PROFIT *hunters*

ARTEMIS Global Income *Fund*

Manager's Report and Financial Statements for the year ended 31 July 2017

ARTEMIS
The PROFIT Hunter

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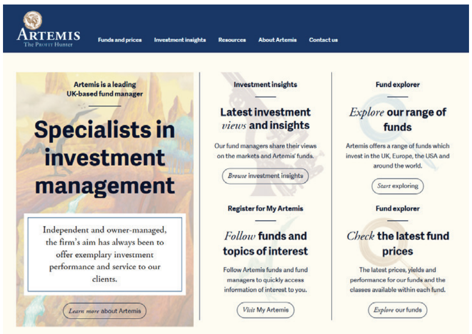

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artemisfunds.com

General information

Company profile

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 £26.4 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 31 August 2017.

Fund status

Artemis Global Income Fund was constituted by a Trust Deed dated 1 June 2010 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 objective of the fund is to achieve a rising income combined with capital growth primarily from a portfolio of equities selected on a global basis.

Investment policy

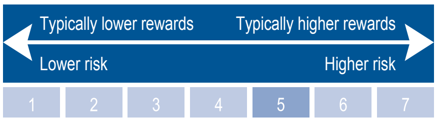
The manager actively manages the portfolio in order to achieve the objective with exposures to company shares, fixed interest securities and derivative instruments as appropriate. The manager will not be restricted in respect of choice of investments either by company size or industry, or in terms of the geographical split of the portfolio.

The fund may also invest in other asset classes eligible for a UCITS scheme to invest in including other transferable securities, units of collective investment schemes, money market instruments, cash and near cash, derivatives and forward transactions for investment purposes.

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



- This indicator is based on historical data and 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 indicator is not a measure of the possibility of losing your investment.

The risk indicator for the fund is as above because:

- The price of units, and the income from them, can fall and rise because of stock market and currency movements.
- Stock market prices, currencies and interest rates can move irrationally and can be affected unpredictably by diverse factors, including political and economic events.
- A portion of the fund's assets may be invested in a currency other than the fund's accounting currency (sterling). The value of these assets, and the income from them, may decrease if the currency falls in relation to sterling, in which the fund is valued and priced.
- A portion of the fund's assets may be invested in new, emerging markets. Investment in emerging markets can involve greater risk than that usually associated with more established markets. This means that above-average rises and falls in unit prices can be expected.
- 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 can invest in higher-yielding bonds, which may increase the risk to your capital due to a higher likelihood of the company issuing the bonds failing to pay returns on investments. Changes to market conditions and interest rates can have a larger effect on the values of higher-yielding bonds than other bonds.

Prospectus

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

General information (continued)

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 staff for its financial year.

The first full financial year for Artemis Fund Managers Limited under the amended regulations will end on 31 December 2017, therefore as this information is not yet available the required disclosures have been omitted from the Manager's Report and Financial Statements as permitted by COLL.

Details of Artemis Fund Managers Limited's UCITS remuneration policy is disclosed on Artemis' website artemisfunds.com.

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.

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

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

Registrar

DST Financial Services International Limited* (formerly International Financial Data Services (UK) Limited)
DST House
St Nicholas Lane
Basildon
Essex SS15 5FS

Auditor

Ernst & Young LLP
Ten George Street
Edinburgh EH2 2DZ

* Authorised and regulated by the FCA, 25 The North Colonnade, Canary Wharf, London E14 5HS.

† 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

The trustee must ensure that the scheme is managed in accordance with COLL, 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 scheme and its investors.

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

The trustee must ensure that:

- the scheme's cash flows are properly monitored and that cash of the scheme is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, redemption and cancellation of units are carried out in accordance with the Regulations;
- the value of units of the scheme are calculated in accordance with the Regulations;
- any consideration relating to transactions in the scheme's assets is remitted to the scheme within the usual time limits;
- the scheme's income is applied in accordance with the Regulations; and
- the instructions of the manager are carried out (unless they conflict with the Regulations).

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

Report of the trustee to the unitholders of Artemis Global Income Fund for the year ended 31 July 2017

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

(i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the scheme's units and the application of the schemes income in accordance with the Regulations and the scheme documents; and

(ii) has observed the investment and borrowing powers and restrictions applicable to the scheme.

National Westminster Bank Plc
Trustee & Depositary Services
Edinburgh
27 September 2017

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.

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 Global Income Fund for the year ended 31 July 2017 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
R J Turpin, Director
Artemis Fund Managers Limited
London
27 September 2017

The maintenance and integrity of the Artemis Fund Managers Limited web site is the responsibility of the directors; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

General information (continued)

Independent auditor's report to the unitholders of the Artemis Global Income Fund

We have audited the financial statements of Artemis Global Income Fund (the 'fund') for the year ended 31 July 2017 which comprise the statement of total return, the statement of change in net assets attributable to unitholders, the balance sheet, the related notes 1 to 20 and the distribution tables. 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 Financial Reporting Standard ('FRS') 102 'The Financial Reporting Standard Applicable to the UK and Republic of Ireland'.

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 those matters we are required to state to them in an independent 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 as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the manager and auditor

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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the manager; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the manager's report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the fund as at 31 July 2017 and of the net revenue and net capital gains 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.

Opinion 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;
- 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; and
- we have received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

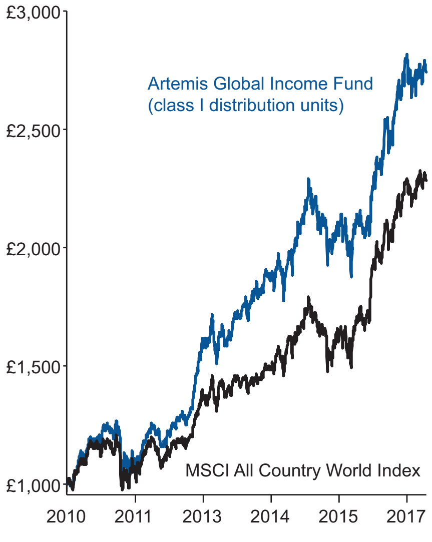
Ernst & Young LLP
Statutory Auditor
Edinburgh
27 September 2017

- The fund returned 18.9%* versus 17.9%* from the benchmark.
- Current historic yield (of 3.5%*) higher than peer average and benchmark.
- Our overweight position in Europe begins to be rewarded.

Performance – Helped first by 'value', then by Europe ...

In sterling the fund returned 18.9% over the year versus a return of 17.9% from the benchmark (MSCI All Country World Index). The average return from the peer group, meanwhile, was 14.4%* – putting the fund in the first quartile of its sector (the IA Global Income.) More importantly to long-term investors, the chart below shows the performance of the fund since launch. Such longer-term returns are what we focus on through the inevitable ebbs and flows of markets, styles and fashions; while focusing on delivering a high and growing income for our unitholders.

Chart of GIF's performance from launch to 31 July 2017



Source: Artemis.

Over the year, the fund (I-class, distribution units) distributed 3.5523p. This represents an increase of 22% on the previous year's distribution. Using the average unit price over the 12 months, the fund's dividend yield was 3.5%*. Much of the growth in the distribution was driven by sterling's decline following the vote for Brexit. Yet even without that, the underlying dividend growth continues to run well ahead of inflation, as it has since the fund's launch in 2010.

