PROFIT *hunters*

ARTEMIS Monthly Distribution *Fund*

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

ARTEMIS
The PROFIT Hunter

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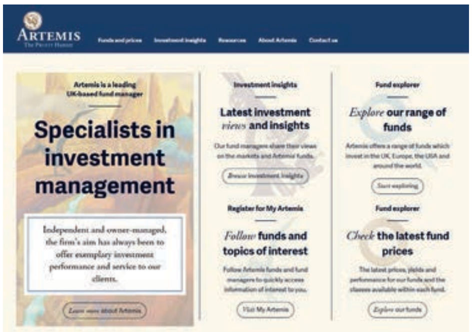

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artemisfunds.com

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 £27.8 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 January 2018.

Fund status

Artemis Monthly Distribution Fund was constituted by a Trust Deed dated 10 February 2012 and is an authorised unit trust scheme under the Financial Services and Markets Act 2000. The fund belongs to the category of UCITS schemes as defined in the Collective Investment Schemes Sourcebook ('COLL') of the Financial Conduct Authority ('FCA').

Investment objective

The fund aims to achieve an income in addition to capital growth.

Investment policy

The fund aims to achieve its objective by investing in a globally diversified portfolio of assets. Exposure will normally be to global equities, bonds and cash. The proportion of the fund allocated to each asset class as well as the underlying stock selection will be actively managed.

The fund will actively allocate between gilts, corporate bonds and high yield bonds, and within equities between sector and geographies.

The fund may, in addition to its other investment powers, use cash and near cash (which includes money market instruments and deposits) and exchange traded and over the counter derivatives and forward currency contracts for hedging and 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 or a financial adviser or a fund platform. 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

Typically lower rewards						Typically higher rewards
Lower risk						Higher risk
1	2	3	**4**	5	6	7

- 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.
- The fund may hold derivatives with the aim of profiting from falling prices. If the related assets rise in value the fund will lose money.
- 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.
- There was no change to the indicator in the period.

Prospectus

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

Change of Trustee and Depositary

With effect from 15 January 2018 J.P. Morgan Europe Limited was appointed as Trustee & Depositary of the fund.

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 out with 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

(to 15 January 2018)
National Westminster Bank Plc †
Trustee & Depositary Services
Younger Building
1st Floor, 3 Redheughs Avenue
Edinburgh EH12 9RH

(from 15 January 2018)
J.P. Morgan Europe Limited †
25 Bank Street
Canary Wharf
London E14 5JP

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
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

* 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 is 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 Monthly Distribution Fund for the year ended 31 December 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
27 February 2018

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 Monthly Distribution Fund for the year ended 31 December 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 February 2018

General information (continued)

Independent auditor's report to the unitholders of the Artemis Monthly Distribution Fund

Opinion

We have audited the financial statements of the Artemis Monthly Distribution Fund ("the Fund") for the year ended 31 December 2017 which comprise the statement of total return, statement of change in net assets attributable to unitholders, balance sheet, distribution tables and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Fund as at 31 December 2017 and of the net revenue and the net 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 FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

Basis for opinion

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

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

Use of our report

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

Conclusions relating to going concern

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

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

Other information

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

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

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

We have nothing to report in this regard.

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

In our opinion:

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

Matters on which we are required to report by exception

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

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

Responsibilities of the manager

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

In preparing the financial statements, the manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Ernst & Young LLP
Statutory Auditor
Edinburgh
27 February 2018

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

Investment review

- The fund returned 9.0%*.
- Taking more risk and adding to equities was rewarded.
- We expect government bonds to come under pressure.

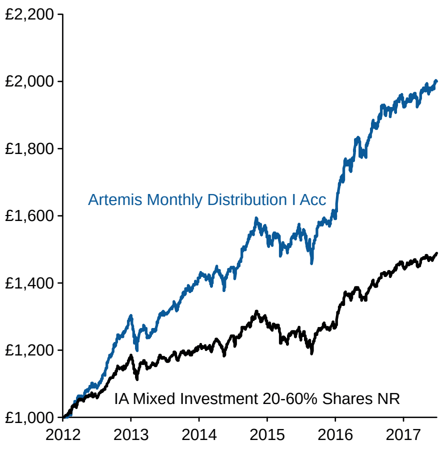
Performance – A healthy return …

Our return for 2017 was 9.0%, putting us safely in the first quartile of our IA peer group (Mixed Investment 20%–60% shares), from which the average return was 7.2%. We did not shy away from taking risk. In last year's report, we were clear that we had increased the level of risk being taken by the fund by increasing its exposure to equities and moving it away from government bonds. This was not to increase risk for its own sake – but rather because we believed that traditional assets perceived to be lower risk would actually become rather high risk against a backdrop of higher interest rates and a stronger economy. This view has been vindicated. Against that, one of the biggest factors detracting from our performance has been our currency positioning. After a difficult 2016, sterling appreciated in 2017 versus the US dollar. We don't actively hedge away the currency exposure the fund obtains from holding overseas equity assets. So as sterling rose, it held back returns from our overseas assets. In a sense, we were giving back some of the gains we made in 2016 when sterling declined after the Brexit vote.

Over the longer term (which for us is a much more important criteria), our performance continues to be very healthy. We are proud that, out of more than 100 peers, this is the top performing fund over both three and five years. We look forward to trying to build on this achievement. At the same time, we appreciate that returns in future are unlikely to compete with the returns we saw during the long recovery from the global financial crisis.

Chart 1: Long-term performance

Value of £1,000 invested at launch to 29 December 2017



Source: Lipper.

Review – Dull but not uninteresting …

While 2017 was a dull year in terms of volatility (there was little of it), this did not make it uninteresting. Generally, risky assets such as equities and higher yielding bonds performed well. As economic growth across the world accelerated, risky assets at rather agreeable valuations tended to outperform, while safe haven assets on historically rich valuations struggled. There was, however, one surprise. Government bonds ought to have struggled in this environment as inflation started showing through and as deflationary fears faded. Yet, surprisingly, Germany was the only major government bond market where yields ended the year higher. Even there, yields only crept up from an unappetising 0.2% to a still-measly 0.4%. In the UK and the US, 10-year yields were broadly unchanged. In the case of the UK, that was perhaps understandable given that Brexit is creating uncertainty for investors and so fuelling demand for 'safe' assets. In the US, however, the US Federal Reserve ('Fed') has increased interest rates three times and is reducing the size of its balance sheet. They are travelling in a direction that has been clear for some time.

The star outperformers in bonds were (y)our holdings in the banks and insurance companies. The value of our Just Group's bonds, for instance, rose sharply and we benefited from their 9.0% coupon. This is an unusual situation. Quite unexpectedly, a ratings agency rated the bonds at a much higher level than many investors had anticipated. While surprised by the investment-grade rating, we were pleased that our work on understanding the company's credit correctly identified the opportunity. Other insurance bonds have also done well. First, an improving economy tends to mean lower claims. Furthermore, higher interest rates mean their cash reserves earn greater returns.

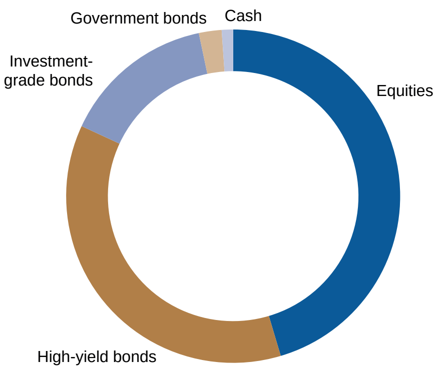
Banks had a similarly sparkling run (if not quite as dramatic as Just Group). Higher interest rates means improved returns from their reserves and an improving economy means lower defaults. European banks, in particular, have been the beneficiary of a more positive mood towards the sector. A year ago, they were still in the doldrums with huge fines being imposed. The odd failure even occurred. By the end of the year, however, sentiment had been transformed: the stress tests were generally passed, dividends were being paid and the improved economy also helped confidence.

As highlighted above, the economic background has been supportive for more risky assets. But that hides regional variations. The UK's economic performance has been the poorest in Europe. The reason is primarily the uncertainty created by the Brexit negotiations. The general election didn't help, especially the outcome, which delivered a hung parliament, denting confidence. Should the government fail, it may result in a high-spending socialist alternative winning power. So it is unsurprising that investment decisions are being delayed. This is slowing growth. However bad (within reason) the final Brexit deal turns out to be,

* Source: Lipper Limited, class I accumulation units, bid to bid basis, in sterling with dividends reinvested. Sector is IA Mixed Investment 20-60% shares, universe of funds is these reporting net of UK taxes.

its announcement should boost confidence. But the danger of another general election remains.

Chart 2: How the fund is invested



Source: Artemis as at 31 December 2017.

So, for now, we are taking a more cautious stance towards the UK within the bonds component of the portfolio, selling UK banks in favour of European banks. Although it will (slightly) reduce the fund's yield, we decided to exit Barclays and Virgin Money bonds in favour of Italian retail bank Intesa and Spanish-based Santander. Our primary concern is the UK housing market. House prices are beginning to fall in London and that is likely to spread to the regions over time. That tends to undermine confidence in the banks. To be clear, we are not concerned about the viability of individual UK banks but we do believe we will get a better performance from these European banks. Within the fund's equities, our UK weightings are deliberately low.

