.43
Tele Columbus 3.88% 02/05/2025	€11,900,000	9,070	0.61
		40,755	2.73
Ghana 0.67% (0.70%)			
Tullow Oil 7.00% 01/03/2025	\$13,125,000	9,999	0.67
		9,999	0.67
Ireland 2.14% (2.84%)			
Allied Irish Banks, FRN 7.38% Perpetual	€6,750,000	6,158	0.42
Bank of Ireland Group, FRN 4.12% 19/09/2027	\$15,000,000	10,779	0.72
eircom Finance DAC 4.50% 31/05/2022	€5,000,000	4,356	0.29
Lambay Capital Securities 6.25% Perpetual\$	£12,000,000	—	—
National Asset Management 5.26% 01/03/2020	€12,000,000	10,591	0.71
		31,884	2.14
Italy 1.79% (3.45%)			
Assicurazioni Generali, FRN 6.42% Perpetual	£6,500,000	6,768	0.45
Enel, FRN 6.62% 15/09/2076	£9,400,000	10,079	0.68
Intesa Sanpaolo, FRN 7.00% Perpetual	€4,000,000	3,563	0.24
Telecom Italia 4.00% 11/04/2024	€7,000,000	6,291	0.42
		26,701	1.79
Jersey 0.00% (0.65%)			
Luxembourg 2.23% (2.36%)			
Altice Luxembourg 7.75% 15/05/2022	\$8,200,000	6,226	0.42
ARD Finance 6.63% 15/09/2023	€3,600,000	3,121	0.21
DEA Finance 7.50% 15/10/2022	€6,400,000	5,701	0.38
Eurofins Scientific, FRN 3.25% Perpetual	€14,000,000	10,581	0.71
Safari Verwaltungs 5.38% 30/11/2022	€9,600,000	7,633	0.51
		33,262	2.23
Mexico 0.66% (0.83%)			
America Movil, FRN 6.37% 06/09/2073	£9,300,000	9,825	0.66
		9,825	0.66
Netherlands 3.57% (4.72%)			
Aegon, FRN 2.82% Perpetual	\$8,000,000	4,306	0.29
Cooperatieve Rabobank 4.63% 23/05/2029	£9,350,000	10,546	0.71
Koninklijke KPN, FRN 7.00% 28/03/2073	\$12,100,000	9,624	0.64
NN Group, FRN 4.38% Perpetual	€11,000,000	9,934	0.67

Investment	Nominal value	Valuation £'000	% of net assets
PPF Arena 1 3.13% 27/03/2026	€8,700,000	7,438	0.50
VIVAT, FRN 6.25% Perpetual	\$15,000,000	11,342	0.76
		53,190	3.57
Norway 0.40% (0.36%)			
Petroleum Geo-Services 7.38% 15/12/2020	\$7,900,000	5,897	0.40
		5,897	0.40
Russia 0.89% (0.93%)			
Gazprom 4.25% 06/04/2024	£13,000,000	13,253	0.89
		13,253	0.89
South Africa 0.13% (0.18%)			
Investec, FRN 6.75% Perpetual	£2,100,000	1,971	0.13
		1,971	0.13
Spain 1.17% (1.64%)			
eDreams ODIGEO 5.50% 01/09/2023	€4,500,000	3,799	0.26
Naturgy Finance, FRN 4.13% Perpetual	€15,000,000	13,588	0.91
		17,387	1.17
Sweden 0.68% (0.85%)			
Vattenfall, FRN 3.00% 19/03/2077	€11,900,000	10,106	0.68
		10,106	0.68
Switzerland 2.70% (2.85%)			
Credit Suisse Group, FRN 6.25% Perpetual	\$16,400,000	12,465	0.84
Kongsberg Actuation Systems 5.00% 15/07/2025	€4,200,000	3,505	0.23
Swiss Re, FRN 5.75% 15/08/2050	\$16,000,000	12,719	0.85
Zurich Insurance, FRN 4.25% 01/10/2045	\$15,500,000	11,591	0.78
		40,280	2.70
United Arab Emirates 0.97% (1.02%)			
Shelf Drilling Holdings 8.25% 15/02/2025	\$10,586,000	7,593	0.51
Topaz Marine 9.13% 26/07/2022	\$9,000,000	6,933	0.46
		14,526	0.97
United Kingdom 31.16% (35.85%)			
Arqiva Broadcast Finance 6.75% 30/09/2023	£6,750,000	7,165	0.48
Assura Financing, REIT 3.00% 19/07/2028	£10,000,000	10,292	0.69
Aviva, FRN 3.38% 04/12/2045	€10,700,000	9,454	0.63
Bank of Scotland, FRN 7.28% Perpetual	£5,000,000	6,074	0.41
BUPA Finance 5.00% 08/12/2026	£10,150,000	11,131	0.75
Burford Capital 6.13% 26/10/2024	£4,000,000	4,214	0.28
Cabot Financial Luxembourg 7.50% 01/10/2023	£9,000,000	8,799	0.59
Cattles 7.13% 05/07/2017 [§]	£3,700,000	—	—
Co-operative Group Holdings 2011, STEP 6.88% 08/07/2020	£8,640,000	9,004	0.60
CPUK Finance 4.25% 28/02/2047	£8,700,000	8,660	0.58
Direct Line Insurance Group, FRN 4.75% Perpetual	£10,800,000	8,895	0.60
Drax Finco 4.25% 01/05/2022	£9,200,000	9,194	0.62
EnQuest, FRN 7.00% 15/10/2023	\$10,582,787	6,548	0.44
Fidelity International 7.13% 13/02/2024	£8,100,000	9,572	0.64
Galaxy Bidco, FRN 5.37% 15/11/2020	£7,400,000	7,320	0.49
GKN Holdings 5.38% 19/09/2022	£5,600,000	5,980	0.40

Investment information (continued)

