

# Old Mutual Investment Funds Series I

Annual Report and Financial Statements  
For the year ended 31 July 2018

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## Company Information

### Authorised Corporate Director (“ACD”)

Quilter Investors Limited (formerly Old Mutual Investment Management Limited)  
Millennium Bridge House  
2 Lambeth Hill  
London  
EC4V 4AJ

Authorised and regulated by the Financial Conduct Authority.

### Directors of the ACD

M Dean  
J Brescia (resigned 29 June 2018)  
P Simpson  
J Little (appointed 14 February 2018) – Non-Executive Director  
C Turner (appointed 14 February 2018) – Non-Executive Director

### Investment Adviser

Old Mutual Global Investors (UK) Limited  
Millennium Bridge House  
2 Lambeth Hill  
London  
EC4P 4WR

Authorised and regulated by the Financial Conduct Authority.

### Depository

Citibank Europe plc, UK Branch  
Citigroup Centre  
Canada Square, Canary Wharf  
London  
E14 5LB

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

### Legal Adviser

Macfarlanes LLP  
20 Cursitor Street  
London  
EC4A 1LT

### Auditor

KPMG LLP  
Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EG

### Administrator

Citibank Europe plc  
1, North Wall Quay  
Dublin 1  
Ireland

Authorised by the Central Bank of Ireland (Central Bank) under the Investment Intermediaries Act 1995.

### Registrar

DST Financial Services International Ltd (formerly International Financial Data Services)  
DST House  
Saint Nicholas Lane  
Basildon  
Essex  
SS15 5FS

(The register of shareholders can be inspected at the above address).

Quilter Investors Limited, a member of the Quilter plc Group of companies, is authorised and regulated by the Financial Conduct Authority. FCA Register number 208543.  
Registered Office: Millennium Bridge House, 2 Lambeth Hill, London, EC4V 4AJ, United Kingdom.  
Registered Number: 4227837 England. [www.quilterinvestors.com](http://www.quilterinvestors.com)

No marketing notification has been submitted for the following sub-funds of the Company: Old Mutual Corporate Bond Fund, Old Mutual Monthly Income Bond Fund, Old Mutual UK Equity Income Fund, Old Mutual UK Alpha Fund, Old Mutual UK Mid Cap Fund and Old Mutual UK Smaller Companies Fund. Accordingly, shares of these sub-funds must not be marketed in Germany.

## Report of the Directors of Old Mutual Investment Funds Series I

### Directors' report

The Directors present the report and financial statements for the Old Mutual Investment Funds Series I ("the Company") for the year from 1 August 2017 to 31 July 2018.

### Authorised status

The Company is an Open-Ended Investment Company incorporated as an Investment Company with Variable Capital ("ICVC") under Regulation 12 (authorisation) of the Open-Ended Investment Company ("OEIC") Regulations. It is incorporated in England and Wales and authorised by the Financial Conduct Authority under the OEIC Regulations 2001 and the Collective Investment Schemes Sourcebook ("the Regulations"). It is a UCITS scheme for the purposes of that part of the Financial Conduct Authority's Handbook of Rules and Guidance which deals with regulated collective investment schemes (the "Sourcebook").

### Liability

The Company is under the "Protected cell" regime. As such each sub-fund has a specific portfolio of securities to which that sub-fund's assets and liabilities are attributable. So far as investors are concerned each sub-fund will be treated as a separate entity. The assets of a sub-fund shall not be used or made available to discharge (directly or indirectly) the liabilities of, or claims against, any other person or body, including the Company and any other sub-fund and shall not be available for any such purpose.

### Pricing

From 29 January 2018 sub-funds in the Old Mutual Investment Funds Series I changed from dual pricing basis to single price basis.

### Fund launch

On 15 June 2018 the Old Mutual UK Alpha Fund, a sub-fund of Old Mutual Multimanager Trust, was merged by way of a formal scheme of arrangement into a newly created sub-fund of Old Mutual Investment Funds Series I. The investment strategy of the fund did not change as a result of the merger.

Sub-fund name	Launch date
Old Mutual UK Alpha Fund	15 June 2018

### Director changes

Jonathan Little and Catherine Turner were appointed as Non-Executive Directors of the Company with effect from 14 February 2018.

### Old Mutual reorganisation

In early 2016, Old Mutual plc announced the proposed separation of its four underlying business units, one of which was Quilter plc (formerly Old Mutual Wealth Management Limited) and its subsidiaries (the "Managed Separation"). In addition, Old Mutual Global Investors, which previously consisted of two distinct business lines, a Single-Strategy Business and a Multi-Asset Business, announced that it would be split into two separate and distinct businesses and Quilter plc agreed to sell the entire Single-Strategy Business resulting in Quilter plc ceasing to be the ultimate controlling shareholder of OMGI UK. Members of the management that currently run the Single-Strategy Business and certain funds managed by TA Associates, a global private equity firm became the ultimate controlling shareholder of OMGI UK. The Managed Separation was completed on 25th June 2018, and the sale of the Single Strategy Business was completed on 29th June 2018.

## Report of the Directors of Old Mutual Investment Funds Series I (continued)

### Additional information

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP) for Authorised Funds issued by the Investment Management Association (IMA) in May 2014.

The Company is an umbrella scheme which complies with the Financial Conduct Authority's Collective Investment Schemes Sourcebook (COLL) and as at 31 July 2018 had seven sub-funds (listed below). Additional sub-funds may be launched in the future.

Sub-fund name	Launch date
Old Mutual Corporate Bond Fund	17 June 2000
Old Mutual Monthly Income Bond Fund	30 September 2004
Old Mutual UK Alpha Fund	15 June 2018
Old Mutual UK Equity Income Fund	30 September 1975
Old Mutual UK Mid Cap Fund	22 February 2002
Old Mutual UK Opportunities Fund	2 August 2013
Old Mutual UK Smaller Companies Fund	9 February 2001

In accordance with the requirements of the Financial Services and Market Act 2000, we hereby certify these financial statements on behalf of the Authorised Corporate Director.



P Simpson  
For and on behalf of Quilter Investors Limited  
Director



M Dean  
For and on behalf of Quilter Investors Limited  
Director

12 October 2018

12 October 2018

## Authorised Corporate Director's report

The purpose of this report is to provide details of the progress of the Company, and the sub-funds contained within. The report provides details of the performance and the portfolio of each of the sub-funds.

### Net asset value of sub-funds

	31 July 2018			31 July 2017		
	Net asset value of sub-fund by share class	Shares in issue	Net asset value per share	Net asset value of sub-fund by share class	Shares in issue	Net asset value per share
<b>Old Mutual Corporate Bond Fund</b>						
-Accumulation 'A'	£79,330,958	33,860,899	234.28p	£102,578,241	43,742,374	234.51p
-Income 'A'	£18,196,053	15,121,703	120.33p	£22,831,027	18,629,021	122.56p
-Accumulation 'P'	£1,071,604	613,808	174.58p	£1,284,841	737,869	174.13p
-Income 'P'	£234,021	194,237	120.48p	£379,473	309,258	122.70p
-Accumulation 'R'	£83,845,792	65,948,066	127.14p	£91,644,833	72,381,783	126.61p
-Income 'R'	£61,856,094	54,266,301	113.99p	£74,264,454	63,969,456	116.09p
-Accumulation 'U1'	£23,356,453	19,978,004	116.91p	£26,805,018	23,033,480	116.37p
-Income 'U1'	£1,818,897	1,752,413	103.79p	£2,213,155	2,093,546	105.71p
-Accumulation 'U2'	-	-	-	£98,023,510	82,512,795	118.80p
-Income 'U2'	£41,248,120	39,674,772	103.97p	£32,153,827	30,365,264	105.89p
<b>Old Mutual Monthly Income Bond Fund</b>						
-Accumulation 'A'	£6,403,581	8,867,573	72.21p	£8,421,734	11,389,671	73.94p
-Income 'A'	£11,108,703	29,697,184	37.41p	£13,137,513	32,901,617	39.93p
-Accumulation 'P'	£6,502	4,856	133.90p	£1,054	773	136.41p
-Income 'P'	£112,079	122,219	91.70p	£119,100	122,281	97.40p
-Accumulation 'R'	£51,944,084	45,373,744	114.48p	£17,382,335	14,917,640	116.52p
-Income 'R'	£10,553,116	10,798,018	97.73p	£14,920,612	14,389,051	103.69p
-Accumulation 'U1'	£3,883,416	3,749,144	103.58p	£3,986,642	3,784,853	105.33p
-Income 'U1'	£2,768,462	3,215,416	86.10p	£8,140,955	8,918,987	91.28p
-Accumulation 'U2'	-	-	-	£74,630,120	68,875,664	108.35p
-Income 'U2'	£121,903	136,173	89.52p	£125,851	132,751	94.80p
<b>Old Mutual UK Alpha Fund</b>						
-Accumulation 'A'	£68,456,344	49,151,531	139.28p	-	-	-
-Income 'A'	£3,739,494	3,061,828	122.13p	-	-	-
-Accumulation 'R'	£361,966,735	217,168,642	166.68p	-	-	-
-Income 'R'	£22,432,596	17,599,643	127.46p	-	-	-
-Accumulation 'U1'	£544,527,362	367,838,497	148.03p	-	-	-
-Income 'U1'	£355,969,836	285,306,882	124.77p	-	-	-
-Accumulation 'U2'	£199,042,178	140,482,805	141.68p	-	-	-
-Income 'U2'	£572,543,683	472,775,803	121.10p	-	-	-
<b>Old Mutual UK Equity Income Fund</b>						
-Accumulation 'A'	£7,153,017	214,691	3,331.77p	£8,737,821	279,256	3,128.97p
-Income 'A'	£27,061,984	3,094,850	874.42p	£34,629,389	4,046,711	855.74p
-Accumulation 'P'	£448,278	230,700	194.31p	£1,397,650	769,745	181.57p
-Income 'P'	£138,334	109,035	126.87p	£74,004	59,908	123.53p
-Accumulation 'R'	£14,386,772	8,228,199	174.85p	£15,321,621	9,400,977	162.98p
-Income 'R'	£21,177,320	15,110,896	140.15p	£22,799,577	16,749,665	136.12p
-Accumulation 'U1'	£8,331,489	6,347,655	131.25p	£11,517,697	9,421,222	122.25p
-Income 'U1'	£4,595,278	4,141,334	110.96p	£5,761,666	5,350,180	107.69p
-Accumulation 'U2'	£18,099	13,674	132.36p	£46,507,016	37,940,687	122.58p
-Income 'U2'	£21,867,438	19,988,045	109.40p	£19,471,286	18,350,061	106.11p

## Authorised Corporate Director's report (continued)

### Net asset value of sub-funds (continued)

	31 July 2018			31 July 2017		
	Net asset value of sub-fund by share class	Shares in issue	Net asset value per share	Net asset value of sub-fund by share class	Shares in issue	Net asset value per share
<b>Old Mutual UK Mid Cap Fund</b>						
-Accumulation 'A'	£578,764,585	116,270,135	497.78p	£573,206,283	123,608,212	463.73p
-Income 'A'	£190,480,191	43,343,858	439.46p	£181,846,481	44,151,241	411.87p
-Accumulation 'P'	£18,533,146	4,345,326	426.51p	£14,734,806	3,727,017	395.35p
-Income 'P'	£5,249,603	2,011,227	261.01p	£4,057,849	1,659,134	244.58p
-Accumulation 'R'	£1,090,037,406	328,005,588	332.32p	£846,768,761	275,571,636	307.28p
-Income 'R'	£317,394,438	120,576,780	263.23p	£238,317,418	96,630,728	246.63p
-Accumulation 'U1'	£838,133,870	455,415,982	184.04p	£630,634,156	370,873,371	170.04p
-Income 'U1'	£545,864,739	309,775,625	176.21p	£375,154,304	227,239,255	165.09p
-Accumulation 'U2'	£16,950,540	9,022,299	187.87p	£15,629,841	9,010,941	173.45p
-Income 'U2'	£87,074,401	53,294,284	163.38p	£79,571,318	51,984,597	153.07p
<b>Old Mutual UK Opportunities Fund</b>						
-Accumulation 'A'	£9,610,147	8,791,719	109.31p	£12,494,887	10,830,127	115.37p
-Accumulation 'R'	£2,373,362	2,070,466	114.63p	£6,402,242	5,331,639	120.08p
-Accumulation 'U1'	£1,674,820	1,885,443	88.83p	£3,379,943	3,637,815	92.91p
-Accumulation 'U2'	£15,045	16,624	90.50p	£945,703	1,000,282	94.54p
<b>Old Mutual UK Smaller Companies Fund</b>						
-Accumulation 'A'	£289,768,109	52,136,322	555.79p	£281,745,812	55,513,641	507.53p
-Income 'A'	£33,450,944	6,281,238	532.55p	£35,968,088	7,396,119	486.31p
-Accumulation 'P'	£3,127,107	750,063	416.91p	£2,532,465	668,530	378.81p
-Income 'P'	£811,400	334,246	242.76p	£490,549	221,996	220.97p
-Accumulation 'R'	£547,184,307	185,336,909	295.24p	£436,193,614	163,214,941	267.25p
-Income 'R'	£188,525,849	69,845,301	269.92p	£155,681,571	63,392,200	245.58p
-Accumulation 'U1'	£266,790,653	143,516,044	185.90p	£202,258,318	120,300,916	168.13p
-Income 'U1'	£53,818,047	28,912,206	186.14p	£40,907,236	24,154,810	169.35p
-Accumulation 'U2'	£12,257,879	6,623,763	185.06p	£4,180,472	2,499,804	167.23p
-Income 'U2'	£38,504,698	21,788,838	176.72p	£40,198,400	25,003,305	160.77p

### Cross Holdings

There were no cross holdings held by the sub-funds throughout the year to 31 July 2018.

### Securities Financing Transactions Regulation Disclosure

The Company does not currently undertake securities financing transactions (as defined in Article 3 of Regulation (EU) 2015/2365) or use total return swaps.



## Statement of the Authorised Director's responsibilities

The Collective Investment Schemes sourcebook published by the FCA, ("the COLL Rules") require the Authorised Corporate Director ("ACD") to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the Company and of the net income and net gains or losses on the property of the Company for the year.

In preparing the financial statements the ACD is responsible for:

- selecting suitable accounting policies and then apply them consistently;
- making judgements and estimates that are reasonable and prudent;
- following UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland;
- complying with the disclosure requirements of the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Management Association in May 2014;
- keeping proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements;
- assessing the Company and its sub-funds' ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless they either intend to liquidate the Company or its sub-funds or to cease operations, or have no realistic alternative but to do so;
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- taking reasonable steps for the prevention and detection of fraud and irregularities.

The ACD is responsible for the management of the Company in accordance with its Instrument of Incorporation, the Prospectus and the COLL Rules.

## Remuneration Policy

### Remuneration Disclosure Annual Report and Accounts

#### Remuneration Policy

Funds under the Old Mutual Investment Funds Series I umbrella are managed by Quilter Investors Limited, a wholly owned subsidiary of Quilter plc.

The board of Quilter Investors Limited has established a Remuneration Policy encompassing the specific requirements of the UCITS Directive. This policy applies to Quilter Investors Limited and the sub-funds it manages.

#### Remuneration philosophy and alignment with risk management

Our remuneration philosophy is focused on pay for performance, where the performance is delivered within the risk appetite of the firm and the funds it manages. Remuneration is structured in a way to attract, motivate and retain the individuals needed to lead and develop the business. Remuneration structures are designed to support the delivery of Quilter Investors Limited's strategy and align the interests of executives, shareholders and customers.

Remuneration is comprised of fixed pay, variable pay (cash bonus with deferral and LTIP), non-contributory defined contribution pension and other market competitive benefits. A proportion of the annual bonus is deferred into approved funds or Quilter plc shares. The deferral rates applied increase in line with the amount of the annual bonus and are applied on a tax table basis. For Quilter Investors Limited 'Identified Staff', where variable remuneration amounts to more than £500,000 (or local currency equivalent) a deferral rate of 60% is applied.

The Remuneration Committee monitors the compensation process and ensures that proposals do not reward senior staff for excessive risk-taking.

The deferred element of the annual bonus vests in equal tranches on an annual basis over three years after award. During the deferral period the unvested bonus award remains at risk of forfeiture or reduction. This helps promote sound risk management and discourage risk taking that exceeds the firm's level of tolerated risk or that of our client funds. Through the use of deferral into funds or shares the interests of staff are closely aligned to the long-term interests of investors and shareholders.

An LTIP is offered in the form of a Joint Share Ownership Plan which is designed to align senior management reward to the success of the company in achieving its strategic priorities and growing the value of the business. Awards under the plan have a vesting period of 3 years. At vesting, the participant's interest is exchanged for Quilter plc shares of equal value, of which 50% of the net amount are subject to a 12 month restricted period.

A copy of the Remuneration Policy is available upon request.

#### Financial and non-financial criteria

Variable remuneration is based on a rounded assessment of firm and individual performance. The assessment of corporate performance covers both financial and non-financial performance including risk management.

Individual performance is assessed against the individual's objectives and includes an employee's compliance with controls and applicable company standards including the Code of Ethics.

#### Conflicts of interest

The approach to and management of remuneration contain a number of measures to avoid conflicts of interest.

- Guidance is provided to managers to assist them in determining appropriate remuneration recommendations for their staff. Remuneration proposals are subject to approval by department or functional heads. For senior employees these proposals are subject to moderation as part of a broader Quilter Investors Limited process. No employee may determine their own remuneration.
- Employees engaged in control functions (e.g. Risk, Compliance and Internal Audit) have functional line management structures outside of the business units they oversee, to ensure that remuneration decisions are not directly determined by the business units they oversee. Variable remuneration for control function employees is determined on the achievement of meeting their own functional objectives as set in their appraisal. The Quilter Investors Limited Remuneration Committee signs off the remuneration of higher paid staff.
- Personal hedging strategies which may undermine the risk alignment of variable remuneration are not permissible (e.g. entering into an arrangement with a third party under which payments will be linked to the person's remuneration or deferred consideration). Personal Account dealing policies are in place which prohibit dealing on a personal basis or by any connected party without prior consent from Compliance.

#### Employee remuneration disclosure

The table below provides an overview of the following:

- Aggregate total remuneration of Quilter Investors Limited entire staff; and
- Aggregate total remuneration of Quilter Investors Limited 'Identified Staff'

The 'Identified Staff' of Quilter Investors Limited are those employees who are considered could have a material impact on the risk profile of Quilter Investors Limited or the funds it manages (including funds under the Old Mutual Investment Funds). This broadly includes senior management, risk takers and control functions. For the purposes of this disclosure, 'Identified Staff' does not include employees of entities to which activities have been delegated.

Amounts shown reflect payments made during the financial reporting period of Quilter Investors Limited.

## Remuneration Policy (continued)

### Old Mutual Series I Funds

	Headcount	Total Remuneration	Proportion <sup>3</sup>
Quilter Investors Limited Staff <sup>1</sup>	338	£16,514,242	£4,599,315
of which			
Fixed remuneration		6,012,464	1,674,507
Variable remuneration		10,501,778	2,924,808
Carried interest		Nil	Nil
Quilter Investors Limited 'Identified Staff' <sup>2</sup>	5	£1,052,466	£293,118
of which			
Senior Management	4	989,487	275,578
Other Identified Staff	1	62,979	17,540

- 1 Total remuneration costs represent an apportioned amount of OMGI's total remuneration costs for fixed and variable pay, apportioned to Quilter Investors Limited based on average time allocation, and to sub-fund activity on an AUM basis (as at 31 December 2017). The Headcount figure provided represents an apportioned amount of the OMGI's total FTE headcount as at 31 December 2017, apportioned to Quilter Investors Limited on the basis of average time allocation.
- 2 The Identified Staff disclosure represents total compensation of Quilter Investors Limited Code Staff, apportioned to the estimated time relevant to the activity. Across the Identified Staff, the average time allocation per individual based on work undertaken for Quilter Investors Limited was 20%.
- 3 This figure represents an apportioned amount of the total remuneration attributable to the sub-fund allocated on an AUM basis (as at 31 December 2017).

## Statement of the Depositary's Responsibilities in Respect of the Scheme and Report of the Depositary to the Shareholders of Old Mutual Investment Funds Series I

for the year from 1 August 2017 to 31 July 2018

The Depositary is responsible for the safekeeping of all of the property of the Company (other than tangible moveable property) which is entrusted to it and for the collection of revenue that arises from that property.

It is the duty of the Depositary to take reasonable care to ensure that the Company is managed by the Authorised Corporate Director in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook ("the Sourcebook"), the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) (the OEIC Regulations), the Company's Instrument of Incorporation and the Prospectus, as appropriate, concerning: the pricing of and dealing in Shares in the Company; the application of income of the Company; and the investment and borrowing powers applicable to the Company.

Having carried out procedures and enquiries considered duly necessary to discharge our responsibilities as Depositary of the Company, based on information and explanations provided to us, we believe that, in all material respects, the Company, acting through the Authorised Corporate Director:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's income in accordance with the Sourcebook, and where applicable, the OEIC regulations, the Company's Instrument of Incorporation and Prospectus;
- (ii) has, observed the investment and borrowing powers and restrictions applicable to the Company; and
- (iii) has, otherwise, ensured the proper operation of the Company.

Citibank Europe plc, UK Branch  
Depositary  
12 October 2018

## Independent Auditor's Report to the Shareholders of the Old Mutual Investment Funds Series I

### Opinion

We have audited the financial statements of the Company for the year ended 31 July 2018 which comprise the Statements of Total Return, the Statements of Changes in Net Assets Attributable to Shareholders, the Balance Sheets, the Related Notes and Distribution Tables for each of the Company's sub-funds listed on page 6 and the accounting policies set out on pages 184 to 185.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, of the financial position of each of the sub-funds as at 31 July 2018 and of the net expense/net revenue and the net capital gains/net capital losses on the property of each of the sub-funds for the year then ended; and
- have been properly prepared in accordance with the Instrument of Incorporation, the Statement of Recommended Practice relating to Authorised Funds, and the COLL Rules.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard.

We have received all the information and explanations which we consider necessary for the purposes of our audit and we believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### Other information

The Authorised Corporate Director is responsible for the other information presented in the Annual Report together with the financial statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information; and
- in our opinion the information given in the Authorised Corporate Director's Report is consistent with the financial statements.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where under the COLL Rules we are required to report to you if, in our opinion:

- proper accounting records for the Company have not been kept; or
- the financial statements are not in agreement with the accounting records.

### Authorised Corporate Director's responsibilities

As explained more fully in their statement set out on page 9 the Authorised Corporate Director is responsible for: the preparation of financial statements which give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company and its sub-funds' ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or its sub-funds or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

## Independent Auditor's Report to the Shareholders of the Old Mutual Investment Funds Series I (continued)

### The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's shareholders, as a body, in accordance with Rule 4.5.12 of the Collective Investment Schemes sourcebook ('the COLL Rules') issued by the Financial Conduct Authority under the Open-Ended Investment Companies Regulations 2001. Our audit work has been undertaken so that we might state to the Company's shareholders 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 Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.



Grant Archer  
for and on behalf of KPMG LLP, Statutory Auditor  
*Chartered Accountants*  
Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EG

12 October 2018

# Old Mutual Corporate Bond Fund

Launch date	17 June 2000
IA Sector	Sterling Corporate
Investment adviser	Old Mutual Global Investors (UK) Limited
Net asset value	£310,957,992

## Objective

The sub-fund aims to maximise total return through investment in a diversified portfolio of fixed interest and other debt securities.

## Policy

Subject to the regulations, the property of the sub-fund may include transferable securities; units in collective investment schemes (including those managed or operated by the ACD or an associate of the ACD), warrants, money market instruments, deposits and derivatives. More than 35% in value of the property of the sub-fund may consist of Government and other public securities issued by one issuer in accordance with the investment management and borrowing powers of the Company set out in schedule 2.

The level of cash held will not normally exceed 20% of the value of the holding of the sub-fund.

The sub-fund will be permitted to use derivatives for investment purposes. The use of derivatives for this purpose may affect the volatility or risk profile of the sub-fund although this is not the ACD's intention.

## Investment Manager's review

With the exception of the US economy, momentum in global growth came to a halt during the first half of 2018. The pace set in the second half of 2017 and into the first quarter of 2018 proved too quick to be maintained.

A number of headwinds including China deleveraging, Italian political uncertainty, truck strikes in Brazil, Brexit uncertainty and the ongoing threat of a US trade war hit sentiment. Not to mention the political crisis in Turkey and concerns over the upcoming election in Brazil. In contrast, the US economy was firing on all cylinders thanks to fiscal stimulus and deregulation which boosted US pay-packets and consumer confidence.

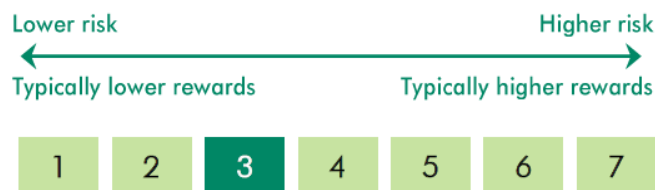
Relative US economic strength affects the rest of the world in two ways where one outcome is more positive than the other. It can boost trade as the US imports more goods from the rest of the world but it also strengthens the US dollar which has global ramifications.

After years of loose US monetary policy, the rest of the world holds a lot of US dollar-denominated debt, which means that when the currency strengthens the debtholders' liabilities rise limiting their ability to invest and forcing some to deleverage. In the emerging markets, some countries have been forced to hike interest rates to protect their currencies too, tightening domestic credit conditions further. The financial channel impact has dominated the price action in recent months.

The moves seen in markets (flattening yield curves, US dollar strength, weakness in risk assets) have been typical of late-cycle behaviour, but we can be stuck in this period for a long time whilst the bull market limits itself to US equities. Given the strength in US household balance sheets, high employment and a labour market that has undergone huge structural changes, it's too early to call time on this cycle. We believe that the risk of a near-term recession risk is low. We expect to see global economic growth recover outside of the US and inflationary pressures to be contained.

The sub-fund went into the latter half of 2017 and early 2018 positioned with greater credit beta than the benchmark because of the relatively benign economic backdrop and fair valuations. This played out well until January, as the credit markets rallied aggressively which gave rise to profit taking opportunities. It led us to reduce credit exposure by increasing both the quality of the companies and reducing credit duration. We also took the early decision to reduce both direct and indirect exposure to emerging markets – where dollar maturity transformation is most pronounced. These decisions stood the fund in great stead throughout the period, as it comfortably outperformed both the benchmark and peers. The sub-fund remains one which contains very good quality positions and is managed with a keen focus on downside protection, a philosophy that has driven very consistent performance under the current manager.

## Risk and Reward Profile



The calculated risk and reward category, as shown above, uses a method of calculation derived from EU rules. It is based on the rate at which the returns of the sub-fund have moved up and down in the past (i.e. volatility) and is not a guide to the future risk and reward category of the sub-fund. The category shown is not a target or guarantee and may shift over time. Even the lowest category 1 does not mean a risk-free investment. The seven-category scale is nonlinear, for example, 2 is not twice as risky as 1.

Sub-funds in category 3 have in the past shown moderately low volatility. With a sub-fund of category 3, you have a moderately low risk of losing money but your chance for gains is also moderately low.

**Investment risk** - there is no guarantee that the sub-fund will achieve its objective. A capital loss of some or all of the amount invested may occur.

**Credit risk** - the issuer of a bond or a similar investment within the sub-fund may not pay income or repay capital to the sub-fund when due. Bonds which are rated below investment grade are considered to have a higher risk exposure with respect to meeting their payment obligations.

**Interest rate risk** - investments in bonds are affected by interest rates and inflation trends which may affect the value of the sub-fund.

**Liquidity risk** - some investments may become hard to value or sell at a desired time and price. In extreme circumstances this may affect the sub-fund's ability to meet redemption requests upon demand.

**Currency risk** - the sub-fund is denominated in British Pounds and may use techniques to try to reduce the effects of changes in the exchange rate between the currency of the underlying investments and the base currency of the sub-fund. These techniques may not eliminate all the currency risk. The value of your shares may rise and fall as a result of exchange rate movements.

**Derivative risk** - the sub-fund uses derivatives to generate returns and/or to reduce costs and the overall risk of the sub-fund. Using derivatives can involve a higher level of risk. A small movement in the price of an underlying investment may result in a disproportionately large movement in the price of the derivative investment. Derivatives also involve counterparty risk where the institutions acting as counterparty to derivatives may not meet their contractual obligations.

**Capital erosion risk** - the sub-fund takes its charges from the income of the sub-fund in the first instance. The impact of sub-fund charges may be material on the value of any income you receive from your investment. There is potential for capital erosion if insufficient income is generated by the sub-fund to cover these charges. Capital erosion may have the effect of reducing the level of income generated.

For a more detailed explanation of risks, please refer to the "Risks" section of the prospectus.