Among our high-yield bonds (those rated below BBB) we have been increasing the fund's positions in the US. We anticipate this will continue. Although they are fundamentally attractive (defaults have been falling), European high-yield bonds are not good value. We have seen repeated and extensive rounds of quantitative easing (printing money and buying government bonds and investment-grade credit). This has driven yields in all European bond markets to artificially low levels. High-yield bonds have been carried along by the tide.

Among our equities, we often find that the greatest opportunity – and best yields – lie away from the global mega caps or well-known names. Key contributors this year, for example, included a number of less-familiar stocks such as Play Communications, Poland's second-largest mobile phone network. It floated on the Warsaw stock exchange in the summer and has a value-for-money brand, a strong retail distribution strategy and a lower churn rate than its peers. As in most countries, increasing penetration of smartphones into the Polish market and rising data usage among subscribers are pushing revenues higher. At some point, industry consolidation and/or a sale of its infrastructure assets (towers portfolio) seem possible. That could see cash being returned to its shareholders. For now, however, its well-supported dividend yield (a 6-7% yield can be expected for a number of years, we think) is reason enough to hold the stock.

Another contributor was Enav, Italy's air-traffic-control monopoly. The Italian government owns 53% of the stock and 99% of its revenues are regulated (and inflation-protected). Every time a plane enters Italian airspace, it pays a fee based on the time spends over Italy and the number of passengers on board. This is a simple business and a strict monopoly. It is set to benefit from continued growth in low-cost flights. It has the potential for cost-cutting and to put its under-geared balance sheet to work. Either – or both – could see its dividend grow.

Galenica, meanwhile, is Switzerland's only fully integrated healthcare provider. It owns the country's largest network of pharmacists (28% market share by number, making it more than five times larger than its closest peer). There is scope for further consolidation in this market given that around 65% of Switzerland's pharmacies are independent operators. Galenica is well positioned for the online distribution of prescription drugs through its market-leading MediService offering so it should not see its business disrupted by Amazon.

Outlook – Adding to equities …

In hindsight, we underestimated how much support the ongoing quantitative easing programmes of the European and Japanese central banks and the Fed's continued reinvestment of proceeds from its balance sheet would provide to bond markets worldwide. So although our short position in US Treasuries was not of major detriment to performance over the last year, it wasn't very profitable either. We feel confident it will be in 2018.

Why? First, because some technical factors will start to reverse. At the end of 2017, comments from various European Central Bank members turned more hawkish. The absolute level of quantitative easing was halved from 1 January 2018 and is likely to be reduced further. Second, inflation is rising. Unemployment is still high in Europe, but in the US it is falling to levels not seen since the 1960s, when inflation was around 6%. Across the globe, companies are talking of capacity constraints and many claim they can raise prices. All this will result in higher inflation. This, in turn, will lead to higher interest rates and so to lower government bond prices. The Fed has commented that it expects to increase interest rates three times in 2018. While that seems reasonable, the market currently only expects one.

If government bond yields rise as we expect them to, then yields on investment-grade bonds will follow. The two are particularly closely correlated, particularly at the moment: the difference in yield between government and investment-grade bonds is very low. There are, however, some exceptions – banks and many insurance companies continue to offer some value and are not so closely correlated with government bonds. They do have their risks, though. Additional Tier 1 (AT1) bonds are very junior bank instruments with no value in the event of the issuing bank failing. In the good times, they will offer supernormal returns with attractive yields. In bad times, the reverse will be true. So while we remain aware of

Investment review (continued)

the risks, we have a good weighting to these bonds and anticipate retaining them for a while yet. Insurance companies have a different class of bonds. Restricted Tier 1 bonds are equally junior and are a new asset class, currently finding its feet. For structural reasons we like these instruments more than AT1s, though, as yet, few have been issued. We expect plenty in 2018.

High-yield bonds have always featured heavily in the portfolio and provided great returns throughout 2017. As highlighted above, European yields are artificially low: European 'high-yield' indices now yield less than 10-year US Treasuries. So while there are individual opportunities in European high-yield bond market they are not as prevalent as they were a year ago.

The fundamentals in the UK are more challenging. We have been reducing our exposure to banks although we retain a number of the legacy Tier 1 bonds (those issued before 2009) which we believe still offer an attractive yield. Among the UK high-yield universe there are still plenty to look to buy. Selectivity, as ever, is very important.

One of our preferred sectors, however, is US high-yield bonds. Here, selection is key. To reassure, you won't find us buying Tesla bonds or those of other similar companies with negative cashflow, which trade on a rather tentative promise of 'jam tomorrow'.

Our weighting in equities has increased a little. Historically, we have tended to have a 60% weighting to bonds and around 40% to equities. Given the backdrop for bonds is more difficult and the outlook for equities a little more encouraging we have allowed the balance to shift a little, with the bond percentage falling slightly to a 53% to 55% range towards the end of the year. We will retain this for now, probably only reverting to higher bond percentages once our outlook changes.

Within the fund's equities, our positioning continues to respond to – and anticipate – changes in the macro environment and investor positioning. And the portfolio remains balanced: we still own a number of companies whose revenues (and dividends) should prove relatively robust if growth in 2018 falls short of expectations. These include AbbVie, a US pharmaceutical, Euskaltel, a Spanish cable operator, and Ocean Yield, a Norwegian maritime-leasing company. But the balance is shifting. We have, for example, increased our exposure to US banks as a way of playing higher interest rates. Not only are expected changes in the yield curve helping their interest margins but Jerome Powell, the new chairman of the Federal Reserve, has indicated that he thinks banking regulations are "tough enough". The prospect of 'peak' regulation and tax reform could turn US banks into massive payers of dividends and there are also some rather impressive share buyback programmes in the sector.

Meanwhile, although we remain underweight in the US relative to global benchmarks (primarily because we find plenty of cheap stocks with attractive dividends in Europe), we are less underweight than we have been. Within that, moreover, we have added to stocks exposed to growth in domestic demand, buying retailers rather than exporters or pharmaceuticals. To reiterate, we are not reconfiguring the fund, but, as we head into 2018, we are shifting the balance of risks to reflect the changes taking place in the real economy.

Conclusion – Pragmatism first …

The biggest risks, for us, would be if circumstances change. We have maintained an optimistic portfolio stance which has reaped its rewards. With global economic signals firing on all cylinders it seems appropriate to maintain that current positioning. However, if signs of the economy weakening start to emerge, we will have to reposition the portfolio accordingly. In those circumstances, maintaining your fund's income (our priority) will be more difficult. We would have to increase the government bond weightings and they yield so little. We have always retained a pragmatic attitude which has steered your fund on a sensible course since launch. We look forward to continuing that for future years.

James Foster &
Jacob de Tusch-Lec
Fund managers

Investment information

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

Purchases	Cost £'000	Sales	Proceeds £'000
General Motors	13,993	BHP Billiton	13,118
Fletcher Building	11,850	General Motors	10,933
Bezeq The Israeli Telecommunication Company	10,530	Sanford	10,130
Bank of America	10,009	Assicurazioni Generali	8,871
Ping An Insurance Group Co. of China H shares	8,728	Infratil	8,340

Portfolio statement as at 31 December 2017

Investment	Holding	Valuation £'000	% of net assets
Equities 45.75% (45.95%)			
Australia 0.17% (1.82%)			
Fortescue Metals Group	416,845	1,178	0.17
		1,178	**0.17**
Brazil 0.32% (0.89%)			
Cia Energetica de Minas Gerais	347,287	518	0.07
Cia Energetica de Minas Gerais Preference shares	1,109,687	1,698	0.24
Cia Energetica de Minas Gerais, NYRS	20,018	29	0.01
		2,245	**0.32**
Canada 1.15% (0.23%)			
Dream Global REIT	510,681	3,667	0.52
Franco-Nevada	22,320	1,319	0.19
Lundin Mining	630,698	3,158	0.44
		8,144	**1.15**
China 1.92% (0.74%)			
Anhui Conch Cement H shares	589,000	2,041	0.29
China Construction Bank H shares	6,621,000	4,515	0.63
Guangdong Investment	3,584,000	3,544	0.50
Ping An Insurance Group Co. of China H shares	460,500	3,548	0.50
		13,648	**1.92**
Czech Republic 0.86% (1.83%)			
Moneta Money Bank	2,127,121	6,076	0.86
		6,076	**0.86**
Denmark 0.47% (0.49%)			
Novo Nordisk B shares	82,872	3,307	0.47
		3,307	**0.47**
France 3.29% (2.79%)			
Amundi	104,901	6,564	0.92
Danone	100,087	6,217	0.88
Electricite de France	308,525	2,857	0.40
Natixis	753,334	4,416	0.62
Total	81,496	3,342	0.47
		23,396	**3.29**
Georgia 0.00% (0.16%)			
Germany 1.25% (2.30%)			
Deutsche Pfandbriefbank	182,992	2,161	0.31