The year was one of two distinct halves punctuated by powerful rotations between sectors and investment characteristics: no single investment 'style' performed well. The publication of last year's annual report roughly coincided with the end of a relatively short (six-month) period in which the fund had struggled to keep up with its benchmark and some of its peers. At that time, we were clear about the type of economic and market conditions that would be needed for the fund's outperformance to resume. We wanted Europe to outperform the US, for 'value' stocks (those cheaper than the market) to outperform 'growth' (companies that grow rapidly and whose equity tends to increase in capital value, rather than yield income); and for banks and insurers to outperform bond proxies (mature, low-growth companies with reliable dividends, such as utilities and REITs). We wanted the market to stop hiding in expensive 'quality' companies whose shares were trading at historically high valuations. Instead, we hoped that investors would take note of the positive economic environment and re-rate cyclicals, financials and slower growing stocks that had been ignored in the hunt for yield produced by quantitative easing.

No sooner had we finished writing last year's report than things began to move in our direction. Yields bottomed out and economic growth accelerated. In July 2016, the yield on 10-year US government bonds hit a disturbingly low 1.3%. Explanations of this ranged from worries that the US was embarking on a deflationary 'death spiral' (as seen in Japan for decades) to a belief that inflation would not return in our lifetimes. Our view, however, was that a yield of 1.3% was a temporary aberration.

As the summer progressed, worries eased that the Chinese economy would slow and export deflation to the rest of the world. The prices of raw materials – in particular iron ore and copper – moved higher and inflationary expectations crept up. Government bond yields rose as investors anticipated faster economic growth and lower real yields and sold bonds to buy equities (particularly emerging market equities). This called into question the extreme positioning in favour of areas such as real estate, utilities and consumer staples. Eventually, it provoked a powerful rotation out of bond proxies and defensive growth stocks and into value (where we have been overweight for years).

As markets adopted a more reflationary mindset, investors began to recognise the underlying attractions and modest valuations of those of our stocks that were beneficiaries of higher rates, such as US banks (for example Zions, Citigroup and Bank of America) and life insurers (for example Generali in Italy and Storebrand in Norway). The result was that the top-down trends moving markets began to help, rather than hinder, the fund. This reflationary move had nothing to do with Donald Trump winning the US election: it began when he was still trailing in the polls. (Ironically, Trump's inauguration actually marked the end of the reflationary rotation and yields started drifting lower again.)

Trump did, however, have some impact on markets. His failure to deliver on promises made during the campaign, in conjunction with a European market that (in absolute and particularly in relative terms) was becoming investable again, contributed to investors' waning interest in the US with a declining dollar and a relatively stronger euro. As a result, the fund's overweight in Europe began to be rewarded, reflecting the fact that Europe's emerging business cycle is young and that in the US, by comparison, is relatively mature.

* Source: Lipper Limited, class I distribution units, bid to bid, in sterling with dividends reinvested. Benchmark is the MSCI All Country World Index.

Investment review (continued)

Heading into 2017, expectations for earnings of European companies were far more modest than for their US counterparts, making positive surprises more likely. Furthermore, the political situation in the eurozone has stabilised significantly: the shock of the Brexit vote has faded; France chose a pro-European centrist as president and Chancellor Merkel's position began to look increasingly assured. After a long period in which Europe had been out of favour, it began attracting capital again. For now, at least, our relatively inexpensive European shares are beneficiaries.

Review – Moving from stimulus to stocks …

In retrospect, what defined 2016 was not the US election but China's decision to apply economic stimulus. In the first half of 2016, there had been worries that the global economy stood on the brink of a deflationary 'hard landing' as the US Federal Reserve (the 'Fed') embarked on what some expected would be aggressive 'monetary tightening'. The Fed hinted strongly, for example, at four increases in interest rates in the course of 2016 – and, in the end, delivered only one. Likewise, the Fed talked about beginning to reduce its (bloated) balance sheet – a process which, as we write, is only about to begin.

On the other hand, policymakers in China responded by inflating their economy rather robustly. Although that process began in the first half of 2016, its effects only really became apparent later in the year – just as the wider investment community had succumbed to deflationary misery. The resultant surge in aggregate demand from China and in the wider global economy (which was not on the brink of recession, despite the pessimism signalled by the miserly 1.3% yield on the US 10-year Treasury bond) sent commodity prices higher. Inflation – and growth – rippled through the global economy.

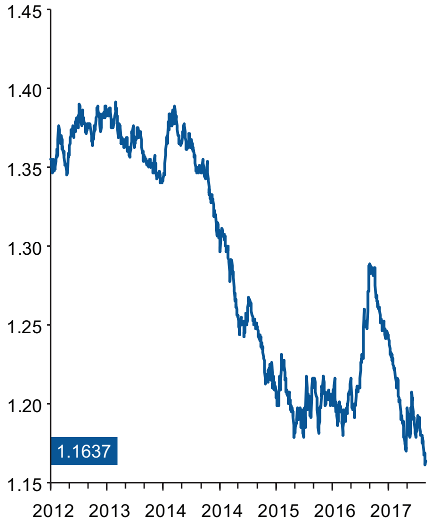
Even before China applied its stimulus, we had been investing in anticipation of higher inflation, rising bond yields and a stronger global economy. Through 2014 and 2015, we progressively lowered the fund's exposure to bond proxies in the US. Our view was that by driving down yields, the long and powerful rally in government bonds had pushed valuations in areas such as real estate, utilities and consumer staples to extreme levels. So we shifted the portfolio towards cyclical and financial stocks. With the benefit of hindsight, we acted too soon. But the economic and market trends that took hold in the second half of last year justified that view: we were no longer battling a market willing to pay ever-higher multiples for defensive stocks. Instead, cyclical stocks – such as our holdings in carmaker GM, Corning (which controls key patents in speciality glass products, such as the glass for iPhone screens) and hard-drive manufacturer Western Digital – began performing.

Where we missed out in this reflationary move was by remaining underweight-to-neutral in emerging markets and by not adding aggressively to the fund's holdings in miners. The reason for our caution was that we believed the Fed would raise interest rates by more than the market expected and so send the US dollar higher. (Because it tightens global liquidity and raises the cost of dollar-denominated debt, a rising dollar is usually seen as being bad for emerging market equities.) We sought exposure to accelerating growth in the global economy by holding classic cyclical stocks such as Italian based CNH, a truck/construction equipment and agricultural equipment manufacturer, or Toyo Tire in Japan. And although commodity prices subsequently fell, emerging markets not only held up - but continued to outperform.

That marked an important shift. What has changed is that today the stocks driving emerging market indices higher are no longer miners, cyclical stocks or those geared into global growth. Instead, they are increasingly companies that profit from dynamics in China's consumer economy. The gains made by the Chinese market over the past 12-18 months have been driven not by its banks but by some of its large technology stocks such as Baidu, Alibaba and Tencent. These now account for a large chunk of most emerging market indices (as an aside, their combined market capitalisation is rapidly approaching $1 trillion, almost twice the size of the entire FTSE 250 Index). It is becoming clear that emerging markets – and particularly China – are no longer just a proxy for global reflation and growth. In some ways, the idea of grouping together the so-called BRIC (Brazil, Russia, India and China) economies has been rendered redundant: Chinese technology stocks are moving in sympathy with US technology stocks while Brazilian equities move in line with commodity prices.

