

ARTEMIS High Income *Fund*

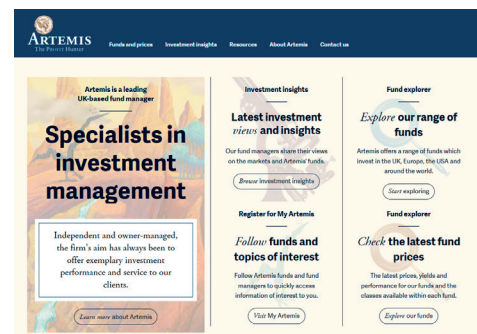
Manager's Report
and Financial Statements
for the year ended 7 August 2017



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[artemisfunds.com](https://www.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 High Income Fund was constituted by a Trust Deed dated 26 May 1995 as amended by a supplemental Trust Deed dated 6 September 2002 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 higher than average initial yield, combined with the prospect of rising income and some capital growth over the long-term.

Investment policy

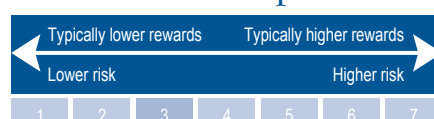
The emphasis of the fund will be investment in UK fixed-interest investments and preference shares, however, the manager has the flexibility to invest in all economic sectors worldwide and in equities.

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



- 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.

■ 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.

■ Whilst investing in units that pay income each month (class MI units) will produce a regular income, it may restrict the potential for those units to increase in value in comparison to the units that pay income every three months (classes QR and QI units).

■ 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.

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 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

General information (continued)

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 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.

Changes to tax on interest distributions

With effect from 6 April 2017 interest distributions paid by the fund to all unitholders have been made without the deduction of any income tax.

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 High Income Fund for the year ended 7 August 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 scheme's 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
3 October 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 High Income Fund for the year ended 7 August 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
3 October 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 High Income Fund

We have audited the financial statements of Artemis High Income Fund (the 'fund') for the year ended 7 August 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 19 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 7 August 2017 and of the net revenue and the 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
3 October 2017

Investment review

- The fund returned 10.5%* over the year.
- Improving global growth and low inflation help high-yielding assets outperform.
- Sector weightings and stockpicking contribute positively.

Performance – Boosted by financials and a bias to cyclical assets ...

We are pleased to report that the fund returned 10.5% over the year, ahead of the sector average of 4.2%*. Suppressed government bond yields and improving global growth fuelled the hunt for yield and high yielding assets outperformed as a result. Government bonds underperformed and the fund's bias towards short-duration assets (those less sensitive to rising interest rates) helped its returns. An overweight in financials benefited the fund substantially as the sector became the main beneficiary of the stronger growth in the global economy.

Review – Volatility disappears despite political upsets ...

In our last annual review we observed that the previous 12 months had been volatile. The opposite is the case this time. As economic growth recovered – and indeed exceeded expectations in Europe and Asia – volatility went away. The Federal Reserve Board (Fed) continued to raise rates gradually, but subdued inflation meant that despite the odd mini 'tantrum' in government bonds, yields rose only gradually. With inflation remaining low, central banks were able to continue supporting asset prices.

One thing that has not changed from last year is political uncertainty. The period started with surprisingly strong economic data from the UK, suggesting a rebound in activity after the initial shock of the result of the EU

referendum. However, the reporting year ended with signs that the UK economy is beginning to weaken under the weight of uncertainty over the Brexit negotiations. Thanks to a weaker pound, consumers in the UK are suffering from higher prices for imports. Wage growth is slow and debts of UK consumers are reaching worrying levels. We initially used the post-Brexit sell off as an opportunity to increase exposure to the UK, but have since avoided investing in assets dependent on UK consumers. Indeed, our worries about consumer spending prompted us to cut our holding in Virgin Money. One holding that we failed to sell quickly enough was New Look, the clothing retailer. Like the majority of high street stores, New Look must fight against disruptive influences from online retailers and weaker consumer spending. An expansionary programme of capital expenditure in China together with problems in the UK weighed heavily on the company's cashflow, and our holding suffered losses. We did, however, make significant gains in another high-yield retailer, Matalan, which resolved its problems with distribution.

There was another political shock at the end of 2016 – the surprising election of Donald Trump. Electing Trump fuelled the so-called 'reflation trade', leading to government bond yields rising sharply and cyclical stocks rallying. 10-year yields rose over 0.5 percentage points. Such rapid moves are rare. Commentators ascribed the market's movements to the result of the election, which had brought the possibility of fiscal expansion and reflationary policies. In reality, pressure on yields had been gathering since the summer, as economic data had consistently been better than expected. Financial bonds were the main beneficiary of the rapid change in outlook.

Throughout the first half of the reporting period, we continued to add to financials. By last August, the market had become too pessimistic

on the prospects for banks' profits. We used this extreme positioning to our advantage and the fund built up its exposure to additional Tier 1 bonds, the most junior bank bonds. This move contributed significantly to the fund's performance: they subsequently outperformed the market handsomely. In addition, we added a new position in Just Group (a provider of annuities) in October. This bond has been an outstanding performer over the last 10 months, returning over 31%, thanks to a late surge after the rating agency Fitch assigned it an unexpected investment grade rating.

Midway through the reporting period, government bond yields stopped rising. Despite stronger than expected global growth, the markets started to focus on a seasonally weaker growth in the US, coupled with persistently low inflation. However, the 'goldilocks' scenario of low default rates and anaemic inflation provided a perfect backdrop for credit, and high yield (the riskier end of the credit spectrum) continued to outperform. The fund benefited from its exposure to recently acquired cyclical names. During March, we were able to take profits in CMA CGM (a French shipping company) whose bonds were some 17% higher than at the point where we invested just four months previously. This is an unusually short holding period for us.

New issuance picked up during 2017. We only participated in a few issues as valuations appeared stretched. Rather than chase the market, we mainly sat on the sidelines waiting for any instances of mispricing. We took advantage of the volatility in the oil price to invest in a new issue by KCA Deutag, a UK oil services company. We also added to Continental Resources on the back of a weaker oil sector. We bought a new issue from TalkTalk Telecom Group. Fears that its end markets were weakening meant the issue was priced at a big discount. We believed the company would cut the dividend to support cashflow, and this proved to be the case.

* Source: Lipper Limited, class QI distribution units, bid to bid basis, in sterling with net interest reinvested. Benchmark is Markit iBoxx sterling non-gilts Index. Sector is IA £ Strategic Bond.

Investment review (continued)

Equities' performance contributed positively to the overall portfolio, although their return was only slightly above that achieved by the bond portion of the portfolio and was below the FTSE All-Share Index. On the latter point, given that the equity portfolio is limited to 10-16 positions it is inevitable that its return will diverge widely from the market from one year to the next. This year, our holdings in insurance – in particular Legal & General Group and Standard Life – bounced back strongly from the depressed valuations reached in the immediate aftermath of Brexit. On the negative side, BT Group and Centrica fell.