Investment information (continued)

Investment	Holding	Valuation £'000	% of net assets
Rheinmetall	35,438	3,320	0.47
Schaeffler Preference shares	159,977	2,082	0.29
Volkswagen Preference shares	8,760	1,293	0.18
		8,856	**1.25**
Guernsey 0.47% (0.00%)			
Amedeo Air Four Plus	3,178,216	3,321	0.47
		3,321	**0.47**
India 0.07% (0.00%)			
Indiabulls Housing Finance	34,847	482	0.07
		482	**0.07**
Israel 2.74% (2.36%)			
Bank Hapoalim BM	548,384	2,990	0.42
Bezeq The Israeli Telecommunication Company	10,590,214	11,873	1.67
Mizrahi Tefahot Bank	110,762	1,506	0.21
Shikun & Binui	1,874,237	3,093	0.44
		19,462	**2.74**
Italy 5.08% (3.65%)			
Ei Towers	269,241	12,745	1.79
Enav	1,798,067	7,214	1.02
Infrastrutture Wireless Italiane	1,424,114	7,702	1.08
Mediobanca	222,992	1,866	0.26
RAI Way	1,302,379	5,864	0.83
Telecom Italia	1,317,038	696	0.10
		36,087	**5.08**
Japan 1.64% (3.08%)			
Itochu	242,900	3,360	0.47
Japan Hotel REIT Investment	5,000	2,483	0.35
Mitsubishi UFJ Financial Group	187,000	1,016	0.14
Mitsubishi UFJ Financial Group, ADR	439,135	2,356	0.33
Toyo Tire & Rubber	161,400	2,469	0.35
		11,684	**1.64**
Luxembourg 0.47% (0.41%)			
Tenaris	284,390	3,316	0.47
		3,316	**0.47**
Netherlands 0.15% (0.00%)			
ABN Amro Group, CVA	45,888	1,097	0.15
		1,097	**0.15**
New Zealand 3.11% (2.65%)			
Fletcher Building	3,354,285	13,350	1.88
Metlifecare	2,715,850	8,734	1.23
		22,084	**3.11**
Norway 1.42% (2.41%)			
DNB	145,259	2,001	0.28
Ocean Yield	556,043	3,463	0.49
Storebrand	770,571	4,650	0.65
		10,114	**1.42**

Investment	Holding	Valuation £'000	% of net assets
Poland 0.51% (0.00%)			
Play Communications	500,000	3,598	0.51
		3,598	**0.51**
Portugal 0.31% (0.26%)			
Galp Energia	160,506	2,198	0.31
		2,198	**0.31**
Russia 1.06% (0.71%)			
MMC Norilsk Nickel, ADR	193,767	2,676	0.38
Moscow Exchange MICEX-RTS	1,824,305	2,563	0.36
Sberbank of Russia Preference	933,666	2,278	0.32
		7,517	**1.06**
Singapore 0.67% (0.00%)			
Ascendas REIT	521,900	784	0.11
Far East Hospitality Trust, REIT	10,100,000	4,001	0.56
		4,785	**0.67**
South Africa 0.00% (0.29%)			
Spain 0.71% (0.93%)			
Euskaltel	834,994	5,019	0.71
		5,019	**0.71**
Sweden 1.71% (1.76%)			
Nobina	1,850,647	8,936	1.26
Nordea Bank	360,992	3,232	0.45
		12,168	**1.71**
Switzerland 1.36% (0.29%)			
Galenica	256,227	9,653	1.36
		9,653	**1.36**
United Arab Emirates 0.14% (0.00%)			
Abu Dhabi National Oil Company for Distribution PJSC	1,931,559	1,004	0.14
		1,004	**0.14**
United Kingdom 2.84% (2.62%)			
3i Group	143,498	1,302	0.18
Anglo American	87,356	1,345	0.19
Imperial Brands	312,656	9,880	1.39
Mountview Estates	47,565	5,256	0.74
Phoenix Group Holdings	306,137	2,393	0.34
		20,176	**2.84**
United States of America 11.86% (13.28%)			
AbbVie	90,556	6,554	0.92
Bank of America	364,977	8,048	1.13
Best Buy	29,303	1,484	0.21
Blackstone Group	55,718	1,330	0.19
Carlyle Group	109,559	1,853	0.26
Chimera Investment, REIT	138,534	1,924	0.27
Citigroup	110,874	6,161	0.87
General Motors	220,734	6,759	0.95
GEO Group, REIT	259,073	4,524	0.64
Goldman Sachs Group	3,584	680	0.09

Investment information (continued)

Investment	Holding or nominal value	Valuation £'000	% of net assets
Hess	138,058	4,943	0.70
Intel	92,742	3,172	0.45
KKR	103,124	1,613	0.23
L Brands	118,011	5,329	0.75
Las Vegas Sands	19,890	1,030	0.14
Macy's	37,372	711	0.10
Norfolk Southern	26,282	2,827	0.40
Reliance Steel & Aluminum	27,909	1,796	0.25
Schlumberger	65,115	3,250	0.46
Seagate Technology	140,844	4,380	0.62
Synchrony Financial	292,261	8,430	1.19
Western Digital	52,558	3,137	0.44
Zions Bancorp	112,354	4,269	0.60
		84,204	**11.86**
Equities total		**324,819**	**45.75**
Government bonds 2.16% (5.63%)			
United Kingdom 2.16% (5.63%)			
UK Treasury 1.75% 22/07/2019	£15,000,000	15,307	2.16
		15,307	**2.16**
Government bonds total		**15,307**	**2.16**
Corporate bonds 50.54% (45.73%)			
Australia 1.54% (1.01%)			
Australia & New Zealand Banking Group, FRN 1.74% Perpetual	$6,060,000	3,801	0.53
BHP Billiton Finance, FRN 6.50% 22/10/2077	£2,600,000	3,034	0.43
Westpac Banking, FRN 1.66% Perpetual	$6,500,000	4,100	0.58
		10,935	**1.54**
Belgium 0.87% (0.18%)			
Ethias 5.00% 14/01/2026	€800,000	819	0.12
KBC Group, FRN 5.63% Perpetual	€4,000,000	3,695	0.52
Nyrstar Netherlands Holdings 8.50% 15/09/2019	€1,700,000	1,663	0.23
		6,177	**0.87**
Bermuda 0.83% (0.55%)			
Fidelity International 7.13% 13/02/2024	£1,500,000	1,885	0.26
XLIT, FRN 3.25% 29/06/2047	€4,500,000	4,025	0.57
		5,910	**0.83**
Bulgaria 0.04% (0.09%)			
Bulgarian Telecommunications 6.63% 15/11/2018	€350,000	310	0.04
		310	**0.04**
Canada 0.08% (0.16%)			
Entertainment One 6.88% 15/12/2022	£500,000	538	0.08
		538	**0.08**
Denmark 0.32% (0.00%)			
Danske Bank, FRN 6.13% Perpetual	$2,900,000	2,285	0.32
		2,285	**0.32**
France 4.12% (4.43%)			
CMA CGM 6.50% 15/07/2022	€3,260,000	3,030	0.43

Investment	Nominal value	Valuation £'000	% of net assets
Credit Agricole, FRN 6.63% Perpetual	$3,000,000	2,303	0.32
Electricite de France, FRN 6.00% Perpetual	£3,500,000	3,730	0.53
Holdikks 6.75% 15/07/2021	€2,150,000	1,487	0.21
Horizon Holdings I 7.25% 01/08/2023	€850,000	800	0.11
Horizon Parent Holdings Sarl 8.25% 15/02/2022	€3,650,000	3,448	0.49
Orange, FRN 5.88% Perpetual	£2,700,000	3,016	0.42
SFR Group 7.38% 01/05/2026	$2,500,000	1,911	0.27
Societe Generale, FRN 7.38% Perpetual	$4,500,000	3,587	0.51
Total, FRN 3.88% Perpetual	€2,000,000	1,987	0.28
Vallourec 6.63% 15/10/2022	€4,250,000	3,918	0.55
		29,217	**4.12**
Germany 3.11% (2.31%)			
Bayer, FRN 2.38% 02/04/2075	€2,500,000	2,285	0.32
EnBW Energie Baden-Wuerttemberg, FRN 5.13% 05/04/2077	$3,000,000	2,372	0.34
HP Pelzer Holding 4.13% 01/04/2024	€2,800,000	2,578	0.36
Kirk Beauty One 8.75% 15/07/2023	€600,000	568	0.08
Platin 1426 5.38% 15/06/2023	€3,200,000	2,832	0.40
Raffinerie Heide 6.38% 01/12/2022	€3,200,000	2,936	0.41
RWE, FRN 7.00% Perpetual	£3,300,000	3,480	0.49
Safari Holding Verwaltungs 5.38% 30/11/2022	€5,300,000	4,737	0.67
Unitymedia Hessen 5.63% 15/04/2023	€315,000	290	0.04
		22,078	**3.11**
Ireland 1.48% (1.75%)			
Allied Irish Banks 12.50% 25/06/2035	£352,000	246	0.03
Allied Irish Banks, FRN 7.38% Perpetual	€1,453,000	1,453	0.21
Bank of Ireland Group, FRN 4.12% 19/09/2027	$5,000,000	3,688	0.52
eircom Finance DAC 4.50% 31/05/2022	€2,500,000	2,295	0.32
Lambay Capital Securities 6.25% Perpetual§	£3,250,000	49	0.01
National Asset Management 5.26% 01/03/2020	€3,000,000	2,742	0.39
		10,473	**1.48**
Italy 2.46% (1.48%)			
Assicurazioni Generali, FRN 6.42% Perpetual	£3,700,000	4,090	0.58
Enel, FRN 6.62% 15/09/2076	£2,550,000	2,922	0.41
Inter Media Communication 4.88% 31/12/2022	€2,200,000	1,994	0.28
Intesa Sanpaolo, FRN 7.75% Perpetual	€3,700,000	3,987	0.56
Telecom Italia 3.63% 25/05/2026	€1,000,000	992	0.14
Wind Tre 5.00% 20/01/2026	$5,000,000	3,498	0.49
		17,483	**2.46**
Jersey 0.42% (0.00%)			
LHC3 4.12% 15/08/2024	€3,300,000	2,990	0.42
		2,990	**0.42**
Luxembourg 1.18% (1.28%)			
Altice Luxembourg 7.75% 15/05/2022	$3,700,000	2,688	0.38
ARD Finance 6.63% 15/09/2023	€2,500,000	2,368	0.33
DEA Finance 7.50% 15/10/2022	€1,800,000	1,776	0.25
Eurofins Scientific, FRN 3.25% Perpetual	€1,750,000	1,560	0.22
		8,392	**1.18**