Since the New Year, value's outperformance (as an investment style) has faded again. Hopes that the 10-year US Treasury yield might break out to 3% or more proved misplaced, although we still believe central banks are affecting risk-free rates massively. Instead, yields have largely moved sideways. In part, that has been because the effects of China's stimulus have begun to fade. The rate of growth in the US economy, meanwhile, slowed in the first quarter of the year (although it has since picked up). And Trump's failure to deliver hoped-for stimulus, whether through an infrastructure programme or tax cuts, also contributed to the shift in sentiment. The result has been another rotation: out of value and back into growth, both as a place to hide and as a place to get some 'secular' growth (some technology stocks are growing rapidly, irrespective of what the economy is doing). One consequence is that recent gains in the US market have rested on a narrow group of large-cap stocks (for example, Facebook, Amazon, Netflix and Google) whose lack of dividends debar them from being held by a fund with an income target.

Value's turn: value significantly outperformed growth in late 2016 - but soon gave back those gains.



Source: Bloomberg.

A more positive development since the New Year has been that our European holdings have begun to perform. As the political uncertainty that once hung over Europe has diminished, investors have grown more willing to recognise the fundamental attractions of our stocks there. Some of the biggest contributions have come from our holdings in three Italian telecoms and TV 'tower' companies: INWIT, Rai Way and EI Towers. These are essentially stable infrastructure assets with long-term contracts with telecom providers (such as Vodafone and Telecom Italia) as well as broadcasters such as RAI (Italy's state-owned broadcaster) and Silvio Berlusconi's Mediaset empire. The towers businesses combine steady growth in earnings and predictable business models that hold up well through the economic cycle. They currently have low levels of debt (perhaps even too low for such stable businesses) and modest valuations. These holdings began to perform well as investors returned to Europe to buy 'mis-priced' assets. On top of that, there are signs the Italian broadcast and telecoms tower sector will gain blessing from regulators to consolidate, leading to strong synergies and cost savings. This has prompted a very strong rally. We think these are perfect holdings for an income fund. They yield 4.5%-5% and we expect these dividends to grow by high single digits annually. All three stocks still feature in the fund's top-20 holdings.

The fund's outperformance hasn't simply been a matter of being in the right areas of the market, however. Although we make our allocations to different regions and sectors of the global market based on our understanding of the macro-economic environment, we are primarily stockpickers. On a stock level, Storebrand, a Norwegian life insurer that had suffered from low yields on government bonds and deflation, became a beneficiary of the more positive mood towards financials. But it is also seeing company-specific change as major shareholders urge it to change the composition of its board and, in general, try to give the company a greater focus on generating free cashflows and dividends. The stock is up over 100% in the past 12 months. We bought it just before it resumed paying a dividend. Yet now it's forecasting a dividend yield of 4.5% for 2018, and predicting a handsome rise in that for the foreseeable future.

Another positive on a stock level this year was (glass-maker) Corning. We identified an attractive entry point in July 2016, when its shares were trading on a price-to-earnings ('p/e') multiple of 13x and a dividend yield of 2.5%. The company was rapidly returning cash to shareholders via dividends and share buybacks. We believed that many investors at that time didn't perhaps appreciate the contribution that its fibre-optic cable business would start to make, relative to its larger display business. Basically, this display company (not an attractive sector) is increasingly turning itself into a fibre-optic cable company (a much more attractive market). Over the past decade, analysis of the stock has focused on Corning's display business. This is understandable: historically, displays have accounted for c.40% of revenues and more than 50% of gross profits. But as fibre optics find their way deeper into communications networks and as data usage in wireless networks increases, in our view this is the area of its business that will drive upgrades in earnings. Over the past year Corning has re-rated to a p/e of around 16x. We think this multiple can continue to expand; and we are forecasting a +10% rise in its dividend for next year.

Also worth mentioning is Western Digital, which makes memory chips and hard disc drives ('HDD's). This has been a top-five holding throughout the year and made the second-largest contribution to returns after Storebrand. Global demand for memory is accelerating as more devices are connected to the internet. A year ago, the market disliked three things about Western Digital. First, that its acquisition of SanDisk (a competitor) had increased its net debt-to-equity ratio. Second, its exposure to NAND memory, a market where the competitive threat from Samsung meant that supply would increase. Third, their exposure to HDDs, which traditionally depended on demand from PC manufacturers – a market in secular decline. Our analysis focused on the acquisition of SanDisk and on what was lacking in the market's analysis of their HDD business. Rival Samsung has struggled to produce 3D NAND (the cutting-edge form of storage) and in our view it would not take much to throw the NAND market into shortage for a prolonged period of time, helping pricing. There was also a case for believing that demand was stronger and more sustainable than the market had priced in – given an important change in the market for HDDs. Data centres are now buying more of them to support streaming video across the internet. Using HDDs to stream content is more than eight times cheaper than NAND and margins on sales to data farms were higher than realised. Western Digital currently trades on a p/e of less than 8x and we think it makes products that will play an even more vital role in the future than they do today. While the dividend yield is currently only 2.5% (in line with our global benchmark yield), we believe that can grow over the long term.

Investment review (continued)

The year also brought a handful of stock-specific disappointments – such as New Zealand's SkyCity, a long-standing holding, which runs casinos in New Zealand and Australia. It is now on its second chief executive and second chief financial officer since we first invested. There has also been a profits warning and a capital-raising. So while the 4.8% dividend yield is attractive, we didn't feel the quality of the cashflows was as good as it might be. The longer term growth, meanwhile, was insufficient to offset a valuation that no longer appeared cheap. So, taking a profit overall, we sold.

Outlook – Data-dependent …

The Fed likes to say that its decisions on monetary policy are "data-dependent". Given that the current economic – and thus the market – environment is so uncertain, our approach also depends on the data. We will continue to respond to changes in the macroeconomic environment and in the positioning of other investors, shifting the balance of the portfolio as needed.

The current synchronised economic expansion across all regions of the globe won't last forever - but we acknowledge its strength and current (self-feeding) momentum. Growth in the global economy in the third quarter of 2017 could be the strongest it has been for seven years. Europe might still be mired in political uncertainty, yet it is seeing the strongest growth in close to a decade. House prices are rising and we are seeing signs of skilled labour shortages in the 'core' eurozone economies. China is growing and commodity prices are rising. Furthermore, the last two quarterly earnings seasons have been extremely positive – even the analysts and investors perpetually anticipating deflation and recession must accept that. Their tendency, however, is to move on immediately from acknowledging the fact that growth has (to put it mildly) overshot their predictions to forecasting that a recession is still just around the corner.

Although we expect growth to be moderate (the most important US manufacturing survey, the ISM, is at 58 which usually means we are closer to turning back down to 50 than moving to 60), momentum in the global economy is holding up well for now. The main risks to this for the next 12 months come from geopolitics and the possibility that central banks tighten monetary policy too aggressively.