BT Group, which we bought during the year, reported that the accounting problems in its Italian unit were worse than originally thought. Although this grabbed the headlines, of more importance for us were the tougher environment in the local government market and the company's standoff with Ofcom (its regulator). BT Group and the regulator cannot agree on the extent of the need for high-speed broadband, how it should be delivered to homes and businesses and what returns should be permitted to incentivise the investment needed. All of this means that BT Group will have less cashflow to fund and grow its dividends. This has, to a degree, been reflected in the fall in the share price. Centrica's problems stemmed from the government threatening to be more interventionist, yet not knowing how to put those threats into effect. We reduced the holding and will do so further. The government's policy on energy remains a mess, with no clarity on the horizon.

Transactions of note over the period included the purchase of Nordea Bank. The Scandinavian bank has a very attractive yield and a decent mix of businesses spread across a number of geographies. In addition it is domiciled in Sweden, where the message from the regulator is that because it is a big bank relative to the size of the local economy it is required to hold more capital in case life gets tougher. Moving its domicile elsewhere

and coming under the umbrella of the European Central Bank would mean Nordea would require less capital. Another new holding is Informa, which has three divisions – academic publishing, exhibitions and business information. All three have attractive growth characteristics and although the dividend yield is only average, the cashflow yield is attractive and this should give us a blend of income and capital growth.

Lastly, we built a holding in Direct Line Insurance Group where we expect a high level of recurring income because of its good position in motor and home insurance and strong balance sheet. Direct Line Insurance Group focuses on customer service and this, in turn, engenders loyalty and a more stable customer base than that acquired through the price comparison websites. In addition, the company has been investing in its systems and technology, which should reap a cost benefit.

Outlook – Rich valuations but solid fundamentals ...

In the last annual report we talked about valuations looking stretched. After a further year of strong gains for corporate bonds, valuations are now even higher. Tesla's recent new issue is a case in point. Investors overlooked its large negative cashflow to snap up its bonds, allowing the company to increase the size of the sale to \$1.8 billion. In addition the bond had a yield of just 5.3%, a mere 3% above its equivalent government bond, despite being one of the lowest-rated companies in the market. We also note that new issues are coming with increasingly weak covenants as companies are able to push the boundaries of what is acceptable to investors.

Risks of a correction to the market are building. Weakening inflation in both the US and Europe over the past few quarters has caused the markets to back-pedal on expectation of the Fed raising rates again this year. And yet

the unemployment rate continues to fall. Current payroll gains in the US could easily be enough to push the unemployment rate below 4% later this year and finally put pressure on wage growth. In Europe, the economy has continued to grow quicker than expected and we could see a return of some debt-driven growth. So there is some risk that inflation expectations are too low. An increase in inflation expectations would push up overall yields in both government bonds and credit. Any possible withdrawal of European Central Bank stimulus would have a significant effect on the European high yield market, where the yield from the index is a mere 2.4%.

We feel that elevated valuations must inevitably fall at some point. At the same time, however, company fundamentals and the demand for yielding assets remain supportive. Default rates are set to be around 2% in Europe for some time and have fallen sharply in the US since the reversal in the oil price late last year. With the exception of the UK, we believe economic growth will continue to be stronger than expected. The withdrawal of monetary stimulus, if it begins, will provide a correction needed within the credit market, and an opportunity for us to invest at more attractive levels.

In the short-term, our caution may have an impact on the fund's distribution payments. We believe this will be temporary. The correction in the market that we are anticipating should enable us to reinvest in higher yields.

Alex Ralph
Fund manager

Investment information

Five largest purchases and sales for the year ended 7 August 2017

Purchases	Cost £'000	Sales	Proceeds £'000
UK Treasury 1.75% 22/07/2019	72,174	UK Treasury 1.00% 07/09/2017	45,079
Direct Line Insurance Group	31,137	BAE Systems	24,001
Nordea Bank	19,755	RSA Insurance Group, FRN 6.70% Perpetual	15,161
Imperial Brands	17,312	International Game Technology 4.75% 15/02/2023	14,765
Informa	12,015	F&C Finance 9.00% 20/12/2016	14,154

Portfolio statement as at 7 August 2017

Investment	Holding	Valuation £'000	% of net assets
Equities 18.73% (14.67%)			
Germany 0.54% (0.00%)			
Delivery Hero	265,597	6,450	0.54
		6,450	0.54
Guernsey 2.01% (0.00%)			
Doric Nimrod Air Three Preference	11,061,420	11,421	0.95
GLI Finance #	10,400,392	1,508	0.12
NextEnergy Solar Fund	10,000,000	11,325	0.94
		24,254	2.01
Ireland 0.31% (0.29%)			
Carador Income Fund	6,834,900	3,691	0.31
		3,691	0.31
Jersey 0.00% (0.00%)			
ACP Mezzanine ^	6,450,000	-	-
		-	-
New Zealand 0.00% (0.22%)			
Spain 0.00% (0.00%)			
Grupo Isolux Corsan Warrant 22/12/2021 ^	4,798	-	-
		-	-
Sweden 1.64% (0.00%)			
Nordea Bank	2,029,942	19,692	1.64
		19,692	1.64
United Kingdom 14.23% (13.59%)			
Aberforth Split Level Income Trust	14,481,626	13,432	1.12
Balfour Beatty Preference 9.68%	2,425,000	2,813	0.23
BP	2,500,000	11,656	0.97
BT Group	3,587,126	11,359	0.94
Centrica	5,146,301	10,164	0.84
Cobham	6,924,843	9,757	0.81
Direct Line Insurance Group	8,008,147	32,433	2.70
Ecclesiastical Insurance Group Preference 8.63%	4,200,000	6,216	0.52
Hampton Trust Preference ^	200,000	-	-
Imperial Brands	493,055	16,093	1.34
Informa	1,747,601	12,452	1.04
Legal & General Group	8,106,000	22,316	1.85
New Finsaga ^	135,817	-	-
Speymill Deutsche Immobilien ^	5,803,310	-	-
Standard Life	2,416,510	10,749	0.89
Vodafone Group	5,210,377	11,775	0.98
		171,215	14.23
United States of America 0.00% (0.57%)			
Equities total		225,302	18.73

Investment information (continued)