Investment information (continued)

Investment	Nominal value	Valuation £'000	% of net assets
Mexico 0.14% (0.27%)			
America Movil, FRN 6.37% 06/09/2073	£900,000	997	0.14
		997	**0.14**
Netherlands 2.88% (2.55%)			
Chapel, FRN, Series 2007 C shares 0.37% 17/07/2066	€300,000	230	0.03
Cooperatieve Rabobank 4.63% 23/05/2029	£3,150,000	3,725	0.52
Delta Lloyd, FRN 4.38% Perpetual	€4,000,000	3,958	0.56
ING Groep, FRN 6.87% Perpetual	$3,250,000	2,624	0.37
Koninklijke KPN, FRN 7.00% 28/03/2073	$4,800,000	4,013	0.57
Lincoln Finance 6.88% 15/04/2021	€600,000	557	0.08
VIVAT, FRN 6.25% Perpetual	$7,200,000	5,333	0.75
		20,440	**2.88**
Portugal 0.32% (0.60%)			
EDP - Energias de Portugal, FRN 5.38% 16/09/2075	€2,000,000	1,982	0.28
GNB - Cia de Seguros de Vida, FRN 3.17% Perpetual	€500,000	310	0.04
		2,292	**0.32**
Russia 0.58% (0.00%)			
Gazprom 4.25% 06/04/2024	£4,000,000	4,140	0.58
		4,140	**0.58**
South Africa 0.26% (0.00%)			
Investec, FRN 6.75% Perpetual	£1,800,000	1,852	0.26
		1,852	**0.26**
Spain 2.35% (2.30%)			
Banco de Sabadell, FRN 6.50% Perpetual	€4,200,000	3,900	0.55
Banco Santander, FRN 6.25% Perpetual	€3,500,000	3,403	0.48
Codere Finance 2 Luxembourg 6.75% 01/11/2021	€2,300,000	2,153	0.30
Lecta 6.50% 01/08/2023	€4,400,000	4,029	0.57
Telefonica Europe, FRN 6.75% Perpetual	£2,900,000	3,206	0.45
		16,691	**2.35**
Sweden 0.31% (0.54%)			
Vattenfall, FRN 3.00% 19/03/2077	€2,400,000	2,161	0.31
		2,161	**0.31**
Switzerland 1.35% (1.27%)			
Credit Suisse Group, FRN 6.25% Perpetual	$4,800,000	3,846	0.54
Demeter Investments BV for Swiss Re, FRN 5.75% 15/08/2050	$4,500,000	3,641	0.51
UBS Group, FRN 7.00% Perpetual	$373,000	312	0.04
Zurich Insurance, FRN 4.25% 01/10/2045	$2,400,000	1,805	0.26
		9,604	**1.35**
United Arab Emirates 0.54% (0.39%)			
Topaz Marine 9.13% 26/07/2022	$5,000,000	3,830	0.54
		3,830	**0.54**
United Kingdom 21.51% (19.85%)			
Aberdeen Asset Management 7.00% Perpetual	$500,000	373	0.05
Anglian Water Osprey Financing 5.00% 30/04/2023	£2,375,000	2,551	0.36
Anglian Water Osprey Financing 4.00% 08/03/2026	£4,000,000	3,975	0.56
Annington Funding 2.65% 12/07/2025	£1,700,000	1,730	0.24
Ardonagh Midco 3 8.38% 15/07/2023	£2,500,000	2,534	0.36

Investment	Nominal value	Valuation £'000	% of net assets
Aviva, FRN 3.38% 04/12/2045	€3,500,000	3,365	0.47
BUPA Finance 5.00% 08/12/2026	£3,550,000	4,140	0.58
Burford Capital 5.00% 01/12/2026	£4,300,000	4,513	0.64
Centrica, FRN 5.25% 10/04/2075	£3,200,000	3,390	0.48
Co-operative Group Holdings 2011, STEP 6.88% 08/07/2020	£1,200,000	1,321	0.19
CPUK Finance 4.25% 28/02/2047	£4,300,000	4,377	0.62
Direct Line Insurance Group, FRN 9.25% 27/04/2042	£615,000	798	0.11
Direct Line Insurance Group, FRN 4.75% Perpetual	£3,200,000	3,219	0.45
Drax Finco 4.25% 01/05/2022	£2,300,000	2,319	0.33
EnQuest, FRN 7.00% 15/10/2023	$1,996,136	1,063	0.15
HBOS Sterling Finance Jersey, FRN 7.88% Perpetual	£1,800,000	2,695	0.38
Heathrow Finance 3.88% 01/03/2027	£4,000,000	3,974	0.56
Hiscox, FRN 6.12% 24/11/2045	£3,000,000	3,492	0.49
HSBC Bank, FRN 2.13% Perpetual	$4,000,000	2,606	0.37
HSBC Holdings, FRN 6.87% Perpetual	$2,100,000	1,674	0.24
InterContinental Hotels Group 3.75% 14/08/2025	£800,000	873	0.12
Intermediate Capital Group 5.00% 24/03/2023	£2,599,000	2,809	0.40
Investec Bank 9.63% 17/02/2022	£1,300,000	1,621	0.23
Ithaca Energy 8.13% 01/07/2019	$5,000,000	3,738	0.53
Just Group 9.00% 26/10/2026	£3,150,000	4,059	0.57
KCA Deutag UK Finance 9.88% 01/04/2022	$4,100,000	3,217	0.45
Kelda Finance No. 3 5.75% 17/02/2020	£2,700,000	2,907	0.41
Legal & General Group, FRN 5.38% 27/10/2045	£3,000,000	3,420	0.48
Liverpool Victoria Friendly Society, FRN 6.50% 22/05/2043	£1,000,000	1,130	0.16
Matalan Finance 6.87% 01/06/2019	£3,000,000	2,973	0.42
Mclaren Finance 5.00% 01/08/2022	£3,500,000	3,452	0.49
Miller Homes Group Holdings, FRN 5.60% 15/10/2023	£2,500,000	2,536	0.36
Mizzen Bondco 7.00% 01/05/2021	£2,178,100	2,270	0.32
Nationwide Building Society, FRN 6.88% Perpetual	£4,100,000	4,299	0.60
New Look Secured Issuer 6.50% 01/07/2022	£2,400,000	961	0.13
NGG Finance, FRN 5.63% 18/06/2073	£3,900,000	4,411	0.62
NWEN Finance 5.88% 21/06/2021	£1,800,000	2,006	0.28
Pennon Group, FRN 2.87% Perpetual	£4,000,000	4,030	0.57
Pension Insurance 6.50% 03/07/2024	£400,000	455	0.06
Phoenix Group Holdings 4.13% 20/07/2022	£3,500,000	3,734	0.53
Punch Taverns Finance B 7.75% 30/12/2025	£2,250,000	2,247	0.32
RAC Bond 5.00% 06/05/2046	£4,000,000	3,936	0.55
Rothesay Life 8.00% 30/10/2025	£2,915,000	3,527	0.50
Royal Bank of Scotland Group, FRN 7.65% Perpetual	$2,511,000	2,424	0.34
RSA Insurance Group, FRN 5.13% 10/10/2045	£3,300,000	3,763	0.53
Society of Lloyd's 4.75% 30/10/2024	£2,000,000	2,271	0.32
Stonegate Pub Co. Financing 4.88% 15/03/2022	£2,700,000	2,691	0.38
TalkTalk Telecom Group 5.38% 15/01/2022	£3,000,000	2,919	0.41
Tesco 6.15% 15/11/2037	$3,950,000	3,186	0.45
Thomas Cook Finance 2 3.88% 15/07/2023	€2,200,000	1,984	0.28
Thomas Cook Group 6.25% 15/06/2022	€2,250,000	2,153	0.30
Virgin Media Secured Finance 5.13% 15/01/2025	£1,850,000	1,924	0.27