## Performance Records

## Comparative Tables

Accumulation 'A'	1 August 2017 to 31 July 2018 p/share	1 August 2016 to 31 July 2017 p/share	1 August 2015 to 31 July 2016 p/share
<b>Change in net assets per share</b>			
Opening net asset value per share	234.51	229.25	210.62
Return before operating charges*	2.49	8.27	22.14
Operating charges**	(2.72)	(2.66)	(2.44)
Return after operating charges*	(0.23)	5.61	19.70
Distributions	(4.11)	(3.72)	(5.34)
Retained distributions	4.11	3.37	4.27
Closing asset value per share	234.28	234.51	229.25
* after direct transaction costs of***	-	-	-
<b>Performance</b>			
Return after charges	(0.10)%	2.45%	9.35%
<b>Other information</b>			
Closing net asset value (£)	79,330,958	102,578,241	153,603,575
Closing number of shares	33,860,899	43,742,374	67,003,640
Operating charges****	1.15%	1.15%	1.15%
Direct transaction costs***	-	-	-
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	241.10	247.54	239.43
Lowest share price	232.00	222.99	204.86
<b>Income 'A'</b>	<b>1 August 2017 to 31 July 2018 p/share</b>	<b>1 August 2016 to 31 July 2017 p/share</b>	<b>1 August 2015 to 31 July 2016 p/share</b>
<b>Change in net assets per share</b>			
Opening net asset value per share	122.56	121.76	114.10
Return before operating charges*	1.31	4.17	11.84
Operating charges**	(1.41)	(1.41)	(1.31)
Return after operating charges*	(0.10)	2.76	10.53
Distributions	(2.13)	(1.96)	(2.87)
Retained distributions	-	-	-
Closing asset value per share	120.33	122.56	121.76
* after direct transaction costs of***	-	-	-
<b>Performance</b>			
Return after charges	(0.08)%	2.27%	9.23%
<b>Other information</b>			
Closing net asset value (£)	18,196,053	22,831,027	27,321,848
Closing number of shares	15,121,703	18,629,021	22,439,972
Operating charges****	1.15%	1.15%	1.15%
Direct transaction costs***	-	-	-
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	125.50	131.47	127.66
Lowest share price	120.60	117.98	109.72



## Comparative Tables (continued)

Accumulation 'P'	1 August 2017 to 31 July 2018 p/share	1 August 2016 to 31 July 2017 p/share	1 August 2015 to 31 July 2016 p/share
<b>Change in net assets per share</b>			
Opening net asset value per share	174.13	169.69	155.45
Return before operating charges*	1.86	6.12	16.39
Operating charges**	(1.41)	(1.37)	(1.26)
Return after operating charges*	0.45	4.75	15.13
Distributions	(3.67)	(3.30)	(4.45)
Retained distributions	3.67	2.99	3.56
Closing asset value per share	174.58	174.13	169.69
* after direct transaction costs of***	-	-	-
<b>Performance</b>			
Return after charges	0.26%	2.80%	9.73%
<b>Other information</b>			
Closing net asset value (£)	1,071,604	1,284,841	2,134,278
Closing number of shares	613,808	737,869	1,257,772
Operating charges****	0.80%	0.80%	0.80%
Direct transaction costs***	-	-	-
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	179.30	183.25	177.22
Lowest share price	172.40	165.20	151.44
<b>Income 'P'</b>	<b>1 August 2017 to 31 July 2018 p/share</b>	<b>1 August 2016 to 31 July 2017 p/share</b>	<b>1 August 2015 to 31 July 2016 p/share</b>
<b>Change in net assets per share</b>			
Opening net asset value per share	122.70	121.90	114.20
Return before operating charges*	1.33	4.13	11.88
Operating charges**	(0.98)	(0.98)	(0.92)
Return after operating charges*	0.35	3.15	10.96
Distributions	(2.57)	(2.35)	(3.26)
Retained distributions	-	-	-
Closing asset value per share	120.48	122.70	121.90
* after direct transaction costs of***	-	-	-
<b>Performance</b>			
Return after charges	0.29%	2.58%	9.60%
<b>Other information</b>			
Closing net asset value (£)	234,021	379,473	535,515
Closing number of shares	194,237	309,258	439,306
Operating charges****	0.80%	0.80%	0.80%
Direct transaction costs***	-	-	-
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	125.70	131.64	127.89
Lowest share price	120.80	118.14	109.86

## Comparative Tables (continued)

Accumulation 'R'	1 August 2017 to 31 July 2018 p/share	1 August 2016 to 31 July 2017 p/share	1 August 2015 to 31 July 2016 p/share
<b>Change in net assets per share</b>			
Opening net asset value per share	126.61	123.22	112.77
Return before operating charges*	1.36	4.43	11.87
Operating charges**	(0.83)	(0.81)	(0.74)
Return after operating charges*	0.53	3.62	11.13
Distributions	(2.86)	(2.56)	(3.42)
Retained distributions	2.86	2.33	2.74
Closing asset value per share	127.14	126.61	123.22
* after direct transaction costs of***	-	-	-
<b>Performance</b>			
Return after charges	0.42%	2.94%	9.87%
<b>Other information</b>			
Closing net asset value (£)	83,845,792	91,644,833	104,687,356
Closing number of shares	65,948,066	72,381,783	84,962,011
Operating charges****	0.65%	0.65%	0.65%
Direct transaction costs***	-	-	-
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	130.50	128.57	124.34
Lowest share price	125.40	120.01	109.91
<b>Income 'R'</b>	<b>1 August 2017 to 31 July 2018 p/share</b>	<b>1 August 2016 to 31 July 2017 p/share</b>	<b>1 August 2015 to 31 July 2016 p/share</b>
<b>Change in net assets per share</b>			
Opening net asset value per share	116.09	115.34	108.10
Return before operating charges*	1.26	3.88	11.21
Operating charges**	(0.76)	(0.75)	(0.71)
Return after operating charges*	0.50	3.13	10.50
Distributions	(2.60)	(2.38)	(3.26)
Retained distributions	-	-	-
Closing asset value per share	113.99	116.09	115.34
* after direct transaction costs of***	-	-	-
<b>Performance</b>			
Return after charges	0.43%	2.71%	9.71%
<b>Other information</b>			
Closing net asset value (£)	61,856,094	74,264,454	86,529,535
Closing number of shares	54,266,301	63,969,456	75,022,756
Operating charges****	0.65%	0.65%	0.65%
Direct transaction costs***	-	-	-
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	119.00	120.35	116.95
Lowest share price	114.30	111.78	103.95

## Comparative Tables (continued)

Accumulation 'U1'	1 August 2017 to 31 July 2018 p/share	1 August 2016 to 31 July 2017 p/share	1 August 2015 to 31 July 2016 p/share
<b>Change in net assets per share</b>			
Opening net asset value per share	116.37	113.20	103.55
Return before operating charges*	1.24	4.08	10.92
Operating charges**	(0.70)	(0.69)	(0.63)
Return after operating charges*	0.54	3.39	10.29
Distributions	(2.69)	(2.41)	(3.20)
Retained distributions	2.69	2.19	2.56
Closing asset value per share	116.91	116.37	113.20
* after direct transaction costs of***	-	-	-
<b>Performance</b>			
Return after charges	0.46%	3.00%	9.94%
<b>Other information</b>			
Closing net asset value (£)	23,356,453	26,805,018	31,557,861
Closing number of shares	19,978,004	23,033,480	27,877,697
Operating charges****	0.60%	0.60%	0.60%
Direct transaction costs***	-	-	-
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	119.90	118.12	114.23
Lowest share price	115.20	110.27	100.96
<b>Income 'U1'</b>	<b>1 August 2017 to 31 July 2018 p/share</b>	<b>1 August 2016 to 31 July 2017 p/share</b>	<b>1 August 2015 to 31 July 2016 p/share</b>
<b>Change in net assets per share</b>			
Opening net asset value per share	105.71	105.02	98.41
Return before operating charges*	1.14	3.54	10.21
Operating charges**	(0.64)	(0.63)	(0.59)
Return after operating charges*	0.50	2.91	9.62
Distributions	(2.42)	(2.22)	(3.01)
Retained distributions	-	-	-
Closing asset value per share	103.79	105.71	105.02
* after direct transaction costs of***	-	-	-
<b>Performance</b>			
Return after charges	0.47%	2.77%	9.78%
<b>Other information</b>			
Closing net asset value (£)	1,818,897	2,213,155	2,809,458
Closing number of shares	1,752,413	2,093,546	2,675,070
Operating charges****	0.60%	0.60%	0.60%
Direct transaction costs***	-	-	-
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	108.40	109.59	106.50
Lowest share price	104.10	101.79	94.66

## Comparative Tables (continued)

Accumulation 'U2'†	1 August 2017 to 31 July 2018 p/share	1 August 2016 to 31 July 2017 p/share	1 August 2015 to 31 July 2016 p/share
<b>Change in net assets per share</b>			
Opening net asset value per share	118.80	115.50	105.64
Return before operating charges*	1.58	4.18	11.15
Operating charges**	(0.58)	(0.65)	(0.62)
Return after operating charges*	1.00	3.53	10.53
Distributions	(1.97)	(2.51)	(3.34)
Retained distributions	1.97	2.28	2.67
Closing asset value per share	119.80	118.80	115.50
* after direct transaction costs of***	-	-	-
<b>Performance</b>			
Return after charges	0.87%	3.05%	9.97%
<b>Other information</b>			
Closing net asset value (£)	-	98,023,510	20,221,238
Closing number of shares	-	82,512,795	17,507,120
Operating charges****	0.55%	0.55%	0.55%
Direct transaction costs***	-	-	-
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	121.60	120.53	116.56
Lowest share price	112.52	112.52	102.99
<b>Income 'U2'</b>	<b>1 August 2017 to 31 July 2018 p/share</b>	<b>1 August 2016 to 31 July 2017 p/share</b>	<b>1 August 2015 to 31 July 2016 p/share</b>
<b>Change in net assets per share</b>			
Opening net asset value per share	105.89	105.20	98.62
Return before operating charges*	1.14	3.54	10.22
Operating charges**	(0.58)	(0.58)	(0.54)
Return after operating charges*	0.56	2.96	9.68
Distributions	(2.48)	(2.27)	(3.10)
Retained distributions	-	-	-
Closing asset value per share	103.97	105.89	105.20
* after direct transaction costs of***	-	-	-
<b>Performance</b>			
Return after charges	0.53%	2.81%	9.82%
<b>Other information</b>			
Closing net asset value (£)	41,248,120	32,153,827	7,430,209
Closing number of shares	39,674,772	30,365,264	7,063,056
Operating charges****	0.55%	0.55%	0.55%
Direct transaction costs***	-	-	-
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	108.50	109.77	106.69
Lowest share price	104.20	101.96	94.82

## Comparative Tables (continued)

Accumulation 'W'††	1 August 2017 to 31 July 2018 p/share	1 August 2016 to 31 July 2017 p/share	1 August 2015 to 31 July 2016 p/share
<b>Change in net assets per share</b>			
Opening net asset value per share	100.00	-	-
Return before operating charges*	(0.05)	-	-
Operating charges**	(0.11)	-	-
Return after operating charges*	(0.16)	-	-
Distributions	(0.10)	-	-
Retained distributions	0.10	-	-
Closing asset value per share	99.84	-	-
* after direct transaction costs of***	-	-	-
<b>Performance</b>			
Return after charges	(0.16)%	-	-
<b>Other information</b>			
Closing net asset value (£)	-	-	-
Closing number of shares	-	-	-
Operating charges****	0.55%	-	-
Direct transaction costs***	-	-	-
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	100.30	-	-
Lowest share price	99.25	-	-

† Share class closed on 15 June 2018

†† From 10 April 2018 to 21 June 2018

\*\* The operating charges include all costs borne by the sub-fund, except for direct transaction costs.

\*\*\* The direct transaction costs are made up of fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges as well as transfer taxes and duties. They do not include any difference between the quoted bid and offer prices or internal administrative or holding costs. These costs arise as a result of transactions undertaken both for efficient portfolio management and the meeting of the sub-fund's objectives. These costs exclude any effect of dilution adjustments used to offset the costs.

\*\*\*\* The operating charges percentage is the ratio of the sub-fund's ongoing charges (excluding interest on borrowings) to the average net assets of the sub-fund. If the share class launched during the year the operating charges are annualised.

Performance

	6 months to 31 July 2018	1 year to 31 July 2018	3 years to 31 July 2018	5 years to 31 July 2018
Old Mutual Corporate Bond Fund*	(1.62)%	0.70%	12.21%	24.73%
Markit Iboxx GBP non-Gilt (benchmark)	(0.30)%	0.07%	13.86%	28.85%
IA Sterling Corporate Bond (sector average)	(0.90)%	0.03%	13.71%	26.89%
Quartile ranking	4	1	3	3

\* Accumulation 'A' shares

Data Source – Factset. Figures are calculated on a total return and single price basis, with net income reinvested into the sub-fund.

Portfolio allocation		Major holdings	Percentage of portfolio
United Kingdom	52.76%	Old Mutual Financials Contingent Capital Fund - F Income (USD)	6.71%
Europe	22.73%	United Kingdom Gilt 1.5% 22/07/2047	5.39%
North America	17.24%	European Investment Bank 3.875% 08/06/2037	2.18%
Asia Pacific (excluding Japan)	2.36%	Coventry Building Society 1.875% 24/10/2023	1.94%
Japan	0.83%	Old Mutual Monthly Income High Yield Bond Fund Hedged - X Income	1.87%
Overseas Derivatives	(0.02)%	Principality Building Society 2.375% 23/11/2023	1.38%
United Kingdom Derivatives	(0.04)%	DXC Technology 2.75% 15/01/2025	1.31%
		Toyota Finance Australia 1.625% 11/07/2022	1.26%
Net other assets	4.14%	Vodafone 3.29031% 16/01/2024	1.15%
		Santander UK 1.00049% 13/04/2021	1.10%
<b>Total</b>	<b>100.00%</b>		
Asset allocation		Number of holdings	138
Sterling Denominated Debt Securities	78.02%		
Collective Investment Schemes	8.58%		
US Dollar Denominated Debt Securities	5.28%		
Euro Denominated Debt Securities	4.04%		
Overseas Derivatives	(0.02)%		
United Kingdom Derivatives	(0.04)%		
Net other assets	4.14%		
<b>Total</b>	<b>100.00%</b>		

## Portfolio statement

as at 31 July 2018

Holding	Investment	Market Value £'000	Percentage of total net assets %
	<b>Sterling 79.85% (31 July 2017 83.31%)</b>		
	<b>Sterling Denominated Fixed Rate Corporate Bonds 65.43% (31 July 2017 77.46%)</b>		
£1,499,000	A2Dominion Housing 3.5% 15/11/2028	1,518	0.49
£2,453,000	Admiral 5.5% 25/07/2024	2,693	0.87
£1,737,000	Affordable Housing Finance 2.893% 11/08/2043	1,965	0.63
£2,384,000	Anheuser-Busch 1.75% 07/03/2025	2,322	0.75
£2,044,000	Annington Funding 3.685% 12/07/2034	2,071	0.67
£1,703,000	Aroundtown 3% 16/10/2029	1,610	0.52
£1,400,000	Aroundtown 3.25% 18/07/2027	1,370	0.44
£1,700,000	Assura Financing 3% 19/07/2028	1,698	0.55
£1,022,000	AT&T 4.25% 01/06/2043	1,061	0.34
£276,000	AT&T 5.2% 18/11/2033	326	0.10
£1,030,000	Aviva 6.125% 14/11/2036	1,154	0.37
£2,044,000	Babcock 1.875% 05/10/2026	1,888	0.61
£1,363,000	Bank of America 2.3% 25/07/2025	1,341	0.43
£2,725,000	Barclays 3.25% 17/01/2033	2,524	0.81
£886,000	BAT Capital 2.125% 15/08/2025	855	0.28
£2,214,000	Bazalgette Finance 2.375% 29/11/2027	2,163	0.70
£1,227,000	Becton Dickinson 3.02% 24/05/2025	1,242	0.40
£1,363,000	BG Energy Capital 5.125% 01/12/2025	1,648	0.53
£2,044,000	BP Capital Markets 1.177% 12/08/2023	1,988	0.64
£2,300,000	BP Capital Markets 2.274% 03/07/2026	2,304	0.74
£2,044,000	Brown-Forman 2.6% 07/07/2028	2,047	0.66
£1,499,000	Bunzl Finance 2.25% 11/06/2025	1,463	0.47
£1,090,000	BUPA Finance 2% 05/04/2024	1,077	0.35
£765,000	Centrica 4.375% 13/03/2029	862	0.28
£1,158,000	Centrica 5.25% 10/04/2075	1,223	0.39
£1,635,000	Chancellor Masters and Scholars of the University of Oxford 2.544% 08/12/2117	1,543	0.50
£1,363,000	Channel Link Enterprises Finance 3.043% 30/06/2050	1,343	0.43
£2,521,000	Close Brothers 4.25% 24/01/2027	2,627	0.84
£2,112,000	Commonwealth Bank of Australia 3% 04/09/2026	2,293	0.74
£1,022,000	Compass 2% 03/07/2029	978	0.31
£682,000	Compass 3.85% 26/06/2026	767	0.25
£3,400,000	Connect Plus M25 2.607% 31/03/2039	3,396	1.09
£6,131,000	Coventry Building Society 1.875% 24/10/2023	6,039	1.94
£1,295,000	CPUK Finance 3.588% 28/08/2025	1,358	0.44
£2,100,000	Daimler International Finance 1.5% 18/08/2021	2,088	0.67
£1,227,000	Digital Stout 3.3% 19/07/2029	1,223	0.39
£2,997,000	DWR CYMRU Financing 2.5% 31/03/2036	2,910	0.94
£4,087,000	DXC Technology 2.75% 15/01/2025	4,067	1.31
£1,400,000	E.ON International Finance 5.875% 30/10/2037	1,877	0.60
£2,050,000	East Japan Railway 4.5% 25/01/2036	2,595	0.83
£1,400,000	Electricite de France 5.5% 17/10/2041	1,757	0.57
£5,245,000	European Investment Bank 3.875% 08/06/2037	6,779	2.18
£1,261,000	Eversholt Funding 3.529% 07/08/2042	1,211	0.39
£1,700,000	Experian Finance 2.125% 27/09/2024	1,686	0.54
£2,700,000	General Electric 4.875% 18/09/2037	3,078	0.99
£2,600,000	Goldman Sachs Group 3.125% 25/07/2029	2,585	0.83
£1,227,000	Grainger 3.375% 24/04/2028	1,217	0.39
£1,682,073	Greene King Finance 4.0643% 15/03/2035	1,781	0.57
£2,446,111	Gwynt y Mor 2.778% 17/02/2034	2,486	0.80

## Portfolio statement (continued)

as at 31 July 2018

Holding	Investment	Market Value £'000	Percentage of total net assets %
	<b>Sterling Denominated Fixed Rate Corporate Bonds (continued)</b>		
£954,000	Hastings Finance 3% 24/05/2025	948	0.30
£1,192,000	Heathrow Funding 2.75% 09/08/2049	1,052	0.34
£740,972	Highbury Finance 7.017% 20/03/2023	856	0.28
£2,400,000	HSBC 2.175% 27/06/2023	2,392	0.77
£2,316,000	HSBC 2.256% 13/11/2026	2,227	0.72
£850,000	Innogy Finance 6.125% 06/07/2039	1,182	0.38
£1,022,000	LafargeHolcim Sterling Finance 3% 12/05/2032	958	0.31
£1,090,000	Land Securities Capital Markets 1.974% 08/02/2024	1,090	0.35
£682,000	Land Securities Capital Markets 2.375% 29/03/2027	685	0.22
£1,295,000	Land Securities Capital Markets 2.399% 08/02/2029	1,292	0.42
£614,000	Land Securities Capital Markets 2.625% 22/09/2037	596	0.19
£2,044,000	Lloyds Bank 6% 08/02/2029	2,777	0.89
£2,044,000	London & Quadrant Housing Trust 2.625% 05/05/2026	2,066	0.66
£1,703,000	London & Quadrant Housing Trust 2.625% 28/02/2028	1,691	0.54
£1,363,000	Motability Operations 2.375% 14/03/2032	1,307	0.42
£1,158,000	Motability Operations 3.625% 10/03/2036	1,281	0.41
£682,000	National Grid Gas Finance 2.125% 22/09/2028	640	0.21
£2,725,000	National Grid Gas Finance 2.625% 22/09/2038	2,477	0.80
£1,056,000	NGG Finance 5.625% 18/06/2073	1,158	0.37
£2,044,000	Northumbrian Water Finance 2.375% 05/10/2027	1,978	0.64
£1,363,000	PGH Capital 4.125% 20/07/2022	1,394	0.45
£2,700,000	PGH Capital 6.625% 18/12/2025	2,977	0.96
£2,384,000	Places For People Treasury 2.875% 17/08/2026	2,331	0.75
£4,360,000	Principality Building Society 2.375% 23/11/2023	4,292	1.38
£2,997,000	Procter & Gamble 1.8% 03/05/2029	2,882	0.93
£1,976,000	Prologis 2.25% 30/06/2029	1,851	0.60
£1,227,000	Prudential 5% 20/07/2055	1,288	0.41
£1,022,000	Prudential 5.7% 19/12/2063	1,167	0.38
£2,418,000	Quilter 4.478% 28/02/2028	2,426	0.78
£1,908,000	RL Finance No. 2 6.125% 30/11/2043	2,120	0.68
£459,000	Saga 3.375% 12/05/2024	437	0.14
£1,908,000	Santander UK 5.25% 16/02/2029	2,458	0.79
£1,363,000	Santander UK 10.0625% Perpetual	2,246	0.72
£2,044,000	Scottish Widows 5.5% 16/06/2023	2,257	0.73
£2,555,000	Segro 2.875% 11/10/2037	2,433	0.78
£1,703,000	Skipton Building Society 1.75% 30/06/2022	1,675	0.54
£3,202,000	SpareBank 1 Boligkreditt AS 1.75% 18/12/2023	3,210	1.03
£1,908,000	SPD Finance UK 5.875% 17/07/2026	2,363	0.76
£2,793,000	Standard Life 5.5% 04/12/2042	3,082	0.99
£1,363,000	Student Finance 2.6663% 30/09/2024	1,347	0.43
£1,363,000	Telefonica Emisiones 5.375% 02/02/2026	1,588	0.51
£2,317,190	Telereal Secured Finance 4.01% 10/12/2031	2,458	0.79
£1,703,000	Telereal Securitisation 4.0902% 10/12/2033	1,774	0.57
£2,740,000	Thames Water Utilities Cayman Finance 2.625% 24/01/2032	2,586	0.83
£1,970,000	Thames Water Utilities Cayman Finance 4% 19/06/2025	2,150	0.69
£1,363,000	Time Warner Cable 5.75% 02/06/2031	1,549	0.50
£2,250,000	Total Capital International 1.75% 07/07/2025	2,221	0.71
£3,950,000	Toyota Finance Australia 1.625% 11/07/2022	3,929	1.26
£2,112,000	TP ICAP 5.25% 26/01/2024	2,122	0.68
£2,044,000	Transport for London 3.875% 23/07/2042	2,528	0.81



## Portfolio statement (continued)

as at 31 July 2018

Holding	Investment	Market Value £'000	Percentage of total net assets %
<b>Sterling Denominated Fixed Rate Corporate Bonds (continued)</b>			
£2,044,000	UNITE USAF II 3.921% 30/06/2025	2,252	0.72
£1,022,000	University of Southampton 2.25% 11/04/2057	915	0.29
£1,022,000	Wellcome Trust 2.517% 07/02/2118	953	0.31
£2,044,000	Western Power Distribution 3.625% 06/11/2023	2,141	0.69
£2,282,000	Western Power Distribution South West 2.375% 16/05/2029	2,186	0.70
£1,158,000	Westfield America Management 2.625% 30/03/2029	1,130	0.36
		<b>203,468</b>	<b>65.43</b>
<b>Sterling Denominated Variable Rate Corporate Bonds 6.43% (31 July 2017 0.00%)</b>			
£3,202,000	Bank of Montreal 1.06588% 16/04/2023	3,201	1.03
£1,775,360	Channel Link Enterprises Finance 1.35213% 30/12/2050	1,713	0.55
£3,400,000	Investec Bank 4.25% 24/07/2028	3,357	1.08
£2,400,000	Landesbank Baden-Wuerttemberg 0.89344% 18/05/2021	2,402	0.77
£3,202,000	Royal Bank of Canada 0.89721% 08/06/2021	3,203	1.03
£3,406,000	Santander UK 1.00049% 13/04/2021	3,404	1.10
£2,700,000	Toronto-Dominion Bank 0.90283% 07/06/2021	2,702	0.87
		<b>19,982</b>	<b>6.43</b>
<b>Sterling Denominated Fixed Rate Government Bonds 6.16% (31 July 2017 3.66%)</b>			
£1,703,000	Nederlandse Waterschapsbank 5.375% 07/06/2032	2,381	0.77
£17,911,190	United Kingdom Gilt 1.5% 22/07/2047	16,764	5.39
		<b>19,145</b>	<b>6.16</b>
<b>Collective Investment Schemes 1.87% (31 July 2017 1.99%)</b>			
641,460	Old Mutual Monthly Income High Yield Bond Fund Hedged - X Income	5,818	1.87
		<b>5,818</b>	<b>1.87</b>
<b>Sterling Denominated Derivatives (0.04)% (31 July 2017 0.20%)</b>			
<b>Sterling Denominated Forward Exchange Contracts (0.03)% (31 July 2017 0.23%)</b>			
£163,216	Sterling v Euro Forward Exchange Contract	(2)	-
£603,483	Sterling v Euro Forward Exchange Contract	(7)	-
£13,919,488	Sterling v Euro Forward Exchange Contract	(183)	(0.07)
£54,991,144	Sterling v US Dollar Forward Exchange Contract	122	0.04
£1,579,939	Sterling v US Dollar Forward Exchange Contract	(8)	-
		<b>(78)</b>	<b>(0.03)</b>
<b>Sterling Denominated Futures Contracts (0.01)% (31 July 2017 (0.03)%)</b>			
40	Long Gilt Futures September 2018	(24)	(0.01)
		<b>(24)</b>	<b>(0.01)</b>

## Portfolio statement (continued)

as at 31 July 2018

Holding	Investment	Market Value £'000	Percentage of total net assets %
	Overseas 16.01% (31 July 2017 14.91%)		
	Euro 4.01% (31 July 2017 3.65%)		
	<b>Euro Denominated Fixed Rate Corporate Bonds 4.04% (31 July 2017 3.81%)</b>		
€2,500,000	Aroundtown 2.125% Perpetual	2,058	0.66
€1,908,000	Barclays 2% 07/02/2028	1,627	0.53
€2,000,000	CaixaBank 2.25% 17/04/2030	1,707	0.55
€1,989,000	Innogy Finance 1.5% 31/07/2029	1,715	0.55
€7,850,000	Lehman Brothers 4.625% 14/03/2019 (Defaulted)*	-	-
€2,453,000	Philip Morris International 1.875% 06/11/2037	1,980	0.64
€1,703,000	Royal Bank of Scotland 5.5% Perpetual	1,528	0.49
€1,300,000	Telefonica Europe 3% Perpetual	1,126	0.36
€900,000	Volkswagen International Finance 4.625% Perpetual	815	0.26
		<b>12,556</b>	<b>4.04</b>
	<b>Euro Denominated Derivatives (0.03)% (31 July 2017 (0.16)%)</b>		
	<b>Euro Denominated Forward Exchange Contracts 0.00% (31 July 2017 0.01%)</b>		
	<b>Euro Denominated Futures Contracts (0.03)% (31 July 2017 0.05%)</b>		
(314)	Euro-Bobl Futures September 2018	(101)	(0.03)
		<b>(101)</b>	<b>(0.03)</b>
	<b>Euro Credit Default Swap 0.00% (31 July 2017 (0.22)%)</b>		
	<b>US Dollar 12.00% (31 July 2017 11.26%)</b>		
	<b>US Dollar Denominated Fixed Rate Corporate Bonds 3.32% (31 July 2017 10.19%)</b>		
\$2,663,000	21st Century Fox America 6.15% 01/03/2037	2,482	0.80
\$3,236,000	BPCE 3.25% 11/01/2028	2,276	0.73
\$4,223,000	Brighthouse Financial 3.7% 22/06/2027	2,904	0.93
\$1,295,000	Microsoft 3.45% 08/08/2036	948	0.31
\$2,589,000	UBS Group Funding Switzerland 5% Perpetual	1,719	0.55
		<b>10,329</b>	<b>3.32</b>
	<b>US Dollar Denominated Variable Rate Corporate Bonds 1.96% (31 July 2017 1.11%)</b>		
\$1,200,000	Royal Bank of Scotland 3.88506% 25/06/2024	919	0.30
\$2,200,000	Royal Bank of Scotland 4.65438% Perpetual	1,595	0.51
\$4,700,000	Vodafone 3.29031% 16/01/2024	3,581	1.15
		<b>6,095</b>	<b>1.96</b>
	<b>Collective Investment Schemes 6.71% (31 July 2017 0.00%)</b>		
2,804,199	Old Mutual Financials Contingent Capital Fund - F Income (USD)	20,851	6.71
		<b>20,851</b>	<b>6.71</b>
	<b>US Dollar Denominated Derivatives 0.01% (31 July 2017 (0.04)%)</b>		
	<b>US Dollar Denominated Forward Exchange Contracts 0.01% (31 July 2017 (0.01)%)</b>		
\$5,640,981	US Dollar v Sterling Forward Exchange Contract	31	0.01
\$65,978	US Dollar v Sterling Forward Exchange Contract	-	-
\$2,889,977	US Dollar v Sterling Forward Exchange Contract	(9)	-
		<b>22</b>	<b>0.01</b>

## Portfolio statement (continued)

as at 31 July 2018

Holding	Investment	Market Value £'000	Percentage of total net assets %
	US Dollar Denominated Futures Contracts 0.00% (31 July 2017 (0.03)%)		
(83)	US 10 Year Treasury Note Futures September 2018	35	0.01
(132)	US 5 Year Treasury Note Futures September 2018	5	-
(40)	US Long Bond Futures September 2018	(24)	(0.01)
		<u>16</u>	<u>-</u>
	Investment assets**	<u>298,079</u>	<u>95.86</u>
	Net other assets	<u>12,879</u>	<u>4.14</u>
	Total net assets	<u>310,958</u>	<u>100.00</u>

\* Unlisted, suspended and delisted securities within the meaning of the COLL.

\*\* Including investment liabilities.

All investments are approved securities being either officially listed in a member state or traded on or under the rules of an eligible securities market, unless otherwise stated.

## Statement of total return

for the year from 1 August 2017 to 31 July 2018

	Notes	01.08.17 to 31.07.18 £'000	01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000	01.08.16 to 31.07.17 £'000
Income					
Net capital (losses)/gains	2		(8,112)		1,459
Revenue	3	13,109		12,402	
Expenses	4	(3,331)		(3,365)	
Interest payable and similar charges	5	(14)		(14)	
Net revenue before taxation		9,764		9,023	
Taxation	6	(16)		-	
Net revenue after taxation			9,748		9,023
<b>Total return before distributions</b>			<b>1,636</b>		<b>10,482</b>
Distributions	7		(9,034)		(9,025)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>(7,398)</b>		<b>1,457</b>

## Statement of change in net assets attributable to shareholders

for the year from 1 August 2017 to 31 July 2018

	01.08.17 to 31.07.18 £'000	01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000	01.08.16 to 31.07.17 £'000
<b>Opening net assets attributable to shareholders</b>		<b>452,178</b>		<b>436,831</b>
Amounts transferred to Quilter Investors Corporate Bond Fund	(148,040)		-	
Amounts received on issue of shares	67,396		110,207	
Amounts paid on cancellation of shares	(59,089)		(102,663)	
		(139,733)		7,544
Dilution adjustment		224		827
Change in net assets attributable to shareholders from investment activities		(7,398)		1,457
Retained distribution on accumulation shares		5,684		5,516
Unclaimed distributions		3		3
<b>Closing net assets attributable to shareholders</b>		<b>310,958</b>		<b>452,178</b>

The notes on pages 30 to 37 form an integral part of these financial statements.

## Balance sheet

as at 31 July 2018

	Notes	31.07.18 £'000	31.07.17 £'000
<b>Assets</b>			
Fixed assets			
Investments		298,437	446,355
Current assets			
Debtors	8	3,559	4,935
Cash and bank balances	9	15,851	6,563
Total assets		317,847	457,853
<b>Liabilities</b>			
Investment liabilities		(358)	(2,231)
Creditors			
Bank overdrafts	10	(4,066)	-
Distribution payable		(741)	(776)
Other creditors	11	(1,724)	(2,668)
Total liabilities		(6,889)	(5,675)
<b>Net assets attributable to shareholders</b>		<b>310,958</b>	<b>452,178</b>

The notes on pages 30 to 37 form an integral part of these financial statements.

## Notes to the financial statements

for the year from 1 August 2017 to 31 July 2018

### 1 Accounting policies

The applicable accounting policies adopted by the Old Mutual Corporate Bond Fund are included on pages 184 to 185.

### 2 Net capital (losses)/gains

The net capital (losses)/gains on investments comprise:

(Losses)/gains on non-derivative securities

Gains on derivative contracts

Losses on forward currency contracts

(Losses)/gains on currency contracts

Handling charges

Net capital (losses)/gains on investments

01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000
(9,539)	99
2,077	1,260
(563)	(39)
(77)	149
(10)	(10)
<b>(8,112)</b>	<b>1,459</b>

### 3 Revenue

Authorised Corporate Director's capitalised fee rebates

Bank interest

Derivative revenue

Interest on debt securities

Taxable distributions on Offshore Funds

Total revenue

01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000
81	-
20	14
(9)	(3)
11,505	11,804
1,512	587
<b>13,109</b>	<b>12,402</b>

### 4 Expenses

Payable to the Authorised Corporate Director, associates of the Authorised Corporate Director and agents of either of them:

Fixed Ongoing Charge\*

Authorised Corporate Director's periodic charge\*\*

Fixed expenses\*\*

Total expenses

01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000
1,323	-
1,609	2,742
399	623
<b>3,331</b>	<b>3,365</b>

\* This figure represents the Fixed Ongoing Charge that was introduced from 1 March 2018, which covers all fees payable by the sub-fund to the Authorised Corporate Director, Investment adviser, Depositary (including associates etc.) and other expenses.

\*\* These figures represent the charges to 28 February 2018, which have now been replaced by the Fixed Ongoing Charge. The Audit fee for the year, excluding VAT, was £10,150 (31 July 2017: £9,950). As a result of the change to a Fixed Ongoing Charge basis, this expense is split between other expenses and Fixed Ongoing Charge.

### 5 Interest payable and similar charges

Bank overdraft interest

Total interest payable and similar charges

01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000
14	14
<b>14</b>	<b>14</b>

## Notes to the financial statements (continued)

for the year from 1 August 2017 to 31 July 2018

### 6 Taxation

#### a) Analysis of tax charge in the year

	01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000
Corporation tax suffered	16	-
<b>Total current tax charge for the year</b>	<b>16</b>	<b>-</b>
Deferred tax charge for the year (see note 6(c))	-	-
<b>Total taxation for the year (see note 6(b))</b>	<b>16</b>	<b>-</b>

#### b) Factors affecting current tax charge for the year

	01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000
The taxation assessed for the year is lower than the standard rate of corporation tax in the UK for an open-ended investment company (20%). The differences are explained below:		
Net revenue before taxation	9,764	9,023
Corporation tax at 20% (31 July 2017: 20%)	1,953	1,805
Effects of:		
Tax deductible interest distributions	(1,937)	(1,805)
<b>Total tax charge for the year (see note 6(a))</b>	<b>16</b>	<b>-</b>

OEICs are exempt from tax on capital gains, therefore, any capital return is not included in the above reconciliation.