Investment	Holding or nominal value	Valuation £'000	% of net assets
Government bonds 5.99% (4.26%)			
Israel 0.00% (0.28%)			
United Kingdom 5.99% (3.98%)			
UK Treasury 1.75% 22/07/2019	£70,000,000	72,051	5.99
		72,051	5.99
Government bonds total		72,051	5.99
Corporate bonds 76.07% (78.99%)			
Australia 1.94% (1.34%)			
Australia & New Zealand Banking Group, FRN 1.59% Perpetual	\$11,300,000	6,887	0.57
BHP Billiton Finance, FRN 6.50% 22/10/2077	£8,900,000	10,288	0.86
Westpac Banking, FRN 1.59% Perpetual	\$10,000,000	6,120	0.51
		23,295	1.94
Belgium 2.49% (0.64%)			
Ethias 5.00% 14/01/2026	€10,500,000	10,505	0.87
KBC Group, FRN 5.63% Perpetual	€10,000,000	9,441	0.79
Nyrstar Netherlands Holdings 8.50% 15/09/2019	€10,060,000	10,034	0.83
		29,980	2.49
Bermuda 1.05% (0.82%)			
Catlin Insurance, FRN 4.28% Perpetual	\$17,000,000	12,632	1.05
		12,632	1.05
Bulgaria 0.83% (0.83%)			
Bulgarian Telecommunications 6.63% 15/11/2018	€10,950,000	10,030	0.83
		10,030	0.83
Canada 0.68% (0.70%)			
Entertainment One 6.88% 15/12/2022	£7,500,000	8,216	0.68
		8,216	0.68
Denmark 0.63% (0.00%)			
Danske Bank, FRN 6.13% Perpetual	\$9,100,000	7,517	0.63
		7,517	0.63
France 6.26% (4.48%)			
CMA CGM 6.50% 15/07/2022	€7,770,000	7,268	0.60
Credit Agricole, FRN 6.50% Perpetual	€8,000,000	8,100	0.67
Electricite de France, FRN 6.00% Perpetual	£11,000,000	11,816	0.98
Holdikks 6.75% 15/07/2021	€6,795,000	3,738	0.31
Horizon Holdings I 7.25% 01/08/2023	€5,250,000	5,097	0.42
Horizon Parent Holdings Sarl 8.25% 15/02/2022	€7,750,000	7,536	0.63
Orange, FRN 5.88% Perpetual	£6,550,000	7,279	0.61
SFR Group 7.38% 01/05/2026	\$14,000,000	11,642	0.97
Societe Generale, FRN 7.38% Perpetual	\$15,300,000	12,834	1.07
		75,310	6.26
Germany 1.76% (2.59%)			
Deutsche Bank Capital Finance Trust I, FRN 1.75% Perpetual	€500,000	399	0.03
RWE, FRN 7.00% Perpetual	£13,300,000	14,202	1.18
Safari Holding Verwaltungs 8.25% 15/02/2021	€7,063,279	6,626	0.55
		21,227	1.76
Ireland 2.91% (2.63%)			
Allied Irish Banks 12.50% 25/06/2035	£5,025,000	3,266	0.27
Allied Irish Banks, FRN 7.37% Perpetual	€3,797,000	3,803	0.32
Bank of Ireland, FRN 4.25% 11/06/2024	€8,979,000	8,591	0.71
Eircom Finance DAC 4.50% 31/05/2022	€6,000,000	5,664	0.47
Lambay Capital Securities 6.25% Perpetual §	£14,000,000	210	0.02
Mutual Securitisation 7.59% 30/09/2022	£2,681,250	2,413	0.20
National Asset Management 5.26% 01/03/2020	€12,000,000	11,008	0.92
Waterford Wedgwood 9.88% 01/12/2010 §	€2,000,000	-	-
		34,955	2.91

Investment	Holding or nominal value	Valuation £'000	% of net assets
Italy 2.62% (2.94%)			
Assicurazioni Generali, FRN 6.42% Perpetual	£8,800,000	9,746	0.81
Enel, FRN 6.62% 15/09/2076	£8,900,000	10,028	0.83
Wind Acquisition Finance 7.38% 23/04/2021	\$14,800,000	11,773	0.98
		31,547	2.62
Jersey 0.16% (0.55%)			
LHC3 4.12% 15/08/2024	€2,100,000	1,932	0.16
		1,932	0.16
Luxembourg 2.99% (2.17%)			
Altice Luxembourg 7.75% 15/05/2022	\$8,000,000	6,482	0.54
ARD Finance 6.63% 15/09/2023	€9,400,000	9,140	0.76
DEA Finance 7.50% 15/10/2022	€7,800,000	7,670	0.64
Eurofins Scientific, FRN 7.00% Perpetual	€12,500,000	12,630	1.05
		35,922	2.99
Mexico 1.16% (1.21%)			
America Movil, FRN 6.37% 06/09/2073	£12,800,000	14,011	1.16
		14,011	1.16
Netherlands 3.87% (3.09%)			
Chapel, FRN, Series 2007 'C' 0.37% 17/07/2066	€3,700,000	2,837	0.23
Constellium 8.00% 15/01/2023	\$11,200,000	9,180	0.76
Highbury Finance 7.02% 20/03/2023	£5,372,109	6,367	0.53
ING Groep, FRN 6.87% Perpetual	\$12,000,000	9,995	0.83
Koninklijke KPN, FRN 6.88% 14/03/2073	£8,070,000	8,978	0.75
Koninklijke KPN, FRN 7.00% 28/03/2073	\$3,200,000	2,763	0.23
Lincoln Finance 6.88% 15/04/2021	€6,700,000	6,490	0.54
		46,610	3.87
Portugal 1.03% (0.43%)			
EDP - Energias de Portugal, FRN 5.38% 16/09/2075	€9,000,000	8,999	0.75
GNB - Cia de Seguros de Vida, FRN 3.17% Perpetual	€9,500,000	3,435	0.28
		12,434	1.03
Spain 3.35% (2.65%)			
Banco de Sabadell, FRN 6.50% Perpetual	€5,400,000	5,003	0.42
Banco Santander, FRN Perpetual	€1,500,000	1,473	0.12
Cirsa Funding Luxembourg 5.88% 15/05/2023	€5,900,000	5,644	0.47
Codere Finance 2 Luxembourg 6.75% 01/11/2021	€8,800,000	8,152	0.68
Lecta 6.50% 01/08/2023	€7,900,000	7,455	0.62
Telefonica Europe, FRN 6.75% Perpetual	£11,300,000	12,539	1.04
		40,266	3.35
Switzerland 2.30% (1.26%)			
Credit Suisse Group, FRN 6.25% Perpetual	\$11,800,000	9,680	0.81
Demeter Investments BV for Swiss Re, FRN 5.75% 15/08/2050	\$13,228,000	11,158	0.93
UBS Group, FRN 7.00% Perpetual	\$4,535,000	3,898	0.32
VistaJet Malta Finance 7.75% 01/06/2020	\$5,000,000	2,916	0.24
		27,652	2.30
United Arab Emirates 0.64% (1.01%)			
Topaz Marine 9.13% 26/07/2022	\$10,000,000	7,636	0.64
		7,636	0.64
United Kingdom 33.50% (41.34%)			
Aberdeen Asset Management 7.00% Perpetual	\$16,900,000	13,267	1.10
Afren 10.25% 08/04/2019\$	\$4,801,113	1	-
Anglian Water Osprey Financing 5.00% 30/04/2023	£12,160,000	13,091	1.09
Ardonagh Midco 3 8.38% 15/07/2023	£5,950,000	5,966	0.50
Barclays, FRN 7.87% Perpetual	£11,750,000	13,019	1.08
BUPA Finance 5.00% 08/12/2026	£8,900,000	10,302	0.86
Burford Capital 6.50% 19/08/2022	£7,700,000	8,599	0.71
Cattles 7.13% 05/07/2017\$	£6,000,000	12	-