Investment	Nominal value	Valuation £'000	% of net assets
Grainger 3.38% 24/04/2028	£10,300,000	10,434	0.70
HBOS Sterling Finance Jersey, FRN 7.88% Perpetual	£6,600,000	9,571	0.64
Heathrow Finance 3.88% 01/03/2027	£11,000,000	10,462	0.70
Hiscox, FRN 6.12% 24/11/2045	£9,000,000	9,855	0.66
HSBC Bank, FRN 3.13% Perpetual	\$25,900,000	13,951	0.94
Iceland Bondco 6.75% 15/07/2024	£4,743,000	4,536	0.30
InterContinental Hotels Group 3.75% 14/08/2025	£10,300,000	10,897	0.73
Intermediate Capital Group 5.00% 24/03/2023	£2,121,000	2,210	0.15
Investec Bank, FRN 4.25% 24/07/2028	£6,700,000	6,667	0.45
KCA Deutag UK Finance 9.88% 01/04/2022	\$13,000,000	8,443	0.57
Kelda Finance No. 3 5.75% 17/02/2020	£10,350,000	10,391	0.70
Legal & General Group, FRN 5.38% 27/10/2045	£10,500,000	11,411	0.76
Liverpool Victoria Friendly Society, FRN 6.50% 22/05/2043	£7,800,000	8,426	0.56
London Power Networks 2.63% 01/03/2029	£8,000,000	8,209	0.55
Matalan Finance 6.75% 31/01/2023	£4,514,000	4,323	0.29
Miller Homes Group Holdings, FRN 6.17% 15/10/2023	£8,100,000	7,896	0.53
Mizzen Bondco 7.00% 01/05/2021	£8,131,889	7,903	0.53
Neptune Energy Bondco 6.63% 15/05/2025	\$12,000,000	8,968	0.60
NGG Finance, FRN 5.63% 18/06/2073	£12,000,000	12,865	0.86
NWEN Finance 5.88% 21/06/2021	£8,900,000	9,229	0.62
Pennon Group, FRN 2.87% Perpetual	£11,491,000	11,520	0.77
Phoenix Group Holdings 4.13% 20/07/2022	£11,200,000	11,460	0.77
Provident Financial 7.00% 04/06/2023	£7,600,000	7,597	0.51
Prudential, FRN 6.50% 20/10/2048	\$13,700,000	11,289	0.76
Quilter, FRN 4.48% 28/02/2028	£8,000,000	8,032	0.54
Rothsay Life 8.00% 30/10/2025	£8,100,000	9,170	0.61
Royal Bank of Scotland Group, FRN 7.65% Perpetual	\$9,089,000	8,661	0.58
RSA Insurance Group, FRN 5.13% 10/10/2045	£9,500,000	10,300	0.69
Society of Lloyd's 4.75% 30/10/2024	£8,100,000	8,687	0.58
Stonegate Pub Co. Financing 4.88% 15/03/2022	£6,400,000	6,385	0.43
TalkTalk Telecom Group 5.38% 15/01/2022	£8,000,000	8,025	0.54
Tesco 6.15% 15/11/2037	\$6,913,000	5,617	0.38
Thomas Cook Group 6.25% 15/06/2022	€9,000,000	5,995	0.40
Virgin Media Secured Finance 5.13% 15/01/2025	£6,435,000	6,555	0.44
Viridian Group FinanceCo 4.75% 15/09/2024	£8,600,000	8,370	0.56
Voyage Care BondCo 5.88% 01/05/2023	£8,800,000	8,333	0.56
Western Power Distribution 3.50% 16/10/2026	£11,100,000	11,422	0.77
Whitbread Group 3.38% 16/10/2025	£13,600,000	13,964	0.94
William Hill 4.88% 07/09/2023	£4,200,000	4,305	0.29
		464,636	31.16
United States of America 4.53% (7.24%)			
Alliance Data Systems 5.25% 15/11/2023	€10,900,000	9,686	0.65
AMC Entertainment Holdings 6.38% 15/11/2024	£8,300,000	8,059	0.54
Burford Capital 5.00% 01/12/2026	£3,700,000	3,695	0.25
Burford Capital Finance 6.13% 12/08/2025	\$3,900,000	2,983	0.20
BWAY Holding 4.75% 15/04/2024	€8,050,000	7,019	0.47
Continental Resources 4.50% 15/04/2023	\$13,200,000	10,404	0.70

Investment	Nominal value	Valuation £'000	% of net assets
Ingles Markets 5.75% 15/06/2023	\$10,450,000	8,100	0.54
Seagate HDD Cayman 4.75% 01/01/2025	\$6,278,000	4,638	0.31
UGI International 3.25% 01/11/2025	€1,100,000	976	0.06
USB Realty, FRN 3.93% Perpetual	\$18,000,000	12,032	0.81
		67,592	4.53
Corporate Bonds total		953,555	63.96
Forward Currency Contracts (0.03)% (0.57%)			
Buy GBP 221,987,875 sell EUR 257,920,000 dated 11/06/2019		426	0.03
Buy GBP 439,714,047 sell USD 579,440,000 dated 11/06/2019		(870)	(0.06)
Forward Currency Contracts total		(444)	(0.03)
Futures 0.00% ((0.07)%)			
Investment assets (including investment liabilities)		1,400,909	93.97
Net other assets		89,967	6.03
Net assets attributable to unitholders		1,490,876	100.00

The comparative percentage figures in brackets are as at 31 March 2018.

^ Unlisted, suspended or delisted security.

§ Security is currently in default.

Financial statements

Statement of total return for the year ended 31 March 2019

	Note	31 March 2019		31 March 2018	
		£'000	£'000	£'000	£'000
Income					
Net capital (losses)/gains	3		(34,225)		4,321
Revenue	5	60,015		51,112	
Expenses	6	(8,981)		(7,659)	
Interest payable and similar charges	7	(284)		(722)	
Net revenue before taxation		50,750		42,731	
Taxation	8	-		-	
Net revenue after taxation			50,750		42,731
Total return before distributions			16,525		47,052
Distributions	9		(50,765)		(42,780)
Change in net assets attributable to unitholders from investment activities			(34,240)		4,272

Statement of change in net assets attributable to unitholders for the year ended 31 March 2019

	31 March 2019		31 March 2018	
	£'000	£'000	£'000	£'000
Opening net assets attributable to unitholders		1,224,964		1,020,521
Amounts receivable on issue of units	350,730		272,909	
Amounts payable on cancellation of units	(80,994)		(97,224)	
		269,736		175,685
Change in net assets attributable to unitholders from investment activities		(34,240)		4,272
Retained distributions on accumulation units		30,416		24,486
Closing net assets attributable to unitholders		1,490,876		1,224,964

Balance sheet as at 31 March 2019

	Note	31 March 2019	31 March 2018
		£'000	£'000
Assets			
Fixed assets			
Investments	10	1,401,779	1,098,315
Current assets			
Debtors	11	23,100	22,575
Cash and cash equivalents	12	76,297	122,896
Total current assets		99,397	145,471
Total assets		1,501,176	1,243,786
Liabilities			
Investment liabilities	10	870	858
Creditors			
Bank overdraft	13	3,474	8,090
Distribution payable		2,506	2,327
Other creditors	14	3,450	7,547
Total creditors		9,430	17,964
Total liabilities		10,300	18,822
Net assets attributable to unitholders		1,490,876	1,224,964

Notes to the financial statements

1. Accounting policies

(a) Basis of accounting. The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, in accordance with Financial Reporting Standard ('FRS') 102, the SORP and the Financial Conduct Authority's Collective Investment Schemes Sourcebook ('COLL'). The financial statements have been prepared on a going concern basis.

(b) Valuation of investments. All investments have been valued at 12 noon on the last working day of the accounting period, net of any accrued interest in the case of debt securities, which is included in the balance sheet as a revenue related item. Listed investments are valued at fair value which is deemed to be the bid or SETS price. Unquoted investments are valued at fair value which is determined by the investment manager, with reference to the valuation guidelines issued by the International Private Equity and Venture Capital Valuation Guidelines Board. The last valuation point in the year has been used for the purposes of preparing the report and financial statements and in the Manager's opinion there have been no material movements in the fund between the last dealing point and close of business on the balance sheet date.

(c) Foreign exchange rates. Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates prevailing at 12 noon on the last working day of the accounting period. Revenue and expenditure transactions are translated at the rates of exchange ruling on the dates of the transactions. Exchange differences on such transactions follow the same treatment as the principal amounts.