Investment information (continued)

Investment	Holding or nominal value	Global exposure	Valuation £'000	% of net assets
Viridian Group FinanceCo 4.75% 15/09/2024	£4,150,000		4,093	0.58
Voyage Care BondCo 5.88% 01/05/2023	£3,800,000		3,859	0.54
Whitbread Group 3.38% 16/10/2025	£1,000,000		1,054	0.15
William Hill 4.88% 07/09/2023	£1,550,000		1,637	0.23
			152,678	**21.51**
United States of America 3.85% (4.72%)				
Alliance Data Systems 5.25% 15/11/2023	€2,100,000		1,945	0.27
AMC Entertainment Holdings 6.38% 15/11/2024	£4,250,000		4,264	0.60
Continental Resources 4.50% 15/04/2023	$3,850,000		2,891	0.41
Infor US 5.75% 15/05/2022	€2,450,000		2,227	0.31
Ingles Markets 5.75% 15/06/2023	$4,650,000		3,476	0.49
International Game Technology 4.75% 15/02/2023	€600,000		601	0.08
PSPC Escrow 6.00% 01/02/2023	€2,000,000		1,852	0.26
Seagate HDD Cayman 4.75% 01/01/2025	$2,222,000		1,611	0.23
State Street, FRN 1.98% 15/05/2028	$2,364,000		1,624	0.23
USB Realty, FRN 2.51% Perpetual	$6,600,000		4,403	0.62
Valeant Pharmaceuticals International 5.38% 15/03/2020	$3,330,000		2,465	0.35
			27,359	**3.85**
Corporate bonds total			**358,832**	**50.54**
Forward currency contracts (0.06)% ((0.49)%)				
Buy Sterling 91,450,821 dated 08/03/2018			91,451	12.88
Sell Euro 103,426,000 dated 08/03/2018			(91,929)	(12.95)
Buy Sterling 88,873,493 dated 08/03/2018			88,873	12.52
Sell US Dollar 119,298,000 dated 08/03/2018			(88,123)	(12.41)
Buy US Dollar 72,323,731 dated 08/03/2018			53,424	7.52
Sell Euro 60,926,000 dated 08/03/2018			(54,153)	(7.62)
Forward currency contracts total			**(457)**	**(0.06)**
Futures 0.02% ((0.02)%)				
US Treasury 10 Year Note 20/03/2018	(300)	(27,523)	181	0.02
Futures total			**181**	**0.02**
Investment assets (including investment liabilities)			698,682	98.41
Net other assets			11,311	1.59
Net assets attributable to unitholders			709,993	100.00

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

Statement of total return for the year ended 31 December 2017

	Note	31 December 2017 £'000	31 December 2017 £'000	31 December 2016 £'000	31 December 2016 £'000
Income					
Net capital gains	3		21,955		27,471
Revenue	5	24,887		8,960	
Expenses	6	(4,465)		(1,757)	
Interest payable and similar charges	7	(333)		(24)	
Net revenue before taxation		20,089		7,179	
Taxation	8	(2,791)		(978)	
Net revenue after taxation			17,298		6,201
Total return before distributions			**39,253**		**33,672**
Distributions	9		(21,305)		(7,719)
Change in net assets attributable to unitholders from investment activities			17,948		25,953

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

	31 December 2017 £'000	31 December 2017 £'000	31 December 2016 £'000	31 December 2016 £'000
Opening net assets attributable to unitholders		343,601		79,771
Amounts receivable on issue of units	337,467		237,483	
Amounts payable on cancellation of units	(2,813)		(4,494)	
		334,654		232,989
Change in net assets attributable to unitholders from investment activities		17,948		25,953
Retained distributions on accumulation units		13,790		4,888
Closing net assets attributable to unitholders		709,993		343,601

Balance sheet as at 31 December 2017

	Note	31 December 2017 £'000	31 December 2016 £'000
Assets			
Fixed assets			
Investments	10	699,889	334,547
Current assets			
Debtors	11	15,303	9,121
Cash and bank balances	12	121	4,379
Total current assets		**15,424**	**13,500**
Total assets		**715,313**	**348,047**
Liabilities			
Investment liabilities	10	1,207	1,947
Provisions for liabilities	13	15	7
Creditors			
Bank overdraft		1,156	-
Distribution payable		1,371	723
Other creditors	14	1,571	1,769
Total creditors		**4,098**	**2,492**
Total liabilities		**5,320**	**4,446**
Net assets attributable to unitholders		709,993	343,601

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. 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

(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 investment purposes and efficient portfolio management. 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, 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. 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.

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

(g) Taxation. Corporation tax is charged at a rate of 20% on the excess taxable revenue of the fund. In general, the tax accounting treatment follows that of the principal amount. Deferred tax is provided for all timing differences that have originated but not reversed at the balance sheet date other than those recorded as permanent differences. Deferred tax is provided for at the average rate of tax expected to apply. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

2. Distribution policy

The 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 may be more than 60% invested in qualifying investments (as defined in section 468L, Income and Corporation Taxes Act 1988) but is not expected to be for the whole accounting period and so 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 December 2017 £'000	31 December 2016 £'000
Non-derivative securities	26,830	32,590
Capital transaction charges	(22)	(28)
Derivative contracts	(721)	(104)
Currency losses	(941)	(602)
Forward currency contracts	(3,191)	(4,385)
Net capital gains	21,955	27,471

4. Direct transaction costs

For puchases 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 December 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	393,952	215	252	394,419	0.05	0.06
Bonds	293,888	-	-	293,888	-	-
	687,840	**215**	**252**	**688,307**		
Sales						
Equities	245,320	138	25	245,157	0.06	0.01
Bonds	104,991	-	-	104,991	-	-
	350,311	**138**	**25**	**350,148**		
Total		353	277			
Percentage of fund average net assets		0.07%	0.05%			

	Year ended 31 December 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	249,294	135	180	249,609	0.05	0.07
Bonds	160,130	-	-	160,130	-	-
	409,424	**135**	**180**	**409,739**		
Sales						
Equities	148,187	81	16	148,090	0.05	0.01
Bonds	36,216	-	-	36,216	-	-
	184,403	**81**	**16**	**184,306**		
Total		216	196			
Percentage of fund average net assets		0.11%	0.10%			

During the year the fund incurred £22,000 (2016: £28,000) in capital transaction charges.

Dealing spread

As at the balance sheet date the estimated portfolio dealing spread was 0.59% (2016: 0.62%). 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.

Notes to the financial statements (continued)

5. Revenue

	31 December 2017 £'000	31 December 2016 £'000
Interest on debt securities	13,773	5,442
Overseas dividends	10,141	3,267
UK dividends	937	242
Overseas stock dividends	20	-
Bank interest	16	9
Total revenue	24,887	8,960

6. Expenses

	31 December 2017 £'000	31 December 2016 £'000
Payable to the manager, associates of the manager and agents of either of them:		
Annual management charge	4,003	1,515
Expense fee rebate	-	(37)
Other expenses:		
Registration fees	139	102
Administration fees	122	76
Safe custody fees	73	28
Trustee fees	63	23
Operational fees	50	35
Auditor's remuneration: audit fees*	9	9
Capital derivative fees	5	3
Price publication fees	1	1
Printing and postage fees	-	2
Total expenses	4,465	1,757

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

7. Interest payable and similar charges

	31 December 2017 £'000	31 December 2016 £'000
Interest payable on short futures	249	-
Interest payable	84	24
Total interest payable and similar charges	333	24

8. Taxation

	31 December 2017 £'000	31 December 2016 £'000
a) Analysis of the tax charge for the year		
UK corporation tax	2,203	822
Irrecoverable overseas tax	852	254
Prior year adjustments	(4)	(51)
Double taxation relief	(268)	(53)
Total taxation before deferred tax (note 8b)	2,783	972
Deferred tax (note 8c)	8	6
Total taxation	2,791	978
b) Factors affecting the tax charge for the year		
Net revenue before taxation	20,089	7,179
Corporation tax at 20% (2016: 20%)	4,018	1,436
Effects of:		
Irrecoverable overseas tax	584	201
Prior year adjustments	(4)	(51)
Non-taxable stock dividends	(4)	-
Income taxable in different periods	(20)	(17)
Non-taxable UK dividends	(188)	(45)
Non-taxable overseas dividends	(1,603)	(552)
Tax charge for the year (note 8a)	2,783	972
c) Provision for deferred tax		
Provision at the start of the year	7	1
Movement in deferred tax for the year (note 8a)	8	6
Provision at the end of the year	15	7

9. Distributions

	31 December 2017 £'000	31 December 2016 £'000
Interim distribution - January 2017	801	212
Interim distribution - February 2017	1,537	372
Interim distribution - March 2017	1,698	409
Interim distribution - April 2017	1,708	479
Interim distribution - May 2017	3,783	956
Interim distribution - June 2017	1,961	1,010
Interim distribution - July 2017	1,592	535
Interim distribution - August 2017	1,589	633
Interim distribution - September 2017	1,672	939
Interim distribution - October 2017	1,856	689
Interim distribution - November 2017	1,823	913
Final distribution - December 2017	1,900	990
	21,920	**8,137**
Add: amounts deducted on cancellation of units	4	12
Deduct: amounts added on issue of units	(619)	(430)
Distributions	21,305	7,719
Movement between net revenue and distributions		
Net revenue after taxation	17,298	6,201
Annual management charge paid from capital	4,003	1,515
Undistributed revenue carried forward	(1)	-
Expenses paid from capital	5	3
	21,305	7,719

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 29 to 34.