Investment information (continued)

Investment	Holding or nominal value	Valuation £'000	% of net assets
Centrica, FRN 5.25% 10/04/2075	£10,400,000	11,208	0.93
CPUK Finance 4.88% 28/02/2047	£1,500,000	1,522	0.13
Direct Line Insurance Group, FRN 9.25% 27/04/2042	£7,500,000	9,797	0.81
EI Group 6.88% 09/05/2025	£6,160,000	6,792	0.56
EnQuest, FRN 7.00% 15/10/2023	\$14,569,764	8,375	0.70
Galaxy Bidco, FRN 5.31% 15/11/2019	£9,111,000	9,071	0.75
HSBC Bank, FRN 1.75% Perpetual	\$12,000,000	7,619	0.63
HSBC Holdings, FRN 6.87% Perpetual	\$7,000,000	5,870	0.49
Iceland Bondco 6.25% 15/07/2021	£6,400,000	6,648	0.55
Intermediate Capital Group 5.00% 24/03/2023	£5,850,000	6,232	0.52
Investec Bank 9.63% 17/02/2022	£8,400,000	10,842	0.90
Just Group 9.00% 26/10/2026	£8,300,000	10,463	0.87
KCA Deutag UK Finance 9.88% 01/04/2022	\$9,900,000	7,637	0.64
Legal & General Group, FRN 5.88% Perpetual	£10,000,000	10,623	0.88
Lloyds Banking Group, FRN 7.50% Perpetual	\$14,000,000	11,976	1.00
Lloyds Banking Group, FRN 7.87% Perpetual	£3,898,000	4,685	0.39
Matalan Finance 6.87% 01/06/2019	£5,300,000	5,177	0.43
Mclaren Finance 5.00% 01/08/2022	£7,300,000	7,375	0.61
Mizzen Bondco 7.00% 01/05/2021	£9,292,911	9,734	0.81
Nationwide Building Society, FRN 6.88% Perpetual	£10,500,000	10,996	0.91
New Look Secured Issuer 6.50% 01/07/2022	£8,300,000	5,767	0.48
NGG Finance, FRN 5.63% 18/06/2073	£11,300,000	12,868	1.07
Nottingham Building Society 7.88% Perpetual	£2,500,000	3,125	0.26
Pennon Group, FRN 6.75% Perpetual	£9,500,000	9,766	0.81
Pension Insurance 6.50% 03/07/2024	£7,000,000	7,596	0.63
Phoenix Group Holdings 6.63% 18/12/2025	£16,011,000	19,179	1.59
Punch Taverns Finance B 7.75% 30/12/2025	£5,750,000	5,660	0.47
RBS Capital Trust II, FRN 6.42% Perpetual	\$19,000,000	16,921	1.41
Rothsay Life 8.00% 30/10/2025	£10,400,000	11,892	0.99
Rothschild Continuation Finance CI 9.00% Perpetual	£7,382,000	9,213	0.77
Spirit Issuer 5.47% 28/12/2028	£5,000,000	5,231	0.44
Standard Chartered, FRN 2.82% Perpetual	\$5,350,000	3,517	0.29
Stonegate Pub Co. Financing 4.88% 15/03/2022	£4,900,000	5,011	0.42
TalkTalk Telecom Group 5.38% 15/01/2022	£9,500,000	9,867	0.82
Tesco 6.15% 15/11/2037	\$13,445,000	10,817	0.90
Thames Water Kemble Finance 7.75% 01/04/2019	£5,250,000	5,796	0.48
Thomas Cook Group 6.25% 15/06/2022	€11,750,000	11,533	0.96
Virgin Media Secured Finance 5.13% 15/01/2025	£9,965,000	10,535	0.88
Voyage Care Bondco 5.88% 01/05/2023	£5,000,000	5,210	0.43
West Bromwich B.S., FRN 6.15% Perpetual	£2,800,000	1,348	0.11
William Hill 4.88% 07/09/2023	£5,000,000	5,236	0.44
		402,987	33.50
United States of America 5.90% (8.31%)			
AMC Entertainment Holdings 6.38% 15/11/2024	£5,950,000	6,147	0.51
Continental Resources 4.50% 15/04/2023	\$14,350,000	10,699	0.89
Finial Holdings 7.13% 15/10/2023	\$8,250,000	7,541	0.63
Infor US 5.75% 15/05/2022	€8,200,000	7,721	0.64
PSPC Escrow 6.00% 01/02/2023	€10,300,000	9,782	0.81
Seagate HDD Cayman 4.75% 01/01/2025	\$7,500,000	5,392	0.45
State Street, FRN 1.74% 15/05/2028	\$7,486,000	5,316	0.44
Trinseo Materials Operating 6.38% 01/05/2022	€6,372,000	6,172	0.51
USB Realty, FRN 2.45% Perpetual	\$13,500,000	9,101	0.76
Valeant Pharmaceuticals International 5.38% 15/03/2020	\$4,200,000	3,097	0.26
		70,968	5.90
Corporate bonds total		915,127	76.07

Investment	Holding or nominal value	Global exposure * £'000	Valuation £'000	% of net assets
Forward currency contracts (0.54)% ((2.67)%)				
Buy Sterling 221,905,773 dated 08/09/2017			221,906	18.45
Sell Euro 254,250,000 dated 08/09/2017			(229,933)	(19.11)
Buy Sterling 17,184,195 dated 08/09/2017			17,184	1.42
Sell Swedish Krona 192,330,000 dated 08/09/2017			(18,092)	(1.50)
Buy Sterling 270,268,442 dated 08/09/2017			270,269	22.47
Sell US Dollar 349,930,000 dated 08/09/2017			(267,783)	(22.27)
Forward currency contracts total			(6,449)	(0.54)
Futures 0.00% (0.00%)				
US 10 Year Note 20/09/2017	(300)	(28,955)	(16)	-
Futures total		(28,955)	(16)	-
Investment assets (including investment liabilities)			1,206,015	100.25
Net other liabilities			(2,976)	(0.25)
Net assets attributable to unitholders			1,203,039	100.00

The comparative percentage figures in brackets are as at 7 August 2016.

^ Unlisted, suspended or delisted security.

Security traded on the Alternative Investment Market ('AIM').

§ Security is currently in default.