(d) Derivatives. Where appropriate, certain permitted transactions such as derivatives or forward currency contracts are used for efficient portfolio management and investment purposes. Derivatives are valued at 12 noon on the last working day of the

accounting period. Forward currency contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Exchange traded derivatives are priced at fair value, which is deemed to be the bid price. Over-the-counter derivatives are priced at fair values using valuation models or data sourced from market data providers. Any positions on such transactions open at the year end are reflected in the balance sheet at their marked to market value.

(e) Revenue. Interest from debt securities is recognised on a time apportioned basis inclusive of any expected changes to future cash flows. Dividends receivable from equity and non-equity shares are credited to revenue, net of attributable tax credits, when the security is quoted ex-dividend. Dividends received as shares (scrip/stock dividends), to the extent that the value of such dividends is equal to the cash dividends, are treated as revenue. Dividends on unquoted stocks are credited to revenue when the right to receive payment is established. Special dividends are reviewed on a case by case basis when determining if a dividend is to be treated as revenue or capital. It is likely that where a special dividend results in a significant reduction in the capital value of a holding, then the dividend will generally be treated as capital, otherwise this will be recognised as revenue. Returns on derivative instruments are recognised as either revenue or capital depending on the nature and circumstances of each particular case. Bank interest is recognised on an accruals basis. Underwriting commission is recognised when the issue underwritten takes place.

(f) Expenses. All expenses (other than those relating to the purchase and sale of investments) are charged against revenue on an accruals basis.

(g) Taxation. Corporation tax is charged at a rate of 20% on the excess taxable revenue of the fund. In general, the tax accounting treatment follows that of the principal amount.

Deferred tax is provided for all timing differences that have originated but not reversed at the balance sheet date other than those recorded as permanent differences. Deferred tax is provided for at the average rate of tax expected to apply. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

2. Distribution policy

The distribution policy of the fund is to distribute all available revenue, after deduction of expenses properly chargeable against revenue and taxation. The manager may from time to time, smooth the distribution payments during the accounting period with the balance of revenue (if any) being paid in respect of the final distribution. Gains and losses on non-derivative investments and currencies, whether realised or unrealised, are taken to capital and are not available for distribution. The fund satisfied the qualifying investments test of Statutory Instrument 2006/964 Authorised Investment Funds (Tax) Regulations 2006 Regulation 19 throughout the year. All distributions made are therefore made as interest distributions. With the exception of the manager's annual management charge, which is directly attributable to each unit class, all income and expenses are apportioned to each unit class pro-rata to the value of the net assets of the relevant unit class on the day that the income or expense is recognised.

For Accumulation units this revenue is not distributed but automatically reinvested in the fund and is reflected in the value of these units.

Distributions which have remained unclaimed by unitholders for six years are credited to the capital property of the fund.

Notes to the financial statements (continued)

3. Net capital (losses)/gains

	31 March 2019 £'000	31 March 2018 £'000
Currency gains/(losses)	6,603	(4,681)
Capital transaction charges	(3)	(5)
Derivative contracts	(878)	1,268
Forward currency contracts	(15,703)	20,763
Non-derivative securities	(24,244)	(13,024)
Net capital (losses)/gains	(34,225)	4,321

4. Direct transaction costs

There were no commissions or taxes paid in relation to transactions on the portfolio during the current or prior year. During the year the fund incurred £3,000 (2018: £5,000) in capital transaction charges.

Dealing Spread

As at the balance sheet date the average portfolio dealing spread was 0.63% (2018: 0.79%). This spread represents the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

5. Revenue

	31 March 2019 £'000	31 March 2018 £'000
Interest on debt securities	59,448	50,952
Bank interest	567	160
Total revenue	60,015	51,112

6. Expenses

	31 March 2019 £'000	31 March 2018 £'000
Payable to the manager, associates of the manager, and agents of either of them:		
Annual management charge	7,977	6,885
Administration fees *	205	-
Other expenses:		
Registration fees	367	299
Administration fees	142	160
Trustee fees	113	128
Operational fees	109	113
Safe custody fees	56	64
Auditor's remuneration: audit fees **	8	9
Statement fee	2	-
Auditor's remuneration: non-audit fees (taxation)	1	-
Price publication fees	1	1
Total expenses	8,981	7,659

All expenditure stated above is inclusive of irrecoverable VAT where applicable.

* The amount disclosed above reflects the change from variable expenses to a fixed administration fee effective from 1 February 2019.

** The amounts disclosed above includes VAT at the rate of 20%. The audit fee (excluding VAT) accrued during the period was £6,500 (2018: £7,500).

7. Interest payable and similar charges

	31 March 2019 £'000	31 March 2018 £'000
Interest payable on futures	266	706
Interest payable	18	16
Total interest payable and similar charges	284	722

8. Taxation

	31 March 2019 £'000	31 March 2018 £'000
a) Analysis of the tax charge for the year		
Total taxation (note 8b)	-	-
b) Factors affecting the tax charge for the year		
Net revenue before taxation	50,750	42,731
Corporation tax at 20% (2018: 20%)	10,150	8,546
Effects of:		
Tax deductible interest distributions	(10,152)	(8,549)
Expenses not deductible for tax purposes	2	3
Tax charge for the year (note 8a)	-	-
c) Provision for deferred tax		
No provision for deferred tax has been made in the current or prior accounting year.		
d) Factors that may affect future tax charges		
The fund has not recognised a deferred tax asset (2018: £nil)		

9. Distributions

	31 March 2019 £'000	31 March 2018 £'000
Interim distribution - April 2018	2,008	1,137
Interim distribution - May 2018	1,922	1,790
Interim distribution - June 2018	9,100	7,029
Interim distribution - July 2018	2,071	1,507
Interim distribution - August 2018	2,094	1,920
Interim distribution - September 2018	8,959	7,194
Interim distribution - October 2018	2,259	1,751
Interim distribution - November 2018	1,978	1,695
Interim distribution - December 2018	9,305	7,713
Interim distribution - January 2019	1,627	1,737
Interim distribution - February 2019	1,683	1,614
Final distribution - March 2019	8,617	8,297
	51,623	43,384
Add: amounts deducted on cancellation of units	327	256
Deduct: amounts added on issue of units	(1,185)	(860)
Distributions	50,765	42,780
Movement between net revenue and distributions		
Net revenue after taxation	50,750	42,731
Add: revenue received on conversion of units	5	36
Expenses paid from capital	10	13
	50,765	42,780

The distributions take account of amounts added on the issue of units and amounts deducted on the cancellation of units. Details of the distributions per unit are set out in the distribution tables on pages 23 to 28.

Notes to the financial statements (continued)

10. Fair value hierarchy

All investments are designated at fair value through profit or loss on initial recognition. The following table provides an analysis of these investments based on the fair value hierarchy which reflects the reliability and significance of the information used to measure their fair value.

The disclosure is split into the following categories:

Level 1 – Investments with unadjusted quoted prices in an active market;

Level 2 – Investments whose fair value is based on inputs other than quoted prices that are either directly or indirectly observable;

Level 3 – Investments whose fair value is based on inputs that are unobservable (i.e. for which market data is unavailable).