#### c) Movement in deferred tax liability

	01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000
Deferred tax liability at the start of the year	-	-
Deferred tax charge for the year (see note 6(a))	-	-
<b>Deferred tax liability at the end of the year</b>	<b>-</b>	<b>-</b>

At 31 July 2018 the sub-fund had no surplus management expenses (31 July 2017: £Nil).

## Notes to the financial statements (continued)

for the year from 1 August 2017 to 31 July 2018

### 7 Distributions

The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000
First Interim – Accumulation shares (31 October)	1,721	1,554
First Interim – Income shares (31 October)	741	812
Second Interim – Accumulation shares (31 January)	1,808	1,438
Second Interim – Income shares (31 January)	733	786
Third Interim – Accumulation shares (30 April)	1,114	1,319
Third Interim – Income shares (30 April)	677	649
Final – Accumulation shares (31 July)	1,041	1,823
Final – Income shares (31 July)	741	776
	<b>8,576</b>	<b>9,157</b>
Revenue deducted on cancellation of shares	651	221
Revenue received on issue of shares	(193)	(353)
<b>Distributions</b>	<b>9,034</b>	<b>9,025</b>
<b>Reconciliation of distributions:</b>		
Net revenue after taxation	9,748	9,023
Authorised Corporate Director's capitalised fee rebates	(81)	-
Equalisation on conversion	(649)	2
Tax effect of fee rebates taken to capital	16	-
<b>Distributions</b>	<b>9,034</b>	<b>9,025</b>

Details of the interim and final distributions per share are set out in the tables on pages 38 to 41.

### 8 Debtors

	31.07.18 £'000	31.07.17 £'000
Accrued Authorised Corporate Director's fee rebates	16	-
Accrued revenue	2,538	4,296
Amounts receivable for issue of shares	54	639
Sales awaiting settlement	951	-
<b>Total debtors</b>	<b>3,559</b>	<b>4,935</b>

### 9 Cash and bank balances

	31.07.18 £'000	31.07.17 £'000
Amounts held at futures clearing houses and brokers	4,807	2,295
Cash and bank balances	11,044	4,268
<b>Total cash and bank balances</b>	<b>15,851</b>	<b>6,563</b>

### 10 Bank overdrafts

	31.07.18 £'000	31.07.17 £'000
Amounts held at futures clearing houses and brokers	4,066	-
<b>Total overdrafts</b>	<b>4,066</b>	<b>-</b>



## Notes to the financial statements (continued)

for the year from 1 August 2017 to 31 July 2018

### 11 Other creditors

	31.07.18 £'000	31.07.17 £'000
Accrued Authorised Corporate Director's periodic charge	-	233
Accrued expenses	211	58
Amounts payable for cancellation of shares	551	527
Corporation tax payable	16	-
Purchases awaiting settlement	946	1,850
<b>Total other creditors</b>	<b>1,724</b>	<b>2,668</b>

### 12 Related party transactions

Quilter Investors Limited, as ACD, is a related party, and acts as principal in respect of all transactions of shares in each sub-fund. The aggregate monies received on issue and paid on cancellation are disclosed in the Statement of change in net assets attributable to shareholders on page 28. Any amounts due to or from Quilter Investors Limited at the end of the accounting year in respect of transactions of shares in each sub-fund are disclosed in notes 8 and 11. Other amounts paid to the ACD are disclosed in note 4 and amounts due to it at the year end are disclosed in note 11.

The sub-fund held the following securities and the noted income in related funds throughout the year to 31 July 2018:

Shares	Security Name	Market Value £'000	Gross Income Earned £'000
641,460	Old Mutual Monthly Income High Yield Bond Fund Hedged - X Income	5,818	515
£2,418,000	Quilter 4.478% 28/02/2028	2,426	5

### 13 Derivatives and other financial instruments

#### a) Financial instrument risk

The sub-fund, in pursuing its objective, holds a number of financial instruments, which may comprise of the following:

Bonds, collective investment schemes and derivatives.

The sub-fund will also hold cash and other short term debtors and creditors that arise directly from its operations.

In addition, the sub-fund may hold derivatives in the form of forward foreign exchange contracts and/or futures contracts for the purpose of efficient portfolio management in accordance with the COLL Sourcebook.

The financial instruments are held in line with the sub-fund's investment policy.

Each Investment Adviser is responsible for monitoring the portfolio of his/her sub-fund in accordance with its investment objective and seeks to ensure that individual assets also meet a risk reward profile that is acceptable. The ACD has appointed specialist managers to manage the sub-fund, and continuously monitors this appointment.

Adherence to the investment guidelines and the investment and borrowing powers as set out in the Prospectus and in the rules of the Regulations also mitigates the risk of excessive exposure to any particular type of security or issuer. Further information on the investment portfolio is set out in the Investment Manager's review and the Portfolio statement of each sub-fund.

The main risks arising from financial instruments are interest rate risk, foreign currency risk, credit risk, counterparty risk, liquidity risk and market risk which are summarised below.

## Notes to the financial statements (continued)

for the year from 1 August 2017 to 31 July 2018

### 13 Derivatives and other financial instruments (continued)

#### b) Foreign currency risk

A proportion of the sub-fund's financial assets and liabilities are invested overseas. As a result, movements in exchange rates may affect the market price of investments and, due to timing differences between the transaction dates of investment sales, purchases and income, and actual cash settlement, create currency exchange gains/losses. The Investment Adviser does seek to reduce some of this risk by using forward currency contracts.

The direct foreign currency exposure of the sub-fund as at 31 July 2018 (31 July 2017) was as follows:

Currency	Net foreign currency assets/(liabilities)			Net foreign currency assets/(liabilities)		
	Monetary exposures*	Non-monetary exposures	Total	Monetary exposures*	Non-monetary exposures	Total
	31.07.18 £'000	31.07.18 £'000	31.07.18 £'000	31.07.17 £'000	31.07.17 £'000	31.07.17 £'000
Australian Dollar	22	-	22	24	-	24
Euro	2,071	(2,423)	(352)	1,396	(1,484)	(88)
US Dollar	13,355	(12,648)	707	2,005	(355)	1,650
<b>Total</b>	<b>15,448</b>	<b>(15,071)</b>	<b>377</b>	<b>3,425</b>	<b>(1,839)</b>	<b>1,586</b>

\* For the purpose of the above disclosure, monetary is taken to include only cash or near-cash items.

#### c) Interest rate risk

Interest rate risk is the risk of movements in the value of financial instruments as a result of fluctuations in interest rates.

The interest rate risk profile of the sub-fund's financial assets and liabilities at 31 July 2018 (31 July 2017) was as follows:

Currency	Variable rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
31.07.18				
Australian Dollar	22	-	-	22
Euro	2,374	12,557	147	15,078
Sterling	20,237	222,612	79,387	322,236
US Dollar	19,296	10,328	28,509	58,133
<b>Total</b>	<b>41,929</b>	<b>245,497</b>	<b>108,043</b>	<b>395,469</b>

Currency	Variable rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
31.07.17				
Australian Dollar	24	-	-	24
Euro	1,359	17,231	3,096	21,686
Sterling	3,539	366,839	90,293	460,671
US Dollar	6,673	46,057	4,303	57,033
<b>Total</b>	<b>11,595</b>	<b>430,127</b>	<b>97,692</b>	<b>539,414</b>

Currency	Variable rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
31.07.18			
Euro	(450)	(14,980)	(15,430)
Sterling	(3,616)	(8,039)	(11,655)
US Dollar	-	(57,426)	(57,426)
<b>Total</b>	<b>(4,066)</b>	<b>(80,445)</b>	<b>(84,511)</b>

Currency	Variable rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
31.07.17			
Euro	-	(21,774)	(21,774)
Sterling	-	(10,079)	(10,079)
US Dollar	-	(55,383)	(55,383)
<b>Total</b>	<b>-</b>	<b>(87,236)</b>	<b>(87,236)</b>

## Notes to the financial statements (continued)

for the year from 1 August 2017 to 31 July 2018

### 13 Derivatives and other financial instruments (continued)

#### d) Credit risk

Credit risk is the risk of suffering loss due to another party not meeting its financial obligation. The risk is managed by the Investment Adviser who monitors the credit profile of financial instruments in accordance with the objective and policy of the sub-fund.

Adherence to the investment guidelines and the investment and borrowing powers as set out in the Prospectus and in the rules of the Regulations also mitigates the risk of excessive exposure to any particular type of security or issuer. Further information on the investment portfolio is set out in the Investment Manager's review and the Portfolio statement.

As at 31 July 2018 the sub-fund's exposure to investment grade rated was 78.90% (Source: Old Mutual Global Investors (UK) Limited/Factsheet).

Analysis of bonds	£'000	%
Investment Grade	245,334	78.90
Below Investment Grade	8,032	2.58
Unrated	18,209	5.86
	<b>271,575</b>	<b>87.344</b>

As at 31 July 2017 the sub-fund's exposure to investment grade rated was 90.97% (Source: Old Mutual Global Investors (UK) Limited/Factsheet).

Analysis of bonds	£'000	%
Investment Grade	411,336	90.97
Below Investment Grade	10,272	2.27
Unrated	13,550	3.00
	<b>435,158</b>	<b>96.24</b>

#### e) Counterparty risk

Certain transactions in financial instruments that the sub-fund enters into have the risk that the counterparty will not meet its financial obligations, i.e. the investment (purchase) or cash (sale) after the sub-fund has fulfilled its responsibilities.

The sub-fund will only buy and sell investments through brokers which have been approved by the ACD and Investment Adviser as an acceptable counterparty. This is overseen by the Depositary to ensure that the exposure to any counterparty remains appropriate for investors.

Exposure Table 31.07.18	Credit default swaps exposure	Interest rate swaps exposure	Futures and options exposure	Forward foreign exchange contracts exposure	Collateral held
Counterparty	£'000	£'000	£'000	£'000	£'000
Citi	-	-	-	-	180

Exposure Table 31.07.17	£'000	£'000	£'000	£'000	£'000
Counterparty	£'000	£'000	£'000	£'000	£'000
Citi	-	-	-	1,471	-
HSBC	270	-	-	58	-
RBS	-	-	-	52	-

*Positive exposure represents the sub-fund's exposure to that counterparty and not the sub-fund's holdings with that counterparty.*

*For futures contracts, variation margin in the form of cash is pledged by the counterparty to mitigate the credit risk arising from positive balances. Where the sub-fund is in a liability position, the sub-fund pledges variation margin in the form of cash.*

*Collateral arrangements with counterparties require assets of an agreed type and quality to be pledged where exposures are above a certain magnitude. At the year end, collateral of £180,000 in the form of cash was held for the sub-fund on behalf of counterparties (2017: £Nil in the form of cash). Collateral of £68,000 was pledged by the sub-fund to counterparties in the form of cash (2017: £1,560,000 in the form of cash).*

#### f) Liquidity risk

The sub-fund's assets comprise mainly of readily realisable securities which can be sold promptly to meet liquidity requirements. The main source of this risk comes from the obligation to shareholders to meet any cancellation of shares. Assets from the sub-fund may need to be sold to meet any redemption proceeds. As part of its operating duties the ACD regularly monitors the liquidity levels held on the sub-fund (cash and underlying securities) to ensure any redemption can be readily met. Some investments may be less liquid than other securities and can be more sensitive to economic factors. The rules of the Regulations mitigate the risk of excessive exposure to assets which are not readily realisable.

## Notes to the financial statements (continued)

for the year from 1 August 2017 to 31 July 2018

### 13 Derivatives and other financial instruments (continued)

#### g) Market risk

Market risk arises from uncertainty about future prices of financial instruments held. The main source of risk to the sub-fund is the potential movement in the value of financial instruments held as a result of price fluctuations. Stock market prices can move erratically and be unpredictably affected by diverse factors including political and economic events but also rumours and sentiment. The ACD adheres to the investment guidelines and borrowing powers set out within the Prospectus and the COLL Sourcebook. In this way the ACD monitors and controls the exposure to risk from any type of security, sector or issuer. The sub-fund may also use derivative instruments to mitigate risk and reduce cost.

#### h) Fair value of financial assets and liabilities

There is no material difference between the carrying value of the financial assets and liabilities, as shown in the Balance sheet, and their fair value.

Basis of valuation	31.07.18		31.07.17	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1: Quoted prices	16,804	(149)	10,508	(283)
Level 2: Observable market data	281,633	(209)	435,314	(1,948)
Level 3: Unobservable data*	-	-	533	-
<b>Total</b>	<b>298,437</b>	<b>(358)</b>	<b>446,355</b>	<b>(2,231)</b>

\* This figure is made up of 1 security value at £Nil (2017: 1). The valuation technique applied has been reviewed by the ACD taking into account, where appropriate, latest dealing prices, broker statements, valuations from reliable sources, models using underlying investee financial performance information and other relevant factors.

#### i) Sensitivity analysis

The Investment Adviser assesses the market risk of the Old Mutual Corporate Bond Fund, including any derivative exposures, using a Relative Value at Risk ('VaR') methodology. VaR is a process that provides the Investment Adviser with an estimate of the maximum potential loss that could be expected to occur as a result of changes in market prices over a given period of time in all but a given percentage of circumstances. If the calculated percentage is lower than that of its representative benchmark, the sub-fund's performance should be less volatile than the benchmark, or more volatile if higher than the benchmark. As the sub-fund adopts a relative VaR model to measure the sub-fund market risk, the daily VaR limit for the sub-fund is twice the VaR of the relevant benchmark which is the Markit Iboxx GBP non-Gilt. The VaR for the sub-fund and the benchmark are calculated using a one-tailed 95 per cent confidence level, a one month holding period and the historical period of one year (250 Business Days).

Derivatives are used to efficiently manage the tactical asset allocation positioning of the sub-fund, Old Mutual Corporate Bond Fund. The sub-fund uses relative methodology to measure VaR. The VaR for the sub-fund and the benchmark as at 31 July 2018 was 1.70% and 1.80% respectively (31 July 2017: 2.36% and 2.53%).

The minimum, average and maximum VaR of the sub-fund over the year was 1.50%, 1.90% and 2.70% (31 July 2017: 1.40%, 2.20% and 2.50%).

The Gross sum of notionals (GSON) leverage figures are prepared with no hedging or netting of any asset class. Across the range of asset classes exposures are treated differently. For instance currency forwards are treated by valuing both legs of the underlying and expressing them as a percentage of the NAV. Physical assets are excluded to get the incremental exposure resulting from derivatives.

The sub-fund is limited to 400% gross leverage, and this limit has not been exceeded over the year. Using the "gross sum of notionals" methodology, the average leverage for the year ended 31 July 2018 was 50.00% (31 July 2017: 33.00%).

### 14 Contingent liabilities

The sub-fund had no contingent liabilities at the Balance sheet date (31 July 2017: £Nil).

### 15 Portfolio transaction costs

There are no commissions, stamp duty or taxes paid in relation to the transactions on the bond portfolio for current year. Quoted in £'000, the total value of purchases for the year was £545,009 (2017: £500,185) and the total value of sales was £680,125 (2017: £481,017).

Transaction costs as a percentage of average Net Assets*	31.07.18	31.07.17
Commissions:	0.00%	0.00%
Taxes:	0.00%	0.00%

\* Includes commission on derivative transactions of £23,289 (31 July 2017: £15,000). There were no taxes on derivative transactions (31 July 2017: £Nil).

In the case of shares, transaction costs are paid by the sub-fund on each transaction. Commissions relate to those paid to agents, advisers, brokers and dealers in the buying and selling of securities. Other costs include any additional fees that may be paid to agents, advisers, brokers and dealers as well as levies by regulatory agencies and security exchanges and any transfer taxes or duties. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments have no separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads may vary considerably depending on the transaction value and market sentiment. At the balance sheet date the dealing spread was 0.57% (31 July 2017: 0.67%).

## Notes to the financial statements (continued)

for the year from 1 August 2017 to 31 July 2018

### 16 Shareholders' funds

The sub-fund currently has nine share classes: Accumulation 'A', Income 'A', Accumulation 'P', Income 'P', Accumulation 'R', Income 'R', Accumulation 'U1', Income 'U1' and Income 'U2'. The net asset value of each share class, net asset value per share and the number of shares in issue are given in the information pages for each sub-fund.

The share classes currently in issue and the Fixed Ongoing Charge of each share class are shown below. The comparative figure at the 31 July 2017, was the Authorised Corporate Directors' Fee, which is now included within the Fixed Ongoing Charge.

	31.07.18	31.07.17
- Accumulation 'A'	1.15%	1.00%
- Income 'A'	1.15%	1.00%
- Accumulation 'P'	0.80%	0.65%
- Income 'P'	0.80%	0.65%
- Accumulation 'R'	0.65%	0.50%
- Income 'R'	0.65%	0.50%
- Accumulation 'U1'	0.60%	0.45%
- Income 'U1'	0.60%	0.45%
- Accumulation 'U2'†	0.55%	0.40%
- Income 'U2'	0.55%	0.40%
- Accumulation 'W'††	0.55%	-

#### Share class movement reconciliation

	Opening	Issued	Redeemed	Converted	Closing
- Accumulation 'A'	43,742,374	457,471	(5,326,729)	(5,012,217)	33,860,899
- Income 'A'	18,629,021	521,913	(11,822,492)	7,793,261	15,121,703
- Accumulation 'P'	737,869	8,004	(69,859)	(62,206)	613,808
- Income 'P'	309,258	20,756	(224,167)	88,390	194,237
- Accumulation 'R'	72,381,783	363,727	(5,376,790)	(1,420,654)	65,948,066
- Income 'R'	63,969,456	1,546,440	(14,697,075)	3,447,480	54,266,301
- Accumulation 'U1'	23,033,480	756,023	(2,170,178)	(1,641,321)	19,978,004
- Income 'U1'	2,093,546	542,868	(2,717,690)	1,833,689	1,752,413
- Accumulation 'U2'†	82,512,795	9,038,639	(609,591)	(90,941,843)	-
- Income 'U2'	30,365,264	38,694,032	(1,452,621)	(27,931,903)	39,674,772
- Accumulation 'W'††	-	9,983,393	(148,785,138)	138,801,745	-

† Share class closed on 15 June 2018

†† From 10 April 2018 to 21 June 2018

### 17 Post balance sheet date events

On 28 September 2018, Old Mutual Corporate Bond Fund changed its name to Merian Corporate Bond Fund.

## Distribution table

### Final distribution

Group 1: Shares purchased prior to 1 May 2018

Group 2: Shares purchased from 1 May 2018 to 31 July 2018

	Revenue pence per share	Equalisation pence per share*	Distribution paid 30.09.18 pence per share	Distribution paid 30.09.17 pence per share
<b>Accumulation 'A' Shares</b>				
Group 1	1.1272	-	1.1272	1.1080
Group 2	0.6888	0.4384	1.1272	1.1080
<b>Income 'A' Shares</b>				
Group 1	0.5816	-	0.5816	0.5816
Group 2	0.3361	0.2455	0.5816	0.5816
<b>Accumulation 'P' Shares</b>				
Group 1	0.9939	-	0.9939	0.9795
Group 2	0.6863	0.3076	0.9939	0.9795
<b>Income 'P' Shares</b>				
Group 1	0.6896	-	0.6896	0.6943
Group 2	0.5072	0.1824	0.6896	0.6943
<b>Accumulation 'R' Shares</b>				
Group 1	0.7717	-	0.7717	0.7610
Group 2	0.3862	0.3855	0.7717	0.7610
<b>Income 'R' Shares</b>				
Group 1	0.6961	-	0.6961	0.7019
Group 2	0.3908	0.3053	0.6961	0.7019
<b>Accumulation 'U1' Shares</b>				
Group 1	0.7244	-	0.7244	0.7145
Group 2	0.2982	0.4262	0.7244	0.7145
<b>Income 'U1' Shares</b>				
Group 1	0.6475	-	0.6475	0.6527
Group 2	0.3443	0.3032	0.6475	0.6527
<b>Accumulation 'U2' Shares†</b>				
Group 1	-	-	-	0.7453
Group 2	-	-	-	0.7453
<b>Income 'U2' Shares</b>				
Group 1	0.6614	-	0.6614	0.6679
Group 2	0.0326	0.6288	0.6614	0.6679

## Distribution table (continued)

## Third Interim distribution

Group 1: Shares purchased prior to 1 February 2018

Group 2: Shares purchased from 1 February 2018 to 30 April 2018

	Revenue pence per share	Equalisation pence per share*	Distribution paid 30.06.18 pence per share	Distribution paid 30.06.17 pence per share
<b>Accumulation 'A' Shares</b>				
Group 1	0.9817	-	0.9817	0.8772
Group 2	0.4029	0.5788	0.9817	0.8772
<b>Income 'A' Shares</b>				
Group 1	0.5088	-	0.5088	0.4625
Group 2	0.2553	0.2535	0.5088	0.4625
<b>Accumulation 'P' Shares</b>				
Group 1	0.8805	-	0.8805	0.7938
Group 2	0.4547	0.4258	0.8805	0.7938
<b>Income 'P' Shares</b>				
Group 1	0.6136	-	0.6136	0.5650
Group 2	0.6136	0.0000	0.6136	0.5650
<b>Accumulation 'R' Shares</b>				
Group 1	0.6876	-	0.6876	0.6214
Group 2	0.3211	0.3665	0.6876	0.6214
<b>Income 'R' Shares</b>				
Group 1	0.6233	-	0.6233	0.5760
Group 2	0.2991	0.3242	0.6233	0.5760
<b>Accumulation 'U1' Shares</b>				
Group 1	0.6464	-	0.6464	0.5845
Group 2	0.2723	0.3741	0.6464	0.5845
<b>Income 'U1' Shares</b>				
Group 1	0.5805	-	0.5805	0.5369
Group 2	0.2840	0.2965	0.5805	0.5369
<b>Accumulation 'U2' Shares</b>				
Group 1	0.5902	-	0.5902	0.6109
Group 2	0.2772	0.3130	0.5902	0.6109
<b>Income 'U2' Shares</b>				
Group 1	0.5946	-	0.5946	0.5506
Group 2	0.2658	0.3288	0.5946	0.5506
<b>Accumulation 'W' Shares††</b>				
Group 1	0.0960	-	0.0960	-
Group 2	0.0366	0.0594	0.0960	-

## Distribution table (continued)

## Second Interim distribution

Group 1: Shares purchased prior to 1 November 2017  
 Group 2: Shares purchased from 1 November 2017 to 31 January 2018

	Revenue pence per share	Equalisation pence per share*	Distribution paid 31.03.18 pence per share	Distribution paid 31.03.17 pence per share
<b>Accumulation 'A' Shares</b>				
Group 1	1.0204	-	1.0204	0.8552
Group 2	0.6867	0.3337	1.0204	0.8552
<b>Income 'A' Shares</b>				
Group 1	0.5310	-	0.5310	0.4522
Group 2	0.2329	0.2981	0.5310	0.4522
<b>Accumulation 'P' Shares</b>				
Group 1	0.9154	-	0.9154	0.7509
Group 2	0.4867	0.4287	0.9154	0.7509
<b>Income 'P' Shares</b>				
Group 1	0.6417	-	0.6417	0.5372
Group 2	0.1083	0.5334	0.6417	0.5372
<b>Accumulation 'R' Shares</b>				
Group 1	0.7156	-	0.7156	0.5826
Group 2	0.4130	0.3026	0.7156	0.5826
<b>Income 'R' Shares</b>				
Group 1	0.6516	-	0.6516	0.5427
Group 2	0.3285	0.3231	0.6516	0.5427
<b>Accumulation 'U1' Shares</b>				
Group 1	0.6719	-	0.6719	0.5465
Group 2	0.4340	0.2379	0.6719	0.5465
<b>Income 'U1' Shares</b>				
Group 1	0.6070	-	0.6070	0.5044
Group 2	0.2180	0.3890	0.6070	0.5044
<b>Accumulation 'U2' Shares</b>				
Group 1	0.7015	-	0.7015	0.5693
Group 2	0.3577	0.3438	0.7015	0.5693
<b>Income 'U2' Shares</b>				
Group 1	0.6217	-	0.6217	0.5157
Group 2	0.2577	0.3640	0.6217	0.5157



## Distribution table (continued)

## First Interim distribution

Group 1: Shares purchased prior to 1 August 2017

Group 2: Shares purchased from 1 August 2017 to 31 October 2017

	Revenue pence per share	Equalisation pence per share*	Distribution paid 31.12.17 pence per share	Distribution paid 31.12.16 pence per share
<b>Accumulation 'A' Shares</b>				
Group 1	0.9796	-	0.9796	0.8747
Group 2	0.4353	0.5443	0.9796	0.8747
<b>Income 'A' Shares</b>				
Group 1	0.5120	-	0.5120	0.4645
Group 2	0.2362	0.2758	0.5120	0.4645
<b>Accumulation 'P' Shares</b>				
Group 1	0.8821	-	0.8821	0.7724
Group 2	0.4447	0.4374	0.8821	0.7724
<b>Income 'P' Shares</b>				
Group 1	0.6215	-	0.6215	0.5548
Group 2	0.6055	0.0160	0.6215	0.5548
<b>Accumulation 'R' Shares</b>				
Group 1	0.6887	-	0.6887	0.5995
Group 2	0.3488	0.3399	0.6887	0.5995
<b>Income 'R' Shares</b>				
Group 1	0.6323	-	0.6323	0.5612
Group 2	0.3124	0.3199	0.6323	0.5612
<b>Accumulation 'U1' Shares</b>				
Group 1	0.6486	-	0.6486	0.5628
Group 2	0.3189	0.3297	0.6486	0.5628
<b>Income 'U1' Shares</b>				
Group 1	0.5892	-	0.5892	0.5221
Group 2	0.1806	0.4086	0.5892	0.5221
<b>Accumulation 'U2' Shares</b>				
Group 1	0.6773	-	0.6773	0.5889
Group 2	0.3817	0.2956	0.6773	0.5889
<b>Income 'U2' Shares</b>				
Group 1	0.6036	-	0.6036	0.5340
Group 2	0.0944	0.5092	0.6036	0.5340

† Share class closed on 15 June 2018

†† From 10 April 2018 to 21 June 2018

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

## Old Mutual Monthly Income Bond Fund

Launch date	30 September 2004
IA Sector	Sterling Strategic Bond
Investment adviser	Old Mutual Global Investors (UK) Limited
Net asset value	£86,901,846

### Objective

The sub-fund aims to maximise total returns by investing primarily in a diversified portfolio of fixed, variable and zero rate bond investments, including convertible securities. There are no specific restrictions as to the economic sectors or geographic areas that the sub-fund may invest in.

### Policy

Subject to the regulations, the property of the sub-fund may include transferable securities; units in collective investment schemes (including those managed or operated by the ACD or an associate of the ACD), warrants, money market instruments, deposits and derivatives.

More than 35% in value of the property of the sub-fund may consist of Government and other public securities issued by one issuer in accordance with the investment management and borrowing powers of the Company set out in schedule 2.

The sub-fund will be permitted to use derivatives for investment purposes. The use of derivatives for this purpose may affect the volatility or risk profile of the sub-fund although this is not the ACD's intention.

### Investment Manager's review

With the exception of the US economy, momentum in global growth came to a halt during the first half of the year. The pace set in the second half of 2017 and into the first quarter of 2018 proved too quick to be maintained.

A number of headwinds including China deleveraging, Italian political uncertainty, truck strikes in Brazil, Brexit uncertainty and the ongoing threat of a US trade war hit sentiment. Not to mention the political crisis in Turkey and concerns over the upcoming election in Brazil. In contrast, the US economy was firing on all cylinders thanks to fiscal stimulus and deregulation which boosted US pay-packets and consumer confidence.

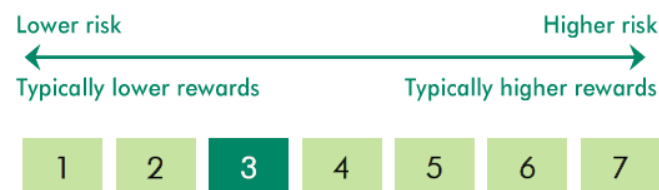
Relative US economic strength affects the rest of the world in two ways where one outcome is more positive than the other. It can boost trade as the US imports more goods from the rest of the world but it also strengthens the US Dollar which has global ramifications.

After years of loose US monetary policy, the rest of the world holds a lot of US dollar-denominated debt, which means that when the currency strengthens the debtholders' liabilities climb, limiting their ability to invest and forcing some to deleverage. In the emerging markets, some countries have been forced to hike interest rates to protect their currencies too, tightening domestic credit conditions further. The financial channel impact has dominated the price action in recent months.

The moves seen in markets (flattening yield curves, US Dollar strength, weakness in risk assets) have been typical of late-cycle behaviour, but we can be stuck in this period for a long time whilst the bull market limits itself to US equities. Given the strength in US household balance sheets, high employment and a labour market that has undergone huge structural changes, it's too early to call time on this cycle. We believe that the risk of a near-term recession risk is low. We expect to see global economic growth recover outside of the US and inflationary pressures to be contained.

The sub-fund went into the latter half of 2017 and early 2018 positioned with greater credit beta than the benchmark because of the relatively benign economic backdrop and fair valuations. This played out well until January, as the credit markets rallied aggressively which gave rise to profit taking opportunities. It led us to reduce credit exposure by increasing both the quality of the companies and reducing credit duration. We also took the early decision to reduce both direct and indirect exposure to emerging markets - where dollar maturity transformation is most pronounced. These decisions were taken by the new manager as well as removing other positions from the portfolio. During this initial period of repositioning, the owner of an aluminium producer called Rusal was subjected to US sanctions so we took the decision to mark the position at zero given we are now unable to transact in the bonds. The re-marking of Rusal dominated performance of the sub-fund but we expect to get back full or close to full value.

### Risk and Reward Profile



The calculated risk and reward category, as shown above, uses a method of calculation derived from EU rules. It is based on the rate at which the returns of the sub-fund have moved up and down in the past (i.e. volatility) and is not a guide to the future risk and reward category of the sub-fund. The category shown is not a target or guarantee and may shift over time. Even the lowest category 1 does not mean a risk-free investment. The seven-category scale is nonlinear, for example, 2 is not twice as risky as 1.

Sub-funds in category 3 have in the past shown moderately low volatility. With a sub-fund of category 3, you have a moderately low risk of losing money but your chance for gains is also moderately low.

**Investment risk** - there is no guarantee that the sub-fund will achieve its objective. A capital loss of some or all of the amount invested may occur.

**Credit risk** - the issuer of a bond or a similar investment within the sub-fund may not pay income or repay capital to the sub-fund when due. Bonds which are rated below investment grade are considered to have a higher risk exposure with respect to meeting their payment obligations.

**Interest rate risk** - investments in bonds are affected by interest rates and inflation trends which may affect the value of the sub-fund.

**Liquidity risk** - some investments may become hard to value or sell at a desired time and price. In extreme circumstances this may affect the sub-fund's ability to meet redemption requests upon demand.

**Currency risk** - the sub-fund is denominated in British Pounds and may use techniques to try to reduce the effects of changes in the exchange rate between the currency of the underlying investments and the base currency of the sub-fund. These techniques may not eliminate all the currency risk. The value of your shares may rise and fall as a result of exchange rate movements.

**Derivative risk** - the sub-fund uses derivatives to generate returns and/or to reduce costs and the overall risk of the sub-fund. Using derivatives can involve a higher level of risk. A small movement in the price of an underlying investment may result in a disproportionately large movement in the price of the derivative investment. Derivatives also involve counterparty risk where the institutions acting as counterparty to derivatives may not meet their contractual obligations.

**Capital erosion risk** - the sub-fund takes charges from the capital of the sub-fund. Investors should be aware that there is potential for capital erosion if insufficient capital growth is achieved by the sub-fund to cover the charges. Capital erosion may have the effect of reducing the level of income generated.