* Global exposure has been calculated in line with the guidelines issued by the European Securities and Markets Authority ('ESMA') and represents the market value of an equivalent position in the underlying investment of each derivative contract. For all other asset types the percentage of net assets has been calculated based on the valuation of each holding.

Financial statements

Statement of total return for the year ended 7 August 2017

	Note	7 August 2017		7 August 2016	
		£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	3		60,331		(20,030)
Revenue	5	66,572		69,926	
Expenses	6	(9,887)		(10,085)	
Interest payable and similar charges	7	(271)		(46)	
Net revenue before taxation		56,414		59,795	
Taxation	8	(121)		(252)	
Net revenue after taxation			56,293		59,543
Total return before distributions			116,624		39,513
Distributions	9		(65,461)		(68,710)
Change in net assets attributable to unitholders from investment activities			51,163		(29,197)

Statement of change in net assets attributable to unitholders for the year ended 7 August 2017

	7 August 2017		7 August 2016	
	£'000	£'000	£'000	£'000
Opening net assets attributable to unitholders		1,142,389		1,144,190
Amounts receivable on issue of units	99,955		120,169	
Amounts payable on cancellation of units	(90,468)		(92,773)	
		9,487		27,396
Change in net assets attributable to unitholders from investment activities		51,163		(29,197)
Closing net assets attributable to unitholders		1,203,039		1,142,389

Balance sheet as at 7 August 2017

	Note	7 August 2017	7 August 2016
		£'000	£'000
Assets			
Fixed assets			
Investments	10	1,214,966	1,122,342
Current assets			
Debtors	11	18,836	19,590
Cash and bank balances	12	15,331	59,691
Total current assets		34,167	79,281
Total assets		1,249,133	1,201,623
Liabilities			
Investment liabilities	10	8,951	34,183
Creditors			
Bank overdraft		141	2
Distribution payable		15,955	20,371
Other creditors	13	21,047	4,678
Total creditors		37,143	25,051
Total liabilities		46,094	59,234
Net assets attributable to unitholders		1,203,039	1,142,389

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 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. 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 fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

(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. Interest from debt securities is recognised on an effective interest rate 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. 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.

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 non-derivative investments and currencies, whether realised or unrealised, if taken to capital are not available for distribution. The fund holds instruments in order to comply with the qualifying instruments test of section 468L, Income and Corporation Taxes Act 1988. In satisfying these requirements, the fund pays 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. Distributions which have remained unclaimed by unitholders for six years are credited to the capital property of the fund.

2. Distribution policy

The fund shall distribute all available revenue, after deduction of expenses properly chargeable against revenue excluding the annual management charge. The investment objective of the fund concentrates on the generation of revenue as a higher priority than capital growth. The manager and the trustee have agreed that 100% of the annual management charge is to be transferred to capital for the purpose of

Notes to the financial statements (continued)

3. Net capital gains/(losses)

	7 August 2017 £'000	7 August 2016 £'000
Non-derivative securities	78,531	41,769
Capital transaction charges	(5)	(6)
Currency losses	(2,129)	(3,292)
Derivative contracts	(2,188)	-
Forward currency contracts	(13,878)	(58,501)
Net capital gains/(losses)	60,331	(20,030)

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 7 August 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	121,590	154	460	122,204	0.13	0.38
Bonds	437,562	-	-	437,562	-	-
Sales						
Equities	73,694	81	-	73,613	0.11	-
Bonds	470,528	-	-	470,528	-	-
Total		235	460			
Percentage of fund average net assets		0.02%	0.04%			

	Year ended 7 August 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	43,743	62	206	44,011	0.14	0.47
Bonds	427,431	-	-	427,431	-	-
Sales						
Equities	61,671	58	14	61,599	0.09	0.02
Bonds	459,599	-	-	459,599	-	-
Total		120	220			
Percentage of fund average net assets		0.01%	0.02%			

During the year the fund incurred £5,000 (2016: £6,000) in capital transaction charges.

Dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.95% (2016: 1.30%). This spread represents the difference between the bid and offer prices of each underlying investment expressed as a percentage of the value determined by reference to its offer price.

5. Revenue

	7 August 2017 £'000	7 August 2016 £'000
Interest on debt securities	55,801	58,105
UK dividends	6,793	7,637
Overseas dividends	3,905	4,092
Bank interest	73	92
Total revenue	66,572	69,926

6. Expenses

	7 August 2017 £'000	7 August 2016 £'000
Payable to the manager, associates of the manager and agents of either of them:		
Annual management charge	9,153	9,330
Other expenses:		
Registration fees	243	257
Administration fees	153	144
Trustee fees	140	135
Operational fees	126	138
Safe custody fees	63	72
Auditor's remuneration: audit fees *	9	9
Total expenses	9,887	10,085

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

	7 August 2017 £'000	7 August 2016 £'000
Interest payable on positions with brokers and counterparties	258	-
Interest payable	13	46
Total interest payable and similar charges	271	46

8. Taxation

	7 August 2017 £'000	7 August 2016 £'000
a) Analysis of the tax charge for the year		
Irrecoverable overseas tax	121	252
Total taxation (note 8b)	121	252
b) Factors affecting the tax charge for the year		
Net revenue before taxation	56,414	59,795
Corporation tax at 20% (2016: 20%)	11,283	11,959
Effects of:		
Irrecoverable overseas tax	121	252
Non-taxable overseas dividends	(513)	(430)
Non-taxable UK dividends	(1,359)	(1,527)
Tax deductible interest distributions	(9,411)	(10,002)
Tax charge for the year (note 8a)	121	252
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 (2016: £nil).		

Notes to the financial statements (continued)

9. Distributions

	7 August 2017 £'000	7 August 2016 £'000
Interim net interest distribution - September 2016	312	121
Interim net interest distribution - October 2016	370	125
Interim net interest distribution - November 2016	16,596	16,326
Interim net interest distribution - December 2016	352	157
Interim net interest distribution - January 2017	400	158
Interim gross interest distribution - February 2017	14,377	15,753
Interim gross interest distribution - March 2017	426	212
Interim gross interest distribution - April 2017	508	187
Interim gross interest distribution - May 2017	15,649	18,294
Interim gross interest distribution - June 2017	555	306
Interim gross interest distribution - July 2017	451	337
Final gross interest distribution - August 2017	15,504	17,036
	65,500	69,012
Add: amounts deducted on cancellation of units	562	567
Deduct: amounts added on issue of units	(601)	(869)
Distributions	65,461	68,710
Movement between net revenue and distributions		
Net revenue after taxation	56,293	59,543
Annual management charge paid from capital	9,153	9,330
Expenses paid from capital	15	13
Less: amounts deducted on conversion of units	-	(176)
	65,461	68,710

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 22 to 25.

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).