	31 March 2019		31 March 2018	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	-	-	-	858
Level 2	1,401,799	870	1,098,135	-
Level 3	-	-	180	-
Total	1,401,799	870	1,098,315	858

11. Debtors

	31 March 2019 £'000	31 March 2018 £'000
Accrued revenue	20,129	17,064
Amounts receivable for issue of units	2,646	5,507
Sales awaiting settlement	325	-
Prepaid expenses	-	4
Total debtors	23,100	22,575

12. Cash and cash equivalents

	31 March 2019 £'000	31 March 2018 £'000
Amounts held in JPMorgan Liquidity Funds – Sterling Liquidity Fund (Institutional dist.)	71,028	98,000
Cash and bank balances	5,189	23,234
Amounts held at futures clearing houses and brokers	80	1,662
Total cash and cash equivalents	76,297	122,896

13. Bank overdraft

	31 March 2019 £'000	31 March 2018 £'000
Collateral pledged with UBS	3,474	8,090
Total bank overdraft	3,474	8,090

14. Other creditors

	31 March 2019 £'000	31 March 2018 £'000
Purchases awaiting settlement	1,779	6,748
Amounts payable for cancellation of units	779	-
Accrued annual management charge	663	554
Accrued other expenses	123	245
Accrued administration fee payable to the ACD	106	-
Total other creditors	3,450	7,547

15. Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the current or prior year end.

16. Reconciliation of unit movements

Class	Units in issue at 31 March 2018	Units issued	Units cancelled	Units converted	Units in issue at 31 March 2019
MI distribution	619,657,633	124,742,675	(41,286,948)	2,704,272	705,817,632
MI accumulation	155,312,303	107,416,280	(3,205,924)	2,385,783	261,908,442
QI distribution	96,003,305	44,386,859	(6,381,841)	254,871	134,263,194
QI accumulation	470,329,222	115,590,497	(32,092,787)	4,509,842	558,336,774
MR distribution	108,339,252	61,245,889	(4,205,102)	(2,474,443)	162,905,596
MR accumulation	40,326,277	4,132,488	(5,191,743)	(1,832,076)	37,434,946
QR distribution	16,641,615	1,031,206	(2,268,587)	(186,999)	15,217,235
QR accumulation	116,613,200	20,556,317	(11,479,656)	(4,785,292)	120,904,569

17. Risk disclosures

In pursuing its investment objectives, the fund may hold a number of financial instruments. These financial instruments comprise equities, bonds, derivatives, cash balances and liquid resources, which include debtors and creditors that arise directly from the funds' operations. The fund only executes derivative contracts where both the derivative instrument and the counterparty have been approved by the manager.

The manager has a risk management policy. The processes detailed within are designed to monitor and measure at any time the risk of the funds' positions and their contribution to the overall risk profile of the fund. In addition, our Investment Committee and Risk and Compliance Committee meet monthly and quarterly respectively, and as required to evaluate risk across each of our funds. These policies have been consistent for both the current and prior period to which these financial statements relate.

In the normal course of business, the fund's activities expose it to various types of risk which are associated with the financial instruments and markets in which it invests. These financial risks: market risk (comprising currency risk, interest rate risk and other market price risk), credit and counterparty risk and liquidity risk and the approach to the management of these risks, are set out below and remain unchanged from the previous accounting year. For a detailed explanation of these and further risks involved in investing in the fund, reference should be made to the Prospectus.

(a) Market risk

Market risk, which includes interest rate risk, currency risk, other price risk and leverage risk arises mainly from uncertainty about future values of financial instruments in the fund's portfolio statement. The fund, in order to meet its investment objective and policy, invests predominantly in bonds and maintains an appropriate spread of investments in accordance with COLL, the Trust Deed and the Prospectus to seek to reduce the risks arising from factors specific to a particular company or sector. The manager's investment strategy is to select investments for their fundamental value. Stock selection is therefore based on disciplined accounting, market and sector analysis, with the emphasis on long-term investments. There is no material difference between the carrying values and the fair values of the financial assets and liabilities of the fund disclosed in the balance sheet.

(i) Interest rate risk

Changes in interest rates or changes in expectations of future interest rates may result in an increase or decrease in the market value of the investments held. Bond yields (and as a consequence bond prices) are determined by market perception as to the appropriate level of yields given the economic background. Key determinants include economic growth prospects, inflation, governments' fiscal positions, short-term interest rates and international market comparisons. As part of the continuing review of the portfolio, the manager monitors and reviews these factors.

Notes to the financial statements (continued)

The following table details the interest rate risk profile of the fund:

Currency	Floating rate financial assets/(liabilities)† £'000	Fixed rate financial assets £'000	Financial assets/(liabilities) not carrying interest £'000	Total £'000
31 March 2019				
Sterling	94,629	671,369	8,455	774,453
US Dollar	40,979	446,440	5,820	493,239
Euro	21,145	199,614	2,869	223,628
31 March 2018				
Sterling	148,798	506,069	10,934	665,801
Euro	17,041	271,058	(2,679)	285,420
US Dollar	44,728	218,497	3,588	266,813

The forward currency contracts for Euro, Sterling and US Dollar are not included within this table. These can be found in the portfolio statement on page 13.

† Includes cash and bank balances.

As at 31 March 2019 if there is a parallel shift in government bond yields with an increase of 1%, the fund could expect to see a 5.4% fall in the prices of the underlying bonds it holds (2018: 3.0%). A 1% fall in government bond yields would have an equal and opposite impact. This calculation has been prepared on a modified duration basis. Modified duration follows the concept that interest rates and bond prices move in opposite directions. The calculation has been used to serve as an indication of the possible impact to the fund from changes to government bond yields. This concept relies on a large number of assumptions, in particular, that all bonds are equally sensitive to government bond yields. In practice, this is not the case as many bonds with higher credit risk have lower correlation with government bond yields and in some cases even negative correlation. The fund contains a high and varying proportion of bonds with sometimes a high degree of credit risk. Furthermore, this makes the assumption of a parallel shift in yields. In practice, when interest rates change, longer dated government bond yields do not usually move in parallel with short-term interest rates. It is not unusual to see a negative correlation to short-term interest rate movements. The calculation also includes the impact of any futures positions, which are priced according to the yield of 10 year government bonds.

(ii) Currency risk

A portion of the net assets of the fund are denominated in currencies other than sterling, and therefore the balance sheet and total return can be affected by currency movements. Therefore, the manager may decide that a proportion of the investments that are not priced in sterling, may be covered by forward currency contracts, so that the fund's exposure to currency risk is reduced. The losses on forward currency contracts for the year were £15,703,000 (2018: gain of £20,763,000).

Revenue received in foreign currencies is converted into sterling on or near the date of receipt. No hedging is undertaken with regard to managing the currency movement risk on accrued revenue.

The exposure to each currency is shown in the table below.