Notes to the financial statements (continued)

10. Fair value hierarchy

All investments are designated at fair value through profit or loss on initial recognition. The following table provides an analysis of these investments based on the fair value hierarchy in accordance with FRS 102 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 December 2017		31 December 2016	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	324,971	-	157,907	-
Level 2	374,918	(1,207)	176,640	(1,947)
Total	699,889	(1,207)	334,547	(1,947)

11. Debtors

	31 December 2017 £'000	31 December 2016 £'000
Amounts receivable for issue of units	8,864	5,319
Accrued revenue	5,853	3,228
Sales awaiting settlement	297	423
Overseas withholding tax recoverable	289	124
Amounts due from the manager in relation to expense fee rebate	-	25
Income tax recoverable	-	2
Total debtors	15,303	9,121

12. Cash and bank balances

	31 December 2017 £'000	31 December 2016 £'000
Amounts held at futures clearing houses and brokers	61	154
Cash and bank balances	60	1,338
Amounts held in JPMorgan Liquidity Funds – Sterling Liquidity Fund (Institutional dist.)	-	2,887
Total cash and bank balances	121	4,379

13. Provision for liabilities

	31 December 2017 £'000	31 December 2016 £'000
Deferred taxation	15	7
Total provisions for liabilities	15	7

14. Other creditors

	31 December 2017 £'000	31 December 2016 £'000
Corporation tax payable	1,034	404
Accrued annual management charge	406	203
Accrued other expenses	131	103
Purchases awaiting settlement	-	1,059
Total other creditors	1,571	1,769

15. Contingent liabilities and commitments

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

16. Reconciliation of unit movements

Class	Units in issue at 31 December 2016	Units issued	Units cancelled	Units converted	Units in issue at 31 December 2017
I distribution	171,198,209	164,202,448	(40,324)	621,495	335,981,828
I accumulation	238,029,227	224,709,272	(1,022,952)	(184,498)	461,531,049
R distribution	9,249,945	2,429,159	(973,983)	(303,310)	10,401,811
R accumulation	7,362,194	5,657,763	(1,253,616)	(83,443)	11,682,898

17. Risk disclosures

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

Notes to the financial statements (continued)

(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.

Currency	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
31 December 2017				
Sterling	2,996	179,521	32,182	214,699
Euro	9,346	91,029	81,503	181,878
US Dollar	13,300	77,193	90,907	181,400
New Zealand Dollar	-	-	22,084	22,084
Israeli New Shekel	-	-	19,534	19,534
Hong Kong Dollar	-	-	13,648	13,648
Swedish Krona	-	-	12,168	12,168
Norwegian Krone	-	-	10,159	10,159
Swiss Franc	-	-	9,655	9,655
Japanese Yen	(278)	-	9,757	9,479
Canadian Dollar	(3)	-	8,161	8,158
Czech Koruna	-	-	6,076	6,076
Russian Rouble	-	-	4,841	4,841
Singapore Dollar	-	-	4,785	4,785
Polish Zloty	-	-	3,598	3,598
Danish Krone	-	-	3,317	3,317
Brazilian Real	-	-	2,307	2,307
Australian Dollar	-	-	1,178	1,178
UAE Dirham	-	-	1,004	1,004
Indian Rupee	-	-	482	482
31 December 2016				
Sterling	5,833	91,356	21,321	118,510
US Dollar	7,993	29,602	49,521	87,116
Euro	2,892	42,401	36,449	81,742
New Zealand Dollar	40	-	9,074	9,114
Japanese Yen	-	-	8,996	8,996
Norwegian Krone	-	-	8,308	8,308
Israeli New Shekel	758	-	7,358	8,116
Czech Koruna	-	-	6,282	6,282
Swedish Krona	-	-	6,060	6,060
Brazilian Real	(4)	-	3,117	3,113
Hong Kong Dollar	(7)	-	2,557	2,550
Danish Krone	-	-	1,679	1,679
South African Rand	-	-	1,009	1,009
Swiss Franc	(18)	-	1,024	1,006
Russian Ruble	-	-	883	883
Canadian Dollar	-	-	807	807

The forward currency contracts are not included within this table. These can be found in the portfolio statement on page 16.

As at 31 December 2017 if there is a parallel shift in government bond yields with an increase of 1%, the fund could expect to see a 3.7% fall in the prices of the underlying bonds it holds (2016: 3.6%). A 1% fall in government bond yields would have an equal and opposite impact. This calculation has been prepared on a modified duration basis. Modified duration follows the concept that interest rates and bond prices move in opposite directions. The calculation has been used to serve as an indication of the possible impact to the fund from changes to government bond yields. This concept relies on a large number of assumptions, in particular, that all bonds are equally sensitive to government bond yields. In practice, this is not the case as many bonds with higher credit risk have lower correlation with government bond yields and in some cases even negative correlation. The fund contains a high and varying proportion of bonds with sometimes a high degree of credit risk. Furthermore, this makes the assumption of a parallel shift in yields. In practice, when interest rates change, longer dated government bond yields do not usually move in parallel with short-term interest rates. It is not unusual to see a negative correlation to short-term interest rate movements. The calculation also includes the impact of any futures positions, which are priced according to the yield of 10 year government bonds.

(ii) Currency risk

A portion of the net assets of the fund are denominated in currencies other than sterling, and therefore the balance sheet and total return can be affected by currency movements. Therefore, the manager may decide that a proportion of the investments that are not priced in sterling, may be covered by forward currency contracts, so that the fund's exposure to currency risk is reduced. The loss on forward currency contracts for the year was £3,191,000 (2016: loss of £4,385,000).

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

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

Currency	Investments £'000	Net other assets/ (liabilities) £'000	Forward currency contracts £'000	Total £'000
31 December 2017				
Sterling	206,874	7,825	180,324	395,023
US Dollar	179,805	1,595	(34,699)	146,701
Euro	180,343	1,535	(146,082)	35,796
New Zealand Dollar	22,084	-	-	22,084
Israeli New Shekels	19,462	72	-	19,534
Hong Kong Dollar	13,648	-	-	13,648
Swedish Krona	12,168	-	-	12,168
Norwegian Krone	10,114	45	-	10,159
Swiss Franc	9,653	2	-	9,655
Japanese Yen	9,328	151	-	9,479
Canadian Dollar	8,144	14	-	8,158
Czech Koruna	6,076	-	-	6,076
Russian Rouble	4,841	-	-	4,841
Singapore Dollar	4,785	-	-	4,785
Polish Zloty	3,598	-	-	3,598
Danish Krone	3,307	10	-	3,317
Brazilian Real	2,245	62	-	2,307
Australian Dollar	1,178	-	-	1,178
UAE Dirham	1,004	-	-	1,004
Indian Rupee	482	-	-	482

Notes to the financial statements (continued)

Currency	Investments £'000	Net other assets/ (liabilities) £'000	Forward currency contracts £'000	Total £'000
31 December 2016				
Sterling	109,481	9,029	80,228	198,738
US Dollar	86,083	1,033	12,836	99,952
New Zealand Dollar	9,114	-	-	9,114
Norwegian Krone	8,270	38	-	8,308
Israeli New Shekels	8,111	5	-	8,116
Czech Koruna	6,282	-	-	6,282
Swedish Krona	6,060	-	-	6,060
Japanese Yen	8,980	17	(5,470)	3,527
Brazilian Real	3,061	52	-	3,113
Hong Kong Dollar	2,542	8	-	2,550
Danish Krone	1,670	9	-	1,679
South African Rand	1,008	1	-	1,009
Swiss Franc	1,003	3	-	1,006
Russian Ruble	884	-	-	884
Canadian Dollar	807	-	-	807
Euro	80,934	806	(89,284)	(7,544)

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 £15,749,000 (2016: £7,243,000). 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 £34,934,000 (2016: £16,630,000). 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 and financial derivatives (subject to restrictions as set out in its Prospectus and COLL) as sources of leverage.

The maximum level of leverage which the manager may employ on behalf of the fund is 200% under the commitment method. A result of 100% indicates that no leverage has been used.