For a more detailed explanation of risks, please refer to the "Risks" section of the prospectus.

## Performance Records

### Comparative Tables

Accumulation 'A'	1 August 2017 to 31 July 2018 p/share	1 August 2016 to 31 July 2017 p/share	1 August 2015 to 31 July 2016 p/share
<b>Change in net assets per share</b>			
Opening net asset value per share	73.94	70.86	69.74
Return before operating charges*	(0.70)	4.48	2.75
Operating charges**	(1.03)	(1.01)	(0.95)
Return after operating charges*	(1.73)	3.47	1.80
Distributions	(3.06)	(3.22)	(3.40)
Retained distributions	3.06	2.83	2.72
Closing net asset value per share	72.21	73.94	70.86
* after direct transaction costs of***	-	-	-
<b>Performance</b>			
Return after charges	(2.34)%	4.89%	2.58%
<b>Other information</b>			
Closing net asset value (£)	6,403,581	8,421,734	10,079,247
Closing number of shares	8,867,573	11,389,671	14,224,992
Operating charges****	1.40%	1.40%	1.40%
Direct transaction costs***	-	-	-
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	75.56	76.94	73.90
Lowest share price	71.61	69.78	64.50
<b>Income 'A'</b>	<b>1 August 2017 to 31 July 2018 p/share</b>	<b>1 August 2016 to 31 July 2017 p/share</b>	<b>1 August 2015 to 31 July 2016 p/share</b>
<b>Change in net assets per share</b>			
Opening net asset value per share	39.93	39.79	40.78
Return before operating charges*	(0.35)	2.48	1.50
Operating charges**	(0.55)	(0.56)	(0.54)
Return after operating charges*	(0.90)	1.92	0.96
Distributions	(1.62)	(1.78)	(1.95)
Retained distributions	-	-	-
Closing net asset value per share	37.41	39.93	39.79
* after direct transaction costs of***	-	-	-
<b>Performance</b>			
Return after charges	(2.25)%	4.83%	2.35%
<b>Other information</b>			
Closing net asset value (£)	11,108,703	13,137,513	16,507,935
Closing number of shares	29,697,184	32,901,617	41,491,355
Operating charges****	1.40%	1.40%	1.40%
Direct transaction costs***	-	-	-
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	40.33	42.31	43.02
Lowest share price	37.24	38.75	36.89

## Comparative Tables (continued)

Accumulation 'P'	1 August 2017 to 31 July 2018 p/share	1 August 2016 to 31 July 2017 p/share	1 August 2015 to 31 July 2016 p/share
<b>Change in net assets per share</b>			
Opening net asset value per share	136.41	130.45	127.70
Return before operating charges*	(1.28)	7.84	5.12
Operating charges**	(1.23)	(1.18)	(1.12)
Return after operating charges*	(2.51)	6.66	4.00
Distributions	(5.66)	(5.91)	(6.23)
Retained distributions	5.66	5.21	4.98
Closing net asset value per share	133.90	136.41	130.45
* after direct transaction costs of***	-	-	-
<b>Performance</b>			
Return after charges	(1.84)%	5.11%	3.13%
<b>Other information</b>			
Closing net asset value (£)	6,502	1,054	27,114
Closing number of shares	4,856	773	20,785
Operating charges****	0.90%	0.90%	0.90%
Direct transaction costs***	-	-	-
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	139.70	141.95	135.85
Lowest share price	132.70	128.48	118.31
<b>Income 'P'</b>	<b>1 August 2017 to 31 July 2018 p/share</b>	<b>1 August 2016 to 31 July 2017 p/share</b>	<b>1 August 2015 to 31 July 2016 p/share</b>
<b>Change in net assets per share</b>			
Opening net asset value per share	97.40	96.57	98.48
Return before operating charges*	(0.87)	6.02	3.68
Operating charges**	(0.86)	(0.87)	(0.85)
Return after operating charges*	(1.73)	5.15	2.83
Distributions	(3.97)	(4.32)	(4.74)
Retained distributions	-	-	-
Closing net asset value per share	91.70	97.40	96.57
* after direct transaction costs of***	-	-	-
<b>Performance</b>			
Return after charges	(1.78)%	5.33%	2.87%
<b>Other information</b>			
Closing net asset value (£)	112,079	119,100	120,284
Closing number of shares	122,219	122,281	124,551
Operating charges****	0.90%	0.90%	0.90%
Direct transaction costs***	-	-	-
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	98.40	102.74	103.90
Lowest share price	91.27	94.20	89.35

## Comparative Tables (continued)

Accumulation 'R'	1 August 2017 to 31 July 2018 p/share	1 August 2016 to 31 July 2017 p/share	1 August 2015 to 31 July 2016 p/share
<b>Change in net assets per share</b>			
Opening net asset value per share	116.52	110.98	108.58
Return before operating charges*	(1.11)	7.05	4.31
Operating charges**	(0.93)	(0.91)	(0.85)
Return after operating charges*	(2.04)	6.14	3.46
Distributions	(4.84)	(5.05)	(5.29)
Retained distributions	4.84	4.45	4.23
Closing net asset value per share	114.48	116.52	110.98
* after direct transaction costs of***	-	-	-
<b>Performance</b>			
Return after charges	(1.75)%	5.53%	3.19%
<b>Other information</b>			
Closing net asset value (£)	51,944,084	17,382,335	16,580,634
Closing number of shares	45,373,744	14,917,640	14,940,330
Operating charges****	0.80%	0.80%	0.80%
Direct transaction costs***	-	-	-
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	119.40	117.15	111.84
Lowest share price	113.50	109.51	100.76
<b>Income 'R'</b>	<b>1 August 2017 to 31 July 2018 p/share</b>	<b>1 August 2016 to 31 July 2017 p/share</b>	<b>1 August 2015 to 31 July 2016 p/share</b>
<b>Change in net assets per share</b>			
Opening net asset value per share	103.69	102.71	104.62
Return before operating charges*	(0.91)	6.40	3.91
Operating charges**	(0.82)	(0.82)	(0.80)
Return after operating charges*	(1.73)	5.58	3.11
Distributions	(4.23)	(4.60)	(5.02)
Retained distributions	-	-	-
Closing net asset value per share	97.73	103.69	102.71
* after direct transaction costs of***	-	-	-
<b>Performance</b>			
Return after charges	(1.67)%	5.43%	2.97%
<b>Other information</b>			
Closing net asset value (£)	10,553,116	14,920,612	19,511,216
Closing number of shares	10,798,018	14,389,051	18,997,069
Operating charges****	0.80%	0.80%	0.80%
Direct transaction costs***	-	-	-
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	104.80	105.59	106.64
Lowest share price	97.26	100.22	94.97

## Comparative Tables (continued)

Accumulation 'U1'	1 August 2017 to 31 July 2018 p/share	1 August 2016 to 31 July 2017 p/share	1 August 2015 to 31 July 2016 p/share
<b>Change in net assets per share</b>			
Opening net asset value per share	105.33	100.26	97.98
Return before operating charges*	(1.00)	6.35	3.91
Operating charges**	(0.75)	(0.73)	(0.68)
Return after operating charges*	(1.75)	5.62	3.23
Distributions	(4.38)	(4.57)	(4.77)
Retained distributions	4.38	4.02	3.82
Closing net asset value per share	103.58	105.33	100.26
* after direct transaction costs of***	-	-	-
<b>Performance</b>			
Return after charges	(1.66)%	5.60%	3.30%
<b>Other information</b>			
Closing net asset value (£)	3,883,416	3,986,642	5,053,911
Closing number of shares	3,749,144	3,784,853	5,040,834
Operating charges****	0.71%	0.71%	0.71%
Direct transaction costs***	-	-	-
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	108.00	105.90	101.01
Lowest share price	102.70	98.93	90.97
<b>Income 'U1'</b>	<b>1 August 2017 to 31 July 2018 p/share</b>	<b>1 August 2016 to 31 July 2017 p/share</b>	<b>1 August 2015 to 31 July 2016 p/share</b>
<b>Change in net assets per share</b>			
Opening net asset value per share	91.28	90.33	91.95
Return before operating charges*	(0.82)	5.65	3.42
Operating charges**	(0.64)	(0.65)	(0.62)
Return after operating charges*	(1.46)	5.00	2.80
Distribution	(3.72)	(4.05)	(4.42)
Retained distributions	-	-	-
Closing net asset value per share	86.10	91.28	90.33
* after direct transaction costs of***	-	-	-
<b>Performance</b>			
Return after charges	(1.60)%	5.54%	3.05%
<b>Other information</b>			
Closing net asset value (£)	2,768,462	8,140,955	9,309,133
Closing number of shares	3,215,416	8,918,987	10,305,924
Operating charges****	0.71%	0.71%	0.71%
Direct transaction costs***	-	-	-
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	92.23	92.87	93.74
Lowest share price	85.68	88.17	83.50

## Comparative Tables (continued)

Accumulation 'U2'†	1 August 2017 to 31 July 2018 p/share	1 August 2016 to 31 July 2017 p/share	1 August 2015 to 31 July 2016 p/share
<b>Change in net assets per share</b>			
Opening net asset value per share	108.35	103.04	100.67
Return before operating charges*	(0.46)	6.56	4.00
Operating charges**	(0.55)	(0.69)	(0.64)
Return after operating charges*	(1.01)	5.87	3.36
Distributions	(3.20)	(4.70)	(4.94)
Retained distributions	3.20	4.14	3.95
Closing net asset value per share	107.34	108.35	103.04
* after direct transaction costs of***	-	-	-
<b>Performance</b>			
Return after charges	(0.93)%	5.70%	3.34%
<b>Other information</b>			
Closing net asset value (£)	-	74,630,120	56,414,199
Closing number of shares	-	68,875,664	54,751,912
Operating charges****	0.65%	0.65%	0.65%
Direct transaction costs***	-	-	-
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	111.10	108.94	103.84
Lowest share price	107.10	101.73	93.49
<b>Income 'U2'</b>	<b>1 August 2017 to 31 July 2018 p/share</b>	<b>1 August 2016 to 31 July 2017 p/share</b>	<b>1 August 2015 to 31 July 2016 p/share</b>
<b>Change in net assets per share</b>			
Opening net asset value per share	94.80	93.83	95.35
Return before operating charges*	(0.80)	5.78	3.65
Operating charges**	(0.61)	(0.61)	(0.59)
Return after operating charges*	(1.41)	5.17	3.06
Distributions	(3.87)	(4.20)	(4.58)
Retained distributions	-	-	-
Closing net asset value per share	89.52	94.80	93.83
* after direct transaction costs of***	-	-	-
<b>Performance</b>			
Return after charges	(1.49)%	5.51%	3.21%
<b>Other information</b>			
Closing net asset value (£)	121,903	125,851	209,701
Closing number of shares	136,173	132,751	223,489
Operating charges****	0.65%	0.65%	0.65%
Direct transaction costs***	-	-	-
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	95.83	96.38	97.09
Lowest share price	89.08	91.51	86.67

## Comparative Tables (continued)

Accumulation 'W'††	1 August 2017 to 31 July 2018 p/share	1 August 2016 to 31 July 2017 p/share	1 August 2015 to 31 July 2016 p/share
<b>Change in net assets per share</b>			
Opening net asset value per share	100.00	-	-
Return before operating charges*	(1.23)	-	-
Operating charges**	(0.13)	-	-
Return after operating charges*	(1.36)	-	-
Distributions	(0.51)	-	-
Retained distributions	0.51	-	-
Closing net asset value per share	98.64	-	-
* after direct transaction costs of***	-	-	-
<b>Performance</b>			
Return after charges	(1.36)%	-	-
<b>Other information</b>			
Closing net asset value (£)	-	-	-
Closing number of shares	-	-	-
Operating charges****	0.65%	-	-
Direct transaction costs***	-	-	-
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	100.20	-	-
Lowest share price	98.09	-	-

† Share class closed on 25 May 2018

†† From 10 April 2018 to 21 June 2018

\*\* The operating charges include all costs borne by the sub-fund, except for direct transaction costs. It includes the operating charges of any collective investment schemes in which the sub-fund invests.

\*\*\* The direct transaction costs are made up of fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges as well as transfer taxes and duties. They do not include any difference between the quoted bid and offer prices or internal administrative or holding costs. These costs arise as a result of transactions undertaken both for efficient portfolio management and the meeting of the sub-fund's objectives. These costs exclude any effect of dilution adjustments used to offset the costs.

\*\*\*\* The operating charges percentage is the ratio of the sub-fund's ongoing charges (excluding interest on borrowings) to the average net assets of the sub-fund. If the share class launched during the year the operating charges are annualised.



## Performance

	6 months to 31 July 2018	1 year to 31 July 2018	3 years to 31 July 2018	5 years to 31 July 2018
Old Mutual Monthly Income Bond Fund*	(3.12)%	(1.48)%	5.47%	13.61%
50% JPM GBI, 50% ML EUR HY (HP00), GBP hedged (benchmark)	0.19%	1.28%	11.11%	25.66%
IA Sterling Strategic Bond (sector average)	(1.03)%	0.25%	11.13%	22.98%
Quartile ranking	4	4	4	4

\* Accumulation 'R' shares

Data Source – Factset. Figures are calculated on a total return and single price basis, with net income reinvested into the sub-fund.

Portfolio allocation		Major holdings	Percentage of portfolio
Europe	42.57%	Old Mutual Financials Contingent Capital Fund - F Income (USD)	9.24%
North America	28.41%	Cabot Financial Luxembourg 7.5% 01/10/2023	1.91%
United Kingdom	24.73%	Federal-Mogul LLC & Federal-Mogul Financing 5% 15/07/2024	1.58%
Asia Pacific (excluding Japan)	0.16%	Antero Resources 5% 03/01/2025	1.58%
Overseas derivatives	0.01%	Virgin Media Receivables Financing Notes II 5.75% 15/04/2023	1.57%
United Kingdom derivatives	(0.22)%	US Treasury 1.5% 15/08/2026	1.45%
		AT Securities 5.25% Perpetual	1.22%
Net other assets	4.34%	Vodafone 3.29031% 16/01/2024	1.18%
		Equinix 2.875% 01/10/2025	1.11%
<b>Total</b>	<b>100.00%</b>	Fairfax Financial 4.85% 17/04/2028	1.10%
		<b>Number of holdings</b>	<b>122</b>
<b>Asset allocation</b>			
US Dollar Denominated Debt securities	32.45%		
Sterling Denominated Debt Securities	29.53%		
Euro Denominated Debt Securities	24.65%		
Collective Investment Schemes	9.24%		
Overseas derivatives	0.01%		
United Kingdom derivatives	(0.22)%		
Net other assets	4.34%		
<b>Total</b>	<b>100.00%</b>		

## Portfolio statement

as at 31 July 2018

Holding	Investment	Market Value £'000	Percentage of total net assets %
Sterling 29.31% (31 July 2017 36.62%)			
Sterling Denominated Fixed Rate Corporate Bonds 27.44% (31 July 2017 30.57%)			
£740,000	America Movil 6.375% 06/09/2073	788	0.91
£417,000	Annington Funding 2.646% 12/07/2025	413	0.47
£347,000	Aroundtown 3% 16/10/2029	328	0.38
£879,000	Arrow Global Finance 5.125% 15/09/2024	809	0.93
£700,000	Ashpol 10.75% 31/12/2025*	-	-
£540,000	Aviva 6.125% 14/11/2036	605	0.70
£324,000	BAT Capital 2.125% 15/08/2025	313	0.36
£579,000	Bazalgette Finance 2.375% 29/11/2027	566	0.65
£324,000	Becton Dickinson 3.02% 24/05/2025	328	0.38
£370,000	Bunzl Finance 2.25% 11/06/2025	361	0.42
£1,700,000	Cabot Financial Luxembourg 7.5% 01/10/2023	1,657	1.91
£555,000	Centrica 5.25% 10/04/2075	586	0.67
£740,000	Close Brothers 4.25% 24/01/2027	771	0.89
£833,000	Coventry Building Society 6.375% Perpetual	855	0.98
£583,000	CPUK Finance 3.588% 28/08/2025	612	0.70
£232,000	Digital Stout Holding 2.75% 19/07/2024	233	0.27
£370,000	DS Smith 2.875% 26/07/2029	356	0.41
£879,000	DXC Technology 2.75% 15/01/2025	875	1.01
£600,000	Electricite de France 5.875% Perpetual	602	0.69
£700,000	Electricite de France 6% Perpetual	724	0.83
£602,000	Gazprom OAO Via Gaz Capital 4.25% 06/04/2024	612	0.70
£324,000	Grainger 3.375% 24/04/2028	321	0.37
£278,000	Hastings Finance 3% 24/05/2025	276	0.32
£579,000	Heathrow Finance 3.875% 01/03/2027	550	0.63
£600,000	HSBC 2.175% 27/06/2023	598	0.69
£700,000	Metro Bank 5.5% 26/06/2028	683	0.79
£555,000	NGG Finance 5.625% 18/06/2073	609	0.70
£648,000	Pennon 2.875% Perpetual	647	0.74
£800,000	PGH Capital 6.625% 18/12/2025	882	1.01
£572,000	Premier Foods Finance 6.25% 15/10/2023	592	0.68
£671,000	Prudential 5.7% 19/12/2063	766	0.88
£810,000	Quilter 4.478% 28/02/2028	813	0.94
£370,000	Santander UK 10.0625% Perpetual	610	0.70
£833,000	Student Finance 2.6663% 30/09/2024	823	0.95
£589,326	Tesco Property Finance 4 5.8006% 13/10/2040	682	0.78
£602,000	TP ICAP 5.25% 26/01/2024	605	0.70
£1,342,000	Virgin Media Receivables Financing Notes II 5.75% 15/04/2023	1,365	1.57
£602,000	Western Power Distribution 3.625% 06/11/2023	631	0.73
		23,847	27.44
Sterling Denominated Variable Rate Corporate Bonds 2.09% (31 July 2017 0.16%)			
£925,000	Bank of Montreal 1.06588% 16/04/2023	925	1.07
£900,000	Investec Bank 4.25% 24/07/2028	889	1.02
		1,814	2.09
Sterling Denominated Fixed Rate Government Bonds 0.00% (31 July 2017 4.44%)			

## Portfolio statement (continued)

as at 31 July 2018

Holding	Investment	Market Value £'000	Percentage of total net assets %
	<b>Sterling Denominated Derivatives (0.22)% (31 July 2017 1.45%)</b>		
	<b>Sterling Denominated Forward Exchange Contracts (0.22)% (31 July 2017 1.45%)</b>		
£1,403,459	Sterling v Euro Forward Exchange Contract	(15)	(0.02)
£19,730,279	Sterling v Euro Forward Exchange Contract	(259)	(0.30)
£42,450,504	Sterling v US Dollar Forward Exchange Contract	95	0.11
£444,100	Sterling v US Dollar Forward Exchange Contract	(3)	-
£661,232	Sterling v Euro Forward Exchange Contract	(8)	(0.01)
£89,406	Sterling v Euro Forward Exchange Contract	-	-
		(190)	(0.22)
	<b>Overseas 66.35% (31 July 2017 60.17%)</b>		
	<b>Euro 24.66% (31 July 2017 8.42%)</b>		
	<b>Euro Denominated Fixed Rate Corporate Bonds 22.98% (31 July 2017 8.42%)</b>		
£1,000,000	ADLER Real Estate 3% 27/04/2026	875	1.01
£463,000	Akelius Residential Property 3.875% 05/10/2078	409	0.47
£900,000	Altice France 5.875% 01/02/2027	821	0.94
£800,000	Bankinter 8.625% Perpetual	809	0.93
£463,000	Cemex 2.75% 05/12/2024	403	0.46
£324,000	Colfax 3.25% 15/05/2025	293	0.34
£185,000	Constellium 4.25% 15/02/2026	164	0.19
£139,000	Crown European 2.875% 01/02/2026	120	0.14
£509,000	Darling Global Finance 3.625% 15/05/2026	462	0.53
£232,000	EC Finance 2.375% 15/11/2022	207	0.24
£500,000	EC Finance 2.375% 15/11/2022	445	0.51
£1,018,000	Energo-Pro 4.5% 05/04/2024	878	1.01
£1,110,000	Equinix 2.875% 01/10/2025	965	1.11
£602,000	Fastighets AB Balder 3% 07/03/2078	520	0.60
£1,480,000	Federal-Mogul LLC & Federal-Mogul Financing 5% 15/07/2024	1,377	1.58
£600,000	Groupama 6.375% Perpetual	611	0.70
£800,000	Iliad 1.5% 14/10/2024	691	0.80
£925,000	INEOS 5.375% 01/08/2024	868	1.00
£555,000	Iron Mountain 3% 15/01/2025	491	0.56
£1,250,000	Lehman Brothers 4.625% 14/03/2019 (Defaulted)*	-	-
£833,000	LKQ European 3.625% 01/04/2026	745	0.86
£925,000	Matterhorn Telecom 4% 15/11/2027	783	0.90
£518,000	Mylan 2.125% 23/05/2025	467	0.54
£417,000	NN 4.625% 13/01/2048	402	0.46
£324,000	OCI 5% 15/04/2023	303	0.35
£694,000	Orsted A/S 2.25% 24/11/2024	603	0.69
£324,000	ProGroup 3% 31/03/2026	283	0.33
£972,000	Royal Bank of Scotland 5.5% Perpetual	872	1.00
£800,000	Schmolz+Bickenbach Luxembourg Finance 5.625% 15/07/2022	737	0.85
£648,000	SES 4.625% Perpetual	614	0.71
£600,000	Smurfit Kappa Acquisitions 2.875% 15/01/2026	542	0.62
£648,000	Telecom Italia 2.375% 12/10/2027	547	0.63
£787,000	Telefonaktiebolaget LM Ericsson 1.875% 01/03/2024	693	0.80
£600,000	Telefonica Europe 3% Perpetual	520	0.60
£500,000	Volkswagen International Finance 4.625% Perpetual	453	0.52
		19,973	22.98

## Portfolio statement (continued)

as at 31 July 2018

Holding	Investment	Market Value £'000	Percentage of total net assets %
	<b>Euro Denominated Variable Rate Corporate Bonds 1.67% (31 July 2017 0.00%)</b>		
€579,000	Arrow Global Finance 3.75% 03/01/2026	492	0.57
€500,000	Autodis 4.375% 01/05/2022	449	0.52
€579,000	Novafives 4.5% 15/06/2025	508	0.58
		<b>1,449</b>	<b>1.67</b>
	<b>Euro Denominated Derivatives 0.01% (31 July 2017 0.00%)</b>		
	<b>Euro Denominated Forward Exchange Contracts 0.01% (31 July 2017 0.00%)</b>		
€168,201	Euro v Sterling Forward Exchange Contract	-	-
€200,000	Euro v Sterling Forward Exchange Contract	1	-
€391,934	Euro v Sterling Forward Exchange Contract	(1)	-
€792,358	Euro v Sterling Forward Exchange Contract	7	0.01
		<b>7</b>	<b>0.01</b>
	<b>US Dollar 41.69% (31 July 2017 51.75%)</b>		
	<b>US Dollar Denominated Fixed Rate Corporate Bonds 28.47% (31 July 2017 37.08%)</b>		
\$627,000	AK Steel 6.375% 15/10/2025	444	0.51
\$1,110,000	Altice Finco 7.625% 15/02/2025	765	0.88
\$1,249,000	American International 5.75% 04/01/2048	935	1.08
\$1,804,000	Antero Resources 5% 03/01/2025	1,369	1.58
\$1,018,000	Ardagh Packaging Finance 6% 15/02/2025	756	0.87
\$925,000	Ardagh Packaging Finance 7.25% 15/05/2024	730	0.84
\$1,500,000	AT Securities 5.25% Perpetual	1,063	1.22
\$972,000	AT&T 3.4% 15/05/2025	700	0.81
\$1,200,000	Charter Communications Operating 4.5% 02/01/2024	918	1.06
\$509,000	DaVita 5.125% 15/07/2024	373	0.43
\$833,000	Dell International 6.02% 15/06/2026	669	0.77
\$925,000	Diamondback Energy 4.75% 01/11/2024	681	0.78
\$641,000	Digital Realty Trust 3.7% 15/08/2027	465	0.54
\$1,064,000	EDP Finance 3.625% 15/07/2024	775	0.89
\$1,272,000	Fairfax Financial 4.85% 17/04/2028	953	1.10
\$1,018,000	First Quantum Minerals 7.5% 01/04/2025	775	0.89
\$972,000	HCA 5.25% 15/04/2025	755	0.87
\$740,000	Inmarsat Finance 4.875% 15/05/2022	558	0.64
\$787,000	Intesa Sanpaolo 5.017% 26/06/2024	549	0.63
\$1,203,000	Ithaca Energy 8.125% 01/07/2019	907	1.04
\$417,000	Levi Strauss 5% 01/05/2025	317	0.36
\$972,000	LKQ 4.75% 15/05/2023	735	0.85
\$648,000	Newfield Exploration 5.75% 30/01/2022	513	0.59
\$509,000	NRG Energy 7.25% 15/05/2026	412	0.47
\$1,110,000	NXP Funding LLC 4.125% 01/06/2021	845	0.97
\$200,000	QBE Insurance 5.25% Perpetual	138	0.16
\$740,000	Range Resources 5% 15/03/2023	540	0.62
\$1,295,000	Rusal Capital 4.85% 02/01/2023*	-	-
\$925,000	Sky 3.75% 16/09/2024	697	0.80
\$463,000	Starwood Property Trust 3.625% 01/02/2021	343	0.39
\$787,000	Telecom Italia 5.303% 30/05/2024	599	0.69
\$232,000	Tencent 3.595% 19/01/2028	168	0.19
\$370,000	Tenet Healthcare 6.75% 15/06/2023	284	0.33
\$999,000	UBS 5.125% 15/05/2024	763	0.88
\$879,000	United Rentals North America 4.625% 15/07/2023	669	0.77

## Portfolio statement (continued)

as at 31 July 2018

Holding	Investment	Market Value £'000	Percentage of total net assets %
	<b>US Dollar Denominated Fixed Rate Corporate Bonds (continued)</b>		
\$925,000	Vale Overseas 6.25% 10/08/2026	773	0.89
\$972,000	VTR Finance 6.875% 15/01/2024 Priv Placement	757	0.87
\$509,000	Western Digital 4.75% 15/02/2026	380	0.44
\$949,000	Ziggo Bond Finance 5.875% 15/01/2025	667	0.77
		<b>24,740</b>	<b>28.47</b>
	<b>US Dollar Denominated Variable Rate Corporate Bonds 2.53% (31 July 2017 0.00%)</b>		
\$300,000	Royal Bank of Scotland 3.88506% 25/06/2024	230	0.26
\$1,300,000	Royal Bank of Scotland 4.65438% Perpetual	943	1.09
\$1,342,000	Vodafone 3.29031% 16/01/2024	1,023	1.18
		<b>2,196</b>	<b>2.53</b>
	<b>US Dollar Denominated Fixed Rate Government Bonds 1.45% (31 July 2017 14.70%)</b>		
\$1,850,000	US Treasury 1.5% 15/08/2026	1,261	1.45
		<b>1,261</b>	<b>1.45</b>
	<b>Collective Investment Schemes 9.24% (31 July 2017 0.00%)</b>		
1,080,639	Old Mutual Financials Contingent Capital Fund - F Income (USD)	8,035	9.24
		<b>8,035</b>	<b>9.24</b>
	<b>US Dollar Denominated Derivatives 0.00% (31 July 2017 (0.03%))</b>		
	<b>US Dollar Denominated Forward Exchange Contracts 0.00% (31 July 2017 (0.02%))</b>		
\$1,489,770	US Dollar v Sterling Forward Exchange Contract	8	-
\$175,363	US Dollar v Sterling Forward Exchange Contract	1	-
\$339,094	US Dollar v Sterling Forward Exchange Contract	(3)	-
\$400,000	US Dollar v Sterling Forward Exchange Contract	(1)	-
\$461,886	US Dollar v Sterling Forward Exchange Contract	-	-
\$600,000	US Dollar v Sterling Forward Exchange Contract	(1)	-
\$947,608	US Dollar v Euro Forward Exchange Contract	(3)	-
		<b>1</b>	<b>-</b>
	<b>US Dollar Denominated Futures Contracts 0.00% (31 July 2017 (0.01%))</b>		
	<b>Investment assets*</b>	<b>83,133</b>	<b>95.66</b>
	<b>Net other assets</b>	<b>3,769</b>	<b>4.34</b>
	<b>Total net assets</b>	<b>86,902</b>	<b>100.00</b>

\* Unlisted, suspended and delisted securities within the meaning of the COLL.

\*\* Including investment liabilities.

All investments are approved securities being either officially listed in a member state or traded on or under the rules of an eligible securities market, unless otherwise stated.

## Statement of total return

for the year from 1 August 2017 to 31 July 2018

		01.08.17 to 31.07.18	01.08.17 to 31.07.18	01.08.16 to 31.07.17	01.08.16 to 31.07.17
	Note	£'000	£'000	£'000	£'000
Income					
Net capital (losses)/gains	2		(8,671)		2,209
Revenue	3	6,470		6,080	
Expenses	4	(1,240)		(1,128)	
Interest payable and similar charges	5	(15)		(12)	
Net revenue before taxation		5,215		4,940	
Taxation	6	-		(38)	
Net revenue after taxation			5,215		4,902
<b>Total return before distributions</b>			<b>(3,456)</b>		<b>7,111</b>
Distributions	7		(6,205)		(6,030)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>(9,661)</b>		<b>1,081</b>

## Statement of change in net assets attributable to shareholders

for the year from 1 August 2017 to 31 July 2018

	01.08.17 to 31.07.18	01.08.17 to 31.07.18	01.08.16 to 31.07.17	01.08.16 to 31.07.17
	£'000	£'000	£'000	£'000
<b>Opening net assets attributable to shareholders</b>		<b>140,866</b>		<b>133,813</b>
Amounts transferred from Quilter Investors Foundation 4 Fund	35,410		-	
Amounts transferred to Quilter Investors Diversified Bond Fund	(103,610)		-	
Amounts received on issue of shares	39,291		34,180	
Amounts paid on cancellation of shares	(20,124)		(32,080)	
		(49,033)		2,100
Dilution adjustment		55		199
Change in net assets attributable to shareholders from investment activities		(9,661)		1,081
Retained distribution on accumulation shares		4,675		3,673
<b>Closing net assets attributable to shareholders</b>		<b>86,902</b>		<b>140,866</b>

The notes on pages 56 to 63 form an integral part of these financial statements.

## Balance sheet

as at 31 July 2018

	Note	31.07.18 £'000	31.07.17 £'000
<b>Assets</b>			
Fixed assets			
Investments		83,427	136,563
Current assets			
Debtors	8	931	1,825
Cash and bank balances	9	3,221	4,316
Total assets		87,579	142,704
<b>Liabilities</b>			
Investment liabilities		(294)	(224)
Creditors			
Bank overdrafts	10	(3)	-
Distribution payable		(99)	(130)
Other creditors	11	(281)	(1,484)
Total liabilities		(677)	(1,838)
<b>Net assets attributable to shareholders</b>		<b>86,902</b>	<b>140,866</b>

The notes on pages 56 to 63 form an integral part of these financial statements.

## Notes to the financial statements

for the year from 1 August 2017 to 31 July 2018

### 1 Accounting policies

The applicable accounting policies adopted by the Old Mutual Monthly Income Bond Fund are included on pages 184 to 185.

### 2 Net capital (losses)/gains

The net capital (losses)/gains on investments comprise:

(Losses)/gains on non-derivative securities

Losses on derivative contracts

Losses on forward currency contracts

(Losses)/gains on currency contracts

Net capital (losses)/gains on investments

01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000
(7,621)	3,936
(25)	(338)
(162)	(1,594)
(863)	205
<b>(8,671)</b>	<b>2,209</b>

### 3 Revenue

Authorised Corporate Director's capitalised fee rebate

Bank interest

Interest on debt securities

Taxable distributions on Offshore Funds

Total revenue

01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000
51	-
10	6
5,779	6,074
630	-
<b>6,470</b>	<b>6,080</b>

### 4 Expenses

Payable to the Authorised Corporate Director, associates of the Authorised Corporate Director and agents of either of them:

Fixed Ongoing Charge\*

Authorised Corporate Director's periodic charge\*\*

Fixed expenses\*\*

Total expenses

01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000
549	-
560	925
131	203
<b>1,240</b>	<b>1,128</b>

\* This figure represents the Fixed Ongoing Charge that was introduced from 1 March 2018, which covers all fees payable by the sub-fund to the Authorised Corporate Director, Investment adviser, Depositary (including associates etc.) and other expenses.