Currency	Investments £'000	Net other assets £'000	Forward currency contracts £'000	Total £'000
31 March 2019				
Sterling	695,590	78,863	661,702	1,436,155
US Dollar	486,642	6,597	(440,584)	52,655
Euro	219,121	4,507	(221,562)	2,066
31 March 2018				
Sterling	541,341	124,460	482,452	1,148,253
US Dollar	262,600	4,213	(200,019)	66,794
Euro	286,586	(1,166)	(275,503)	9,917

A five per cent increase in the value of the fund's foreign currency exposure would have the effect of increasing the return and net assets by £2,736,000 (2018: £3,836,000). A five per cent decrease would have an equal and opposite effect.

(iii) Other price risk

Other price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices (other than those relating to interest rate risk, currency risk and credit and counterparty risk), whether caused by factors specific to an investment or wider issues affecting the market generally. The value of equities is dependent on a number of factors, arising from the performance of the company itself and matters arising in the wider market (for example the state of the underlying economy and current government policy). The portfolio is invested in securities domiciled in a number of countries as detailed in the portfolio statement and will be exposed to market movements in the relevant country arising from changes in the local economy and government decisions. As part of the continuing review of the portfolio, the manager monitors and reviews these factors. A five per cent increase in the value of the fund's portfolio would have the effect of increasing the return and net assets by £70,045,000 (2018: £54,873,000). A five per cent decrease would have an equal and opposite effect.

Returns from bonds are fixed at the time of purchase, the fixed coupon payments are known, as are the final redemption proceeds. This means that if a bond is held until its redemption date, the total return achieved is unaltered from its purchase date. However, over the life of a bond, the yield (and hence market price) at any given time will depend on the market environment at that time. Therefore, a bond sold before its redemption date may have a different price to its purchase level and a gain or loss may be realised.

Bond investments are exposed to credit rating risk which reflects the ability of a bond issuer to meet its obligations (i.e. pay interest on a bond and return the capital on the redemption date). Generally, the higher the credit rating of the bond issuer, the rate at which they can borrow money may be lower than a bond issuer with a lower credit rating reflecting the potentially higher risk. Additionally, the credit rating of a bond is likely to impact upon the market price of a bond with a higher credit rating reflecting the greater expectation that the bond will be redeemed by the issuer on the maturity date at the nominal amount. An element of the market price of a bond will reflect this.

(iv) Leverage risk

Leverage is defined as any method by which the fund can increase its exposure by borrowing cash or securities or from leverage that is embedded in derivative positions. The manager is required to calculate and monitor the level of leverage of a fund, expressed as a percentage of the exposure of the fund and its net asset value under the 'sum of the notionals' and 'commitment' methods.

The fund can use cash borrowing (subject to restrictions as set out in its Prospectus and COLL) and financial derivatives as sources of leverage. The maximum level of leverage which the manager may employ on behalf of the fund is 200% under the commitment method. A result of 100% indicates that no leverage has been used.

As at 31 March 2019 and 31 March 2018 the leverage ratios of the fund were:

	31 March 2019 %	31 March 2018 %
Sum of the notionals	150.7	155.2
Commitment	100.0	100.0

(b) Credit and counterparty risk

Credit and counterparty risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment it has entered into with the fund, resulting in a financial loss. From time to time, the fund may be subject to short-term credit risk with counterparties pending settlement of investment transactions. The manager has a pre-approved list of counterparties it uses for investment transactions, which is reviewed on a regular basis. The largest counterparty risk is with J.P. Morgan Chase N.A. ('JP Morgan'), the fund's custodian and banker, who holds the fund's investments and maintains the bank accounts. Bankruptcy or insolvency of JP Morgan may cause the fund's rights with respect to securities and cash held by the custodian to be delayed or limited. The trustee receives and reviews a semi-annual report on the internal controls in place at JP Morgan. The fund is also exposed to counterparty risk through holding specific financial instruments.

The manager is permitted to use one or more separate counterparties for derivative transactions. The fund may enter into transactions in over-the-counter ('OTC') markets that expose it to the credit of its counterparties and their ability to satisfy the terms of such contracts. Where the fund enters into derivative contracts, it will be exposed to the risk that the counterparty may default on its obligations to perform under the relevant contract. In the event of bankruptcy or insolvency of a counterparty, the fund could experience delays in liquidating the position and may incur significant losses. There may be a risk that a counterparty will be unable to meet its obligations with regard to the return of the collateral and may not meet other payments due to the fund. To minimise such risk the manager will assess the creditworthiness of any counterparty that it engages. On a daily basis the manager assesses the level of assets with each counterparty to ensure that the exposure is within the defined limits in accordance with the requirement stipulated in COLL and the Prospectus.

The derivatives are disclosed in the portfolio statement and UBS AG ('UBS') is the counterparty for the forward currency contracts and J.P. Morgan Securities plc ('J.P. Morgan') is the counterparty for the futures. Aside from the custodian, the

Notes to the financial statements (continued)

derivative counterparties and brokers where trades are pending settlement, there were no significant concentrations of credit and counterparty risk as at 31 March 2019 or 31 March 2018.

Debt security credit analysis

At the reporting date, the credit analysis of the fund's debt securities was as follows:

	31 March 2019 £'000	31 March 2018 £'000
Investment grade securities	842,144	294,875
Below investment grade securities	496,769	732,487
Unrated securities	62,440	64,023
Total of debt securities	1,401,353	1,091,385

* Source of credit ratings: Artemis Investment Management LLP.

Counterparty and collateral exposure

The types of derivatives held at the balance sheet date were forward currency contracts and futures. Details of the individual contracts are disclosed separately in the portfolio statement and the total position by counterparty at the balance sheet date was as follows:

	Forward currency contracts £'000	Futures £'000	Total gross exposure £'000	Net collateral (pledged)/held £'000
31 March 2019				
UBS	(444)	-	(444)	(3,474)
J.P. Morgan	-	-	-	80
31 March 2018				
UBS	6,930	-	6,930	(8,090)
J.P. Morgan	-	(73,622)	(73,622)	1,662

All collateral is cash or cash equivalents.

Liquidity risk

Some of the fund's financial instruments can include securities which may not always be readily realisable. As a result, the fund may not be able to realise these investments quickly at their fair value to respond to any further liquidity requirements, or to respond to specific events such as deterioration in the creditworthiness of any particular issuer. In order to manage liquidity requirements, the fund seeks to maintain sufficient cash to pay creditors. Liquidity risk limits are set by reference to two key metrics: market liquidity and investor concentration. These measures will, in combination, identify instances where the fund may be unable to meet investor redemptions. Market liquidity considers a fund's liquidity compared against the daily average liquidity over the previous twelve months. Investor concentration considers the proportion of the fund that is realisable within a redemption cycle measured against the largest unitholder.

18. Related party transactions

The manager is deemed to be a related party. All transactions and balances associated with the manager are disclosed within the statement of total return, statement of change in net assets attributable to unitholders and the balance sheet on page 14 and notes 6, 9, 11 and 14 on pages 16 to 18 including all issues and cancellations where the manager acted as principal. The balance due from the manager as at 31 March 2019 in respect of these transactions was £1,098,000 (2018: £4,953,000).

19. Unit classes

The annual management charge on each unit class is as follows:

MI distribution	0.50%
MI accumulation	0.50%
QI distribution	0.50%
QI accumulation	0.50%
MR distribution	1.00%
MR accumulation	1.00%
QR distribution	1.00%
QR accumulation	1.00%

The net asset value per unit and the number of units in each class are given in the comparative tables on pages 29 and 30. The distributions per unit class are given in the distribution tables on pages 23 to 28. All classes have the same rights.