	7 August 2017		7 August 2016	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	225,302	(16)	167,605	-
Level 2	989,664	(8,935)	954,737	(34,183)
Total	1,214,966	(8,951)	1,122,342	(34,183)

11. Debtors

	7 August 2017 £'000	7 August 2016 £'000
Accrued revenue	16,668	19,283
Amounts receivable for issue of units	1,722	-
Sales awaiting settlement	390	255
Overseas withholding tax recoverable	55	51
Prepaid expenses	1	1
Total debtors	18,836	19,590

12. Cash and bank balances

	7 August 2017 £'000	7 August 2016 £'000
Amounts held in JPMorgan Liquidity Funds – Sterling Liquidity Fund (Institutional dist.)	10,175	33,410
Cash and bank balances	4,714	26,281
Amounts held at futures clearing houses and brokers	442	-
Total cash and bank balances	15,331	59,691

13. Other creditors

	7 August 2017 £'000	7 August 2016 £'000
Purchases awaiting settlement	19,245	-
Accrued annual management charge	947	869
Amounts payable for cancellation of units	674	3,626
Accrued other expenses	181	183
Total other creditors	21,047	4,678

14. Contingent liabilities and commitments

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

15. Reconciliation of unit movements

Class	Units in issue at 7 August 2016	Units issued	Units cancelled	Units converted	Units in issue at 7 August 2017
MI distribution	78,036,324	48,226,913	(2,022,124)	244,433	124,485,546
QI distribution	948,622,541	56,258,725	(66,864,120)	2,136,848	940,153,994
QR distribution	385,842,253	14,321,272	(41,856,681)	(2,531,331)	355,775,513

16. Risk disclosures

The fund's financial instruments comprise equities, fixed interest investments, floating rate 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.

Notes to the financial statements (continued)

(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 bonds and equities 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.

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

Currency	Floating rate financial assets † £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
7 August 2017				
Sterling	34,113	484,162	169,804	688,079
US Dollar	46,876	213,309	7,446	267,631
Euro	25,278	198,630	10,123	234,031
Swedish Krona	-	-	19,692	19,692
Norwegian Krone	-	-	55	55
7 August 2016				
Sterling	96,722	520,188	143,130	760,040
Euro	7,332	201,895	3,612	212,839
US Dollar	37,596	136,169	12,666	186,431
Australian Dollar	-	10,839	191	11,030
New Zealand Dollar	-	-	2,495	2,495
Norwegian Krone	-	-	51	51

† Includes cash and bank balances.

Forward currency contracts for Euro, Swedish Krona, Sterling and US Dollar are not included within this table. These can be found in the portfolio statement on page 11.

As at 7 August 2017 if there is a parallel shift in government bond yields with an increase of 1%, the fund could expect to see a 3.2% fall in the prices of the underlying bonds it holds (2016: 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. 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 £13,878,000 (2016: loss of £58,501,000).

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 tables below and includes the effect of any forward currency contracts.

Currency	Investments £'000	Net other assets £'000	Forward currency contracts £'000	Total £'000
7 August 2017				
Sterling	698,480	(10,401)	509,359	1,197,438
Euro	230,358	3,673	(229,933)	4,098
Swedish Krona	19,692	-	(18,092)	1,600
Norwegian Krone	-	55	-	55
US Dollar	263,934	3,697	(267,783)	(152)
7 August 2016				
Sterling	712,508	47,533	326,072	1,086,113
US Dollar	183,585	2,845	(139,191)	47,239
Euro	209,229	3,610	(204,722)	8,117
Australian Dollar	10,839	191	(10,273)	757
New Zealand Dollar	2,495	-	(2,383)	112
Norwegian Krone	-	51	-	51

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 £280,000 (2016: £2,814,000). 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 £60,301,000 (2016: £54,408,000). 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 commitment method. The fund can use cash borrowing (subject to restrictions as set out in its Prospectus) and financial derivatives as sources of leverage. A result of 100% indicates that no leverage has been used.

As at 7 August 2017 the amount of leverage used by the fund was 106.37% (2016: 100.07%).

Notes to the financial statements (continued)

Debt security credit analysis

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

	7 August 2017 £'000	7 August 2016 £'000
Investment grade securities	238,760	273,821
Below investment grade securities	651,047	564,580
Unrated securities	97,371	112,651
Total of debt securities	987,178	951,052

* Source of credit ratings: Artemis Investment Management LLP.

(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 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 derivative counterparties and brokers where trades are pending settlement, there were no significant concentrations of credit and counterparty risk as at 7 August 2017 or 7 August 2016.

At the reporting date, the fund's financial assets exposed to credit and counterparty risk amounted to the following:

Counterparty and collateral exposure

Currency	Forward currency contracts £'000	Futures £'000	Total gross exposure £'000	Net collateral pledged/(held) £'000
7 August 2017				
J.P. Morgan	-	(28,955)	(28,955)	-
UBS	(6,449)	-	(6,449)	4,640
7 August 2016				
UBS	(30,497)	-	(30,497)	-

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.

17. 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 12 and notes 6, 9, 11 and 13 on pages 15 to 17 including all issues and cancellations where the manager acted as principal.

The balance due to the manager as at 7 August 2017 in respect of these transactions was £101,000 (2016: £4,495,000).

18. Unit classes

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

MI distribution	0.625%
QI distribution	0.625%
QR distribution	1.250%

The net asset value per unit and the number of units in each class are given in the comparative tables on page 26. The distribution per unit class is given in the distribution tables on pages 22 to 25. All classes have the same rights.

19. Post balance sheet event

Since 7 August 2017, the net asset values per unit, on a bid basis, have changed as follows:

	Net asset value per unit (p)		Movement
	2 October 2017	7 August 2017	
MI distribution *	85.72	86.05	(0.4)%
QI distribution	86.21	86.05	0.2%
QR distribution	80.72	80.64	0.1%

* The monthly interim distribution declared on 7 September 2017 of 0.4881p (class MI distribution) has been included in the calculation of the movement in the net asset value per unit.

Distribution tables

Interim interest distribution for the month ended 7 September 2016 (paid on 7 November 2016) in pence per unit.

Group 1 - Units purchased prior to 8 August 2016.

Group 2 - Units purchased from 8 August 2016 to 7 September 2016.

	Gross revenue per unit (p)	Income tax (20%) per unit (p)	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 7 November 2016	Distribution per unit (p) 6 November 2015
MI distribution						
Group 1	0.3828	0.0766	0.3062	-	0.3062	0.3231
Group 2	0.1820	0.0364	0.1456	0.1606	0.3062	0.3231

Interim interest distribution for the month ended 7 October 2016 (paid on 7 December 2016) in pence per unit.

Group 1 - Units purchased prior to 8 September 2016.

Group 2 - Units purchased from 8 September 2016 to 7 October 2016.

	Gross revenue per unit (p)	Income tax (20%) per unit (p)	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 7 December 2016	Distribution per unit (p) 7 December 2015
MI distribution						
Group 1	0.4324	0.0865	0.3459	-	0.3459	0.3061
Group 2	0.1843	0.0369	0.1474	0.1985	0.3459	0.3061

Interim interest distribution for the month ended 7 November 2016 (paid on 6 January 2017) in pence per unit.