\*\* These figures represent the charges to 28 February 2018, which have now been replaced by the Fixed Ongoing Charge. The Audit fee for the year, excluding VAT, was £10,150 (31 July 2017: £9,950). As a result of the change to a Fixed Ongoing Charge basis, this expense is split between other expenses and Fixed Ongoing Charge.

### 5 Interest payable and similar charges

Bank overdraft interest

Total interest payable and similar charges

01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000
15	12
<b>15</b>	<b>12</b>



## Notes to the financial statements (continued)

for the year from 1 August 2017 to 31 July 2018

### 6 Taxation

#### a) Analysis of tax charge in the year

	01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000
Overseas tax suffered	-	38
<b>Total current tax charge for the year</b>	<b>-</b>	<b>38</b>
Deferred tax charge for the year (see note 6(c))	-	-
<b>Total taxation for the year (see note 6(b))</b>	<b>-</b>	<b>38</b>

#### b) Factors affecting current tax charge for the year

	01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000
The taxation assessed for the year is lower than the standard rate of corporation tax in the UK for an open-ended investment company (20%). The differences are explained below:		
Net revenue before taxation	5,215	4,940
Corporation tax at 20% (31 July 2017: 20%)	1,043	988
Effects of:		
Overseas tax expensed	-	(8)
Overseas tax suffered	-	38
Tax deductible interest distributions	(1,043)	(980)
<b>Total tax charge for the year (see note 6(a))</b>	<b>-</b>	<b>38</b>

OEICs are exempt from tax on capital gains, therefore, any capital return is not included in the above reconciliation.

#### c) Movement in deferred tax liability

	01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000
Deferred tax liability at the start of the year	-	-
Deferred tax charge for the year (see note 6(a))	-	-
<b>Deferred tax liability at the end of the year</b>	<b>-</b>	<b>-</b>

At 31 July 2018 the sub-fund had no surplus management expenses (31 July 2017: £Nil).

## Notes to the financial statements (continued)

for the year from 1 August 2017 to 31 July 2018

### 7 Distributions

The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000
First Interim – Accumulation shares (31 August)	385	381
First Interim – Income shares (31 August)	129	194
Second Interim – Accumulation shares (30 September)	310	357
Second Interim – Income shares (30 September)	100	177
Third Interim – Accumulation shares (31 October)	411	340
Third Interim – Income shares (31 October)	131	182
Fourth Interim – Accumulation shares (30 November)	386	255
Fourth Interim – Income shares (30 November)	119	136
Fifth Interim – Accumulation shares (31 December)	373	324
Fifth Interim – Income shares (31 December)	113	169
Sixth Interim – Accumulation shares (31 January)	392	379
Sixth Interim – Income shares (31 January)	111	186
Seventh Interim – Accumulation shares (28 February)	402	319
Seventh Interim – Income shares (28 February)	111	147
Eighth Interim – Accumulation shares (31 March)	545	372
Eighth Interim – Income shares (31 March)	107	163
Ninth Interim – Accumulation shares (30 April)	394	302
Ninth Interim – Income shares (30 April)	112	124
Tenth Interim – Accumulation shares (31 May)	579	384
Tenth Interim – Income shares (31 May)	98	154
Eleventh Interim – Accumulation shares (30 June)	250	359
Eleventh Interim – Income shares (30 June)	102	137
Final – Accumulation shares (31 July)	248	370
Final – Income shares (31 July)	99	130
	<b>6,007</b>	<b>6,041</b>
Revenue deducted on cancellation of shares	315	51
Revenue received on issue of shares	(117)	(62)
<b>Distributions</b>	<b>6,205</b>	<b>6,030</b>
<b>Reconciliation of distributions:</b>		
Net revenue after taxation	5,215	4,902
Authorised Corporate Director's capitalised fee rebate	(51)	-
Capitalised fees	1,240	1,128
Equalisation on conversion	(199)	-
<b>Distributions</b>	<b>6,205</b>	<b>6,030</b>

Details of the interim and final distributions per share are set out in the tables on pages 64 to 75.

### 8 Debtors

	31.07.18 £'000	31.07.17 £'000
Accrued Authorised Corporate Director's fee rebates	7	-
Accrued revenue	919	1,338
Amounts receivable for issue of shares	5	487
<b>Total debtors</b>	<b>931</b>	<b>1,825</b>

## Notes to the financial statements (continued)

for the year from 1 August 2017 to 31 July 2018

### 9 Cash and bank balances

	31.07.18 £'000	31.07.17 £'000
Amounts held at futures clearing houses and brokers	163	275
Cash and bank balances	3,058	4,041
<b>Total cash and bank balances</b>	<b>3,221</b>	<b>4,316</b>

### 10 Bank overdrafts

	31.07.18 £'000	31.07.17 £'000
Cash and bank overdrafts	3	-
<b>Total overdrafts</b>	<b>3</b>	<b>-</b>

### 11 Other creditors

	31.07.18 £'000	31.07.17 £'000
Accrued Authorised Corporate Director's periodic charge	-	78
Accrued expenses	68	18
Amounts payable for cancellation of shares	213	216
Purchases awaiting settlement	-	1,172
<b>Total other creditors</b>	<b>281</b>	<b>1,484</b>

### 12 Related party transactions

Quilter Investors Limited, as ACD, is a related party, and acts as principal in respect of all transactions of shares in each sub-fund. The aggregate monies received on issue and paid on cancellation are disclosed in the Statement of change in net assets attributable to shareholders on page 54. Any amounts due to or from Quilter Investors Limited at the end of the accounting year in respect of transactions of shares in each sub-fund are disclosed in notes 8 and 11. Other amounts paid to the ACD are disclosed in note 4 and amounts due to it at the year end are disclosed in note 11.

The sub-fund held the following securities and the noted income in related funds throughout the year to 31 July 2018:

Shares	Security Name	Market Value £'000	Gross Income Earned £'000
£810,000	Quilter 4.478% 28/02/2028	813	3

### 13 Derivatives and other financial instruments

#### a) Financial instrument risk

The sub-fund, in pursuing its objective, holds a number of financial instruments, which may comprise of the following:

Bonds and derivatives.

The sub-fund will also hold cash and other short term debtors and creditors that arise directly from its operations.

In addition, the sub-fund may hold derivatives in the form of forward foreign exchange contracts and/or futures contracts for the purpose of efficient portfolio management in accordance with the COLL Sourcebook.

The financial instruments are held in line with the sub-fund's investment policy.

Each Investment Adviser is responsible for monitoring the portfolio of his/her sub-fund in accordance with its investment objective and seeks to ensure that individual assets also meet a risk reward profile that is acceptable. The ACD has appointed specialist managers to manage the sub-fund, and continuously monitors this appointment.

Adherence to the investment guidelines and the investment and borrowing powers as set out in the Prospectus and in the rules of the Regulations also mitigates the risk of excessive exposure to any particular type of security or issuer. Further information on the investment portfolio is set out in the Investment Manager's review and the Portfolio statement of each sub-fund.

The main risks arising from financial instruments are interest rate risk, foreign currency risk, credit risk, counterparty risk, liquidity risk and market risk which are summarised below.

## Notes to the financial statements (continued)

for the year from 1 August 2017 to 31 July 2018

### 13 Derivatives and other financial instruments (continued)

#### b) Foreign currency risk

A proportion of the sub-fund's financial assets and liabilities are invested overseas. As a result, movements in exchange rates may affect the market price of investments and, due to timing differences between the transaction dates of investment sales, purchases and income, and actual cash settlement, create currency exchange gains/losses. The Investment Adviser does seek to reduce some of this risk by using forward currency contracts.

The direct foreign currency exposure of the sub-fund as at 31 July 2018 (31 July 2017) was as follows:

Currency	Net foreign currency assets/(liabilities)			Net foreign currency assets/(liabilities)		
	Monetary exposures*	Non-monetary exposures	Total	Monetary exposures*	Non-monetary exposures	Total
	31.07.18 £'000	31.07.18 £'000	31.07.18 £'000	31.07.17 £'000	31.07.17 £'000	31.07.17 £'000
Euro	(2)	(85)	(87)	394	(171)	223
US Dollar	3,000	(3,220)	(220)	2,040	(1,653)	387
<b>Total</b>	<b>2,998</b>	<b>(3,305)</b>	<b>(307)</b>	<b>2,434</b>	<b>(1,824)</b>	<b>610</b>

\* For the purpose of the above disclosure, monetary is taken to include only cash or near-cash items.

#### c) Interest rate risk

Interest rate risk is the risk of movements in the value of financial instruments as a result of fluctuations in interest rates.

The interest rate risk profile of the sub-fund's financial assets and liabilities at 31 July 2018 (31 July 2017) was as follows:

Currency	Variable rate financial assets	Fixed rate financial assets	Financial assets not carrying interest	Total
31.07.18	£'000	£'000	£'000	£'000
Euro	1,450	19,973	1,385	22,808
Sterling	2,033	23,847	65,710	91,590
US Dollar	4,252	24,567	13,764	42,583
<b>Total</b>	<b>7,735</b>	<b>68,387</b>	<b>80,859</b>	<b>156,981</b>

Currency	Variable rate financial assets	Fixed rate financial assets	Financial assets not carrying interest	Total
31.07.17	£'000	£'000	£'000	£'000
Euro	299	11,860	96	12,255
Sterling	1,777	49,306	90,365	141,448
US Dollar	2,458	72,942	1,479	76,879
<b>Total</b>	<b>4,534</b>	<b>134,108</b>	<b>91,940</b>	<b>230,582</b>

Currency	Variable rate financial liabilities	Financial liabilities not carrying interest	Total
31.07.18	£'000	£'000	£'000
Euro	(4)	(22,891)	(22,895)
Sterling	-	(4,381)	(4,381)
US Dollar	-	(42,803)	(42,803)
<b>Total</b>	<b>(4)</b>	<b>(70,075)</b>	<b>(70,079)</b>

Currency	Variable rate financial liabilities	Financial liabilities not carrying interest	Total
31.07.17	£'000	£'000	£'000
Euro	-	(12,032)	(12,032)
Sterling	-	(1,192)	(1,192)
US Dollar	-	(76,492)	(76,492)
<b>Total</b>	<b>-</b>	<b>(89,716)</b>	<b>(89,716)</b>

## Notes to the financial statements (continued)

for the year from 1 August 2017 to 31 July 2018

### 13 Derivatives and other financial instruments (continued)

#### d) Credit risk

Credit risk is the risk of suffering loss due to another party not meeting its financial obligation. The risk is managed by the Investment Adviser who monitors the credit profile of financial instruments in accordance with the objective and policy of the sub-fund.

Adherence to the investment guidelines and the investment and borrowing powers as set out in the Prospectus and in the rules of the Regulations also mitigates the risk of excessive exposure to any particular type of security or issuer. Further information on the investment portfolio is set out in the Investment Manager's review and the Portfolio statement.

As at 31 July 2018 the sub-fund's exposure to investment grade rated was 33.04% (Source: Old Mutual Global Investors (UK) Limited/Factsheet).

Analysis of bonds	£'000	%
Investment Grade	28,714	33.04
Below Investment Grade	46,569	53.59
Unrated	-	-
	<b>75,283</b>	<b>86.63</b>

As at 31 July 2017 the sub-fund's exposure to investment grade rated was 50.94% (Source: Old Mutual Global Investors (UK) Limited/Factsheet).

Analysis of bonds	£'000	%
Investment Grade	71,753	50.94
Below Investment Grade	56,393	40.04
Unrated	6,180	4.39
	<b>134,326</b>	<b>95.37</b>

#### e) Counterparty risk

Certain transactions in financial instruments that the sub-fund enters into have the risk that the counterparty will not meet its financial obligations, i.e. the investment (purchase) or cash (sale) after the sub-fund has fulfilled its responsibilities.

The sub-fund will only buy and sell investments through brokers which have been approved by the ACD and Investment Adviser as an acceptable counterparty. This is overseen by the Depositary to ensure that the exposure to any counterparty remains appropriate for investors.

Exposure Table 31.07.18	Credit default swaps exposure	Interest rate swaps exposure	Futures and options exposure	Forward foreign exchange contracts exposure	Collateral held
Counterparty	£'000	£'000	£'000	£'000	£'000
No uncollateralised counterparty exposure	-	-	-	-	-
Exposure Table 31.07.17					
Counterparty	£'000	£'000	£'000	£'000	£'000
Societe Generale	-	-	-	2,209	2,620
Toronto Dominion Bank	-	-	-	-	-

*Positive exposure represents the sub-fund's exposure to that counterparty and not the sub-fund's holdings with that counterparty.*

*Collateral arrangements with counterparties require assets of an agreed type and quality to be pledged where exposures are above a certain magnitude. At the year end, collateral of £Nil in the form of cash was held for the sub-fund on behalf of counterparties (2017: £2,620,000 in the form of cash). Collateral of £160,000 was pledged by the sub-fund to counterparties in the form of cash (2017: £220,000 in the form of cash).*

## Notes to the financial statements (continued)

for the year from 1 August 2017 to 31 July 2018

### 13 Derivatives and other financial instruments (continued)

#### f) Liquidity risk

The sub-fund's assets comprise mainly of readily realisable securities which can be sold promptly to meet liquidity requirements. The main source of this risk comes from the obligation to shareholders to meet any cancellation of shares. Assets from the sub-fund may need to be sold to meet any redemption proceeds. As part of its operating duties the ACD regularly monitors the liquidity levels held on the sub-fund (cash and underlying securities) to ensure any redemption can be readily met. Some investments may be less liquid than other securities and can be more sensitive to economic factors. The rules of the Regulations mitigate the risk of excessive exposure to assets which are not readily realisable.

#### g) Market risk

Market risk arises from uncertainty about future prices of financial instruments held. The main source of risk to the sub-fund is the potential movement in the value of financial instruments held as a result of price fluctuations. Stock market prices can move erratically and be unpredictably affected by diverse factors including political and economic events but also rumours and sentiment. The ACD adheres to the investment guidelines and borrowing powers set out within the Prospectus and the COLL Sourcebook. In this way the ACD monitors and controls the exposure to risk from any type of security, sector or issuer. The sub-fund may also use derivative instruments to mitigate risk and reduce cost.

#### h) Fair value of financial assets and liabilities

There is no material difference between the carrying value of the financial assets and liabilities, as shown in the Balance sheet, and their fair value.

Basis of valuation	31.07.18		31.07.17	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1: Quoted prices	1,261	-	26,741	(12)
Level 2: Observable market data	82,166	(294)	109,822	(212)
Level 3: Unobservable data*	-	-	-	-
<b>Total</b>	<b>83,427</b>	<b>(294)</b>	<b>136,563</b>	<b>(224)</b>

\* This figure is made up of 3 securities valued at £Nil (2017: Nil). The valuation technique applied has been reviewed by the ACD taking into account, where appropriate, latest dealing prices, broker statements, valuations from reliable sources, models using underlying investee financial performance information and other relevant factors.

#### i) Sensitivity analysis

The Investment Adviser assesses the market risk of the Old Mutual Monthly Income Bond Fund, including any derivative exposures, using an Absolute Value at Risk ('VaR') methodology. VaR is a process that provides the Investment Adviser with an estimate of the maximum potential loss that could be expected to occur as a result of changes in market prices over a given period of time in all but a given percentage of circumstances. As the sub-fund adopts an absolute VaR Model to measure the global market risk, the daily VaR limit for the sub-fund cannot be greater than 20 per cent of the Net Asset Value of the sub-fund. The VaR is calculated using a one-tailed 95 per cent confidence level, a one month holding period and the historical period of one year (250 Business Days). Derivatives are used to efficiently manage the tactical asset allocation positioning of the sub-fund, Old Mutual Monthly Income Bond Fund. The sub-fund uses absolute methodology to measure Value at Risk (VaR). The VaR for the fund at 31 July 2018 was 1.40% (31 July 2017: 1.28%).

The minimum, average and maximum VaR of the sub-fund over the year was 0.70%, 1.10%, and 2.60% (31 July 2017: 1.00%, 1.30% and 1.60%).

The Gross sum of notionals (GSON) leverage figures are prepared with no hedging or netting of any asset class. Across the range of asset classes exposures are treated differently. For instance currency forwards are treated by valuing both legs of the underlying and expressing them as a percentage of the NAV. Physical assets are excluded to get the incremental exposure resulting from derivatives.

The sub-fund is limited to 400% gross leverage, and this limit has not been exceeded over the year. Using the "gross sum of notionals" methodology, the average leverage for the year ended 31 July 2018 was 75.00% (31 July 2017: 73.00%).

### 14 Contingent liabilities

The sub-fund had no contingent liabilities at the Balance sheet date (31 July 2017: £Nil).

### 15 Portfolio transaction costs

There are no commissions, stamp duty or taxes paid in relation to the transactions on the bond portfolio for current year. Quoted in £'000, the total value of purchases for the year was £213,277 (2017: £163,002) and the total value of sales was £256,308 (2017: £161,985).

Transaction costs as a percentage of average Net Assets*	31.07.18	31.07.17
Commissions:	-	-
Taxes:	-	-

\* Includes commission on derivative transactions of £1,742 (31 July 2017: £6,000). There were no taxes on derivative transactions (31 July 2017: £Nil).

In the case of shares, transaction costs are paid by the sub-fund on each transaction. Commissions relate to those paid to agents, advisers, brokers and dealers in the buying and selling of securities. Other costs include any additional fees that may be paid to agents, advisers, brokers and dealers as well as levies by regulatory agencies and security exchanges and any transfer taxes or duties. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike share, other types of investments have no separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads may vary considerably depending on the transaction value and market sentiment. At the balance sheet date the dealing spread was 0.60% (31 July 2017: 0.56%).

## Notes to the financial statements (continued)

for the year from 1 August 2017 to 31 July 2018

### 16 Shareholders' funds

The sub-fund currently has nine share classes: Accumulation 'A', Income 'A', Accumulation 'P', Income 'P', Accumulation 'R', Income 'R', Accumulation 'U1', Income 'U1' and Income 'U2'. The net asset value of each share class, net asset value per share and the number of shares in issue are given in the information pages for each sub-fund.

The share classes currently in issue and the Fixed Ongoing Charge of each share class are shown below. The comparative figure at the 31 July 2017, was the Authorised Corporate Directors fee, which is now included within the Fixed Ongoing Charge.

	31.07.18	31.07.17
- Accumulation 'A'	1.40%	1.25%
- Income 'A'	1.40%	1.25%
- Accumulation 'P'	0.90%	0.75%
- Income 'P'	0.90%	0.75%
- Accumulation 'R'	0.80%	0.65%
- Income 'R'	0.80%	0.65%
- Accumulation 'U1'	0.7125%	0.5625%
- Income 'U1'	0.7125%	0.5625%
- Accumulation 'U2'†	0.65%	0.50%
- Income 'U2'	0.65%	0.50%
- Accumulation 'W'††	0.65%	-

#### Share class movement reconciliation

	Opening	Issued	Redeemed	Converted	Closing
- Accumulation 'A'	11,389,671	27,859	(1,221,204)	(1,328,753)	8,867,573
- Income 'A'	32,901,617	162,498	(5,757,343)	2,390,412	29,697,184
- Accumulation 'P'	773	-	-	4,083	4,856
- Income 'P'	122,281	10,562	(62)	(10,562)	122,219
- Accumulation 'R'	14,917,640	33,692,589	(3,044,869)	(191,616)	45,373,744
- Income 'R'	14,389,051	1,353,389	(5,140,186)	195,764	10,798,018
- Accumulation 'U1'	3,784,853	441,009	(764,885)	288,167	3,749,144
- Income 'U1'	8,918,987	1,197,146	(6,635,842)	(264,875)	3,215,416
- Accumulation 'U2'†	68,875,664	7,400,348	(525,854)	(75,750,158)	-
- Income 'U2'	132,751	16,414,292	(1,105,979)	(15,304,891)	136,173
- Accumulation 'W'††	-	8,865,483	(105,305,793)	96,440,310	-

† Share class closed on 25 May 2018

†† From 10 April 2018 to 21 June 2018

### 17 Post balance sheet date events

On 28 September 2018, Old Mutual Monthly Income Bond Fund changed its name to Merian Monthly Income Bond Fund.

## Distribution table

### Final distribution

Group 1: Shares purchased prior to 1 July 2018

Group 2: Shares purchased from 1 July 2018 to 31 July 2018

	Revenue pence per share	Equalisation pence per share*	Distribution paid 31.08.18 pence per share	Distribution paid 31.08.17 pence per share
<b>Accumulation 'A' Shares</b>				
Group 1	0.2882	-	0.2882	0.2621
Group 2	0.0643	0.2239	0.2882	0.2621
<b>Income 'A' Shares</b>				
Group 1	0.1499	-	0.1499	0.1420
Group 2	0.0570	0.0929	0.1499	0.1420
<b>Accumulation 'P' Shares</b>				
Group 1	0.5350	-	0.5350	0.4812
Group 2	0.5350	0.0000	0.5350	0.4812
<b>Income 'P' Shares</b>				
Group 1	0.3673	-	0.3673	0.3464
Group 2	0.3673	0.0000	0.3673	0.3464
<b>Accumulation 'R' Shares</b>				
Group 1	0.4568	-	0.4568	0.4130
Group 2	0.3372	0.1196	0.4568	0.4130
<b>Income 'R' Shares</b>				
Group 1	0.3915	-	0.3915	0.3693
Group 2	0.1505	0.2410	0.3915	0.3693
<b>Accumulation 'U1' Shares</b>				
Group 1	0.4132	-	0.4132	0.3730
Group 2	0.2506	0.1626	0.4132	0.3730
<b>Income 'U1' Shares</b>				
Group 1	0.3449	-	0.3449	0.3251
Group 2	0.2009	0.1440	0.3449	0.3251
<b>Income 'U2' Shares</b>				
Group 1	0.3585	-	0.3585	0.3371
Group 2	0.2709	0.0876	0.3585	0.3371



## Distribution table (continued)

## Eleventh Interim distribution

Group 1: Shares purchased prior to 1 June 2018

Group 2: Shares purchased from 1 June 2018 to 30 June 2018

	Revenue pence per share	Equalisation pence per share*	Distribution paid 31.07.18 pence per share	Distribution paid 31.07.17 pence per share
<b>Accumulation 'A' Shares</b>				
Group 1	0.2881	-	0.2881	0.2595
Group 2	0.1730	0.1151	0.2881	0.2595
<b>Income 'A' Shares</b>				
Group 1	0.1503	-	0.1503	0.1412
Group 2	0.0506	0.0997	0.1503	0.1412
<b>Accumulation 'P' Shares</b>				
Group 1	0.5348	-	0.5348	0.4799
Group 2	0.5348	0.0000	0.5348	0.4799
<b>Income 'P' Shares</b>				
Group 1	0.3683	-	0.3683	0.3441
Group 2	0.3683	0.0000	0.3683	0.3441
<b>Accumulation 'R' Shares</b>				
Group 1	0.4560	-	0.4560	0.4087
Group 2	0.2293	0.2267	0.4560	0.4087
<b>Income 'R' Shares</b>				
Group 1	0.3923	-	0.3923	0.3664
Group 2	0.1378	0.2545	0.3923	0.3664
<b>Accumulation 'U1' Shares</b>				
Group 1	0.4126	-	0.4126	0.3694
Group 2	0.1728	0.2398	0.4126	0.3694
<b>Income 'U1' Shares</b>				
Group 1	0.3458	-	0.3458	0.3224
Group 2	0.2659	0.0799	0.3458	0.3224
<b>Income 'U2' Shares</b>				
Group 1	0.3595	-	0.3595	0.3347
Group 2	0.2782	0.0813	0.3595	0.3347

## Distribution table (continued)

## Tenth Interim distribution

Group 1: Shares purchased prior to 1 May 2018

Group 2: Shares purchased from 1 May 2018 to 31 May 2018

	Revenue pence per share	Equalisation pence per share*	Distribution paid 30.06.18 pence per share	Distribution paid 30.06.17 pence per share
<b>Accumulation 'A' Shares</b>				
Group 1	0.2590	-	0.2590	0.2798
Group 2	0.1614	0.0976	0.2590	0.2798
<b>Income 'A' Shares</b>				
Group 1	0.1357	-	0.1357	0.1528
Group 2	0.0307	0.1050	0.1357	0.1528
<b>Accumulation 'P' Shares</b>				
Group 1	0.4798	-	0.4798	0.5109
Group 2	0.4798	0.0000	0.4798	0.5109
<b>Income 'P' Shares</b>				
Group 1	0.3322	-	0.3322	0.3722
Group 2	0.3322	0.0000	0.3322	0.3722
<b>Accumulation 'R' Shares</b>				
Group 1	0.4098	-	0.4098	0.4405
Group 2	0.2309	0.1789	0.4098	0.4405
<b>Income 'R' Shares</b>				
Group 1	0.3542	-	0.3542	0.3961
Group 2	0.1456	0.2086	0.3542	0.3961
<b>Accumulation 'U1' Shares</b>				
Group 1	0.3709	-	0.3709	0.3979
Group 2	0.1222	0.2487	0.3709	0.3979
<b>Income 'U1' Shares</b>				
Group 1	0.3118	-	0.3118	0.3487
Group 2	0.2094	0.1024	0.3118	0.3487
<b>Income 'U2' Shares</b>				
Group 1	0.3241	-	0.3241	0.3619
Group 2	0.2527	0.0714	0.3241	0.3619
<b>Accumulation 'W' Shares†</b>				
Group 1	0.3519	-	0.3519	-
Group 2	0.1565	0.1954	0.3519	-

## Distribution table (continued)

## Ninth Interim distribution

Group 1: Shares purchased prior to 1 April 2018

Group 2: Shares purchased from 1 April 2018 to 30 April 2018

	Revenue pence per share	Equalisation pence per share*	Distribution paid 31.05.18 pence per share	Distribution paid 31.05.17 pence per share
<b>Accumulation 'A' Shares</b>				
Group 1	0.2668	-	0.2668	0.2245
Group 2	0.1393	0.1275	0.2668	0.2245
<b>Income 'A' Shares</b>				
Group 1	0.1403	-	0.1403	0.1229
Group 2	0.0534	0.0869	0.1403	0.1229
<b>Accumulation 'P' Shares</b>				
Group 1	0.4946	-	0.4946	0.4087
Group 2	0.4946	0.0000	0.4946	0.4087
<b>Income 'P' Shares</b>				
Group 1	0.3435	-	0.3435	0.2994
Group 2	0.3435	0.0000	0.3435	0.2994
<b>Accumulation 'R' Shares</b>				
Group 1	0.4223	-	0.4223	0.3530
Group 2	0.1380	0.2843	0.4223	0.3530
<b>Income 'R' Shares</b>				
Group 1	0.3661	-	0.3661	0.3187
Group 2	0.1840	0.1821	0.3661	0.3187
<b>Accumulation 'U1' Shares</b>				
Group 1	0.3820	-	0.3820	0.3191
Group 2	0.1990	0.1830	0.3820	0.3191
<b>Income 'U1' Shares</b>				
Group 1	0.3225	-	0.3225	0.2808
Group 2	0.1858	0.1367	0.3225	0.2808
<b>Accumulation 'U2' Shares</b>				
Group 1	0.3250	-	0.3250	0.3283
Group 2	0.1891	0.1359	0.3250	0.3283
<b>Income 'U2' Shares</b>				
Group 1	0.3352	-	0.3352	0.2911
Group 2	0.1933	0.1419	0.3352	0.2911
<b>Accumulation 'W' Shares†</b>				
Group 1	0.1569	-	0.1569	-
Group 2	0.0716	0.0853	0.1569	-

## Distribution table (continued)

## Eighth Interim distribution

Group 1: Shares purchased prior to 1 March 2018

Group 2: Shares purchased from 1 March 2018 to 31 March 2018

	Revenue pence per share	Equalisation pence per share*	Distribution paid 30.04.18 pence per share	Distribution paid 30.04.17 pence per share
<b>Accumulation 'A' Shares</b>				
Group 1	0.2457	-	0.2457	0.2823
Group 2	0.0654	0.1803	0.2457	0.2823
<b>Income 'A' Shares</b>				
Group 1	0.1297	-	0.1297	0.1552
Group 2	0.0465	0.0832	0.1297	0.1552
<b>Accumulation 'P' Shares</b>				
Group 1	0.4551	-	0.4551	0.5157
Group 2	0.4551	0.0000	0.4551	0.5157
<b>Income 'P' Shares</b>				
Group 1	0.3174	-	0.3174	0.3778
Group 2	0.3174	0.0000	0.3174	0.3778
<b>Accumulation 'R' Shares</b>				
Group 1	0.3886	-	0.3886	0.4437
Group 2	0.2188	0.1698	0.3886	0.4437
<b>Income 'R' Shares</b>				
Group 1	0.3381	-	0.3381	0.4022
Group 2	0.0981	0.2400	0.3381	0.4022
<b>Accumulation 'U1' Shares</b>				
Group 1	0.3515	-	0.3515	0.4011
Group 2	0.1821	0.1694	0.3515	0.4011
<b>Income 'U1' Shares</b>				
Group 1	0.2977	-	0.2977	0.3539
Group 2	0.1217	0.1760	0.2977	0.3539
<b>Accumulation 'U2' Shares</b>				
Group 1	0.3618	-	0.3618	0.4124
Group 2	0.1394	0.2224	0.3618	0.4124
<b>Income 'U2' Shares</b>				
Group 1	0.3095	-	0.3095	0.3675
Group 2	0.2111	0.0984	0.3095	0.3675

## Distribution table (continued)

## Seventh Interim distribution

Group 1: Shares purchased prior to 1 February 2018

Group 2: Shares purchased from 1 February 2018 to 28 February 2018

	Revenue pence per share	Equalisation pence per share*	Distribution paid 31.03.18 pence per share	Distribution paid 31.03.17 pence per share
<b>Accumulation 'A' Shares</b>				
Group 1	0.2454	-	0.2454	0.1998
Group 2	0.1051	0.1403	0.2454	0.1998
<b>Income 'A' Shares</b>				
Group 1	0.1299	-	0.1299	0.1102
Group 2	0.0293	0.1006	0.1299	0.1102
<b>Accumulation 'P' Shares</b>				
Group 1	0.4551	-	0.4551	0.3684
Group 2	0.4551	0.0000	0.4551	0.3684
<b>Income 'P' Shares</b>				
Group 1	0.3178	-	0.3178	0.2681
Group 2	0.3178	0.0000	0.3178	0.2681
<b>Accumulation 'R' Shares</b>				
Group 1	0.3880	-	0.3880	0.3141
Group 2	0.2867	0.1013	0.3880	0.3141
<b>Income 'R' Shares</b>				
Group 1	0.3386	-	0.3386	0.2853
Group 2	0.1671	0.1715	0.3386	0.2853
<b>Accumulation 'U1' Shares</b>				
Group 1	0.3509	-	0.3509	0.2837
Group 2	0.2403	0.1106	0.3509	0.2837
<b>Income 'U1' Shares</b>				
Group 1	0.2982	-	0.2982	0.2510
Group 2	0.1791	0.1191	0.2982	0.2510
<b>Accumulation 'U2' Shares</b>				
Group 1	0.3611	-	0.3611	0.2918
Group 2	0.1553	0.2058	0.3611	0.2918
<b>Income 'U2' Shares</b>				
Group 1	0.3099	-	0.3099	0.2605
Group 2	0.1967	0.1132	0.3099	0.2605