20. Post balance sheet events

There were no significant post balance sheet events subsequent to the year-end.

Distribution tables

Monthly interim interest distribution for the month ended 30 April 2018 (paid on 31 May 2018) in pence per unit.

Group 1 - Units purchased prior to 1 April 2018.

Group 2 - Units purchased from 1 April 2018 to 30 April 2018.

	Gross revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 31 May 2018	Distribution per unit (p) 31 May 2017
MI distribution				
Group 1	0.2076		0.2076	0.1376
Group 2	0.0949	0.1127	0.2076	0.1376
MI accumulation				
Group 1	0.2406		0.2406	0.1535
Group 2	0.1035	0.1371	0.2406	0.1535
MR distribution				
Group 1	0.1822		0.1822	0.1154
Group 2	0.1288	0.0534	0.1822	0.1154
MR accumulation				
Group 1	0.3052		0.3052	0.1872
Group 2	0.1544	0.1508	0.3052	0.1872

Monthly interim interest distribution for the month ended 31 May 2018 (paid on 29 June 2018) in pence per unit.

Group 1 - Units purchased prior to 1 May 2018.

Group 2 - Units purchased from 1 May 2018 to 31 May 2018.

	Gross revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 29 June 2018	Distribution per unit (p) 30 June 2017
MI distribution				
Group 1	0.1916		0.1916	0.2122
Group 2	0.0916	0.1000	0.1916	0.2122
MI accumulation				
Group 1	0.2230		0.2230	0.2375
Group 2	0.0913	0.1317	0.2230	0.2375
MR distribution				
Group 1	0.1674		0.1674	0.1859
Group 2	0.0286	0.1388	0.1674	0.1859
MR accumulation				
Group 1	0.2809		0.2809	0.3018
Group 2	0.1684	0.1125	0.2809	0.3018

Monthly interim interest distribution for the month ended 30 June 2018 (paid on 31 July 2018) in pence per unit.

Group 1 - Units purchased prior to 1 June 2018.

Group 2 - Units purchased from 1 June 2018 to 30 June 2018.

	Gross revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 31 July 2018	Distribution per unit (p) 29 July 2017
MI distribution				
Group 1	0.1828		0.1828	0.1849
Group 2	0.0922	0.0906	0.1828	0.1849
MI accumulation				
Group 1	0.2134		0.2134	0.2076
Group 2	0.0941	0.1193	0.2134	0.2076
MR distribution				
Group 1	0.1599		0.1599	0.1607
Group 2	0.0778	0.0821	0.1599	0.1607
MR accumulation				
Group 1	0.2700		0.2700	0.2623
Group 2	0.1240	0.1460	0.2700	0.2623

Distribution tables (continued)

Quarterly interim interest distribution for the three months ended 30 June 2018 (paid on 31 July 2018) in pence per unit.

Group 1 - Units purchased prior to 1 April 2018.

Group 2 - Units purchased from 1 April 2018 to 30 June 2018.

	Gross revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 31 July 2018	Distribution per unit (p) 29 July 2017
Q1 distribution				
Group 1	0.8781		0.8781	0.8060
Group 2	0.4599	0.4182	0.8781	0.8060
Q1 accumulation				
Group 1	1.0180		1.0180	0.9003
Group 2	0.4510	0.5670	1.0180	0.9003
QR distribution				
Group 1	0.5103		0.5103	0.4628
Group 2	0.2445	0.2658	0.5103	0.4628
QR accumulation				
Group 1	0.8579		0.8579	0.7529
Group 2	0.4045	0.4534	0.8579	0.7529

Monthly interim interest distribution for the month ended 31 July 2018 (paid on 31 August 2018) in pence per unit.

Group 1 - Units purchased prior to 1 July 2018.

Group 2 - Units purchased from 1 July 2018 to 31 July 2018.

	Gross revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 31 August 2018	Distribution per unit (p) 31 August 2017
MI distribution				
Group 1	0.1965		0.1965	0.1729
Group 2	0.0893	0.1072	0.1965	0.1729
MI accumulation				
Group 1	0.2301		0.2301	0.1948
Group 2	0.1084	0.1217	0.2301	0.1948
MR distribution				
Group 1	0.1715		0.1715	0.1481
Group 2	0.0634	0.1081	0.1715	0.1481
MR accumulation				
Group 1	0.2900		0.2900	0.2422
Group 2	0.1338	0.1562	0.2900	0.2422

Monthly interim interest distribution for the month ended 31 August 2018 (paid on 28 September 2018) in pence per unit.

Group 1 - Units purchased prior to 1 August 2018.

Group 2 - Units purchased from 1 August 2018 to 31 August 2018.

	Gross revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 28 September 2018	Distribution per unit (p) 30 September 2017
MI distribution				
Group 1	0.1945		0.1945	0.2144
Group 2	0.0875	0.1070	0.1945	0.2144
MI accumulation				
Group 1	0.2285		0.2285	0.2422
Group 2	0.0987	0.1298	0.2285	0.2422
MR distribution				
Group 1	0.1701		0.1701	0.1894
Group 2	0.0715	0.0986	0.1701	0.1894
MR accumulation				
Group 1	0.2887		0.2887	0.3106
Group 2	0.1725	0.1162	0.2887	0.3106

Monthly interim interest distribution for the month ended 30 September 2018 (paid on 31 October 2018) in pence per unit.

Group 1 - Units purchased prior to 1 September 2018.

Group 2 - Units purchased from 1 September 2018 to 30 September 2018.

	Gross revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 31 October 2018	Distribution per unit (p) 31 October 2017
MI distribution				
Group 1	0.1671		0.1671	0.1583
Group 2	0.0732	0.0939	0.1671	0.1583
MI accumulation				
Group 1	0.1971		0.1971	0.1796
Group 2	0.0865	0.1106	0.1971	0.1796
MR distribution				
Group 1	0.1452		0.1452	0.1351
Group 2	0.0785	0.0667	0.1452	0.1351
MR accumulation				
Group 1	0.2471		0.2471	0.2222
Group 2	0.1144	0.1327	0.2471	0.2222

Quarterly interim interest distribution for the three months ended 30 September 2018 (paid on 31 October 2018) in pence per unit.

Group 1 - Units purchased prior to 1 July 2018.

Group 2 - Units purchased from 1 July 2018 to 30 September 2018.

	Gross revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 31 October 2018	Distribution per unit (p) 31 October 2017
QI distribution				
Group 1	0.8411		0.8411	0.8226
Group 2	0.4202	0.4209	0.8411	0.8226
QI accumulation				
Group 1	0.9860		0.9860	0.9272
Group 2	0.4243	0.5617	0.9860	0.9272
QR distribution				
Group 1	0.4876		0.4876	0.4732
Group 2	0.2192	0.2684	0.4876	0.4732
QR accumulation				
Group 1	0.8274		0.8274	0.7765
Group 2	0.4112	0.4162	0.8274	0.7765

Monthly interim interest distribution for the month ended 31 October 2018 (paid on 30 November 2018) in pence per unit.