In addition to watching how the global business cycle evolves, we continue to keep a close watch on the Fed, which faces two challenges in the months ahead. First, despite 'full' employment, there is a mysterious and persistent lack of inflation. For now, that is staying its hand, which in combination with the weaker dollar makes it possible that the US economy may overheat. We understand the argument that the interplay between technology and demographics has annulled old ideas, familiar from introductory classes in economics, about the relationship between unemployment and inflation (the so-called Philips curve). But we are not giving up entirely on the conventional wisdom that overheating economies ultimately produce inflation.

There is also the difficulty of predicting how markets might react once the Fed begins to shrink its $4.5 trillion balance sheet. The effect of the Fed ceasing to intervene in the government bond markets should mean that the price of bonds goes down and the yields go up. But no central bank has ever tried to reverse a quantitative easing ('QE') programme of this size before. It is impossible to predict what impact draining this liquidity from the financial system might have, although the Fed's actions have been very well telegraphed. If the reversal of QE creates a shock and crowded trades begin to unwind, the fund's eclectic positioning should help to shelter it on a relative basis. We tend to avoid stocks popular with thematic ETFs and instead have holdings in areas such as European mid caps and in smaller countries such as Israel, Georgia, and Denmark.

Added to all of this, there is also elevated political uncertainty and it's only prudent to take a balanced approach. We also acknowledge that stimulus from China is no longer increasing. Instead, the economy is being left to its own devices. Should growth and inflation disappoint, the fund's 'core' (which consists of stable, higher yielding bond-like investments) will benefit and we will allocate more capital to it.

Yet while there are clear threats and challenges ahead, we are conscious that the widespread expectation that the next recession is imminent has been consistently misplaced. So we have increased our exposure to cyclical stocks and financial areas of the portfolio. In doing so we are seeking to benefit both from the strong economy and from valuations in sectors such as industrials, financials and materials that are 10% to 30% below the wider market. And news from our (still somewhat cheap) cyclical stocks remains good. Although it is wise not to be positioned too narrowly for any one outcome, some of the fund's largest holdings (such as General Motors, Itochu, CNH and Western Digital) are beneficiaries of stronger global growth. Offsetting that, however, we do own a number of less economically sensitive infrastructure assets in Europe.

Should the Fed make a policy mistake, we would hope to find some protection in valuation: the portfolio trades at a 20% discount to the global market in p/e terms, with similar earnings growth and a higher dividend yield - currently at around 3.5%.
We acknowledge that political and economic conditions remain far from certain – but think the fund is still well-placed to prosper.

Jacob de Tusch-Lec
Fund manager

Five largest purchases and sales for the year ended 31 July 2017

Purchases	Cost £'000	Sales	Proceeds £'000
BHP Billiton	171,067	BHP Billiton	172,479
General Motors	139,619	Zions Bancorp	145,043
Western Digital	122,799	General Motors	130,763
Ping An Insurance Group Co. of China H shares	120,479	Apple	126,475
Intesa Sanpaolo	111,452	Pfizer	104,290

Portfolio statement as at 31 July 2017

Investment	Holding	Valuation £'000	% of net assets
Equities 101.26% (100.95%)			
Australia 2.77% (1.77%)			
BHP Billiton	5,794,808	79,882	2.21
Fortescue Metals Group	5,790,223	20,183	0.56
		100,065	**2.77**
Belgium 0.33% (0.35%)			
Melexis	179,844	11,796	0.33
		11,796	**0.33**
Brazil 2.74% (3.63%)			
Banco do Brasil	6,280,977	43,625	1.21
Cia Energetica de Minas Gerais Preference	27,168,375	55,501	1.53
		99,126	**2.74**
Canada 1.67% (0.41%)			
Franco-Nevada	131,927	7,254	0.20
Lundin Mining	6,238,054	33,070	0.92
Potash Corp. of Saskatchewan R shares	1,474,648	20,010	0.55
		60,334	**1.67**
China 3.51% (3.67%)			
Anhui Conch Cement H shares	13,140,500	37,046	1.03
Huaneng Power International H shares	13,526,000	7,257	0.20
Ping An Insurance Group Co. of China H shares	14,618,000	82,494	2.28
		126,797	**3.51**
Czech Republic 1.25% (1.80%)			
Moneta Money Bank	16,496,446	45,222	1.25
		45,222	**1.25**
Denmark 4.00% (3.97%)			
AP Moller - Maersk B shares	55,464	92,129	2.55
Danske Bank	953,771	29,106	0.80
DFDS	542,736	23,380	0.65
		144,615	**4.00**
France 4.87% (6.31%)			
Amundi	1,830,903	107,650	2.98
Danone	561,570	31,869	0.88
Natixis	6,596,877	36,370	1.01
		175,889	**4.87**
Georgia 1.37% (1.16%)			
BGEO Group	1,430,402	49,349	1.37
		49,349	**1.37**

Investment information (continued)

Investment	Holding	Valuation £'000	% of net assets
Germany 4.50% (7.94%)			
Deutsche Pfandbriefbank	2,147,530	21,460	0.59
Drillisch	1,231,312	62,668	1.73
Hapag-Lloyd	307,752	9,256	0.26
Rheinmetall	905,561	69,230	1.92
		162,614	**4.50**
Hong Kong 0.67% (0.92%)			
AIA Group	4,045,200	24,269	0.67
		24,269	**0.67**
India 0.88% (0.00%)			
Indiabulls Housing Finance	2,274,765	31,748	0.88
		31,748	**0.88**
Ireland 0.00% (0.83%)			
Israel 4.26% (3.50%)			
Bank Hapoalim BM	8,181,579	43,776	1.21
Bank Leumi Le-Israel BM	8,548,717	31,482	0.87
Bezeq The Israeli Telecommunication	22,529,722	25,590	0.71
Mizrahi Tefahot Bank	1,275,969	17,602	0.49
Shikun & Binui	20,250,575	35,554	0.98
		154,004	**4.26**
Italy 12.18% (6.03%)			
Assicurazioni Generali	2,964,698	40,571	1.12
Banco BPM	6,677,515	18,383	0.51
EI Towers	2,164,965	98,498	2.72
Infrastrutture Wireless Italiane	23,472,275	114,238	3.16
Intesa Sanpaolo	20,016,937	52,459	1.45
Mediobanca	1,860,959	14,671	0.41
RAI Way	19,595,468	80,360	2.22
Unipol Gruppo Finanziario	6,034,601	21,209	0.59
		440,389	**12.18**
Japan 5.30% (4.33%)			
Itochu	5,595,300	66,662	1.84
Kyushu Railway	894,200	22,367	0.62
Mitsubishi UFJ Financial Group, ADR	181,632	872	0.02
Mixi	262,300	10,953	0.30
Nippon Steel & Sumitomo Metal	1,011,000	18,883	0.52
Orix	583,950	7,042	0.20
Sekisui House	2,705,600	35,627	0.99
Toyo Tire & Rubber	1,876,500	29,339	0.81
		191,745	**5.30**
Luxembourg 1.56% (0.74%)			
Tenaris	4,655,505	56,219	1.56
		56,219	**1.56**
Malaysia 0.00% (0.02%)			
New Zealand 0.28% (2.09%)			
Metlifecare	3,148,827	10,004	0.28
		10,004	**0.28**