## Distribution table (continued)

## Sixth Interim distribution

Group 1: Shares purchased prior to 1 January 2018

Group 2: Shares purchased from 1 January 2018 to 31 January 2018

	Revenue pence per share	Equalisation pence per share*	Distribution paid 28.02.18 pence per share	Distribution paid 28.02.17 pence per share
<b>Accumulation 'A' Shares</b>				
Group 1	0.2434	-	0.2434	0.2436
Group 2	0.1288	0.1146	0.2434	0.2436
<b>Income 'A' Shares</b>				
Group 1	0.1293	-	0.1293	0.1347
Group 2	0.0501	0.0792	0.1293	0.1347
<b>Accumulation 'P' Shares</b>				
Group 1	0.4516	-	0.4516	0.4490
Group 2	0.4516	0.0000	0.4516	0.4490
<b>Income 'P' Shares</b>				
Group 1	0.3161	-	0.3161	0.3278
Group 2	0.3161	0.0000	0.3161	0.3278
<b>Accumulation 'R' Shares</b>				
Group 1	0.3873	-	0.3873	0.3826
Group 2	0.1980	0.1893	0.3873	0.3826
<b>Income 'R' Shares</b>				
Group 1	0.3367	-	0.3367	0.3486
Group 2	0.1465	0.1902	0.3367	0.3486
<b>Accumulation 'U1' Shares</b>				
Group 1	0.3479	-	0.3479	0.3457
Group 2	0.1890	0.1589	0.3479	0.3457
<b>Income 'U1' Shares</b>				
Group 1	0.2964	-	0.2964	0.3069
Group 2	0.1535	0.1429	0.2964	0.3069
<b>Accumulation 'U2' Shares</b>				
Group 1	0.3581	-	0.3581	0.3556
Group 2	0.1278	0.2303	0.3581	0.3556
<b>Income 'U2' Shares</b>				
Group 1	0.3083	-	0.3083	0.3186
Group 2	0.2167	0.0916	0.3083	0.3186

## Distribution table (continued)

## Fifth Interim distribution

Group 1: Shares purchased prior to 1 December 2017  
 Group 2: Shares purchased from 1 December 2017 to 31 December 2017

	Revenue pence per share	Equalisation pence per share*	Distribution paid 31.01.18 pence per share	Distribution paid 31.01.17 pence per share
<b>Accumulation 'A' Shares</b>				
Group 1	0.2367	-	0.2367	0.2156
Group 2	0.1647	0.0720	0.2367	0.2156
<b>Income 'A' Shares</b>				
Group 1	0.1262	-	0.1262	0.1196
Group 2	0.0310	0.0952	0.1262	0.1196
<b>Accumulation 'P' Shares</b>				
Group 1	0.4378	-	0.4378	0.3971
Group 2	0.4378	0.0000	0.4378	0.3971
<b>Income 'P' Shares</b>				
Group 1	0.3083	-	0.3083	0.2908
Group 2	0.3083	0.0000	0.3083	0.2908
<b>Accumulation 'R' Shares</b>				
Group 1	0.3738	-	0.3738	0.3385
Group 2	0.2334	0.1404	0.3738	0.3385
<b>Income 'R' Shares</b>				
Group 1	0.3283	-	0.3283	0.3095
Group 2	0.1197	0.2086	0.3283	0.3095
<b>Accumulation 'U1' Shares</b>				
Group 1	0.3381	-	0.3381	0.3058
Group 2	0.1910	0.1471	0.3381	0.3058
<b>Income 'U1' Shares</b>				
Group 1	0.2891	-	0.2891	0.2722
Group 2	0.0863	0.2028	0.2891	0.2722
<b>Accumulation 'U2' Shares</b>				
Group 1	0.3478	-	0.3478	0.3145
Group 2	0.1559	0.1919	0.3478	0.3145
<b>Income 'U2' Shares</b>				
Group 1	0.3004	-	0.3004	0.2826
Group 2	0.1475	0.1529	0.3004	0.2826

## Distribution table (continued)

## Fourth Interim distribution

Group 1: Shares purchased prior to 1 November 2017  
 Group 2: Shares purchased from 1 November 2017 to 30 November 2017

	Revenue pence per share	Equalisation pence per share*	Distribution paid 31.12.17 pence per share	Distribution paid 31.12.16 pence per share
<b>Accumulation 'A' Shares</b>				
Group 1	0.2477	-	0.2477	0.1729
Group 2	0.1680	0.0797	0.2477	0.1729
<b>Income 'A' Shares</b>				
Group 1	0.1324	-	0.1324	0.0962
Group 2	0.0257	0.1067	0.1324	0.0962
<b>Accumulation 'P' Shares</b>				
Group 1	0.4588	-	0.4588	0.3184
Group 2	0.4588	0.0000	0.4588	0.3184
<b>Income 'P' Shares</b>				
Group 1	0.3235	-	0.3235	0.2337
Group 2	0.3235	0.0000	0.3235	0.2337
<b>Accumulation 'R' Shares</b>				
Group 1	0.3910	-	0.3910	0.2712
Group 2	0.1216	0.2694	0.3910	0.2712
<b>Income 'R' Shares</b>				
Group 1	0.3445	-	0.3445	0.2486
Group 2	0.0903	0.2542	0.3445	0.2486
<b>Accumulation 'U1' Shares</b>				
Group 1	0.3535	-	0.3535	0.2450
Group 2	0.1771	0.1764	0.3535	0.2450
<b>Income 'U1' Shares</b>				
Group 1	0.3033	-	0.3033	0.2187
Group 2	0.1712	0.1321	0.3033	0.2187
<b>Accumulation 'U2' Shares</b>				
Group 1	0.3637	-	0.3637	0.2519
Group 2	0.1354	0.2283	0.3637	0.2519
<b>Income 'U2' Shares</b>				
Group 1	0.3153	-	0.3153	0.2270
Group 2	0.2360	0.0793	0.3153	0.2270



## Distribution table (continued)

## Third Interim distribution

Group 1: Shares purchased prior to 1 October 2017

Group 2: Shares purchased from 1 October 2017 to 31 October 2017

	Revenue pence per share	Equalisation pence per share*	Distribution paid 30.11.17 pence per share	Distribution paid 30.11.16 pence per share
<b>Accumulation 'A' Shares</b>				
Group 1	0.2691	-	0.2691	0.2303
Group 2	0.1454	0.1237	0.2691	0.2303
<b>Income 'A' Shares</b>				
Group 1	0.1444	-	0.1444	0.1285
Group 2	0.0668	0.0776	0.1444	0.1285
<b>Accumulation 'P' Shares</b>				
Group 1	0.4998	-	0.4998	0.4238
Group 2	0.4998	0.0000	0.4998	0.4238
<b>Income 'P' Shares</b>				
Group 1	0.3526	-	0.3526	0.3123
Group 2	0.3526	0.0000	0.3526	0.3123
<b>Accumulation 'R' Shares</b>				
Group 1	0.4221	-	0.4221	0.3612
Group 2	0.2015	0.2206	0.4221	0.3612
<b>Income 'R' Shares</b>				
Group 1	0.3755	-	0.3755	0.3322
Group 2	0.1925	0.1830	0.3755	0.3322
<b>Accumulation 'U1' Shares</b>				
Group 1	0.3839	-	0.3839	0.3263
Group 2	0.1954	0.1885	0.3839	0.3263
<b>Income 'U1' Shares</b>				
Group 1	0.3306	-	0.3306	0.2923
Group 2	0.1410	0.1896	0.3306	0.2923
<b>Accumulation 'U2' Shares</b>				
Group 1	0.3950	-	0.3950	0.3356
Group 2	0.1680	0.2270	0.3950	0.3356
<b>Income 'U2' Shares</b>				
Group 1	0.3436	-	0.3436	0.3033
Group 2	0.2271	0.1165	0.3436	0.3033

## Distribution table (continued)

## Second Interim distribution

Group 1: Shares purchased prior to 1 September 2017

Group 2: Shares purchased from 1 September 2017 to 30 September 2017

	Revenue pence per share	Equalisation pence per share*	Distribution paid 31.10.17 pence per share	Distribution paid 31.10.16 pence per share
<b>Accumulation 'A' Shares</b>				
Group 1	0.2071	-	0.2071	0.2221
Group 2	0.0327	0.1744	0.2071	0.2221
<b>Income 'A' Shares</b>				
Group 1	0.1115	-	0.1115	0.1243
Group 2	0.0465	0.0650	0.1115	0.1243
<b>Accumulation 'P' Shares</b>				
Group 1	0.3786	-	0.3786	0.4088
Group 2	0.0907	0.2879	0.3786	0.4088
<b>Income 'P' Shares</b>				
Group 1	0.2721	-	0.2721	0.3020
Group 2	0.2721	0.0000	0.2721	0.3020
<b>Accumulation 'R' Shares</b>				
Group 1	0.3266	-	0.3266	0.3483
Group 2	0.0688	0.2578	0.3266	0.3483
<b>Income 'R' Shares</b>				
Group 1	0.2896	-	0.2896	0.3213
Group 2	0.1209	0.1687	0.2896	0.3213
<b>Accumulation 'U1' Shares</b>				
Group 1	0.2953	-	0.2953	0.3145
Group 2	0.1176	0.1777	0.2953	0.3145
<b>Income 'U1' Shares</b>				
Group 1	0.2550	-	0.2550	0.2826
Group 2	0.1377	0.1173	0.2550	0.2826
<b>Accumulation 'U2' Shares</b>				
Group 1	0.3038	-	0.3038	0.3234
Group 2	0.1380	0.1658	0.3038	0.3234
<b>Income 'U2' Shares</b>				
Group 1	0.2650	-	0.2650	0.2933
Group 2	0.1503	0.1147	0.2650	0.2933

## Distribution table (continued)

## First Interim distribution

Group 1: Shares purchased prior to 1 August 2017

Group 2: Shares purchased from 1 August 2017 to 31 August 2017

	Revenue pence per share	Equalisation pence per share*	Distribution paid 30.09.17 pence per share	Distribution paid 30.09.16 pence per share†
<b>Accumulation 'A' Shares</b>				
Group 1	0.2636	-	0.2636	0.2423
Group 2	0.1800	0.0836	0.2636	0.2423
<b>Income 'A' Shares</b>				
Group 1	0.1423	-	0.1423	0.1359
Group 2	0.0875	0.0548	0.1423	0.1359
<b>Accumulation 'P' Shares</b>				
Group 1	0.4773	-	0.4773	0.4455
Group 2	0.4773	0.0000	0.4773	0.4455
<b>Income 'P' Shares</b>				
Group 1	0.3473	-	0.3473	0.3299
Group 2	0.3473	0.0000	0.3473	0.3299
<b>Accumulation 'R' Shares</b>				
Group 1	0.4155	-	0.4155	0.3796
Group 2	0.2059	0.2096	0.4155	0.3796
<b>Income 'R' Shares</b>				
Group 1	0.3698	-	0.3698	0.3508
Group 2	0.2526	0.1172	0.3698	0.3508
<b>Accumulation 'U1' Shares</b>				
Group 1	0.3756	-	0.3756	0.3429
Group 2	0.3092	0.0664	0.3756	0.3429
<b>Income 'U1' Shares</b>				
Group 1	0.3255	-	0.3255	0.3086
Group 2	0.1229	0.2026	0.3255	0.3086
<b>Accumulation 'U2' Shares</b>				
Group 1	0.3864	-	0.3864	0.3525
Group 2	0.1997	0.1867	0.3864	0.3525
<b>Income 'U2' Shares</b>				
Group 1	0.3382	-	0.3382	0.3202
Group 2	0.3078	0.0304	0.3382	0.3202

† From 10 April 2018

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

## Old Mutual UK Alpha Fund

Launch date	15 June 2018
IA Sector	UK All Companies
Investment adviser	Old Mutual Global Investors (UK) Limited
Net asset value	£2,128,678,228

### Objective

The sub-fund aims to maximise capital growth through investment in a portfolio of predominantly UK equities.

### Policy

Investment will be in a portfolio of predominantly UK equities, either directly in transferable securities or through collective investment schemes, including those managed and operated by the ACD.

The sub-fund maintains a concentrated, high conviction portfolio consisting of companies which the Investment Adviser believes are undervalued relative to their growth prospects.

For efficient portfolio management purposes only, investment may also be made into derivatives or forward transactions. The ACD considers that the use of derivatives for this purpose is not likely to affect the volatility or risk profile of the sub-fund.

### Investment Manager's review

The global economy delivered solid growth with little sign of inflation, in spite of high employment in the US and the UK and improving job prospects in Europe. The turn of the year saw the equity markets fall sharply on the back of rising bond yields and economic data that failed to meet inflated expectations, however the setback proved short lived with the market recovering the loss and more by the end of July. The benign low growth/low inflation environment underpinning equities meant that investors largely ignored uncertainties over Brexit, tightening monetary policy, a rising oil price and, toward the end of the period, a trade war between the US and China.

The sub-fund delivered a solid return. Gambling group Ladbrokes Coral was the largest contributor following the takeover by GVC. Other positives came from caterer SSP that delivered a solid business performance as did retailers Tesco and Next. The sub-fund's underweight position in tobacco, which suffered from uncertainty over regulation and the industry shift to reduced risk products, was a further positive. Detractors included broker TP ICAP and software group Micro Focus that both fell sharply on reduced guidance from large acquisitions made in the previous year. Poor-trading statements hit theme park operator Merlin, Pets at Home and software group Sage.

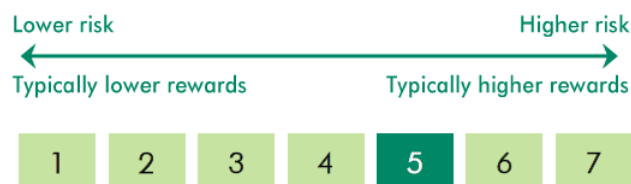
We started a new position in packaging group DS Smith which is benefiting from the increased penetration of internet retailing and a shift in exposure to less cyclical industries. We added to positions in Pets at Home, Next and Whitbread. We sold our position in pharmaceutical group Shire following its takeover and took profits in Burberry, Experian, Worldpay and Shell.

It is clear that the US economy is growing strongly, whilst China and Europe are if anything slightly softer. In the UK, by contrast, activity has strengthened somewhat after a slow first quarter and as inflation falls real wage growth should support the economy. Any interest rate rise should be sufficiently modest so as not to knock growth off track.

The US Federal Reserve will likely continue its policy of raising interest rates by a quarter of a percent every three months. The US yield curve is flattening, suggesting that bond investors are looking through any near term inflationary pressures and are anticipating that interest rate rises will eventually cause a downturn in the US economy in 2019/20.

This later-cycle environment can be a tricky one for investors. Volatility has risen and often this is associated with extremes within the market. Growth as a style has outperformed value globally and value stocks in the UK – notably financials – remain friendless. This may get more extreme before sentiment reverses but we will stick to our belief that valuation ultimately drives future returns, whilst seeking to find non-correlated sources of return, such as self-help situations like Tesco and Smith & Nephew.

### Risk and Reward Profile



The calculated risk and reward category, as shown above, uses a method of calculation derived from EU rules. It is based on the rate at which the returns of the sub-fund have moved up and down in the past (i.e. volatility) and is not a guide to the future risk and reward category of the sub-fund. The category shown is not a target or guarantee and may shift over time. Even the lowest category 1 does not mean a risk-free investment. The seven-category scale is nonlinear, for example, 2 is not twice as risky as 1.

Sub-funds in category 5 have in the past shown moderately high volatility. With a sub-fund of category 5, you have a moderately high risk of losing money but your chance for gains is also moderately high.

**Investment risk** - there is no guarantee that the sub-fund will achieve its objective. A capital loss of some or all of the amount invested may occur.

**Geographic concentration risk** - a fall in the UK market may have a significant impact on the value of the sub-fund because it primarily invests in this market.

**Concentration risk (number of investments)** - the sub-fund may at times hold a smaller number of investments, and therefore a fall in the value of a single investment may have a greater impact on the sub-fund's value than if it held a larger number of investments.

**Currency risk** - the sub-fund is denominated in British Pounds but may hold assets denominated in, or with exposure to, other currencies. The value of your shares may rise and fall as a result of exchange rate movements between these currencies.

**Derivative risk** - the sub-fund may use derivatives to reduce costs and/or the overall risk of the sub-fund (i.e. Efficient Portfolio Management (EPM)). Derivatives involve a level of risk, however, for EPM they should not increase the overall riskiness of the sub-fund. Derivatives also involve counterparty risk where the institutions acting as counterparty to derivatives may not meet their contractual obligations.

**Capital erosion risk** - the sub-fund takes its charges from the capital of the sub-fund. Investors should be aware that there is potential for capital erosion if insufficient capital growth is achieved by the sub-fund to cover the charges. Capital erosion may have the effect of reducing the level of income generated.

For a more detailed explanation of risks, please refer to the "Risks" section of the prospectus.

## Performance Records

## Comparative Tables

	15 June 2018 to 31 July 2018 p/share
<b>Accumulation 'A'†</b>	
<b>Change in net assets per share</b>	
Opening net asset value per share	142.10
Return before operating charges*	(2.54)
Operating charges**	(0.28)
Return after operating charges*	(2.82)
Distributions	(0.27)
Retained distributions	0.27
Closing net asset value per share	139.28
* after direct transaction costs of***	0.01
<b>Performance</b>	
Return after charges	(1.98)%
<b>Other information</b>	
Closing net asset value (£)	68,456,344
Closing number of shares	49,151,531
Operating charges****	1.60%
Direct transaction costs***	0.05%
<b>Prices</b>	pence per share
Highest share price	142.10
Lowest share price	136.80
<b>Income 'A'†</b>	15 June 2018 to 31 July 2018 p/share
<b>Change in net assets per share</b>	
Opening net asset value per share	124.85
Return before operating charges*	(2.24)
Operating charges**	(0.25)
Return after operating charges*	(2.49)
Distributions	(0.23)
Retained distributions	-
Closing net asset value per share	122.13
* after direct transaction costs of***	0.01
<b>Performance</b>	
Return after charges	(1.99)%
<b>Other information</b>	
Closing net asset value (£)	3,739,494
Closing number of shares	3,061,828
Operating charges****	1.60%
Direct transaction costs***	0.05%
<b>Prices</b>	pence per share
Highest share price	124.85
Lowest share price	120.20

## Comparative Tables (continued)

	15 June 2018 to 31 July 2018 p/share
<b>Accumulation 'R'†</b>	
<b>Change in net assets per share</b>	
Opening net asset value per share	169.89
Return before operating charges*	(3.03)
Operating charges**	(0.18)
Return after operating charges*	(3.21)
Distributions	(0.32)
Retained distributions	0.32
Closing net asset value per share	166.68
* after direct transaction costs of***	0.01
<b>Performance</b>	
Return after charges	(1.89)%
<b>Other information</b>	
Closing net asset value (£)	361,966,735
Closing number of shares	217,168,642
Operating charges****	0.85%
Direct transaction costs***	0.05%
<b>Prices</b>	pence per share
Highest share price	169.89
Lowest share price	163.70
<b>Income 'R'†</b>	15 June 2018 to 31 July 2018 p/share
<b>Change in net assets per share</b>	
Opening net asset value per share	130.17
Return before operating charges*	(2.33)
Operating charges**	(0.14)
Return after operating charges*	(2.47)
Distributions	(0.24)
Retained distributions	-
Closing net asset value per share	127.46
* after direct transaction costs of***	0.01
<b>Performance</b>	
Return after charges	(1.90)%
<b>Other information</b>	
Closing net asset value (£)	22,432,596
Closing number of shares	17,599,643
Operating charges****	0.85%
Direct transaction costs***	0.05%
<b>Prices</b>	pence per share
Highest share price	130.17
Lowest share price	125.40

## Comparative Tables (continued)

	15 June 2018 to 31 July 2018 p/share
<b>Accumulation 'U1'†</b>	
<b>Change in net assets per share</b>	
Opening net asset value per share	150.88
Return before operating charges*	(2.71)
Operating charges**	(0.14)
Return after operating charges*	(2.85)
Distributions	(0.28)
Retained distributions	0.28
Closing net asset value per share	148.03
* after direct transaction costs of***	0.01
<b>Performance</b>	
Return after charges	(1.89)%
<b>Other information</b>	
Closing net asset value (£)	544,527,362
Closing number of shares	367,838,497
Operating charges****	0.78%
Direct transaction costs***	0.05%
<b>Prices</b>	pence per share
Highest share price	150.88
Lowest share price	145.40
	15 June 2018 to 31 July 2018 p/share
<b>Income 'U1'†</b>	
<b>Change in net assets per share</b>	
Opening net asset value per share	127.41
Return before operating charges*	(2.28)
Operating charges**	(0.12)
Return after operating charges*	(2.40)
Distributions	(0.24)
Retained distributions	-
Closing net asset value per share	124.77
* after direct transaction costs of***	0.01
<b>Performance</b>	
Return after charges	(1.88)%
<b>Other information</b>	
Closing net asset value (£)	355,969,836
Closing number of shares	285,306,882
Operating charges****	0.78%
Direct transaction costs***	0.05%
<b>Prices</b>	pence per share
Highest share price	127.41
Lowest share price	122.70

## Comparative Tables (continued)

	15 June 2018 to 31 July 2018 p/share
<b>Accumulation 'U2'†</b>	
<b>Change in net assets per share</b>	
Opening net asset value per share	144.39
Return before operating charges*	(2.59)
Operating charges**	(0.12)
Return after operating charges*	(2.71)
Distributions	(0.27)
Retained distributions	0.27
Closing asset value per share	141.68
* after direct transaction costs of***	0.01
<b>Performance</b>	
Return after charges	(1.88)%
<b>Other information</b>	
Closing net asset value (£)	199,042,178
Closing number of shares	140,482,805
Operating charges****	0.70%
Direct transaction costs***	0.05%
<b>Prices</b>	pence per share
Highest share price	144.39
Lowest share price	139.10
<b>Income 'U2'†</b>	15 June 2018 to 31 July 2018 p/share
<b>Change in net assets per share</b>	
Opening net asset value per share	123.65
Return before operating charges*	(2.21)
Operating charges**	(0.11)
Return after operating charges*	(2.32)
Distributions	(0.23)
Retained distributions	-
Closing net asset value per share	121.10
* after direct transaction costs of***	0.01
<b>Performance</b>	
Return after charges	(1.88)%
<b>Other information</b>	
Closing net asset value (£)	572,543,683
Closing number of shares	472,775,803
Operating charges****	0.70%
Direct transaction costs***	0.05%
<b>Prices</b>	pence per share
Highest share price	123.65
Lowest share price	119.10

† From 15 June 2018

\*\* The operating charges include all costs borne by the sub-fund, except for direct transaction costs.

\*\*\* The direct transaction costs are made up of fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges as well as transfer taxes and duties. They do not include any difference between the quoted bid and offer prices or internal administrative or holding costs. These costs arise as a result of transactions undertaken both for efficient portfolio management and the meeting of the sub-fund's objectives. These costs exclude any effect of dilution adjustments used to offset the costs.

\*\*\*\* The operating charges percentage is the ratio of the sub-fund's on going charges (excluding interest on borrowings) to the average net assets of the sub-fund. If the share class launched during the year the operating charges are annualised.



## Performance

As the sub-fund launched on 15 June 2018 there are no performance figures presented for the period under review.

Portfolio allocation		Major holdings	Percentage of portfolio
Travel & Leisure	16.20%	BP	4.95%
Banks	11.99%	HSBC	4.59%
Life Insurance	9.97%	GlaxoSmithKline	4.11%
Pharmaceuticals & Biotechnology	7.05%	Royal Dutch Shell 'B'	3.99%
Oil & Gas Producers	4.95%	Lloyds Banking	3.85%
Software & Computer Services	4.69%	Glencore	3.84%
Oil & Gas Producers	3.99%	SSP	3.81%
Mining	3.84%	GVC Holdings	3.77%
General Retailers	3.70%	Rio Tinto	3.68%
Mining	3.68%	Sage	3.66%
Food & Drug Retailers	3.51%		
Mobile Telecommunications	2.99%	Number of holdings	34
Support Services	2.89%		
Construction & Materials	2.58%		
Support Services	2.55%		
Health Care Equipment & Services	2.53%		
General Industrials	2.47%		
Electricity	2.39%		
Construction & Materials	2.21%		
Personal Goods	1.98%		
Food Producers	1.56%		
Financial Services	1.24%		
Net other assets	1.04%		
<b>Total</b>	<b>100.00%</b>		
<b>Asset allocation</b>			
Equities	98.96%		
Net other assets	1.04%		
<b>Total</b>	<b>100.00%</b>		

## Portfolio statement

as at 31 July 2018

Holding	Investment	Market Value £'000	Percentage of total net assets %
	<b>United Kingdom Equities 86.03%</b>		
	<b>Banks 11.99%</b>		
38,786,955	Barclays	75,658	3.55
13,351,543	HSBC	97,627	4.59
131,195,828	Lloyds Banking	81,984	3.85
		<b>255,269</b>	<b>11.99</b>
	<b>Construction &amp; Materials 2.58%</b>		
25,660,320	Melrose Industries	54,913	2.58
		<b>54,913</b>	<b>2.58</b>
	<b>Electricity 2.39%</b>		
13,973,934	Drax	50,809	2.39
		<b>50,809</b>	<b>2.39</b>
	<b>Financial Services 1.24%</b>		
9,369,768	TP ICAP	26,292	1.24
		<b>26,292</b>	<b>1.24</b>
	<b>Food &amp; Drug Retailers 3.51%</b>		
28,849,175	Tesco	74,748	3.51
		<b>74,748</b>	<b>3.51</b>
	<b>Food Producers 1.56%</b>		
5,320,926	Tate & Lyle	33,224	1.56
		<b>33,224</b>	<b>1.56</b>
	<b>General Industrials 2.47%</b>		
10,395,086	DS Smith	52,662	2.47
		<b>52,662</b>	<b>2.47</b>
	<b>General Retailers 3.70%</b>		
853,483	Next	50,816	2.39
23,695,282	Pets at Home	27,913	1.31
		<b>78,729</b>	<b>3.70</b>
	<b>Health Care Equipment &amp; Services 2.53%</b>		
4,053,052	Smith & Nephew	53,885	2.53
		<b>53,885</b>	<b>2.53</b>
	<b>Life Insurance 9.97%</b>		
13,587,976	Aviva	67,967	3.19
4,129,361	Prudential	74,886	3.52
5,735,681	St James's Place	69,430	3.26
		<b>212,283</b>	<b>9.97</b>
	<b>Mining 3.68%</b>		
1,883,517	Rio Tinto	78,401	3.68
		<b>78,401</b>	<b>3.68</b>
	<b>Mobile Telecommunications 2.99%</b>		
34,011,495	Vodafone	63,731	2.99
		<b>63,731</b>	<b>2.99</b>

## Portfolio statement (continued)

as at 31 July 2018

Holding	Investment	Market Value £'000	Percentage of total net assets %
18,406,528	Oil & Gas Producers 4.95% BP	105,285	4.95
		105,285	4.95
2,004,476	Personal Goods 1.98% Burberry	42,194	1.98
		42,194	1.98
1,080,400	Pharmaceuticals & Biotechnology 7.05% AstraZeneca	62,577	2.94
		87,387	4.11
5,534,990	GlaxoSmithKline	149,964	7.05
1,727,264	Software & Computer Services 4.69% Micro Focus International	21,919	1.03
		77,901	3.66
12,691,511	Sage	99,820	4.69
2,894,070	Support Services 2.55% Experian	54,220	2.55
		54,220	2.55
44,640,327	Travel & Leisure 16.20% GVC CVR	-	0.00
		80,203	3.77
6,854,973	GVC Holdings	63,208	2.97
8,875,036	International Consolidated Airlines	56,113	2.64
14,014,334	Merlin Entertainments	81,151	3.81
11,886,709	SSP	64,187	3.01
1,631,176	Whitbread	344,862	16.20
	Overseas 12.93%		
	Europe 10.04%		
	Ireland Equities 2.21%		
1,770,595	Construction & Materials 2.21% CRH	47,045	2.21
		47,045	2.21
	Switzerland Equities 3.84%		
24,867,452	Mining 3.84% Glencore	81,764	3.84
		81,764	3.84
	Netherlands Equities 3.99%		
3,153,191	Oil & Gas Producers 3.99% Royal Dutch Shell 'B'	84,868	3.99
		84,868	3.99

## Portfolio statement (continued)

as at 31 July 2018

Holding	Investment	Market Value £'000	Percentage of total net assets %
	North America 2.89%		
	United States Equities 2.89%		
995,529	Support Services 2.89%		
	Worldpay	61,474	2.89
		61,474	2.89
	Investment assets	2,106,442	98.96
	Net other assets	22,236	1.04
	Total net assets	2,128,678	100.00

All investments are approved securities being either officially listed in a member state or traded on or under the rules of an eligible securities market, unless otherwise stated.

## Statement of total return

for the period from 15 June 2018 to 31 July 2018

	Notes	15.06.18 to 31.07.18 £'000	15.06.18 to 31.07.18 £'000
Income			
Net capital losses	2		(43,683)
Revenue	3	4,567	
Expenses	4	(2,115)	
Net revenue before taxation		2,452	
Taxation	5	(218)	
Net revenue after taxation			2,234
<b>Total return before distributions</b>			<b>(41,449)</b>
Distributions	6		(4,080)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>(45,529)</b>

## Statement of change in net assets attributable to shareholders

for the period from 15 June 2018 to 31 July 2018

	15.06.18 to 31.07.18 £'000	15.06.18 to 31.07.18 £'000
<b>Opening net assets attributable to shareholders</b>		-
Amounts transferred from Old Mutual Multimanager UK Alpha Fund	2,188,828	
Amounts received on issue of shares	13,017	
Amounts paid on cancellation of shares	(29,873)	
		2,171,972
Dilution adjustment		
Change in net assets attributable to shareholders from investment activities		(45,529)
Retained distribution on accumulation shares		2,235
<b>Closing net assets attributable to shareholders</b>		<b>2,128,678</b>

The notes on pages 87 to 94 form an integral part of these financial statements.

## Balance sheet

as at 31 July 2018

	Notes	31.07.18 £'000
<b>Assets</b>		
Fixed assets		
Investments		2,106,442
Current assets		
Debtors	7	5,800
Cash and bank balances	8	22,881
<b>Total assets</b>		<b>2,135,123</b>
<b>Liabilities</b>		
Creditors		
Distribution payable		(1,821)
Other creditors	9	(4,624)
<b>Total liabilities</b>		<b>(6,445)</b>
<b>Net assets attributable to shareholders</b>		<b>2,128,678</b>

The notes on pages 87 to 94 form an integral part of these financial statements.

## Notes to the financial statements

for the period from 15 June 2018 to 31 July 2018

### 1 Accounting policies

The applicable accounting policies adopted by the Old Mutual UK Alpha Fund are included on pages 184 to 185.

### 2 Net capital losses

The net capital losses on investments comprise:

Losses on non-derivative securities

Losses on currency contracts

**Net capital losses on investments**

15.06.18 to

31.07.18

£'000

(43,678)

(5)

**(43,683)**

### 3 Revenue

UK dividends

Non-taxable overseas dividends

**Total revenue**

15.06.18 to

31.07.18

£'000

2,584

1,983

**4,567**

### 4 Expenses

Payable to the Authorised Corporate Director, associates of the Authorised Corporate Director and agents of either of them:

Fixed Ongoing Charge\*

**Total expenses**

15.06.18 to

31.07.18

£'000

2,115

**2,115**

\* This figure represents the Fixed Ongoing Charge, which covers all fees payable by the sub-fund to the Authorised Corporate Director, Investment adviser, Depositary (including associates etc.) and other expenses. The Audit fee for the period, excluding VAT, was £7,300.

## Notes to the financial statements (continued)

for the period from 15 June 2018 to 31 July 2018

### 5 Taxation

#### a) Analysis of tax charge in the period

	15.06.18 to 31.07.18 £'000
Overseas tax suffered	218
<b>Total current tax charge for the period</b>	<b>218</b>
Deferred tax charge for the year (see note 5(c))	-
<b>Total taxation for the year (see note 5(c))</b>	<b>218</b>

#### b) Factors affecting current tax charge for the period

	15.06.18 to 31.07.18 £'000
The taxation assessed for the period is lower than the standard rate of corporation tax in the UK for an open-ended investment company (20%). The differences are explained below:	
Net revenue before taxation	2,452
Corporation tax at 20%	490
Effects of:	
Excess management expenses for which no relief is taken	423
Revenue not subject to taxation - UK	(517)
Non-taxable overseas dividends	(396)
Overseas tax suffered	218
<b>Total tax charge for the period (see note 5(a))</b>	<b>218</b>

OEICs are exempt from tax on capital gains, therefore, any capital return is not included in the above reconciliation.