Group 1 - Units purchased prior to 1 October 2018.

Group 2 - Units purchased from 1 October 2018 to 31 October 2018.

	Gross revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 30 November 2018	Distribution per unit (p) 30 November 2017
MI distribution				
Group 1	0.1988		0.1988	0.1886
Group 2	0.0592	0.1396	0.1988	0.1886
MI accumulation				
Group 1	0.2351		0.2351	0.2144
Group 2	0.1133	0.1218	0.2351	0.2144
MR distribution				
Group 1	0.1732		0.1732	0.1628
Group 2	0.0533	0.1199	0.1732	0.1628
MR accumulation				
Group 1	0.2955		0.2955	0.2685
Group 2	0.1397	0.1558	0.2955	0.2685

Distribution tables (continued)

Monthly interim interest distribution for the month ended 30 November 2018 (paid on 31 December 2018) in pence per unit.

Group 1 - Units purchased prior to 1 November 2018.

Group 2 - Units purchased from 1 November 2018 to 30 November 2018.

	Gross revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 31 December 2018	Distribution per unit (p) 30 December 2017
MI distribution				
Group 1	0.1724		0.1724	0.1809
Group 2	0.0789	0.0935	0.1724	0.1809
MI accumulation				
Group 1	0.2047		0.2047	0.2065
Group 2	0.1060	0.0987	0.2047	0.2065
MR distribution				
Group 1	0.1493		0.1493	0.1568
Group 2	0.0570	0.0923	0.1493	0.1568
MR accumulation				
Group 1	0.2557		0.2557	0.2593
Group 2	0.0874	0.1683	0.2557	0.2593

Monthly interim interest distribution for the month ended 31 December 2018 (paid on 31 January 2019) in pence per unit.

Group 1 - Units purchased prior to 1 December 2018.

Group 2 - Units purchased from 1 December 2018 to 31 December 2018.

	Gross revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 31 January 2019	Distribution per unit (p) 31 January 2018
MI distribution				
Group 1	0.1719		0.1719	0.1790
Group 2	0.0918	0.0801	0.1719	0.1790
MI accumulation				
Group 1	0.2046		0.2046	0.2048
Group 2	0.1083	0.0963	0.2046	0.2048
MR distribution				
Group 1	0.1489		0.1489	0.1556
Group 2	0.0614	0.0875	0.1489	0.1556
MR accumulation				
Group 1	0.2548		0.2548	0.2580
Group 2	0.1435	0.1113	0.2548	0.2580

Quarterly interim interest distribution for the three months ended 31 December 2018 (paid on 31 January 2019) in pence per unit.

Group 1 - Units purchased prior to 1 October 2018.

Group 2 - Units purchased from 1 October 2018 to 31 December 2018.

	Gross revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 31 January 2019	Distribution per unit (p) 31 January 2018
QI distribution				
Group 1	0.8188		0.8188	0.8270
Group 2	0.4142	0.4046	0.8188	0.8270
QI accumulation				
Group 1	0.9692		0.9692	0.9411
Group 2	0.4922	0.4770	0.9692	0.9411
QR distribution				
Group 1	0.4719		0.4719	0.4762
Group 2	0.1769	0.2950	0.4719	0.4762
QR accumulation				
Group 1	0.8075		0.8075	0.7873
Group 2	0.3919	0.4156	0.8075	0.7873

Monthly interim interest distribution for the month ended 31 January 2019 (paid on 28 February 2019) in pence per unit.

Group 1 - Units purchased prior to 1 January 2019.

Group 2 - Units purchased from 1 January 2019 to 31 January 2019.

	Gross revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 28 February 2019	Distribution per unit (p) 28 February 2018
MI distribution				
Group 1	0.1396		0.1396	0.1793
Group 2	0.0507	0.0889	0.1396	0.1793
MI accumulation				
Group 1	0.1669		0.1669	0.2060
Group 2	0.0593	0.1076	0.1669	0.2060
MR distribution				
Group 1	0.1164		0.1164	0.1527
Group 2	0.0285	0.0879	0.1164	0.1527
MR accumulation				
Group 1	0.2002		0.2002	0.2538
Group 2	0.0532	0.1470	0.2002	0.2538

Monthly interim interest distribution for the month ended 28 February 2019 (paid on 29 March 2019) in pence per unit.

Group 1 - Units purchased prior to 1 February 2019.

Group 2 - Units purchased from 1 February 2019 to 28 February 2019.

	Gross revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 29 March 2019	Distribution per unit (p) 31 March 2018
MI distribution				
Group 1	0.1416		0.1416	0.1772
Group 2	0.0648	0.0768	0.1416	0.1772
MI accumulation				
Group 1	0.1696		0.1696	0.2043
Group 2	0.0815	0.0881	0.1696	0.2043
MR distribution				
Group 1	0.1202		0.1202	0.1549
Group 2	0.0479	0.0723	0.1202	0.1549
MR accumulation				
Group 1	0.2075		0.2075	0.2582
Group 2	0.0759	0.1316	0.2075	0.2582

Monthly final interest distribution for the month ended 31 March 2019 (paid on 30 April 2019) in pence per unit.

Group 1 - Units purchased prior to 1 March 2019.

Group 2 - Units purchased from 1 March 2019 to 31 March 2019.

	Gross revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 30 April 2019	Distribution per unit (p) 28 April 2018
MI distribution				
Group 1	0.1787		0.1787	0.2011
Group 2	0.0812	0.0975	0.1787	0.2011
MI accumulation				
Group 1	0.2146		0.2146	0.2323
Group 2	0.1238	0.0908	0.2146	0.2323
MR distribution				
Group 1	0.1563		0.1563	0.1779
Group 2	0.0610	0.0953	0.1563	0.1779
MR accumulation				
Group 1	0.2702		0.2702	0.2973
Group 2	0.1551	0.1151	0.2702	0.2973

Distribution tables (continued)

Quarterly final interest distribution for the three months ended 31 March 2019 (paid on 30 April 2019) in pence per unit.

Group 1 - Units purchased prior to 1 January 2019.

Group 2 - Units purchased from 1 January 2019 to 31 March 2019.