Investment	Holding	Valuation £'000	% of net assets
Norway 5.56% (3.29%)			
Borr Drilling	5,318,735	14,511	0.40
Borregaard	2,701,021	25,404	0.70
Ocean Yield	3,032,378	19,377	0.54
Storebrand	22,448,107	141,724	3.92
		201,016	**5.56**
Portugal 0.00% (0.78%)			
Russia 1.13% (0.00%)			
Moscow Exchange MICEX-RTS	29,888,756	40,842	1.13
		40,842	**1.13**
Singapore 0.10% (1.77%)			
Mapletree Commercial Trust, REIT	4,073,600	3,647	0.10
		3,647	**0.10**
South Africa 0.00% (0.01%)			
Spain 4.21% (4.50%)			
Euskaltel	9,517,241	73,423	2.03
Parques Reunidos Servicios Centrales	5,573,903	78,867	2.18
		152,290	**4.21**
Sweden 1.79% (0.98%)			
Nobina	592,750	2,209	0.06
Nordea Bank	6,485,941	62,369	1.73
		64,578	**1.79**
Switzerland 0.95% (1.07%)			
Landis+Gyr Group	569,417	34,413	0.95
		34,413	**0.95**
United Kingdom 5.99% (7.84%)			
3i Group	5,165,501	48,168	1.33
Aberdeen Asset Management	5,803,971	19,165	0.53
CNH Industrial	10,653,832	92,990	2.57
Imperial Brands	1,066,564	33,511	0.93
Phoenix Group Holdings	2,987,652	22,796	0.63
		216,630	**5.99**
United States of America 29.39% (31.24%)			
AbbVie	649,958	34,878	0.97
Alcoa	923,073	25,058	0.69
Apple	160,063	18,230	0.50
Bank of America	1,953,827	35,772	0.99
Blackstone Group LP	1,980,538	50,370	1.39
Broadcom	252,782	48,218	1.33
Carlyle Group LP	2,193,756	34,599	0.96
CenturyLink	775,093	13,742	0.38
Citigroup	1,671,006	85,848	2.38
Corning	3,615,847	80,554	2.23
General Motors	3,116,209	84,903	2.35
GEO Group, REIT	2,632,010	59,378	1.64
Hess	1,099,593	37,508	1.04
International Game Technology	1,559,453	22,825	0.63

Investment information (continued)

Investment	Holding	Valuation £'000	% of net assets
Johnson Controls International	1,495,126	45,144	1.25
KKR LP	3,437,904	50,501	1.40
Las Vegas Sands	843,600	39,381	1.09
Lazard A shares	1,012,791	35,511	0.98
MetLife	642,125	27,026	0.75
Pfizer	698,001	17,624	0.49
Synchrony Financial	1,937,762	44,203	1.22
Wells Fargo	299,249	12,150	0.34
Western Digital	2,017,872	130,589	3.61
Zions Bancorp	814,299	28,080	0.78
		1,062,092	**29.39**
Equities total		**3,659,693**	**101.26**
Corporate bonds 0.00% (0.94%)			
Denmark 0.00% (0.26%)			
Germany 0.00% (0.68%)			
Forward currency contracts (0.71)% (0.17%)			
Buy US Dollar 630,123,837 dated 08/09/2017		479,457	13.27
Sell Euro 564,810,000 dated 08/09/2017		(505,246)	(13.98)
Forward currency contracts total		**(25,789)**	**(0.71)**
Investment assets (including investment liabilities)		3,633,904	100.55
Net other liabilities		(19,776)	(0.55)
Net assets attributable to unitholders		3,614,128	100.00

The comparative percentage figures in brackets are as at 31 July 2016.

Statement of total return for the year ended 31 July 2017

	Note	31 July 2017 £'000	31 July 2017 £'000	31 July 2016 £'000	31 July 2016 £'000
Income					
Net capital gains	3		470,389		204,907
Revenue	5	141,317		112,848	
Expenses	6	(28,338)		(23,075)	
Interest payable and similar charges	7	(784)		(433)	
Net revenue before taxation		112,195		89,340	
Taxation	8	(11,598)		(7,768)	
Net revenue after taxation			100,597		81,572
Total return before distributions			**570,986**		**286,479**
Distributions	9		(127,128)		(103,188)
Change in net assets attributable to unitholders from investment activities			443,858		183,291

Statement of change in net assets attributable to unitholders for the year ended 31 July 2017

	31 July 2017 £'000	31 July 2017 £'000	31 July 2016 £'000	31 July 2016 £'000
Opening net assets attributable to unitholders		3,162,230		2,398,690
Amounts receivable on issue of units	346,245		686,926	
Amounts payable on cancellation of units	(388,662)		(151,766)	
		(42,417)		535,160
Change in net assets attributable to unitholders from investment activities		443,858		183,291
Retained distributions on accumulation units		50,457		45,089
Closing net assets attributable to unitholders		3,614,128		3,162,230

Balance sheet as at 31 July 2017

	Note	31 July 2017 £'000	31 July 2016 £'000
Assets			
Fixed assets			
Investments	10	3,659,693	3,239,187
Current assets			
Debtors	11	20,768	75,249
Cash and bank balances	12	26,570	-
Total current assets		**47,338**	**75,249**
Total assets		**3,707,031**	**3,314,436**
Liabilities			
Investment liabilities	10	25,789	11,790
Creditors			
Bank overdraft		-	30,464
Distribution payable		58,157	42,155
Other creditors	13	8,957	67,797
Total creditors		**67,114**	**140,416**
Total liabilities		**92,903**	**152,206**
Net assets attributable to unitholders		3,614,128	3,162,230

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 FRS 102 and the SORP.

(b) Valuation of investments. All investments have been valued at 12 noon on the last working day of the accounting period. Listed investments are valued at fair value which is deemed to be the bid or SETS price.

(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. 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. Returns on derivative instruments are recognised as either revenue or capital depending on the nature and circumstances of each particular case. Any positions on such transactions open at the year end are reflected in the balance sheet at their marked to market value.

(e) Revenue. Dividends receivable from equity and non-equity shares, including Real Estate Investment Trusts, 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. Special dividends are reviewed on a case by case basis when determining if the 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. Bank interest is recognised on an accruals basis.

(f) Expenses. All expenses (other than those relating to the purchase and sale of investments) are charged against revenue on an accruals basis. Costs arising from the filing of European withholding tax reclaims are charged to revenue but deducted from capital for the purpose of calculating the distribution. On receipt of any withholding tax reclaims, the relevant costs will be transferred back to revenue and deducted from the distribution.

(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 fund shall distribute all available revenue, after deduction of expenses properly chargeable against revenue. The manager and the trustee have agreed that 100% of the annual management charge is to be transferred to capital for the purpose of calculating the distribution, as permitted by COLL. The distribution currently payable reflects this treatment. 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 investments, derivatives and currencies, whether realised or unrealised, if taken to capital are not available for distribution. The fund is not more than 60% invested in qualifying investments (as defined in section 468L, Income and Corporation Taxes Act 1988) and where applicable will pay a dividend distribution. 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. Distributions which have remained unclaimed by unitholders for six years are credited to the capital property of the fund.