#### c) Movement in deferred tax liability

	15.06.18 to 31.07.18 £'000
Deferred tax liability at the start of the period	-
Deferred tax charge for the period (see note 5(a))	-
<b>Deferred tax liability at the end of the period</b>	<b>-</b>

At 31 July 2018 the sub-fund had surplus management expenses of £2,114,413 which can be utilised against profits chargeable to corporation tax in future periods. It is unlikely that the sub-fund will generate sufficient taxable profits in the future to utilise these expenses and, therefore, no deferred tax asset has been recognised.



## Notes to the financial statements (continued)

for the period from 15 June 2018 to 31 July 2018

### 6 Distributions

The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	15.06.18 to 31.07.18 £'000
Final – Accumulation shares (31 July)	2,235
Final – Income shares (31 July)	1,821
	<b>4,056</b>
Revenue deducted on cancellation of shares	48
Revenue received on issue of shares	(24)
<b>Distributions</b>	<b>4,080</b>
<b>Reconciliation of distributions:</b>	
Net revenue after taxation	2,234
Capitalised fees	1,847
Undistributed revenue carried forward	(1)
<b>Distributions</b>	<b>4,080</b>

Details of the final distributions per share are set out in the table on page 95.

### 7 Debtors

	31.07.18 £'000
Accrued revenue	2,584
Amounts receivable on issue of shares	3,216
<b>Total debtors</b>	<b>5,800</b>

### 8 Cash and bank balances

	31.07.18 £'000
Cash and bank balances	22,881
<b>Total cash and bank balances</b>	<b>22,881</b>

### 9 Other creditors

	31.07.18 £'000
Accrued expenses	1,416
Amounts payable for cancellation of shares	3,208
<b>Total other creditors</b>	<b>4,624</b>

## Notes to the financial statements (continued)

for the period from 15 June 2018 to 31 July 2018

### 10 Related party transactions

Quilter Investors Limited, as ACD, is a related party, and acts as principal in respect of all transactions of shares in each sub-fund. The aggregate monies received on issue and paid on cancellation are disclosed in the Statement of change in net assets attributable to shareholders on page 85. Any amounts due to or from Quilter Investors Limited at the end of the accounting year in respect of transactions of shares in each sub-fund are disclosed in notes 7 and 9. Other amounts paid to the ACD are disclosed in note 4 and amounts due to it at the year end are disclosed in note 9.

### 11 Derivatives and other financial instruments

#### a) Financial instrument risk

The sub-fund, in pursuing its objective, holds a number of financial instruments, which may comprise of the following:

Equity shares and equity related shares.

The sub-fund will also hold cash and other short term debtors and creditors that arise directly from its operations.

In addition, the sub-fund may hold derivatives in the form of forward foreign exchange contracts and/or futures contracts for the purpose of efficient portfolio management in accordance with the COLL Sourcebook.

The financial instruments are held in line with the sub-fund's investment policy.

Each Investment Adviser is responsible for monitoring the portfolio of his/her sub-fund in accordance with its investment objective and seeks to ensure that individual assets also meet a risk reward profile that is acceptable. The ACD has appointed specialist managers to manage the sub-fund, and continuously monitors this appointment.

Adherence to the investment guidelines and the investment and borrowing powers as set out in the Prospectus and in the rules of the Regulations also mitigates the risk of excessive exposure to any particular type of security or issuer. Further information on the investment portfolio is set out in the Investment Manager's review and the Portfolio statement of each sub-fund.

The main risks arising from financial instruments are interest rate risk, foreign currency risk, credit risk, counterparty risk, liquidity risk and market risk which are summarised below.

#### b) Foreign currency risk

A proportion of the sub-fund's financial assets and liabilities are invested overseas. As a result, movements in exchange rates may affect the market price of investments and, due to timing differences between the transaction dates of investment sales, purchases and income, and actual cash settlement, create currency exchange gains/losses. The Investment Adviser does seek to reduce some of this risk by using forward currency contracts.

The direct foreign currency exposure of the sub-fund as at 31 July 2018 was as follows:

##### Currency

	Net foreign currency assets		
	Monetary exposures*	Non-monetary exposures	Total
	31.07.18 £'000	31.07.18 £'000	31.07.18 £'000
Euro	1,136	-	1,136
<b>Total</b>	<b>1,136</b>	<b>-</b>	<b>1,136</b>

\* For the purpose of the above disclosure, monetary is taken to include only cash or near-cash items.

##### Currency sensitivity

A 5% increase in the value of the sub-fund's foreign currency exposure would have the effect of increasing the return and net assets as at 31 July 2018 by £56,792 or 0.00%. A 5% decrease would have an equal and opposite effect

## Notes to the financial statements (continued)

for the period from 15 June 2018 to 31 July 2018

### 11 Derivatives and other financial instruments (continued)

#### c) Interest rate risk

Interest rate risk is the risk of movements in the value of financial instruments as a result of fluctuations in interest rates.

The interest rate risk profile of the sub-fund's financial assets and liabilities at 31 July 2018 was as follows:

Currency	Variable rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
31.07.18				
Euro	929	-	207	1,136
UK Sterling	21,952	-	2,112,035	2,133,987
<b>Total</b>	<b>22,881</b>	<b>-</b>	<b>2,112,242</b>	<b>2,135,123</b>

Currency	Variable rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
31.07.18			
UK Sterling	-	(6,445)	(6,445)
<b>Total</b>	<b>-</b>	<b>(6,445)</b>	<b>(6,445)</b>

#### Interest rate risk sensitivity

In the event of changes in interest rates, there would be no material impact upon the assets of the sub-fund.

#### d) Credit risk

Credit risk is the risk of suffering loss due to another party not meeting its financial obligation. The risk is managed by the Investment Adviser who monitors the credit profile of financial instruments in accordance with the objective and policy of the sub-fund.

Adherence to the investment guidelines and the investment and borrowing powers as set out in the Prospectus and in the rules of the Regulations also mitigates the risk of excessive exposure to any particular type of security or issuer. Further information on the investment portfolio is set out in the Investment Manager's review and the Portfolio statement.

#### e) Counterparty risk

Certain transactions in financial instruments that the sub-fund enters into have the risk that the counterparty will not meet its financial obligations, i.e. the investment (purchase) or cash (sale) after the sub-fund has fulfilled its responsibilities.

The sub-fund will only buy and sell investments through brokers which have been approved by the ACD and Investment Adviser as an acceptable counterparty. This is overseen by the Depositary to ensure that the exposure to any counterparty remains appropriate for investors.

## Notes to the financial statements (continued)

for the period from 15 June 2018 to 31 July 2018

### 11 Derivatives and other financial instruments (continued)

#### f) Liquidity risk

The sub-fund's assets comprise mainly of readily realisable securities which can be sold promptly to meet liquidity requirements. The main source of this risk comes from the obligation to shareholders to meet any cancellation of shares. Assets from the sub-fund may need to be sold to meet any redemption proceeds. As part of its operating duties the ACD regularly monitors the liquidity levels held on the sub-fund (cash and underlying securities) to ensure any redemption can be readily met. Some investments may be less liquid than other securities and can be more sensitive to economic factors. The rules of the Regulations mitigate the risk of excessive exposure to assets which are not readily realisable.

#### g) Market risk

Market risk arises from uncertainty about future prices of financial instruments held. The main source of risk to the sub-fund is the potential movement in the value of financial instruments held as a result of price fluctuations. Stock market prices can move erratically and be unpredictably affected by diverse factors including political and economic events but also rumours and sentiment. The ACD adheres to the investment guidelines and borrowing powers set out within the Prospectus and the COLL Sourcebook. In this way the ACD monitors and controls the exposure to risk from any type of security, sector or issuer. The sub-fund may also use derivative instruments to mitigate risk and reduce cost.

##### Market price risk sensitivity

A 5% market movement in the price of investments held by the sub-fund, with all other variables remaining constant, would result in an increase or decrease on net asset value of the sub-fund by approximately £105,322,093 or 4.95%.

#### h) Fair value of financial assets and liabilities

There is no material difference between the carrying value of the financial assets and liabilities, as shown in the Balance sheet, and their fair value.

<b>Basis of valuation</b>	<b>31.07.18</b>
Level 1: Quoted prices	2,106,442
Level 2: Observable market data	-
Level 3: Unobservable data	-
<b>Total</b>	<b>2,106,442</b>

#### i) Global exposure

The Investment Adviser assesses the market risk of the Old Mutual UK Alpha Fund, including any derivative exposures, using a commitment approach. All exposure arising through the investment in financial derivative instruments will be covered by the underlying assets of the sub-fund. The sub-fund will use the commitment approach methodology to measure, monitor and manage the "leverage" effect produced by the use of financial derivative instruments and for the calculation of global exposure. As the sub-fund uses the commitment approach it must ensure that its global exposure does not exceed its total net asset value and the sub-fund may not therefore be leveraged in excess of 100% of its net asset value. In using the commitment approach for the calculation of global exposure, the sub-fund will convert each derivative position into the market value of an equivalent position in the underlying asset of that derivative. Using the commitment approach the global exposure is 0.00%.

### 12 Contingent liabilities

The sub-fund had no contingent liabilities at the Balance sheet date.

## Notes to the financial statements (continued)

for the period from 15 June 2018 to 31 July 2018

### 13 Portfolio transaction costs

#### Analysis of total purchase costs

31.07.18

Equities

In specie transactions

Corporate actions

Total

Total purchases including transaction costs

Value	Commissions		Other costs	
£'000	£'000	%	£'000	%
22,397	9	0.04%	112	0.50%
2,172,722	-	-	-	-
7,796	-	-	-	-
2,202,915	9		112	
2,203,036				

#### Analysis of total sale costs

31.07.18

Equities

Total

Total sales including transaction costs

Value	Commissions		Other costs	
£'000	£'000	%	£'000	%
52,931	14	0.03%	-	-
52,931	14		-	
52,917				

Transaction costs as a percentage of average Net Assets

31.07.18

Commissions:

0.00%

Taxes:

0.01%

In the case of shares, transaction costs are paid by the sub-fund on each transaction. Commissions relate to those paid to agents, advisers, brokers and dealers in the buying and selling of securities. Other costs include any additional fees that may be paid to agents, advisers, brokers and dealers as well as levies by regulatory agencies and security exchanges and any transfer taxes or duties. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike share, other types of investments have no separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads may vary considerably depending on the transaction value and market sentiment. At the balance sheet date the dealing spread was 0.07%.

## Notes to the financial statements (continued)

for the period from 15 June 2018 to 31 July 2018

### 14 Shareholders' funds

The sub-fund currently has eight share classes: Accumulation 'A', Income 'A', Accumulation 'R', Income 'R', Accumulation 'U1', Income 'U1', Accumulation 'U2' and Income 'U2'. The net asset value of each share class, net asset value per share and the number of shares in issue are given in the information pages for each sub-fund.

The share classes currently in issue and the Fixed Ongoing Charge of each share class are shown below.

	31.07.18
- Accumulation 'A'†	1.60%
- Income 'A'†	1.60%
- Accumulation 'R'†	0.85%
- Income 'R'†	0.85%
- Accumulation 'U1'†	0.775%
- Income 'U1'†	0.775%
- Accumulation 'U2'†	0.70%
- Income 'U2'†	0.70%

#### Share class movement reconciliation

	Opening	Issued	Redeemed	Converted	Closing
- Accumulation 'A'†	-	50,084,898	(933,367)	-	49,151,531
- Income 'A'†	-	3,184,176	(122,348)	-	3,061,828
- Accumulation 'R'†	-	219,223,282	(2,054,640)	-	217,168,642
- Income 'R'†	-	18,026,154	(426,511)	-	17,599,643
- Accumulation 'U1'†	-	373,546,995	(5,708,498)	-	367,838,497
- Income 'U1'†	-	296,369,776	(11,062,894)	-	285,306,882
- Accumulation 'U2'†	-	140,807,157	(324,352)	-	140,482,805
- Income 'U2'†	-	474,406,976	(1,631,173)	-	472,775,803

† From 15 June 2018

### 15 Post balance sheet date events

On 28 September 2018, Old Mutual UK Alpha Fund changed its name to Merian UK Alpha Fund.

## Distribution table

### Final distribution

Group 1: Shares purchased prior to 15 June 2018  
 Group 2: Shares purchased from 15 June 2018 to 31 July 2018

	Revenue pence per share	Equalisation pence per share*	Distribution paid 30.09.18 pence per share
<b>Accumulation 'A' Shares†</b>			
Group 1	0.2654	-	0.2654
Group 2	0.0699	0.1955	0.2654
<b>Income 'A' Shares†</b>			
Group 1	0.2331	-	0.2331
Group 2	0.0732	0.1599	0.2331
<b>Accumulation 'R' Shares†</b>			
Group 1	0.3174	-	0.3174
Group 2	0.0246	0.2928	0.3174
<b>Income 'R' Shares†</b>			
Group 1	0.2431	-	0.2431
Group 2	0.0301	0.2130	0.2431
<b>Accumulation 'U1' Shares†</b>			
Group 1	0.2818	-	0.2818
Group 2	0.0270	0.2548	0.2818
<b>Income 'U1' Shares†</b>			
Group 1	0.2379	-	0.2379
Group 2	0.0124	0.2255	0.2379
<b>Accumulation 'U2' Shares†</b>			
Group 1	0.2697	-	0.2697
Group 2	0.0012	0.2685	0.2697
<b>Income 'U2' Shares†</b>			
Group 1	0.2310	-	0.2310
Group 2	0.0454	0.1856	0.2310

† From 15 June 2018

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

## Old Mutual UK Equity Income Fund

Launch date	30 September 1975
IA Sector	UK Equity Income
Investment adviser	Old Mutual Global Investors (UK) Limited
Net asset value	£105,178,009

### Objective

To achieve an above average yield with growth in income and capital appreciation over the long term, through the active management of a diversified portfolio invested primarily in UK equities. UK equities are equities of companies the majority of which will either be domiciled in the UK, or which derive a significant proportion of their income from the UK.

### Policy

Subject to the regulations, the property of the sub-fund may include transferable securities; units in collective investment schemes (including those managed or operated by the ACD or an associate of the ACD), warrants, money market instruments, deposits and derivatives.

The sub-fund will be permitted to use derivatives for investment purposes. The use of derivatives for this purpose may affect the volatility or risk profile of the sub-fund although this is not the ACD's intention.

### Investment Manager's review

The external environment was relatively benign in the first half of the period with a continuation of the solid growth with low inflation backdrop along with a relatively calm political atmosphere allowing markets to make steady progress.

A short sharp setback occurred during the first few months of 2018 as extremely powerful monetary stimulus started slowly being withdrawn by central banks and the US Federal Reserve in particular. Markets recovered swiftly towards the end of the period despite a number of potentially adverse developments including a rapidly escalating trade dispute between the US and China and Europe, a potentially destabilising populist coalition government in Italy and a continuation of gradual liquidity withdrawal by the world's central banks.

Strong contributions over the period came from Tesco, Ladbrokes, GVC and Next. Detractors included stocks such as Micro Focus, TP ICAP, Saga and Vodafone.

New stocks introduced during the period included GVC Holdings, Tate & Lyle, Whitbread and National Express. We disposed of holdings in Next, TalkTalk and Direct Line.

Nine years into this economic cycle it is logical to consider that we are heading toward its latter stages. Given that, it is probable that progress from here is likely to be somewhat limited, particularly as central banks gradually withdraw their extraordinary monetary stimulus.

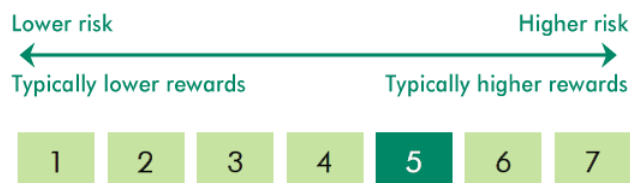
In tandem with that withdrawal of liquidity we have seen a gradual increase in volatility, from exceptionally low levels, and we fully intend to utilise the valuation opportunities that this will produce. We remain on the lookout for stocks caught up in broader market sentiment swings – whether that's consumer discretionary companies pushed down by the double effect of Brexit and the structural shift to online, or high-quality engineers selling off merely because the rate of global growth is easing.

We remain of the view that the dividend-paying capacity of the miners is not fully appreciated by the market and that they can transition to more "utility-type" valuations based on sustainable dividend yield. We also believe that the financials, and banks in particular, are on the verge of going through a similar transition as their capital ratios are stable and conduct fines are subsiding. These had caused a substantial leakage of cash away from dividends.

We also remain sceptical of the longer term capital appreciation of the oil majors predicated on a bearish oil price outlook -- as US shale exports ramp up from 2019 - and on valuations, which are high compared to history and largely pricing in improved returns on capital to perpetuity.

Clearly all of the above means that taking a prudent approach in providing the sub-fund's income remains a priority, and the manager's approach in reducing the historic concentration risk in that income should support the sustainability of yield.

### Risk and Reward Profile



The calculated risk and reward category, as shown above, uses a method of calculation derived from EU rules. It is based on the rate at which the returns of the sub-fund have moved up and down in the past (i.e. volatility) and is not a guide to the future risk and reward category of the sub-fund. The category shown is not a target or guarantee and may shift over time. Even the lowest category 1 does not mean a risk-free investment. The seven-category scale is nonlinear, for example, 2 is not twice as risky as 1.

Sub-funds in category 5 have in the past shown moderately high volatility. With a sub-fund of category 5, you have a relatively high risk of losing money but your chance for gains is also moderately high.

**Investment risk** - there is no guarantee that the sub-fund will achieve its objective. A capital loss of some or all of the amount invested may occur.

**Geographic concentration risk** - a fall in the UK market may have a significant impact on the value of the sub-fund because it primarily invests in this market.

**Concentration risk (number of investments)** - the sub-fund may at times hold a smaller number of investments, and therefore a fall in the value of a single investment may have a greater impact on the sub-fund's value than if it held a larger number of investments.

**Currency risk** - the sub-fund is denominated in British Pounds but may hold assets denominated in, or with exposure to, other currencies. The value of your shares may rise and fall as a result of exchange rate movements between these currencies.

**Derivative risk** - the sub-fund may use derivatives to generate returns as well as to reduce costs and/or the overall risk of the sub-fund. Using derivatives can involve a higher level of risk. A small movement in the price of an underlying investment may result in a disproportionately large movement in the price of the derivative investment. Derivatives also involve counterparty risk where the institutions acting as counterparty to derivatives may not meet their contractual obligations.

**Capital erosion risk** - the sub-fund takes its charges from capital of the sub-fund. Investors should be aware that there is potential for capital erosion if insufficient capital growth is achieved by the sub-fund to cover the charges. Capital erosion may have the effect of reducing the level of income generated.

For a more detailed explanation of risks, please refer to the "Risks" section of the prospectus.



## Performance Records

## Comparative Tables

Accumulation 'A'	1 August 2017 to 31 July 2018 p/share	1 August 2016 to 31 July 2017 p/share	1 August 2015 to 31 July 2016 p/share
<b>Change in net assets per share</b>			
Opening net asset value per share	3,128.97	2,786.67	2,907.27
Return before operating charges*	256.03	391.64	(75.45)
Operating charges**	(53.23)	(49.34)	(45.15)
Return after operating charges*	202.80	342.30	(120.60)
Distributions	(134.31)	(125.73)	(123.82)
Retained distributions	134.31	125.73	123.82
Closing net asset value per share	3,331.77	3,128.97	2,786.67
* after direct transaction costs of***	4.46	11.63	9.56
<b>Performance</b>			
Return after charges	6.48%	12.28%	(4.15)%
<b>Other information</b>			
Closing net asset value (£)	7,153,017	8,737,821	11,879,328
Closing number of shares	214,691	279,256	426,291
Operating charges****	1.65%	1.65%	1.65%
Direct transaction costs***	0.14%	0.39%	0.35%
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	3,402.00	3,327.88	3,090.16
Lowest share price	3,014.00	2,760.16	2,418.60
<b>Income 'A'</b>	<b>1 August 2017 to 31 July 2018 p/share</b>	<b>1 August 2016 to 31 July 2017 p/share</b>	<b>1 August 2015 to 31 July 2016 p/share</b>
<b>Change in net assets per share</b>			
Opening net asset value per share	855.74	794.65	867.46
Return before operating charges*	69.23	110.28	(23.18)
Operating charges**	(14.36)	(13.89)	(13.27)
Return after operating charges*	54.87	96.39	(36.45)
Distributions	(36.19)	(35.30)	(36.36)
Retained distributions	-	-	-
Closing net asset value per share	874.42	855.74	794.65
* after direct transaction costs of***	1.20	3.27	2.81
<b>Performance</b>			
Return after charges	6.41%	12.13%	(4.20)%
<b>Other information</b>			
Closing net asset value (£)	27,061,984	34,629,389	40,612,047
Closing number of shares	3,094,850	4,046,711	5,110,652
Operating charges****	1.65%	1.65%	1.65%
Direct transaction costs***	0.14%	0.39%	0.35%
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	915.80	919.36	921.92
Lowest share price	811.30	786.67	709.23

## Comparative Tables (continued)

Accumulation 'P'	1 August 2017 to 31 July 2018 p/share	1 August 2016 to 31 July 2017 p/share	1 August 2015 to 31 July 2016 p/share
<b>Change in net assets per share</b>			
Opening net asset value per share	181.57	160.90	167.03
Return before operating charges*	14.89	22.67	(4.33)
Operating charges**	(2.15)	(2.00)	(1.80)
Return after operating charges*	12.74	20.67	(6.13)
Distributions	(7.81)	(7.28)	(7.13)
Retained distributions	7.81	7.28	7.13
Closing net asset value per share	194.31	181.57	160.90
* after direct transaction costs of***	0.26	0.68	0.55
<b>Performance</b>			
Return after charges	7.02%	12.85%	(3.67)%
<b>Other information</b>			
Closing net asset value (£)	448,278	1,397,650	1,106,070
Closing number of shares	230,700	769,745	687,412
Operating charges****	1.15%	1.15%	1.15%
Direct transaction costs***	0.14%	0.39%	0.35%
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	198.20	192.99	177.55
Lowest share price	175.50	159.38	139.33
<b>Income 'P'</b>	<b>1 August 2017 to 31 July 2018 p/share</b>	<b>1 August 2016 to 31 July 2017 p/share</b>	<b>1 August 2015 to 31 July 2016 p/share</b>
<b>Change in net assets per share</b>			
Opening net asset value per share	123.53	114.09	123.91
Return before operating charges*	10.03	15.92	(3.30)
Operating charges**	(1.45)	(1.40)	(1.32)
Return after operating charges*	8.58	14.52	(4.62)
Distributions	(5.24)	(5.08)	(5.20)
Retained distributions	-	-	-
Closing net asset value per share	126.87	123.53	114.09
* after direct transaction costs of***	0.17	0.47	0.40
<b>Performance</b>			
Return after charges	6.95%	12.73%	(3.73)%
<b>Other information</b>			
Closing net asset value (£)	138,334	74,004	89,050
Closing number of shares	109,035	59,908	78,051
Operating charges****	1.15%	1.15%	1.15%
Direct transaction costs***	0.14%	0.39%	0.35%
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	132.50	132.62	131.70
Lowest share price	117.50	112.95	101.58

## Comparative Tables (continued)

Accumulation 'R'	1 August 2017 to 31 July 2018 p/share	1 August 2016 to 31 July 2017 p/share	1 August 2015 to 31 July 2016 p/share
<b>Change in net assets per share</b>			
Opening net asset value per share	162.98	144.13	149.24
Return before operating charges*	13.39	20.24	(3.85)
Operating charges**	(1.52)	(1.39)	(1.26)
Return after operating charges*	11.87	18.85	(5.11)
Distributions	(7.02)	(6.52)	(6.38)
Retained distributions	7.02	6.52	6.38
Closing net asset value per share	174.85	162.98	144.13
* after direct transaction costs of***	0.23	0.60	0.49
<b>Performance</b>			
Return after charges	7.28%	13.08%	(3.42)%
<b>Other information</b>			
Closing net asset value (£)	14,386,772	15,321,621	22,726,222
Closing number of shares	8,228,199	9,400,977	15,768,004
Operating charges****	0.90%	0.90%	0.90%
Direct transaction costs***	0.14%	0.39%	0.35%
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	178.30	166.51	152.54
Lowest share price	157.80	142.77	124.66
<b>Income 'R'</b>	<b>1 August 2017 to 31 July 2018 p/share</b>	<b>1 August 2016 to 31 July 2017 p/share</b>	<b>1 August 2015 to 31 July 2016 p/share</b>
<b>Change in net assets per share</b>			
Opening net asset value per share	136.12	125.41	135.86
Return before operating charges*	11.06	17.50	(3.60)
Operating charges**	(1.25)	(1.20)	(1.13)
Return after operating charges*	9.81	16.30	(4.73)
Distributions	(5.78)	(5.59)	(5.72)
Retained distributions	-	-	-
Closing net asset value per share	140.15	136.12	125.41
* after direct transaction costs of***	0.19	0.52	0.44
<b>Performance</b>			
Return after charges	7.21%	13.00%	(3.48)%
<b>Other information</b>			
Closing net asset value (£)	21,177,320	22,799,577	37,509,311
Closing number of shares	15,110,896	16,749,665	29,909,044
Operating charges****	0.90%	0.90%	0.90%
Direct transaction costs***	0.14%	0.39%	0.35%
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	146.20	140.48	138.86
Lowest share price	129.70	124.16	111.53

## Comparative Tables (continued)

Accumulation 'U1'	1 August 2017 to 31 July 2018 p/share	1 August 2016 to 31 July 2017 p/share	1 August 2015 to 31 July 2016 p/share
<b>Change in net assets per share</b>			
Opening net asset value per share	122.25	107.99	111.73
Return before operating charges*	10.04	15.21	(2.87)
Operating charges**	(1.04)	(0.95)	(0.87)
Return after operating charges*	9.00	14.26	(3.74)
Distributions	(5.27)	(4.89)	(4.78)
Retained distributions	5.27	4.89	4.78
Closing net asset value per share	131.25	122.25	107.99
* after direct transaction costs of***	0.17	0.45	0.37
<b>Performance</b>			
Return after charges	7.36%	13.20%	(3.35)%
<b>Other information</b>			
Closing net asset value (£)	8,331,489	11,517,697	25,667,893
Closing number of shares	6,347,655	9,421,222	23,769,516
Operating charges****	0.83%	0.83%	0.83%
Direct transaction costs***	0.14%	0.39%	0.35%
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	133.80	124.89	114.20
Lowest share price	118.40	106.97	93.36
<b>Income 'U1'</b>	<b>1 August 2017 to 31 July 2018 p/share</b>	<b>1 August 2016 to 31 July 2017 p/share</b>	<b>1 August 2015 to 31 July 2016 p/share</b>
<b>Change in net assets per share</b>			
Opening net asset value per share	107.69	99.15	107.33
Return before operating charges*	8.75	13.83	(2.84)
Operating charges**	(0.91)	(0.87)	(0.82)
Return after operating charges*	7.84	12.96	(3.66)
Distributions	(4.57)	(4.42)	(4.52)
Retained distributions	-	-	-
Closing net asset value per share	110.96	107.69	99.15
* after direct transaction costs of***	0.15	0.41	0.35
<b>Performance</b>			
Return after charges	7.28%	13.07%	(3.41)%
<b>Other information</b>			
Closing net asset value (£)	4,595,278	5,761,666	8,687,256
Closing number of shares	4,141,334	5,350,180	8,761,353
Operating charges****	0.83%	0.83%	0.83%
Direct transaction costs***	0.14%	0.39%	0.35%
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	115.70	111.13	109.70
Lowest share price	102.60	98.16	88.14

## Comparative Tables (continued)

Accumulation 'U2'	1 August 2017 to 31 July 2018 p/share	1 August 2016 to 31 July 2017 p/share	1 August 2015 to 31 July 2016 p/share
<b>Change in net assets per share</b>			
Opening net asset value per share	122.58	108.19	111.86
Return before operating charges*	10.72	15.27	(2.88)
Operating charges**	(0.94)	(0.88)	(0.79)
Return after operating charges*	9.78	14.39	(3.67)
Distributions	(5.30)	(4.90)	(4.79)
Retained distributions	5.30	4.90	4.79
Closing net asset value per share	132.36	122.58	108.19
* after direct transaction costs of***	0.17	0.45	0.37
<b>Performance</b>			
Return after charges	7.98%	13.30%	(3.28)%
<b>Other information</b>			
Closing net asset value (£)	18,099	46,507,016	50,960,614
Closing number of shares	13,674	37,940,687	47,101,315
Operating charges****	0.75%	0.75%	0.75%
Direct transaction costs***	0.14%	0.39%	0.35%
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	134.30	125.21	114.34
Lowest share price	118.80	107.17	93.51
<b>Income 'U2'</b>	<b>1 August 2017 to 31 July 2018 p/share</b>	<b>1 August 2016 to 31 July 2017 p/share</b>	<b>1 August 2015 to 31 July 2016 p/share</b>
<b>Change in net assets per share</b>			
Opening net asset value per share	106.11	97.66	105.65
Return before operating charges*	8.61	13.59	(2.82)
Operating charges**	(0.81)	(0.78)	(0.73)
Return after operating charges*	7.80	12.81	(3.55)
Distributions	(4.51)	(4.36)	(4.44)
Retained distributions	-	-	-
Closing net asset value per share	109.40	106.11	97.66
* after direct transaction costs of***	0.15	0.41	0.34
<b>Performance</b>			
Return after charges	7.35%	13.12%	(3.36)%
<b>Other information</b>			
Closing net asset value (£)	21,867,438	19,471,286	4,846,237
Closing number of shares	19,988,045	18,350,061	4,962,245
Operating charges****	0.75%	0.75%	0.75%
Direct transaction costs***	0.14%	0.39%	0.35%
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	114.00	109.48	107.98
Lowest share price	101.20	96.69	86.81

## Comparative Tables (continued)

Accumulation 'W'†	1 August 2017 to 31 July 2018 p/share	1 August 2016 to 31 July 2017 p/share	1 August 2015 to 31 July 2016 p/share
<b>Change in net assets per share</b>			
Opening net asset value per share	100.00	-	-
Return before operating charges*	6.47	-	-
Operating charges**	(0.11)	-	-
Return after operating charges*	6.36	-	-
Distributions	(0.25)	-	-
Retained distributions	0.25	-	-
Closing net asset value per share	106.36	-	-
* after direct transaction costs of***	0.16	-	-
<b>Performance</b>			
Return after charges	6.36%	-	-
<b>Other information</b>			
Closing net asset value (£)	-	-	-
Closing number of shares	-	-	-
Operating charges****	0.75%	-	-
Direct transaction costs***	0.14%	-	-
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	109.00	-	-
Lowest share price	100.00	-	-

† From 10 April 2018 to 31 May 2018.

\*\* The operating charges include all costs borne by the sub-fund, except for direct transaction costs.

\*\*\* The direct transaction costs are made up of fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges as well as transfer taxes and duties. They do not include any difference between the quoted bid and offer prices or internal administrative or holding costs. These costs arise as a result of transactions undertaken both for efficient portfolio management and the meeting of the sub-fund's objectives. These costs exclude any effect of dilution adjustments used to offset the costs.

\*\*\*\* The operating charges percentage is the ratio of the sub-fund's ongoing charges (excluding interest on borrowings) to the average net assets of the sub-fund. If the share class launched during the year the operating charges figures are annualised.

## Performance

	6 months to 31 July 2018	1 year to 31 July 2018	3 years to 31 July 2018	5 years to 31 July 2018
Old Mutual UK Equity Income Fund*	2.46%	7.48%	17.35%	41.82%
FTSE All Share (benchmark)	5.04%	9.15%	30.20%	44.90%
IA UK Equity Income (sector average)	3.37%	6.28%	23.51%	46.05%
Quartile ranking	3	2	4	3

\* Accumulation 'R' shares

Data Source – Factset. Figures are calculated on a total return and single price basis, with net income reinvested into the sub-fund.