Group 1 - Units purchased prior to 8 October 2016.

Group 2 - Units purchased from 8 October 2016 to 7 November 2016.

	Gross revenue per unit (p)	Income tax (20%) per unit (p)	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 6 January 2017	Distribution per unit (p) 7 January 2016
MI distribution						
Group 1	0.4446	0.0889	0.3557	-	0.3557	0.3306
Group 2	0.1931	0.0386	0.1545	0.2012	0.3557	0.3306

Interim interest distribution for the quarter ended 7 November 2016 (paid on 6 January 2017) in pence per unit.

Group 1 - Units purchased prior to 8 August 2016.

Group 2 - Units purchased from 8 August 2016 to 7 November 2016.

	Gross revenue per unit (p)	Income tax (20%) per unit (p)	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 6 January 2017	Distribution per unit (p) 7 January 2016
Q1 distribution						
Group 1	1.2646	0.2529	1.0117	-	1.0117	0.9636
Group 2	0.5730	0.1146	0.4584	0.5533	1.0117	0.9636
QR distribution						
Group 1	1.1918	0.2384	0.9534	-	0.9534	0.9139
Group 2	0.4611	0.0922	0.3689	0.5845	0.9534	0.9139

Interim interest distribution for the month ended 7 December 2016 (paid on 7 February 2017) in pence per unit.

Group 1 - Units purchased prior to 8 November 2016.

Group 2 - Units purchased from 8 November 2016 to 7 December 2016.

	Gross revenue per unit (p)	Income tax (20%) per unit (p)	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 7 February 2017	Distribution per unit (p) 5 February 2016
MI distribution						
Group 1	0.3728	0.0746	0.2982	-	0.2982	0.3177
Group 2	0.1229	0.0246	0.0983	0.1999	0.2982	0.3177

Interim interest distribution for the month ended 7 January 2017 (paid on 7 March 2017) in pence per unit.

Group 1 - Units purchased prior to 8 December 2016.

Group 2 - Units purchased from 8 December 2016 to 7 January 2017.

	Gross revenue per unit (p)	Income tax (20%) per unit (p)	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 7 March 2017	Distribution per unit (p) 7 March 2016
MI distribution						
Group 1	0.4119	0.0824	0.3295	-	0.3295	0.3075
Group 2	0.1776	0.0355	0.1421	0.1874	0.3295	0.3075

Interim interest distribution for the month ended 7 February 2017 (paid on 7 April 2017) in pence per unit.

Group 1 - Units purchased prior to 8 January 2017.

Group 2 - Units purchased from 8 January 2017 to 7 February 2017.

	Gross revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 7 April 2017	Distribution per unit (p) 7 April 2016
MI distribution				
Group 1	0.3715	-	0.3715	0.2852
Group 2	0.1609	0.2106	0.3715	0.2852

Interim interest distribution for the quarter ended 7 February 2017 (paid on 7 April 2017) in pence per unit *.

Group 1 - Units purchased prior to 8 November 2016.

Group 2 - Units purchased from 8 November 2016 to 7 February 2017.

	Gross revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 7 April 2017	Distribution per unit (p) 7 April 2016
Q1 distribution				
Group 1	1.1046	-	1.1046	0.9137
Group 2	0.5548	0.5498	1.1046	0.9137
QR distribution				
Group 1	1.0389	-	1.0389	0.8651
Group 2	0.4484	0.5905	1.0389	0.8651

Interim interest distribution for the month ended 7 March 2017 (paid on 5 May 2017) in pence per unit.

Group 1 - Units purchased prior to 8 February 2017.

Group 2 - Units purchased from 8 February 2017 to 7 March 2017.

	Gross revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 5 May 2017	Distribution per unit (p) 6 May 2016
MI distribution				
Group 1	0.4042	-	0.4042	0.3734
Group 2	0.2183	0.1859	0.4042	0.3734

Interim interest distribution for the month ended 7 April 2017 (paid on 7 June 2017) in pence per unit.

Group 1 - Units purchased prior to 8 March 2017.

Group 2 - Units purchased from 8 March 2017 to 7 April 2017.

	Gross revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 7 June 2017	Distribution per unit (p) 7 June 2016
MI distribution				
Group 1	0.4590	-	0.4590	0.3069
Group 2	0.1595	0.2995	0.4590	0.3069

Distribution tables (continued)

Interim interest distribution for the month ended 7 May 2017 (paid on 7 July 2017) in pence per unit

Group 1 - Units purchased prior to 8 April 2017.

Group 2 - Units purchased from 8 April 2017 to 7 May 2017.

	Gross revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 7 July 2017	Distribution per unit (p) 7 July 2016
MI distribution				
Group 1	0.3417	-	0.3417	0.3792
Group 2	0.1912	0.1505	0.3417	0.3792

Interim interest distribution for the quarter ended 7 May 2017 (paid on 7 July 2017) in pence per unit.

Group 1 - Units purchased prior to 8 February 2017.

Group 2 - Units purchased from 8 February 2017 to 7 May 2017.

	Gross revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 7 July 2017	Distribution per unit (p) 7 July 2016
Q1 distribution				
Group 1	1.2102	-	1.2102	1.0638
Group 2	0.5466	0.6636	1.2102	1.0638
QR distribution				
Group 1	1.1365	-	1.1365	1.0057
Group 2	0.4756	0.6609	1.1365	1.0057

Interim interest distribution for the month ended 7 June 2017 (paid on 7 August 2017) in pence per unit.

Group 1 - Units purchased prior to 8 May 2017.

Group 2 - Units purchased from 8 May 2017 to 7 June 2017.

	Gross revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 7 August 2017	Distribution per unit (p) 5 August 2016
MI distribution				
Group 1	0.4710	-	0.4710	0.3502
Group 2	0.2008	0.2702	0.4710	0.3502

Interim interest distribution for the month ended 7 July 2017 (paid on 7 September 2017) in pence per unit.

Group 1 - Units purchased prior to 8 June 2017.

Group 2 - Units purchased from 8 June 2017 to 7 July 2017.

	Gross revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 7 September 2017	Distribution per unit (p) 7 September 2016
MI distribution				
Group 1	0.3724	-	0.3724	0.3717
Group 2	0.1601	0.2123	0.3724	0.3717

Final interest distribution for the month ended 7 August 2017 (payable on 6 October 2017) in pence per unit.

Group 1 - Units purchased prior to 8 July 2017.

Group 2 - Units purchased from 8 July 2017 to 7 August 2017.

	Gross revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 6 October 2017	Distribution per unit (p) 7 October 2016
MI distribution				
Group 1	0.3357	-	0.3357	0.2917
Group 2	0.1525	0.1832	0.3357	0.2917

Final interest distribution for the quarter ended 7 August 2017 (payable on 6 October 2017) in pence per unit.