3. Net capital gains

	31 July 2017 £'000	31 July 2016 £'000
Non-derivative securities	481,452	220,142
Currency gains/(losses)	11,105	(8,053)
Capital transaction charges	(59)	(84)
Forward currency contracts	(22,109)	(7,098)
Net capital gains	470,389	204,907

4. Direct transaction costs

For purchases and sales of equities, broker commissions, transfer taxes and stamp duty are paid by the fund on each transaction and are summarised below. Bonds have no separately identifiable transaction costs; these costs form part of the dealing price.

	Year ended 31 July 2017					
	Principal £'000	Commission £'000	Taxes £'000	Total after costs £'000	Commission as a percentage of principal %	Taxes as a percentage of principal %
Purchases						
Equities	5,863,609	2,892	3,948	5,870,449	0.05	0.07
Sales						
Equities	5,887,468	3,012	509	5,883,947	0.05	0.01
Bonds	30,238	-	-	30,238	-	-
Total		5,904	4,457			
Percentage of fund average net assets		0.17%	0.13%			

	Year ended 31 July 2016					
	Principal £'000	Commission £'000	Taxes £'000	Total after costs £'000	Commission as a percentage of principal %	Taxes as a percentage of principal %
Purchases						
Equities	4,759,913	3,122	2,670	4,765,705	0.07	0.06
Bonds	26,441	-	-	26,441	-	-
Sales						
Equities	4,194,451	2,576	297	4,191,578	0.06	0.01
Total		5,698	2,967			
Percentage of fund average net assets		0.20%	0.11%			

During the year the fund incurred £59,000 (2016: £84,000) in capital transaction charges.

Dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.15% (2016: 0.19%). 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 July 2017 £'000	31 July 2016 £'000
Overseas dividends	129,897	104,155
UK dividends	10,973	7,887
Interest on debt securities	421	744
Bank interest	21	62
Interest on Denkavit tax reclaims	5	-
Total revenue	141,317	112,848

Notes to the financial statements (continued)

6. Expenses

	31 July 2017 £'000	31 July 2016 £'000
Payable to the manager, associates of the manager and agents of either of them:		
Annual management charge	26,516	21,592
Other expenses:		
Safe custody fees	594	365
Trustee fees	412	333
Registration fees	329	320
Administration fees	270	234
Operational fees	208	222
Auditor's remuneration: audit fees*	9	9
Total expenses	28,338	23,075

All expenditure stated above is inclusive of irrecoverable VAT where applicable.
* The amount disclosed above includes VAT at the rate of 20%. The audit fee (excluding VAT) accrued during the year was £7,500 (2016: £7,500).

7. Interest payable and similar charges

	31 July 2017 £'000	31 July 2016 £'000
Interest payable	784	433
Total interest payable and similar charges	784	433

8. Taxation

	31 July 2017 £'000	31 July 2016 £'000
a) Analysis of the tax charge for the year		
Irrecoverable overseas tax	11,624	7,768
Denkavit tax reclaims	(26)	-
Total taxation (note 8b)	11,598	7,768
b) Factors affecting the tax charge for the year		
Net revenue before taxation	112,195	89,340
Corporation tax at 20% (2016: 20%)	22,439	17,868
Effects of:		
Irrecoverable overseas tax	11,624	7,768
Unutilised management expenses	2,747	1,717
Income taxable in different periods	96	(50)
Utilisation of non-trade deficit carried forward	68	-
Denkavit tax reclaims	(26)	-
Overseas withholding tax expensed	(437)	(417)
Non-taxable UK dividends	(2,195)	(1,577)
Non-taxable overseas dividends	(22,718)	(17,541)
Tax charge for the year (note 8a)	11,598	7,768

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 of £5,342,000 (2016: £2,595,000) arising as a result of having unutilised management expenses of £26,711,000 (2016: £12,974,000). It is unlikely that the fund will obtain relief for these in the future so no deferred tax asset has been recognised.

9. Distributions

	31 July 2017 £'000	31 July 2016 £'000
Interim dividend distribution	32,782	31,867
Final dividend distribution	96,034	73,461
	128,816	105,328
Add: amounts deducted on cancellation of units	2,406	2,659
Deduct: amounts added on issue of units	(4,094)	(4,799)
Distributions	127,128	103,188
Movement between net revenue and distributions		
Net revenue after taxation	100,597	81,572
Annual management charge paid from capital	26,516	21,592
Other expenses paid from capital	14	25
Undistributed revenue brought forward	3	2
Undistributed revenue carried forward	(2)	(3)
	127,128	103,188

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 page 23.

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 July 2017		31 July 2016	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	3,659,693	-	3,192,355	-
Level 2	-	(25,789)	46,832	(11,790)
Total	3,659,693	(25,789)	3,239,187	(11,790)

11. Debtors

	31 July 2017 £'000	31 July 2016 £'000
Overseas withholding tax recoverable	8,364	6,324
Sales awaiting settlement	6,769	62,963
Accrued revenue	4,127	4,803
Amounts receivable for issue of units	1,499	1,150
Income tax recoverable	6	6
Prepaid expenses	3	3
Total debtors	20,768	75,249

Notes to the financial statements (continued)

12. Cash and bank balances

	31 July 2017 £'000	31 July 2016 £'000
Cash and bank balances *	22,980	-
Amounts held in JPMorgan Liquidity Funds – Sterling Liquidity Fund (Institutional dist.)	3,590	-
Total cash and bank balances	26,570	-

*This includes collateral cash of £22,930,000 pledged to UBS (2016: held £14,850,000). See note 17(b) for further details.

13. Other creditors

	31 July 2017 £'000	31 July 2016 £'000
Purchases awaiting settlement	6,117	64,139
Accrued annual management charge	2,321	1,869
Accrued other expenses	519	353
Amounts payable for cancellation of units	-	1,436
Total other creditors	8,957	67,797

14. Contingent liabilities and commitments

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

15. Contingent assets

Following the ruling on Denkavit's case with the European Court of Justice regarding taxation withheld on overseas dividends, the manager has taken steps to make claims with certain European tax authorities for repayment of taxation suffered by the fund on dividend revenue. During the year, the fund received repayments from the French Tax Authorities which have been recognised in the statement of total return and also in notes 5 and 8. These amounts have been included within the net revenue available for distribution.

Due to uncertainty regarding the likely success of claims made in other countries, it is not possible to estimate the potential amount of overseas tax that may be received by the fund, if any. Therefore, the financial statements presented for the year ended 31 July 2017 do not reflect any further amounts that may be received.