As at 31 December 2017 and 31 December 2016 the leverage ratios of the fund were:

	2017	2016
Sum of the notionals	129.80	135.13
Commitment	102.90	105.29

(b) Credit and counterparty risk

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

The manager is permitted to use one or more separate counterparties for derivative transactions. The fund may enter into transactions in over-the-counter ('OTC') markets that expose it to the credit of its counterparties and their ability to satisfy the terms of such contracts. Where the fund enters into derivative contracts, it will be exposed to the risk that the counterparty may default on its obligations to perform under the relevant contract. In the event of bankruptcy or insolvency of a counterparty, the fund could experience delays in liquidating the position and may incur significant losses. There may be a risk that a counterparty will be unable to meet its obligations with regard to the return of the collateral and may not meet other payments due to the fund. To minimise such risk the manager will assess the creditworthiness of any counterparty that it engages. On a daily basis the manager assesses the level of assets with each counterparty to ensure that the exposure is within the defined limits in accordance with the requirement stipulated in COLL and the Prospectus. The derivatives are disclosed in the portfolio statement and UBS A.G. ('UBS') is the counterparty for forward currency contracts and J.P. Morgan Securities Plc ('JPMorgan Securities') is the counterparty for futures 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 December 2017 or 31 December 2016.

Debt security credit analysis

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

	31 December 2017 £'000	31 December 2016 £'000
Investment grade securities	85,157	60,126
Below investment grade securities	263,545	102,856
Unrated securities	25,437	13,486
Total of debt securities	374,139	176,468

Source of credit ratings: Artemis Investment Management LLP.

Counterparty exposure

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

	Foreign currency contracts £'000	Futures £'000	Total net exposure £'000
31 December 2017			
JPMorgan	-	181	181
UBS	(457)	-	(457)
31 December 2016			
JPMorgan	-	(85)	(85)
UBS	(1,690)	-	(1,690)

(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

Notes to the financial statements (continued)

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 17 and notes 6, 9,11 and 14 on pages 20 to 23 including all issues and cancellations where the manager acted as principal.

The balance due from the manager as at 31 December 2017 in respect of these transactions was £8,458,000 (2016: £5,141,000).

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 35. The distributions per unit class are given in the distribution tables on pages 29 to 34. All classes have the same rights on winding up.

20. Post balance sheet event

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

	Net asset value per unit (p)		
	22 February 2018	31 December 2017	% movement
I distribution *	74.16	75.53	(1.6)%
I accumulation	93.35	94.89	(1.6)%
R distribution *	71.38	72.78	(1.7)%
R accumulation	90.03	91.61	(1.7)%

* The monthly interim distribution declared on 31 January 2018 of 0.1516 (I distribution) and 0.1528 (R distribution) have been included in the calculation of the movement in the net asset value per unit.

Distribution tables

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

Group 1 - Units purchased prior to 1 January 2017.

Group 2 - Units purchased from 1 January 2017 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	0.1586	-	0.1586	0.1554
Group 2	0.0785	0.0801	0.1586	0.1554
I accumulation				
Group 1	0.1911	-	0.1911	0.1797
Group 2	0.0845	0.1066	0.1911	0.1797
R distribution				
Group 1	0.1601	-	0.1601	0.1570
Group 2	0.0824	0.0777	0.1601	0.1570
R accumulation				
Group 1	0.1930	-	0.1930	0.1815
Group 2	0.0511	0.1419	0.1930	0.1815

Corporate unitholders should note that:

1. 28.56% of the revenue distribution together with the tax credit is received as franked investment income.
2. 71.44% 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.

Interim dividend distribution for the month ended 28 February 2017 (paid 28 April 2017) in pence per unit.

Group 1 - Units purchased prior to 1 February 2017.

Group 2 - Units purchased from 1 February 2017 to 28 February 2017.

	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 28 April 2017	Distribution per unit (p) 29 April 2016
I distribution				
Group 1	0.2841	-	0.2841	0.2243
Group 2	0.1069	0.1772	0.2841	0.2243
I accumulation				
Group 1	0.3430	-	0.3430	0.2602
Group 2	0.1477	0.1953	0.3430	0.2602
R distribution				
Group 1	0.2816	-	0.2816	0.2246
Group 2	0.0982	0.1834	0.2816	0.2246
R accumulation				
Group 1	0.3402	-	0.3402	0.2602
Group 2	0.0923	0.2479	0.3402	0.2602

Corporate unitholders should note that:

1. 64.79% of the revenue distribution together with the tax credit is received as franked investment income.
2. 35.24% 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.

Distribution tables (continued)

Interim dividend distribution for the month ended 31 March 2017 (paid 31 May 2017) in pence per unit.
Group 1 - Units purchased prior to 1 March 2017.
Group 2 - Units purchased from 1 March 2017 to 31 March 2017.

	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 31 May 2017	Distribution per unit (p) 31 May 2016
I distribution				
Group 1	0.2890	-	0.2890	0.2243
Group 2	0.1368	0.1522	0.2890	0.2243
I accumulation				
Group 1	0.3504	-	0.3504	0.2609
Group 2	0.1570	0.1934	0.3504	0.2609
R distribution				
Group 1	0.2872	-	0.2872	0.2243
Group 2	0.1504	0.1368	0.2872	0.2243
R accumulation				
Group 1	0.3485	-	0.3485	0.2611
Group 2	0.1532	0.1953	0.3485	0.2611

Corporate unitholders should note that:
1. 51.63% of the revenue distribution together with the tax credit is received as franked investment income.
2. 48.37% 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.

Interim dividend distribution for the month ended 30 April 2017 (paid 30 June 2017) in pence per unit.
Group 1 - Units purchased prior to 1 April 2017.
Group 2 - Units purchased from 1 April 2017 to 30 April 2017.

	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 30 June 2017	Distribution per unit (p) 30 June 2016
I distribution				
Group 1	0.2727	-	0.2727	0.2104
Group 2	0.1171	0.1556	0.2727	0.2104
I accumulation				
Group 1	0.3318	-	0.3318	0.2457
Group 2	0.1582	0.1736	0.3318	0.2457
R distribution				
Group 1	0.2697	-	0.2697	0.2109
Group 2	0.1473	0.1224	0.2697	0.2109
R accumulation				
Group 1	0.3285	-	0.3285	0.2463
Group 2	0.1904	0.1381	0.3285	0.2463

Corporate unitholders should note that:
1. 69.45% of the revenue distribution together with the tax credit is received as franked investment income.
2. 30.55% 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.

Interim dividend distribution for the month ended 31 May 2017 (paid 31 July 2017) in pence per unit.

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

	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 31 July 2017	Distribution per unit (p) 29 July 2016
I distribution				
Group 1	0.5695	-	0.5695	0.3697
Group 2	0.3516	0.2179	0.5695	0.3697
I accumulation				
Group 1	0.6955	-	0.6955	0.4329
Group 2	0.4349	0.2606	0.6955	0.4329
R distribution				
Group 1	0.5584	-	0.5584	0.3657
Group 2	0.3916	0.1668	0.5584	0.3657
R accumulation				
Group 1	0.6825	-	0.6825	0.4283
Group 2	0.3886	0.2939	0.6825	0.4283

Corporate unitholders should note that:
1. 68.02% of the revenue distribution together with the tax credit is received as franked investment income.
2. 31.98% 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.

Interim dividend distribution for the month ended 30 June 2017 (paid 31 August 2017) in pence per unit.

Group 1 - Units purchased prior to 1 June 2017.
Group 2 - Units purchased from 1 June 2017 to 30 June 2017.

	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 31 August 2017	Distribution per unit (p) 31 August 2016
I distribution				
Group 1	0.2817	-	0.2817	0.3707
Group 2	0.0816	0.2001	0.2817	0.3707
I accumulation				
Group 1	0.3455	-	0.3455	0.4361
Group 2	0.0984	0.2471	0.3455	0.4361
R distribution				
Group 1	0.2795	-	0.2795	0.3673
Group 2	0.1047	0.1748	0.2795	0.3673
R accumulation				
Group 1	0.3430	-	0.3430	0.4320
Group 2	0.0872	0.2558	0.3430	0.4320

Corporate unitholders should note that:
1. 60.52% of the revenue distribution together with the tax credit is received as franked investment income.
2. 39.48% 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.

Distribution tables (continued)

Interim dividend distribution for the month ended 31 July 2017 (paid 29 September 2017) in pence per unit.
Group 1 - Units purchased prior to 1 July 2017.
Group 2 - Units purchased from 1 July 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	0.2166	-	0.2166	0.1767
Group 2	0.0767	0.1399	0.2166	0.1767
I accumulation				
Group 1	0.2675	-	0.2675	0.2093
Group 2	0.1136	0.1539	0.2675	0.2093
R distribution				
Group 1	0.2152	-	0.2152	0.1778
Group 2	0.0380	0.1772	0.2152	0.1778
R accumulation				
Group 1	0.2664	-	0.2664	0.2107
Group 2	0.0640	0.2024	0.2664	0.2107

Corporate unitholders should note that:
1. 53.01% of the revenue distribution together with the tax credit is received as franked investment income.
2. 46.99% 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.

Interim dividend distribution for the month ended 31 August 2017 (paid 31 October 2017) in pence per unit.
Group 1 - Units purchased prior to 1 August 2017.
Group 2 - Units purchased from 1 August 2017 to 31 August 2017.