	Gross revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 30 April 2019	Distribution per unit (p) 28 April 2018
Q1 distribution				
Group 1	0.6930		0.6930	0.8410
Group 2	0.3161	0.3769	0.6930	0.8410
Q1 accumulation				
Group 1	0.8287		0.8287	0.9662
Group 2	0.3923	0.4364	0.8287	0.9662
QR distribution				
Group 1	0.3933		0.3933	0.4863
Group 2	0.2125	0.1808	0.3933	0.4863
QR accumulation				
Group 1	0.6791		0.6791	0.8102
Group 2	0.3369	0.3422	0.6791	0.8102

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

Comparative tables

	MI distribution			MI accumulation		
	2019	2018	2017	2019	2018	2017
Change in net assets per unit (p)						
Opening net asset value per unit	56.92	56.50	53.33	65.99	63.07	57.44
Return before operating charges *	1.03	2.94	5.93	1.23	3.29	6.46
Operating charges	(0.32)	(0.33)	(0.32)	(0.38)	(0.37)	(0.35)
Return after operating charges	0.71	2.61	5.61	0.85	2.92	6.11
Distributions	(2.14)	(2.19)	(2.44)	(2.53)	(2.48)	(2.67)
Retained distributions on accumulation units	-	-	-	2.53	2.48	2.19
Closing net asset value per unit	55.49	56.92	56.50	66.84	65.99	63.07
* after direct transaction costs of	-	-	-	-	-	-
Performance						
Return after charges	1.25%	4.62%	10.52%	1.29%	4.63%	9.80%
Other information						
Closing net asset value (£'000)	391,637	352,738	316,737	175,063	102,494	52,260
Closing number of units	705,817,632	619,657,633	560,554,877	261,908,442	155,312,303	82,855,505
Operating charges	0.57%	0.57%	0.57%	0.57%	0.57%	0.57%
Direct transaction costs	-	-	-	-	-	-
Prices **						
Highest unit price (p)	58.27	59.22	57.78	67.55	68.00	64.21
Lowest unit price (p)	53.76	56.52	53.36	64.22	63.09	57.46

	QI distribution			QI accumulation		
	2019	2018	2017	2019	2018	2017
Change in net assets per unit (p)						
Opening net asset value per unit	85.53	84.91	80.13	99.26	94.87	86.31
Return before operating charges *	1.53	4.41	8.90	1.85	4.95	9.68
Operating charges	(0.48)	(0.49)	(0.48)	(0.57)	(0.56)	(0.53)
Return after operating charges	1.05	3.92	8.42	1.28	4.39	9.15
Distributions	(3.23)	(3.30)	(3.64)	(3.80)	(3.73)	(3.97)
Retained distributions on accumulation units	-	-	-	3.80	3.73	3.38
Closing net asset value per unit	83.35	85.53	84.91	100.54	99.26	94.87
* after direct transaction costs of	-	-	-	-	-	-
Performance						
Return after charges	1.23%	4.62%	10.51%	1.29%	4.63%	9.92%
Other information						
Closing net asset value (£'000)	111,911	82,111	59,110	561,328	466,846	366,540
Closing number of units	134,263,194	96,003,305	69,617,581	558,336,774	470,329,222	386,361,746
Operating charges	0.57%	0.57%	0.57%	0.57%	0.57%	0.57%
Direct transaction costs	-	-	-	-	-	-
Prices **						
Highest unit price (p)	87.55	89.17	87.38	101.60	102.27	96.58
Lowest unit price (p)	80.75	84.94	80.17	96.59	94.90	86.35

Comparative tables (continued)

	MR distribution			MR accumulation		
	2019	2018	2017	2019	2018	2017
Change in net assets per unit (p)						
Opening net asset value per unit	56.82	56.40	53.23	95.30	91.54	83.72
Return before operating charges *	1.03	2.93	5.91	1.76	4.77	9.38
Operating charges	(0.60)	(0.61)	(0.60)	(1.02)	(1.01)	(0.95)
Return after operating charges	0.43	2.32	5.31	0.74	3.76	8.43
Distributions	(1.86)	(1.90)	(2.14)	(3.17)	(3.12)	(3.41)
Retained distributions on accumulation units	-	-	-	3.17	3.12	2.80
Closing net asset value per unit	55.39	56.82	56.40	96.04	95.30	91.54
* after direct transaction costs of	-	-	-	-	-	-
Performance						
Return after charges	0.76%	4.11%	9.98%	0.78%	4.11%	9.34%
Other information						
Closing net asset value (£'000)	90,230	61,561	57,351	35,954	38,431	42,017
Closing number of units	162,905,596	108,339,252	101,681,078	37,434,946	40,326,277	45,900,443
Operating charges	1.07%	1.07%	1.07%	1.07%	1.07%	1.07%
Direct transaction costs	-	-	-	-	-	-
Prices **						
Highest unit price (p)	60.59	61.58	60.10	101.62	102.41	97.15
Lowest unit price (p)	53.66	56.42	53.26	92.38	91.57	83.76

	QR distribution			QR accumulation		
	2019	2018	2017	2019	2018	2017
Change in net assets per unit (p)						
Opening net asset value per unit	56.77	56.35	53.18	95.47	91.71	83.81
Return before operating charges *	1.01	2.93	5.89	1.77	4.77	9.35
Operating charges	(0.60)	(0.61)	(0.60)	(1.02)	(1.01)	(0.95)
Return after operating charges	0.41	2.32	5.29	0.75	3.76	8.40
Distributions	(1.86)	(1.90)	(2.12)	(3.17)	(3.13)	(3.38)
Retained distributions on accumulation units	-	-	-	3.17	3.13	2.88
Closing net asset value per unit	55.32	56.77	56.35	96.22	95.47	91.71
* after direct transaction costs of	-	-	-	-	-	-
Performance						
Return after charges	0.72%	4.12%	9.95%	0.79%	4.10%	9.43%
Other information						
Closing net asset value (£'000)	8,419	9,447	11,120	116,334	111,336	115,386
Closing number of units	15,217,235	16,641,615	19,732,519	120,904,569	116,613,200	125,817,970
Operating charges	1.07%	1.07%	1.07%	1.07%	1.07%	1.07%
Direct transaction costs	-	-	-	-	-	-
Prices **						
Highest unit price (p)	60.53	61.60	60.38	101.81	102.60	97.32
Lowest unit price (p)	53.59	56.37	53.21	92.55	91.73	83.85

* Direct transaction costs are stated after deducting the amounts collected in relation to expected dealing costs added to the issue of units and subtracted from the cancellation of units.

** With effect from 4 February 2019, the pricing basis of the fund changed from bid price and offer price to a single mid price.

Ongoing charges

Class	31 March 2019
MI distribution	0.57%
MI accumulation	0.57%
QI distribution	0.57%
QI accumulation	0.57%
MR distribution	1.07%
MR accumulation	1.07%
QR distribution	1.07%
QR accumulation	1.07%

Ongoing charges shows the annual operating expenses of each unit class as a percentage of the average net assets of that class for the preceding 12 months.

Class I performance

	Since launch *	5 years	3 years	1 year	6 months
Artemis Strategic Bond Fund	101.1	21.7	16.4	1.3	1.2
Sector average	73.0	17.7	12.3	2.3	2.3
Position in sector	6/28	16/62	10/66	52/70	59/75
Quartile	1	2	1	3	4

* Data from 30 June 2005. Source: Lipper Limited, data from 30 June 2005 to 7 March 2008 reflects class QR accumulation units and from 7 March 2008 reflects class QI accumulation units, mid to mid in sterling to 31 March 2019. All performance figures show total returns with interest reinvested, percentage growth. Sector is IA £ Strategic Bond.

Class R performance

	Since launch *	5 years	3 years	1 year	6 months
Artemis Strategic Bond Fund	92.4	19.0	14.8	0.7	0.9

* Data from 30 June 2005, due to the fixed price period of the fund. Source: Lipper Limited, class QR accumulation units, mid to mid in sterling to 31 March 2019. All performance figures show total returns with interest reinvested, percentage growth. Sector is IA £ Strategic Bond.