16. Reconciliation of unit movements

Class	Units in issue at 31 July 2016	Units issued	Units cancelled	Units converted	Units in issue at 31 July 2017
I distribution	2,080,045,768	203,907,197	(215,912,220)	123,090,784	2,191,131,529
I accumulation	1,179,842,069	117,318,845	(145,359,505)	(93,639,182)	1,058,162,227
R distribution	29,688,319	2,494,119	(2,579,873)	(2,289,551)	27,313,014
R accumulation	70,557,515	2,153,290	(14,441,901)	(487,002)	57,781,902

17. Risk disclosures

The fund's financial instruments comprise equities, fixed interest investments, derivatives, cash balances and liquid resources which include debtors and creditors. The fund holds such financial assets in accordance with its investment objective and policy as set out on page 1. The fund is exposed to a number of risks that are associated with the financial instruments and markets in which it invests. The most significant risks to which the fund is exposed to are market risk, credit and counterparty risk and liquidity risk.

(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 investment portfolio. The fund, in order to meet its investment objective and policy, invests predominantly in equities and 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. As the majority of the fund's financial assets are non-interest bearing, the fund is only subject to limited exposure to fair value interest rate risk due to fluctuations in levels of market interest rates.

(ii) Currency risk

The majority 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 loss on forward currency contracts for the year was £22,109,000 (2016: £7,098,000).

Where the fund, relative to its benchmark, is very overweight or underweight in a region then, as per our investment objective, we look to minimise any potential downside exposure through currency hedging. Over the reporting year the fund has been very overweight in the eurozone but underweight in the US; and so we have taken the decision to hedge some of the euro exposure into the US dollar. Whilst the fund has lost money on the currency hedging, it has made money through being very exposed to European equities.

Revenue received in foreign currencies is converted into sterling on or near the date of receipt.

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

Currency	Investments £'000	Net other assets/ (liabilities) £'000	Forward currency contracts £'000	Total £'000
31 July 2017				
US Dollar	1,082,974	1,680	479,457	1,564,111
Euro	1,092,187	4,944	(505,246)	591,885
Sterling	252,871	(32,269)	-	220,602
Norwegian Krone	201,016	1,821	-	202,837
Japanese Yen	190,873	854	-	191,727
Israeli New Shekel	154,004	247	-	154,251
Hong Kong Dollar	151,066	805	-	151,871
Danish Krone	144,615	750	-	145,365
Brazilian Real	99,126	1,126	-	100,252
Swedish Krona	64,578	-	-	64,578
Czech Koruna	45,222	-	-	45,222
Russian Rouble	40,842	-	-	40,842
Canadian Dollar	40,324	-	-	40,324
Swiss Franc	34,413	170	-	34,583
Indian Rupee	31,748	-	-	31,748
Australian Dollar	20,183	-	-	20,183
New Zealand Dollar	10,004	-	-	10,004
Singapore Dollar	3,647	-	-	3,647
Taiwan Dollar	-	83	-	83
Polish Zloty	-	13	-	13

Notes to the financial statements (continued)

Currency	Investments £'000	Net other assets/ (liabilities) £'000	Forward currency contracts £'000	Total £'000
31 July 2016				
US Dollar	1,008,860	2,175	919,551	1,930,586
Sterling	363,428	(79,290)	(111,300)	172,838
Hong Kong Dollar	145,156	477	-	145,633
Japanese Yen	136,822	7,183	-	144,005
Danish Krone	125,611	795	-	126,406
Brazilian Real	114,808	(755)	-	114,053
Israeli New Shekel	110,752	-	-	110,752
Norwegian Krone	104,244	1,149	-	105,393
Euro	867,754	2,222	(802,483)	67,493
New Zealand Dollar	66,011	-	-	66,011
Singapore Dollar	56,638	423	-	57,061
Czech Koruna	56,915	-	-	56,915
Swiss Franc	33,694	359	(382)	33,671
Swedish Krona	30,874	-	-	30,874
South African Rand	444	-	-	444
Taiwan Dollar	-	83	-	83
Polish Zloty	-	12	-	12

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 £169,676,000 (2016: £149,470,000). 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 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 £181,695,000 (2016: £161,370,000). A five per cent decrease would have an equal and opposite effect.

(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 commitment method. The fund can use cash borrowing (subject to restrictions as set out in its Prospectus and COLL) and financial derivatives as sources of leverage. A result of 100% indicates that no leverage has been used.

As at 31 July 2017 the amount of leverage used by the fund was 113.68% (2016: 131.61%).

(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 JP 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 creditworthiness 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 requirements stipulated in COLL and the Prospectus. The derivatives held at the year end are disclosed in the portfolio statement and UBS AG ('UBS') is the counterparty for forward currency contracts. Aside from the custodian, the derivative counterparties and brokers where trades are pending settlement, there were no significant concentrations of credit and counterparty risk as at 31 July 2017 or 31 July 2016.

Counterparty and collateral exposure

	Forward currency contracts £'000	Total gross exposure £'000	Net collateral (held)/pledged £'000
31 July 2017			
UBS	(25,789)	(25,789)	22,930
31 July 2016			
UBS	5,386	5,386	(14,850)

Only cash collateral is pledged or held by the fund.

(c) Liquidity risk

Some of the fund's financial instruments can include securities that are not listed on a recognised stock exchange and which may not always be readily realisable. However, from time to time, liquidity in any market or in a specific security can be affected by economic events. 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 13 and notes 6, 9, 11 and 13 on pages 16 to 18 including all issues and cancellations where the manager acted as principal. The balance due to the manager as at 31 July 2017 in respect of these transactions was £822,000 (2016: £2,155,000).

19. Unit classes

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

I distribution	0.75%
I accumulation	0.75%
R distribution	1.50%
R accumulation	1.50%

The net asset value per unit and the number of units in each class are given in the comparative tables on page 24. The distributions per unit class are given in the distribution tables on page 23. All classes have the same rights.

Notes to the financial statements (continued)

20. Post balance sheet event

Since 31 July 2017, the net asset values per unit, on a bid basis, have changed as follows:

	Net asset value per unit (p)		
	26 September 2017	31 July 2017	Movement
I distribution	96.54	97.69	(1.2)%
I accumulation	128.60	130.13	(1.2)%
R distribution	91.48	92.67	(1.3)%
R accumulation	121.94	123.53	(1.3)%

Distribution tables

Interim dividend distribution for the six months ended 31 January 2017 (paid on 31 March 2017) in pence per unit.

Group 1 – Units purchased prior to 1 August 2016.
Group 2 – Units purchased from 1 August 2016 to 31 January 2017.

	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 31 March 2017	Distribution per unit (p) 31 March 2016
I distribution				
Group 1	0.9292	-	0.9292	0.8783
Group 2	0.3581	0.5711	0.9292	0.8783
I accumulation				
Group 1	1.1938	-	1.1938	1.0897
Group 2	0.4756	0.7182	1.1938	1.0897
R distribution				
Group 1	0.8867	-	0.8867	0.8511
Group 2	0.3309	0.5558	0.8867	0.8511
R accumulation				
Group 1	1.1399	-	1.1399	1.0548
Group 2	0.4380	0.7019	1.1399	1.0548

Corporate unitholders should note that:

1. 100.00% of the revenue distribution is received as franked investment income.

2. 0.00% of the revenue distribution is received as an annual payment received after deduction of income tax at the lower rate and may be liable to corporation tax. It is not franked investment income.