	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 31 October 2017	Distribution per unit (p) 31 October 2017
I distribution				
Group 1	0.2075	-	0.2075	0.1929
Group 2	0.1055	0.1020	0.2075	0.1929
I accumulation				
Group 1	0.2571	-	0.2571	0.2291
Group 2	0.1355	0.1216	0.2571	0.2291
R distribution				
Group 1	0.2066	-	0.2066	0.1940
Group 2	0.0869	0.1197	0.2066	0.1940
R accumulation				
Group 1	0.2566	-	0.2566	0.2305
Group 2	0.1479	0.1087	0.2566	0.2305

Corporate unitholders should note that:
1. 27.95% of the revenue distribution together with the tax credit is received as franked investment income.
2. 72.05% 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.

Interim dividend distribution for the month ended 30 September 2017 (paid 30 November 2017) in pence per unit.
Group 1 - Units purchased prior to 1 September 2017.
Group 2 - Units purchased from 1 September 2017 to 30 September 2017.

	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 30 November 2017	Distribution per unit (p) 30 November 2016
I distribution				
Group 1	0.2078	-	0.2078	0.2484
Group 2	0.0877	0.1201	0.2078	0.2484
I accumulation				
Group 1	0.2581	-	0.2581	0.2959
Group 2	0.1101	0.1480	0.2581	0.2959
R distribution				
Group 1	0.2072	-	0.2072	0.2479
Group 2	0.0661	0.1411	0.2072	0.2479
R accumulation				
Group 1	0.2576	-	0.2576	0.2954
Group 2	0.1252	0.1324	0.2576	0.2954

Corporate unitholders should note that:
1. 48.97% of the revenue distribution together with the tax credit is received as franked investment income.
2. 51.03% 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.

Interim dividend distribution for the month ended 31 October 2017 (paid 29 December 2017) in pence per unit.
Group 1 - Units purchased prior to 1 October 2017.
Group 2 - Units purchased from 1 October 2017 to 31 October 2017.

	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 29 December 2017	Distribution per unit (p) 30 December 2016
I distribution				
Group 1	0.2193	-	0.2193	0.1696
Group 2	0.0986	0.1207	0.2193	0.1696
I accumulation				
Group 1	0.2731	-	0.2731	0.2026
Group 2	0.1105	0.1626	0.2731	0.2026
R distribution				
Group 1	0.2180	-	0.2180	0.1709
Group 2	0.0695	0.1485	0.2180	0.1709
R accumulation				
Group 1	0.2721	-	0.2721	0.2044
Group 2	0.1301	0.1420	0.2721	0.2044

Corporate unitholders should note that:
1. 13.62% of the revenue distribution together with the tax credit is received as franked investment income.
2. 86.38% 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.

Distribution tables (continued)

Interim dividend distribution for the month ended 30 November 2017 (paid 31 January 2018) in pence per unit.
Group 1 - Units purchased prior to 1 November 2017.
Group 2 - Units purchased from 1 November 2017 to 30 November 2017.

	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 31 January 2018	Distribution per unit (p) 31 January 2017
I distribution				
Group 1	0.2047	-	0.2047	0.2062
Group 2	0.0806	0.1241	0.2047	0.2062
I accumulation				
Group 1	0.2558	-	0.2558	0.2472
Group 2	0.1100	0.1458	0.2558	0.2472
R distribution				
Group 1	0.2039	-	0.2039	0.2067
Group 2	0.0900	0.1139	0.2039	0.2067
R accumulation				
Group 1	0.2553	-	0.2553	0.2478
Group 2	0.1088	0.1465	0.2553	0.2478

Corporate unitholders should note that:
1. 38.17% of the revenue distribution together with the tax credit is received as franked investment income.
2. 61.83% 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 month ended 31 December 2017 (payable 28 February 2018) in pence per unit.
Group 1 - Units purchased prior to 1 December 2017.
Group 2 - Units purchased from 1 December 2017 to 31 December 2017.

	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 28 February 2018	Distribution per unit (p) 28 February 2017
I distribution				
Group 1	0.2024	-	0.2024	0.2079
Group 2	0.1093	0.0931	0.2024	0.2079
I accumulation				
Group 1	0.2535	-	0.2535	0.2507
Group 2	0.1452	0.1083	0.2535	0.2507
R distribution				
Group 1	0.2019	-	0.2019	0.2073
Group 2	0.0885	0.1134	0.2019	0.2073
R accumulation				
Group 1	0.2521	-	0.2521	0.2500
Group 2	0.1553	0.0968	0.2521	0.2500

Corporate unitholders should note that:
1. 23.19% of the revenue distribution together with the tax credit is received as franked investment income.
2. 76.81% 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.

The fund has not held more than 60% of its net assets in interest bearing securities during any of the distribution periods. Corporate unitholders should note that a holding in a fund with with more than 60% of its net assets in interest bearing assets may be required to be treated as a creditor loan relationship for corporation 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	**72.23**	**63.86**	**61.60**	**87.06**	**73.87**	**68.49**
Return before operating charges *	7.04	11.74	5.45	8.60	13.91	6.09
Operating charges	(0.63)	(0.61)	(0.62)	(0.77)	(0.72)	(0.71)
Return after operating charges	6.41	11.13	4.83	7.83	13.19	5.38
Distributions	(3.11)	(2.76)	(2.57)	(3.82)	(3.25)	(2.91)
Retained distributions on accumulation units	-	-	-	3.82	3.25	2.91
Closing net asset value per unit	**75.53**	**72.23**	**63.86**	**94.89**	**87.06**	**73.87**
* after direct transaction costs of	(0.06)	(0.09)	(0.07)	(0.07)	(0.11)	(0.08)
Performance						
Return after charges	8.87%	17.43%	7.84%	8.99%	17.86%	7.86%
Other information						
Closing net asset value (£'000)	253,768	123,662	32,403	437,952	207,224	39,447
Closing number of units	335,981,828	171,198,209	50,744,303	461,531,049	238,029,227	53,402,386
Operating charges	0.84%	0.89%	0.97%	0.84%	0.89%	0.97%
Direct transaction costs	0.08%	0.13%	0.11%	0.08%	0.13%	0.11%
Prices						
Highest offer unit price (p)	77.13	73.99	68.71	96.64	88.83	77.00
Lowest bid unit price (p)	72.51	59.54	61.57	87.38	69.04	68.77

	R distribution			R accumulation		
	2017	2016	2015	2017	2016	2015
Change in net assets per unit (p)						
Opening net asset value per unit	**70.13**	**62.46**	**60.65**	**84.59**	**72.24**	**67.41**
Return before operating charges *	6.89	11.50	5.41	8.44	13.63	6.06
Operating charges	(1.15)	(1.08)	(1.08)	(1.42)	(1.28)	(1.23)
Return after operating charges	5.74	10.42	4.33	7.02	12.35	4.83
Distributions	(3.09)	(2.75)	(2.52)	(3.80)	(3.25)	(2.85)
Retained distributions on accumulation units	-	-	-	3.80	3.25	2.85
Closing net asset value per unit	**72.78**	**70.13**	**62.46**	**91.61**	**84.59**	**72.24**
* after direct transaction costs of	(0.06)	(0.09)	(0.07)	(0.07)	(0.10)	(0.08)
Performance						
Return after charges	8.18%	16.68%	7.14%	8.30%	17.10%	7.17%
Other information						
Closing net asset value (£'000)	7,571	6,487	4,280	10,702	6,228	3,641
Closing number of units	10,401,811	9,249,945	6,851,562	11,682,898	7,362,194	5,040,079
Operating charges	1.59%	1.64%	1.72%	1.59%	1.64%	1.72%
Direct transaction costs	0.08%	0.13%	0.11%	0.08%	0.13%	0.11%
Prices						
Highest offer unit price (p)	77.62	74.97	70.36	97.22	89.94	78.83
Lowest bid unit price (p)	70.39	58.19	60.36	84.90	67.47	67.64

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

Ongoing charges

Class	31 December 2017
I distribution	0.84%
I accumulation	0.84%
R distribution	1.59%
R accumulation	1.59%

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

Class I performance

Performance	Since launch *	5 years	3 years	1 year	6 months
Artemis Monthly Distribution Fund	100.0	77.8	38.5	9.0	3.9
Sector average	48.6	37.4	20.1	7.2	2.9
Position in sector	1/97	1/104	1/126	27/139	31/140
Quartile	1	1	1	1	1

* Data from 21 May 2012. Source: Lipper Limited, class I accumulation units, bid to bid in sterling with dividends reinvested to 31 December 2017. All figures show total returns. Sector is IA Mixed Investment 20-60% shares, universe of funds is those reporting net of UK taxes.

Class R performance

Performance	Since launch *	5 years	3 years	1 year	6 months
Artemis Monthly Distribution Fund	93.1	72.3	35.9	8.3	3.5

* Data from 21 May 2012. Source: Lipper Limited, class R accumulation units, bid to bid in sterling with dividends reinvested to 31 December 2017. All figures show total returns.

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