Group 1 - Units purchased prior to 8 May 2017.

Group 2 - Units purchased from 8 May 2017 to 7 August 2017.

	Gross revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 6 October 2017	Distribution per unit (p) 7 October 2016
QI distribution				
Group 1	1.1843	-	1.1843	1.0176
Group 2	0.5436	0.6407	1.1843	1.0176
QR distribution				
Group 1	1.1108	-	1.1108	0.9604
Group 2	0.4150	0.6958	1.1108	0.9604

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.

* In the 2016 Budget, the UK government announced that the way interest payments from funds are taxed is due to change. Effective from 6 April 2017, interest distributions from UK authorised funds will be paid gross i.e. without deducting basic rate income tax (currently 20%) rather than with the deduction of income tax (i.e. net). As a result of the above change, all net unit classes in Artemis funds that make interest distributions will be priced gross of tax. This means that investors invested in the net unit classes will receive interest payments gross and therefore without any tax deduction from the first fund distribution payment date after 6 April 2017.

Comparative tables

	MI distribution			QI distribution		
	2017	2016	2015	2017	2016	2015
Change in net assets per unit (p)						
Opening net asset value per unit	82.17	84.07	84.08	82.15	84.05	84.07
Return before operating charges *	9.26	3.58	5.37	9.25	3.61	5.92
Operating charges	(0.58)	(0.55)	(0.60)	(0.59)	(0.56)	(1.13)
Return after operating charges	8.68	3.03	4.77	8.66	3.05	4.79
Distributions	(4.80)	(4.93)	(4.78)	(4.76)	(4.95)	(4.81)
Retained distributions on accumulation units	-	-	-	-	-	-
Closing net asset value per unit	86.05	82.17	84.07	86.05	82.15	84.05
* after direct transaction costs of	(0.04)	(0.02)	(0.05)	(0.04)	(0.02)	(0.05)
Performance						
Return after charges	10.56%	3.60%	5.67%	10.54%	3.63%	5.70%
Other information						
Closing net asset value (£'000)	107,125	64,125	23,172	809,002	779,315	636,095
Closing number of units	124,485,546	78,036,324	27,563,559	940,153,994	948,622,541	756,764,887
Operating charges	0.69%	0.68%	0.70%	0.69%	0.69%	0.70%
Direct transaction costs	0.05%	0.02%	0.06%	0.05%	0.02%	0.06%
Prices						
Highest offer unit price (p)	88.14	86.26	87.75	89.01	86.84	88.38
Lowest bid unit price (p)	81.83	76.13	82.30	81.83	76.09	82.84

	QR distribution		
	2017	2016	2015
Change in net assets per unit (p)			
Opening net asset value per unit	77.48	79.77	80.29
Return before operating charges *	8.69	3.40	4.63
Operating charges	(1.05)	(1.01)	(0.57)
Return after operating charges	7.64	2.39	4.06
Distributions	(4.48)	(4.68)	(4.58)
Retained distributions on accumulation units	-	-	-
Closing net asset value per unit	80.64	77.48	79.77
* after direct transaction costs of	(0.04)	(0.02)	(0.05)
Performance			
Return after charges	9.86%	3.00%	5.06%
Other information			
Closing net asset value (£'000)	286,912	298,949	484,923
Closing number of units	355,775,513	385,842,253	607,866,019
Operating charges	1.32%	1.31%	1.32%
Direct transaction costs	0.05%	0.02%	0.06%
Prices			
Highest offer unit price (p)	86.92	85.89	87.58
Lowest bid unit price (p)	77.03	71.98	78.94

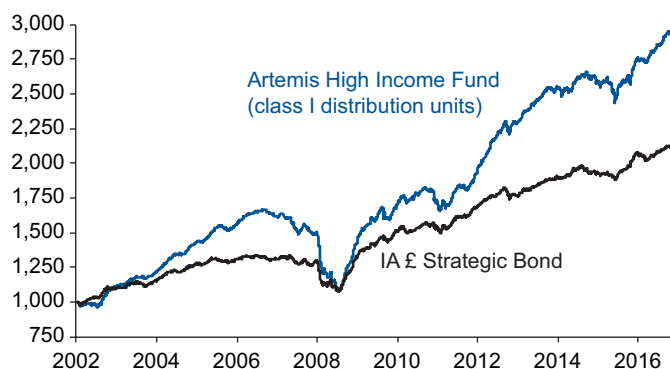
* Direct transaction costs are stated after deducting the amounts collected in relation to dealing costs added to issue of units and subtracted from the cancellation of units.

Class I performance

	Since launch*	5 years	3 years	1 year	6 months
Artemis High Income Fund	198.4	58.1	18.3	10.5	6.0
Sector average	113.4	27.3	13.5	4.2	3.5
Position in sector	2/19	2/55	10/66	2/70	5/71
Quartile	1	1	1	1	1

* Data from 9 September 2002 when Artemis took over management of the fund. Source: Lipper Limited, data from 9 September 2002 to 7 March 2008 reflects class QR distribution units and from 7 March 2008 to 7 August 2017 reflects class QI distribution units, bid to bid basis, in sterling with net interest reinvested to 7 August 2017. All performance figures show total returns with interest reinvested, percentage growth. Sector is IA £ Strategic Bond.

Value of £1,000 invested at launch to 7 August 2017

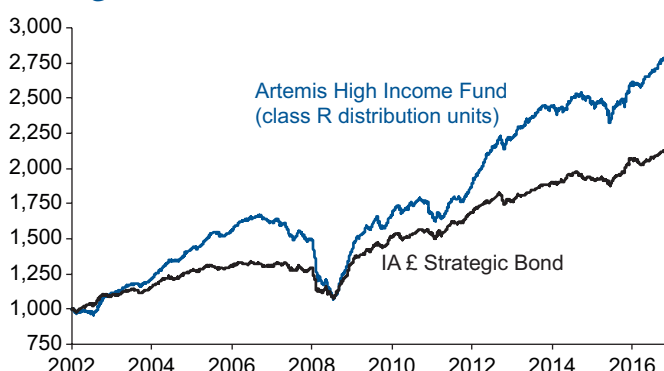


Class R performance

	Since launch*	5 years	3 years	1 year	6 months
Artemis High Income Fund	181.3	53.2	16.4	9.8	5.7
Sector average	113.4	27.3	13.5	4.2	3.5

* Data from 9 September 2002 when Artemis took over management of the fund. Source: Lipper Limited, class QR distribution units, bid to bid basis, in sterling with net interest reinvested to 7 August 2017. All performance figures show total returns with interest reinvested, percentage growth.

Value of £1,000 invested at launch to 7 August 2017



Ongoing charges

Class	7 August 2017
MI distribution	0.69%
QI distribution	0.69%
QR distribution	1.32%

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.