Final dividend distribution for the six months ended 31 July 2017 (payable on 29 September 2017) in pence per unit.

Group 1 - Units purchased prior to 1 February 2017.
Group 2 - Units purchased from 1 February 2017 to 31 July 2017.

	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 29 September 2017	Distribution per unit (p) 30 September 2016
I distribution				
Group 1	2.6231	-	2.6231	1.9993
Group 2	1.2720	1.3511	2.6231	1.9993
I accumulation				
Group 1	3.4028	-	3.4028	2.5096
Group 2	1.5906	1.8122	3.4028	2.5096
R distribution				
Group 1	2.4935	-	2.4935	1.9151
Group 2	1.2896	1.2039	2.4935	1.9151
R accumulation				
Group 1	3.2367	-	3.2367	2.4050
Group 2	1.6176	1.6191	3.2367	2.4050

Corporate unitholders should note that:

1. 100.00% of the revenue distribution is received as franked investment income.

2. 0.00% of the revenue distribution is received as an annual payment received after deduction of income tax at the lower rate and may be liable to corporation tax. It is not franked investment income.

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

	I distribution			I accumulation		
	2017	2016	2015	2017	2016	2015
Change in net assets per unit (p)						
Opening net asset value per unit	**85.21**	**80.73**	**74.84**	**109.49**	**100.22**	**89.49**
Return before operating charges *	16.80	8.00	9.61	21.63	10.06	11.54
Operating charges	(0.77)	(0.64)	(0.67)	(0.99)	(0.79)	(0.81)
Return after operating charges	16.03	7.36	8.94	20.64	9.27	10.73
Distributions	(3.55)	(2.88)	(3.05)	(4.60)	(3.60)	(3.67)
Retained distributions on accumulation units	-	-	-	4.60	3.60	3.67
Closing net asset value per unit	**97.69**	**85.21**	**80.73**	**130.13**	**109.49**	**100.22**
* after direct transaction costs of	(0.28)	(0.21)	(0.24)	(0.36)	(0.27)	(0.28)
Performance						
Return after charges	18.81%	9.12%	11.95%	18.85%	9.25%	11.99%
Other information						
Closing net asset value (£'000)	2,140,461	1,772,346	1,299,376	1,376,976	1,291,812	968,093
Closing number of units	2,191,131,529	2,080,045,768	1,609,562,223	1,058,162,227	1,179,842,069	965,950,095
Operating charges	0.80%	0.81%	0.82%	0.80%	0.81%	0.82%
Direct transaction costs	0.29%	0.27%	0.29%	0.29%	0.27%	0.29%
Prices						
Highest offer unit price (p)	104.51	88.80	90.98	135.58	111.50	110.02
Lowest bid unit price (p)	83.14	70.84	70.41	106.82	88.94	84.21

	R distribution			R accumulation		
	2017	2016	2015	2017	2016	2015
Change in net assets per unit (p)						
Opening net asset value per unit	**81.45**	**77.76**	**72.73**	**104.72**	**96.58**	**86.93**
Return before operating charges *	16.02	7.64	9.24	20.64	9.61	11.11
Operating charges	(1.42)	(1.18)	(1.22)	(1.83)	(1.47)	(1.46)
Return after operating charges	14.60	6.46	8.02	18.81	8.14	9.65
Distributions	(3.38)	(2.77)	(2.99)	(4.38)	(3.46)	(3.57)
Retained distributions on accumulation units	-	-	-	4.38	3.46	3.57
Closing net asset value per unit	**92.67**	**81.45**	**77.76**	**123.53**	**104.72**	**96.58**
* after direct transaction costs of	(0.26)	(0.20)	(0.23)	(0.34)	(0.26)	(0.27)
Performance						
Return after charges	17.93%	8.31%	11.03%	17.96%	8.43%	11.10%
Other information						
Closing net asset value (£'000)	25,312	24,181	31,043	71,379	73,891	100,178
Closing number of units	27,313,014	29,688,319	39,922,570	57,781,902	70,557,515	103,723,901
Operating charges	1.55%	1.56%	1.57%	1.55%	1.56%	1.57%
Direct transaction costs	0.29%	0.27%	0.29%	0.29%	0.27%	0.29%
Prices						
Highest offer unit price (p)	103.62	88.47	91.55	134.50	111.14	110.72
Lowest bid unit price (p)	79.46	67.95	68.24	102.16	85.36	81.63

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

Class I performance

	Since launch *	5 years	3 years	1 year	6 months
Artemis Global Income Fund	173.9	123.1	45.5	18.9	3.2
MSCI All Country World Index	128.1	98.9	53.5	17.9	6.4
Sector average	110.3	79.1	41.2	14.4	5.6
Position in sector	1/16	1/23	15/32	6/39	36/40
Quartile	1	1	2	1	4

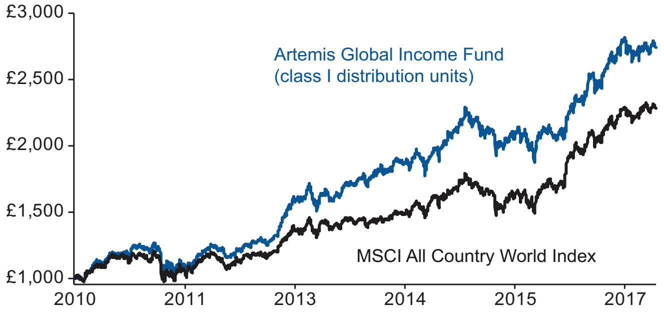
* Data from 19 July 2010, due to the fixed price period of the fund. Source: Lipper Limited, class I distribution units, bid to bid in sterling to 31 July 2017. All performance figures show total returns with dividends reinvested, percentage growth. Sector is IA Global Equity Income.

Class R performance

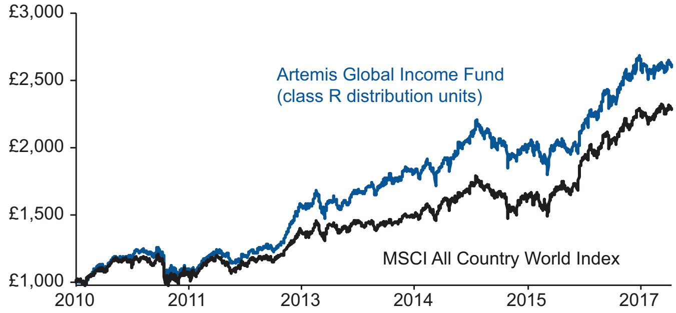
	Since launch *	5 years	3 years	1 year	6 months
Artemis Global Income Fund	160.1	115.0	42.3	18.0	2.8
MSCI All Country World Index	128.1	98.9	53.5	17.9	6.4

* Data from 19 July 2010, due to the fixed price period of the fund. Source: Lipper Limited, class R distribution units, bid to bid in sterling to 31 July 2017. All performance figures show total returns with dividends reinvested, percentage growth.

Value of £1,000 invested at launch to 31 July 2017



Value of £1,000 invested at launch to 31 July 2017



Ongoing charges

Class	31July 2017
I distribution	0.80%
I accumulation	0.80%
R distribution	1.55%
R accumulation	1.55%

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.

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