Portfolio allocation		Major holdings	Percentage of portfolio
Banks	12.42%	HSBC (UK Listing)	5.07%
Oil & Gas Producers	9.82%	Royal Dutch Shell 'B'	4.80%
Travel & Leisure	8.93%	Rio Tinto (UK Listing)	4.39%
Life Insurance	7.92%	GlaxoSmithKline	4.31%
Mining	7.21%	BP	3.98%
Tobacco	6.99%	Barclays	3.85%
Pharmaceuticals & Biotechnology	6.56%	Aviva	3.82%
General Retailers	4.63%	Tesco	3.79%
Software & Computer Services	4.05%	GVC Holdings	3.79%
Mobile Telecommunications	4.04%	British American Tobacco	3.64%
Food & Drug Retailers	3.79%		
Construction & Materials	3.11%	Number of holdings	50
Electricity	3.03%		
General Industrials	2.88%		
Nonlife Insurance	2.68%		
Financial Services	2.18%		
Health Care Equipment & Services	1.42%		
Industrial Engineering	1.17%		
Personal Goods	1.12%		
Real Estate Investment Trusts	1.07%		
Gas, Water & Multiutilities	0.97%		
Support Services	0.92%		
Food Producers	0.88%		
Household Goods & Home Construction	0.71%		
Equity Investment Instruments	0.60%		
Real Estate Investment & Services	0.50%		
Media	0.38%		
Net other assets	0.02%		
<b>Total</b>	<b>100.00%</b>		
<b>Asset allocation</b>			
Equities	99.98%		
Net other assets	0.02%		
<b>Total</b>	<b>100.00%</b>		

## Portfolio statement

as at 31 July 2018

Holding	Investment	Market Value £'000	Percentage of total net assets %
	United Kingdom 88.32% (31 July 2017 88.39%)		
	United Kingdom Equities 88.32% (31 July 2017 88.39%)		
	Banks 12.42% (31 July 2017 13.08%)		
2,078,039	Barclays	4,053	3.85
729,218	HSBC (UK Listing)	5,332	5.07
5,888,613	Lloyds Banking	3,680	3.50
		13,065	12.42
	Construction & Materials 1.21% (31 July 2017 0.00%)		
131,454	Kier	1,272	1.21
		1,272	1.21
	Electricity 3.03% (31 July 2017 2.61%)		
532,913	Drax	1,938	1.85
98,607	SSE	1,243	1.18
		3,181	3.03
	Financial Services 2.18% (31 July 2017 3.01%)		
330,645	OneSavings Bank	1,442	1.37
302,314	TP ICAP	848	0.81
		2,290	2.18
	Fixed Line Telecommunications 0.00% (31 July 2017 1.27%)		
	Food & Drug Retailers 3.79% (31 July 2017 3.70%)		
1,539,994	Tesco	3,990	3.79
		3,990	3.79
	Food Producers 0.88% (31 July 2017 0.00%)		
148,344	Tate & Lyle	926	0.88
		926	0.88
	Gas, Water & Multiutilities 0.97% (31 July 2017 1.42%)		
134,807	Pennon	1,017	0.97
		1,017	0.97
	General Industrials 2.88% (31 July 2017 1.88%)		
598,561	DS Smith	3,032	2.88
		3,032	2.88
	General Retailers 4.63% (31 July 2017 5.40%)		
301,419	Dunelm	1,607	1.53
71,630	Inchcape	508	0.48
901,144	Pets at Home	1,062	1.01
1,375,990	Saga	1,691	1.61
		4,868	4.63



## Portfolio statement (continued)

as at 31 July 2018

Holding	Investment	Market Value £'000	Percentage of total net assets %
112,441	Health Care Equipment & Services 1.42% (31 July 2017 1.46%) Smith & Nephew	1,495	1.42
		1,495	1.42
427,246	Household Goods & Home Construction 0.71% (31 July 2017 1.20%) Taylor Wimpey	747	0.71
		747	0.71
98,348	Industrial Engineering 1.17% (31 July 2017 1.15%) IMI	1,231	1.17
		1,231	1.17
802,873 191,322 165,547	Life Insurance 7.92% (31 July 2017 8.20%) Aviva Phoenix Prudential	4,016	3.82
		1,313	1.25
		3,002	2.85
		8,331	7.92
53,628	Media 0.38% (31 July 2017 1.03%) Daily Mail & General Trust	400	0.38
		400	0.38
110,916	Mining 4.39% (31 July 2017 5.44%) Rio Tinto (UK Listing)	4,617	4.39
		4,617	4.39
130,149 1,864,849	Mobile Telecommunications 4.04% (31 July 2017 6.39%) Inmarsat Vodafone	754	0.72
		3,494	3.32
		4,248	4.04
176,437 609,157	Nonlife Insurance 2.68% (31 July 2017 2.93%) RSA Insurance Sabre Insurance	1,130	1.07
		1,693	1.61
		2,823	2.68
732,550	Oil & Gas Producers 3.98% (31 July 2017 3.62%) BP	4,190	3.98
		4,190	3.98
95,185	Personal Goods 1.12% (31 July 2017 0.00%) Superdry	1,179	1.12
		1,179	1.12
40,756 287,429	Pharmaceuticals & Biotechnology 6.56% (31 July 2017 6.87%) AstraZeneca (UK Listing) GlaxoSmithKline	2,361	2.25
		4,538	4.31
		6,899	6.56

## Portfolio statement (continued)

as at 31 July 2018

Holding	Investment	Market Value £'000	Percentage of total net assets %
118,867	Real Estate Investment Trusts 1.07% (31 July 2017 1.03%)		
	Big Yellow	1,127	1.07
		1,127	1.07
154,354 375,097	Software & Computer Services 4.05% (31 July 2017 4.19%)		
	Micro Focus International	1,959	1.86
	Sage	2,302	2.19
		4,261	4.05
424,436	Support Services 0.92% (31 July 2017 1.98%)		
	Biffa	972	0.92
		972	0.92
90,874 121,118	Tobacco 6.99% (31 July 2017 6.20%)		
	British American Tobacco	3,834	3.64
	Imperial Brands	3,521	3.35
		7,355	6.99
1,044,517 340,392 344,800 279,018 225,063 34,587	Travel & Leisure 8.93% (31 July 2017 4.33%)		
	GVC CVR	-	-
	GVC Holdings	3,983	3.79
	Merlin Entertainments	1,381	1.31
	National Express	1,127	1.07
	SSP	1,536	1.46
	Whitbread	1,361	1.30
		9,388	8.93
	Overseas 11.66% (31 July 2017 10.35%)		
	Asia Pacific (excluding Japan) 0.50% (31 July 2017 0.00%)		
	Mauritius Equities 0.50% (31 July 2017 0.00%)		
481,104	Real Estate Investment & Services 0.50% (31 July 2017 0.00%)		
	Grit Real Estate Income	523	0.50
		523	0.50
	Europe 11.16% (31 July 2017 10.35%)		
	Ireland Equities 2.50% (31 July 2017 2.66%)		
75,145	Construction & Materials 1.90% (31 July 2017 1.97%)		
	CRH (UK Listing)	1,997	1.90
		1,997	1.90

## Portfolio statement (continued)

as at 31 July 2018

Holding	Investment	Market Value £'000	Percentage of total net assets %
688,890	Equity Investment Instruments 0.60% (31 July 2017 0.69%)		
	Greencoat Renewables	633	0.60
		633	0.60
	Netherlands Equities 4.80% (31 July 2017 4.45%)		
187,664	Oil & Gas Producers 4.80% (31 July 2017 4.45%)		
	Royal Dutch Shell 'B'	5,051	4.80
		5,051	4.80
	Switzerland Equities 2.82% (31 July 2017 3.24%)		
901,278	Mining 2.82% (31 July 2017 3.24%)		
	Glencore	2,963	2.82
		2,963	2.82
	North America 1.04% (31 July 2017 0.00%)		
	United States Equities 1.04% (31 July 2017 0.00%)		
954,993	Oil & Gas Producers 1.04% (31 July 2017 0.00%)		
	Diversified Gas & Oil	1,089	1.04
		1,089	1.04
	Investment assets	105,160	99.98
	Net other assets	18	0.02
	Total net assets	105,178	100.00

All investments are approved securities being either officially listed in a member state or traded on or under the rules of an eligible securities market, unless otherwise stated.

All investments are ordinary shares unless otherwise stated.

## Statement of total return

for the year from 1 August 2017 to 31 July 2018

	Note	01.08.17 to 31.07.18 £'000	01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000	01.08.16 to 31.07.17 £'000
Income					
Net capital gains	2		6,156		17,888
Revenue	3	7,349		8,821	
Expenses	4	(1,643)		(2,084)	
Interest payable and similar charges	5	(3)		-	
Net revenue before taxation		5,703		6,737	
Taxation	6	(19)		(9)	
Net revenue after taxation			5,684		6,728
<b>Total return before distributions</b>			<b>11,840</b>		<b>24,616</b>
Distributions	7		(6,035)		(8,508)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>5,805</b>		<b>16,108</b>

## Statement of change in net assets attributable to shareholders

for the year from 1 August 2017 to 31 July 2018

	01.08.17 to 31.07.18 £'000	01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000	01.08.16 to 31.07.17 £'000
<b>Opening net assets attributable to shareholders</b>		<b>166,218</b>		<b>204,084</b>
Amounts transferred to Quilter Investors UK Equity Income Fund	(84,053)		-	
Amounts received on issue of shares	41,957		51,632	
Amounts paid on cancellation of shares	(27,448)		(109,914)	
		(69,544)		(58,282)
Dilution adjustment		190		448
Change in net assets attributable to shareholders from investment activities		5,805		16,108
Retained distribution on accumulation shares		2,488		3,842
Unclaimed distributions		21		18
<b>Closing net assets attributable to shareholders</b>		<b>105,178</b>		<b>166,218</b>

The notes on pages 110 to 117 form an integral part of these financial statements.

## Balance sheet

as at 31 July 2018

	Note	31.07.18 £'000	31.07.17 £'000
<b>Assets</b>			
Fixed assets			
Investments		105,160	164,124
Current assets			
Debtors	8	706	1,038
Cash and bank balances	9	421	2,354
Total assets		106,287	167,516
<b>Liabilities</b>			
Creditors			
Distribution payable		(720)	(837)
Other creditors	10	(389)	(461)
Total liabilities		(1,109)	(1,298)
<b>Net assets attributable to shareholders</b>		<b>105,178</b>	<b>166,218</b>

The notes on pages 110 to 117 form an integral part of these financial statements.

## Notes to the financial statements

for the year from 1 August 2017 to 31 July 2018

### 1 Accounting policies

The applicable accounting policies adopted by the Old Mutual UK Equity Income Fund are included on pages 184 to 185.

### 2 Net capital gains

The net capital gains on investments comprise:

	01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000
Gains on non-derivative securities	6,156	17,886
Gains on forward currency contracts	-	9
Gains/(losses) on currency contracts	2	(5)
Handling charges	(2)	(2)
<b>Net capital gains on investments</b>	<b>6,156</b>	<b>17,888</b>

### 3 Revenue

	01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000
Bank interest	1	2
Non-taxable overseas dividends	586	418
UK dividends	6,713	8,360
UK REIT dividends	49	41
<b>Total revenue</b>	<b>7,349</b>	<b>8,821</b>

### 4 Expenses

Payable to the Authorised Corporate Director, associates of the Authorised Corporate Director and agents of either of them:

	01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000
Fixed Ongoing Charge*	636	-
Authorised Corporate Director's periodic charge**	858	1,780
Fixed expenses**	149	304
<b>Total expenses</b>	<b>1,643</b>	<b>2,084</b>

\* This figure represents the Fixed Ongoing Charge that was introduced from 1 March 2018, which covers all fees payable by the sub-fund to the Authorised Corporate Director, Investment adviser, Depositary (including associates etc.) and other expenses.

\*\* These figures represent the charges to 28 February 2018, which have now been replaced by the Fixed Ongoing Charge. The Audit fee for the year, excluding VAT, was £9,300 (31 July 2017: £9,100). As a result of the change to a Fixed Ongoing Charge basis, this expense is split between other expenses and Fixed Ongoing Charge.

## Notes to the financial statements (continued)

for the year from 1 August 2017 to 31 July 2018

### 5 Interest payable and similar charges

	01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000
Bank overdraft interest	3	-
<b>Total interest payable and similar charges</b>	<b>3</b>	<b>-</b>

### 6 Taxation

#### a) Analysis of tax charge in the year

	01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000
Overseas tax suffered	19	9
<b>Total current tax charge for the year</b>	<b>19</b>	<b>9</b>
Deferred tax charge for the year (see note 6(c))	-	-
<b>Total taxation for the year (see note 6(b))</b>	<b>19</b>	<b>9</b>

#### b) Factors affecting current tax charge for the year

	01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000
The taxation assessed for the year is lower than the standard rate of corporation tax in the UK for an open-ended investment company (20%). The differences are explained below:		
Net revenue before taxation	5,703	6,737
Corporation tax at 20% (31 July 2017: 20%)	1,141	1,347
Effects of:		
Excess management expenses for which no relief is taken	319	409
Revenue not subject to taxation – UK	(1,343)	(1,672)
Non-taxable overseas dividends	(117)	(84)
Overseas tax suffered	19	9
<b>Total tax charge for the year (see note 6(a))</b>	<b>19</b>	<b>9</b>

OEICs are exempt from tax on capital gains, therefore, any capital return is not included in the above reconciliation.

#### c) Movement in deferred tax liability

	01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000
Deferred tax liability at the start of the year	-	-
Deferred tax charge for the year (see note 6(a))	-	-
<b>Deferred tax liability at the end of the year</b>	<b>-</b>	<b>-</b>

At 31 July 2018 the sub-fund had surplus management expenses of £16,851,557 (31 July 2017: £15,255,230) which can be utilised against profits chargeable to corporation tax in future periods. It is unlikely that the sub-fund will generate sufficient taxable profits in the future to utilise these expenses and, therefore, no deferred tax asset has been recognised.

## Notes to the financial statements (continued)

for the year from 1 August 2017 to 31 July 2018

### 7 Distribution

The distributions take account of revenue received on the creation of shares and revenue deducted on the cancellation of shares and comprise:

	01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000
First Interim – Accumulation shares (31 October)	927	1,160
First Interim – Income shares (31 October)	849	1,313
Second Interim – Accumulation shares (31 January)	585	557
Second Interim – Income shares (31 January)	421	630
Third Interim – Accumulation shares (30 April)	687	1,289
Third Interim – Income shares (30 April)	1,147	1,504
Final – Accumulation shares (31 July)	289	836
Final – Income shares (31 July)	720	837
	<b>5,625</b>	<b>8,126</b>
Revenue deducted on cancellation of shares	638	818
Revenue received on issue of shares	(228)	(436)
<b>Distributions</b>	<b>6,035</b>	<b>8,508</b>
<b>Reconciliation of distributions:</b>		
Net revenue after taxation	5,684	6,728
Capitalised fees	1,398	1,780
Equalisation on conversion	(1,047)	-
<b>Distributions</b>	<b>6,035</b>	<b>8,508</b>

Details of the interim and final distributions per share are set out in the tables on pages 118 to 121.

### 8 Debtors

	31.07.18 £'000	31.07.17 £'000
Accrued revenue	428	730
Amounts receivable for issue of shares	60	299
Overseas tax recoverable	-	9
Sales awaiting settlement	218	-
<b>Total debtors</b>	<b>706</b>	<b>1,038</b>

### 9 Cash and bank balances

	31.07.18 £'000	31.07.17 £'000
Cash and bank balances	421	2,354
<b>Total cash and bank balances</b>	<b>421</b>	<b>2,354</b>



## Notes to the financial statements (continued)

for the year from 1 August 2017 to 31 July 2018

### 10 Other creditors

	31.07.18 £'000	31.07.17 £'000
Accrued Authorised Corporate Directors' periodic charge	-	125
Accrued expenses	99	22
Amounts payable for cancellation of shares	203	314
Purchases awaiting settlement	87	-
<b>Total other creditors</b>	<b>389</b>	<b>461</b>

### 11 Related party transactions

Quilter Investors Limited, as ACD, is a related party, and acts as principal in respect of all transactions of shares in each sub-fund. The aggregate monies received on issue and paid on cancellation are disclosed in the Statement of change in net assets attributable to shareholders on page 108. Any amounts due to or from Quilter Investors Limited at the end of the accounting year in respect of transactions of shares in each sub-fund are disclosed in notes 8 and 10. Other amounts paid to the ACD are disclosed in note 4 and amounts due to it at the year end are disclosed in note 10.

### 12 Derivatives and other financial instruments

#### a) Financial instrument risk

The sub-fund, in pursuing its objective, holds a number of financial instruments, which may comprise of the following:

Equity shares and equity related shares.

The sub-fund will also hold cash and other short term debtors and creditors that arise directly from its operations.

In addition, the sub-fund may hold derivatives in the form of forward foreign exchange contracts and/or futures contracts for the purpose of efficient portfolio management in accordance with the COLL Sourcebook.

The financial instruments are held in line with the sub-fund's investment policy.

Each Investment Adviser is responsible for monitoring the portfolio of his/her sub-fund in accordance with its investment objective and seeks to ensure that individual assets also meet a risk reward profile that is acceptable. The ACD has appointed specialist managers to manage the sub-fund, and continuously monitors this appointment.

Adherence to the investment guidelines and the investment and borrowing powers as set out in the Prospectus and in the rules of the Regulations also mitigates the risk of excessive exposure to any particular type of security or issuer. Further information on the investment portfolio is set out in the Investment Manager's review and the Portfolio statement of each sub-fund.

The main risks arising from financial instruments are interest rate risk, foreign currency risk, credit risk, counterparty risk, liquidity risk and market risk which are summarised below.

#### b) Foreign currency risk

A proportion of the sub-fund's financial assets and liabilities are invested overseas. As a result, movements in exchange rates may affect the market price of investments and, due to timing differences between the transaction dates of investment sales, purchases and income, and actual cash settlement, create currency exchange gains/losses. The Investment Adviser does seek to reduce some of this risk by using forward currency contracts.

The direct foreign currency exposure of the sub-fund as at 31 July 2018 (31 July 2017) was as follows:

Currency	Net foreign currency assets			Net foreign currency assets		
	Monetary exposures* 31.07.18 £'000	Non-monetary exposures 31.07.18 £'000	Total 31.07.18 £'000	Monetary exposures* 31.07.17 £'000	Non-monetary exposures 31.07.17 £'000	Total 31.07.17 £'000
Euro	193	633	826	415	1,147	1,562
US Dollar	7	523	530	1	-	1
<b>Total</b>	<b>200</b>	<b>1,156</b>	<b>1,356</b>	<b>416</b>	<b>1,147</b>	<b>1,563</b>

\* For the purpose of the above disclosure, monetary is taken to include only cash or near-cash items.

#### Currency sensitivity

A 5% increase in the value of the sub-fund's foreign currency exposure would have the effect of increasing the return and net assets as at 31 July 2018 by £67,797 or 0.06% (31 July 2017: £78,150 or 0.05%). A 5% decrease would have an equal and opposite effect.

## Notes to the financial statements (continued)

for the year from 1 August 2017 to 31 July 2018

### 12 Derivatives and other financial instruments (continued)

#### c) Interest rate risk

Interest rate risk is the risk of movements in the value of financial instruments as a result of fluctuations in interest rates.

The interest rate risk profile of the sub-fund's financial assets and liabilities at 31 July 2018 (31 July 2017) was as follows:

Currency	Variable rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
31.07.18				
Euro	-	-	826	826
Sterling	420	-	104,511	104,931
US Dollar	1	-	529	530
<b>Total</b>	<b>421</b>	<b>-</b>	<b>105,866</b>	<b>106,287</b>

Currency	Variable rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
31.07.17				
Euro	-	-	1,562	1,562
Sterling	2,353	-	163,600	165,953
US Dollar	1	-	-	1
<b>Total</b>	<b>2,354</b>	<b>-</b>	<b>165,162</b>	<b>167,516</b>

Currency	Variable rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
31.07.18			
Sterling	-	(1,109)	(1,109)
<b>Total</b>	<b>-</b>	<b>(1,109)</b>	<b>(1,109)</b>

Currency	Variable rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
31.07.17			
Sterling	-	(1,298)	(1,298)
<b>Total</b>	<b>-</b>	<b>(1,298)</b>	<b>(1,298)</b>

#### Interest rate risk sensitivity

In the event of changes in interest rates, there would be no material impact upon the assets of the sub-fund.

#### d) Credit risk

Credit risk is the risk of suffering loss due to another party not meeting its financial obligation. The risk is managed by the Investment Adviser who monitors the credit profile of financial instruments in accordance with the objective and policy of the sub-fund.

Adherence to the investment guidelines and the investment and borrowing powers as set out in the Prospectus and in the rules of the Regulations also mitigates the risk of excessive exposure to any particular type of security or issuer. Further information on the investment portfolio is set out in the Investment Manager's review and the Portfolio statement.

#### e) Counterparty risk

Certain transactions in financial instruments that the sub-fund enters into have the risk that the counterparty will not meet its financial obligations, i.e. the investment (purchase) or cash (sale) after the sub-fund has fulfilled its responsibilities.

The sub-fund will only buy and sell investments through brokers which have been approved by the ACD and Investment Adviser as an acceptable counterparty. This is overseen by the Depositary to ensure that the exposure to any counterparty remains appropriate for investors.

#### f) Liquidity risk

The sub-fund's assets comprise mainly of readily realisable securities which can be sold promptly to meet liquidity requirements. The main source of this risk comes from the obligation to shareholders to meet any cancellation of shares. Assets from the sub-fund may need to be sold to meet any redemption proceeds. As part of its operating duties the ACD regularly monitors the liquidity levels held on the sub-fund (cash and underlying securities) to ensure any redemption can be readily met. Some investments may be less liquid than other securities and can be more sensitive to economic factors. The rules of the Regulations mitigate the risk of excessive exposure to assets which are not readily realisable.

## Notes to the financial statements (continued)

for the year from 1 August 2017 to 31 July 2018

### 12 Derivatives and other financial instruments (continued)

#### g) Market risk

Market risk arises from uncertainty about future prices of financial instruments held. The main source of risk to the sub-fund is the potential movement in the value of financial instruments held as a result of price fluctuations. Stock market prices can move erratically and be unpredictably affected by diverse factors including political and economic events but also rumours and sentiment. The ACD adheres to the investment guidelines and borrowing powers set out within the Prospectus and the COLL Sourcebook. In this way the ACD monitors and controls the exposure to risk from any type of security, sector or issuer. The sub-fund may also use derivative instruments to mitigate risk and reduce cost.

##### Market price risk sensitivity

A 5% market movement in the price of investments held by the sub-fund, with all other variables remaining constant, would result in an increase or decrease on net asset value of the sub-fund by approximately £5,257,988 or 5.00% (31 July 2017: £8,206,177 or 4.94%).

#### h) Fair value of financial assets and liabilities

There is no material difference between the carrying value of the financial assets and liabilities, as shown in the Balance sheet, and their fair value.

Basis of valuation	31.07.18		31.07.17	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1: Quoted prices	105,160	-	164,124	-
Level 2: Observable market data	-	-	-	-
Level 3: Unobservable data	-	-	-	-
<b>Total</b>	<b>105,160</b>	<b>-</b>	<b>164,124</b>	<b>-</b>

#### i) Global exposure

The Investment Adviser assesses the market risk of the Old Mutual UK Equity Income Fund, including any derivative exposures, using a commitment approach. All exposure arising through the investment in financial derivative instruments will be covered by the underlying assets of the sub-fund. The sub-fund will use the commitment approach methodology to measure, monitor and manage the "leverage" effect produced by the use of financial derivative instruments and for the calculation of global exposure. As the sub-fund uses the commitment approach it must ensure that its global exposure does not exceed its total net asset value and the sub-fund may not therefore be leveraged in excess of 100% of its net asset value. In using the commitment approach for the calculation of global exposure, the sub-fund will convert each derivative position into the market value of an equivalent position in the underlying asset of that derivative. Using the commitment approach the global exposure is 0.00%.

### 13 Contingent liabilities

The sub-fund had no contingent liabilities at the Balance sheet date (31 July 2017: ENil).

## Notes to the financial statements (continued)

for the year from 1 August 2017 to 31 July 2018

### 14 Portfolio transaction costs

#### Analysis of total purchase costs

31.07.18

Equities

Corporate actions

**Total**

Total purchases including transaction costs

Value £'000	Commissions £'000	%	Other costs £'000	%
54,840	36	0.06%	230	0.42%
449	-	-	-	-
<b>55,289</b>	<b>36</b>		<b>230</b>	
<b>55,555</b>				

31.07.17

Equities

Corporate actions

**Total**

Total purchases including transaction costs

Value £'000	Commissions £'000	%	Other costs £'000	%
112,112	117	0.10%	496	0.44%
897	-	-	-	-
<b>113,009</b>	<b>117</b>		<b>496</b>	
<b>113,622</b>				

#### Analysis of total sale costs

31.07.18

Equities

In specie transactions

Corporate actions

**Total**

Total sales including transaction costs

Value £'000	Commissions £'000	%	Other costs £'000	%
36,320	28	0.08%	-	-
84,167	-	-	-	-
215	-	-	-	-
<b>120,702</b>	<b>28</b>		<b>-</b>	
<b>120,674</b>				

31.07.17

Equities

Corporate actions

**Total**

Total sales including transaction costs

Value £'000	Commissions £'000	%	Other costs £'000	%
165,271	172	0.10%	-	-
112	-	-	-	-
<b>165,383</b>	<b>172</b>		<b>-</b>	
<b>165,211</b>				

#### Transaction costs as a percentage of average Net Assets

Commissions:

Other costs:

31.07.18	31.07.17
0.03%	0.14%
0.11%	0.25%

In the case of shares, transaction costs are paid by the sub-fund on each transaction. Commissions relate to those paid to agents, advisers, brokers and dealers in the buying and selling of securities. Other costs include any additional fees that may be paid to agents, advisers, brokers and dealers as well as levies by regulatory agencies and security exchanges and any transfer taxes or duties. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments have no separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads may vary considerably depending on the transaction value and market sentiment. At the balance sheet date the dealing spread was 0.53% (31 July 2017: 0.07%).

## Notes to the financial statements (continued)

for the year from 1 August 2017 to 31 July 2018

### 15 Shareholders' funds

The sub-fund currently has ten share classes: Accumulation 'A', Income 'A', Accumulation 'P', Income 'P', Accumulation 'R', Income 'R', Accumulation 'U1', Income 'U1', Accumulation 'U2', and Income 'U2'. The net asset value of each share class, net asset value per share and the number of shares in issue are given in the information pages for each sub-fund.

The share classes currently in issue and the Fixed Ongoing Charge of each share class are shown below. The comparative figure at the 31 July 2017, was the Authorised Corporate Directors fee, which is now included within the Fixed Ongoing Charge.

	31.07.18	31.07.17
- Accumulation 'A'	1.65%	1.50%
- Income 'A'	1.65%	1.50%
- Accumulation 'P'	1.15%	1.00%
- Income 'P'	1.15%	1.00%
- Accumulation 'R'	0.90%	0.75%
- Income 'R'	0.90%	0.75%
- Accumulation 'U1'	0.825%	0.675%
- Income 'U1'	0.825%	0.675%
- Accumulation 'U2'	0.75%	0.60%
- Income 'U2'	0.75%	0.60%
- Accumulation 'W'†	0.75%	-

#### Share class movement reconciliation

	Opening	Issued	Redeemed	Converted	Closing
- Accumulation 'A'	279,256	5,435	(25,889)	(44,111)	214,691
- Income 'A'	4,046,711	35,100	(1,080,422)	93,461	3,094,850
- Accumulation 'P'	769,745	6,197	(250,495)	(294,747)	230,700
- Income 'P'	59,908	66,849	(452,800)	435,078	109,035
- Accumulation 'R'	9,400,977	336,673	(1,221,952)	(287,499)	8,228,199
- Income 'R'	16,749,665	1,183,330	(3,531,624)	709,525	15,110,896
- Accumulation 'U1'	9,421,222	284,518	(1,477,716)	(1,880,369)	6,347,655
- Income 'U1'	5,350,180	702,915	(4,141,597)	2,229,836	4,141,334
- Accumulation 'U2'	37,940,687	5,392,208	(465,540)	(42,853,681)	13,674
- Income 'U2'	18,350,061	26,502,544	(2,235,843)	(22,628,717)	19,988,045
- Accumulation 'W'†	-	2,728,975	(79,457,727)	76,728,752	-

† From 10 April 2018 to 31 May 2018.

### 16 Post balance sheet date events

On 28 September 2018, Old Mutual UK Equity Income Fund changed its name to Merian UK Equity Income Fund.

## Distribution table

### Final distribution

Group 1: Shares purchased prior to 1 May 2018  
 Group 2: Shares purchased from 1 May 2018 to 31 July 2018

	Revenue pence per share	Equalisation pence per share*	Distribution paid 30.09.18 pence per share	Distribution paid 30.09.17 pence per share
<b>Accumulation 'A' Shares</b>				
Group 1	31.7636	-	31.7636	31.3543
Group 2	8.0467	23.7169	31.7636	31.3543
<b>Income 'A' Shares</b>				
Group 1	8.4164	-	8.4164	8.6612
Group 2	1.0152	7.4012	8.4164	8.6612
<b>Accumulation 'P' Shares</b>				
Group 1	1.8467	-	1.8467	1.8181
Group 2	0.8113	1.0354	1.8467	1.8181
<b>Income 'P' Shares</b>				
Group 1	1.2201	-	1.2201	1.2493
Group 2	0.3126	0.9075	1.2201	1.2493
<b>Accumulation 'R' Shares</b>				
Group 1	1.6648	-	1.6648	1.6313
Group 2	0.4405	1.2243	1.6648	1.6313
<b>Income 'R' Shares</b>				
Group 1	1.3476	-	1.3476	1.3758
Group 2	0.5684	0.7792	1.3476	1.3758
<b>Accumulation 'U1' Shares</b>				
Group 1	1.2495	-	1.2495	1.2234
Group 2	0.4347	0.8148	1.2495	1.2234
<b>Income 'U1' Shares</b>				
Group 1	1.0669	-	1.0669	1.0886
Group 2	0.4119	0.6550	1.0669	1.0886
<b>Accumulation 'U2' Shares</b>				
Group 1	1.2648	-	1.2648	1.2265
Group 2	0.3082	0.9566	1.2648	1.2265
<b>Income 'U2' Shares</b>				
Group 1	1.0514	-	1.0514	1.0721
Group 2	0.7815	0.2699	1.0514	1.0721

## Distribution table (continued)

## Third Interim distribution

Group 1: Shares purchased prior to 1 February 2018  
 Group 2: Shares purchased from 1 February 2018 to 30 April 2018

	Revenue pence per share	Equalisation pence per share*	Distribution paid 30.06.18 pence per share	Distribution paid 30.06.17 pence per share
<b>Accumulation 'A' Shares</b>				
Group 1	50.6129	-	50.6129	43.9270
Group 2	20.5152	30.0977	50.6129	43.9270
<b>Income 'A' Shares</b>				
Group 1	13.6223	-	13.6223	12.3127
Group 2	5.3341	8.2882	13.6223	12.3127
<b>Accumulation 'P' Shares</b>				
Group 1	2.9456	-	2.9456	2.5442
Group 2	1.1226	1.8230	2.9456	2.5442
<b>Income 'P' Shares</b>				
Group 1	1.9727	-	1.9727	1.7736
Group 2	0.0297	1.9430	1.9727	1.7736
<b>Accumulation 'R' Shares</b>				
Group 1	2.6487	-	2.6487	2.2810
Group 2	1.3489	1.2998	2.6487	2.2810
<b>Income 'R' Shares</b>				
Group 1	2.1772	-	2.1772	1.9524
Group 2	1.0046	1.1726	2.1772	1.9524
<b>Accumulation 'U1' Shares</b>				
Group 1	1.9878	-	1.9878	1.7106
Group 2	1.1641	0.8237	1.9878	1.7106
<b>Income 'U1' Shares</b>				
Group 1	1.7233	-	1.7233	1.5444
Group 2	0.5269	1.1964	1.7233	1.5444
<b>Accumulation 'U2' Shares</b>				
Group 1	1.9961	-	1.9961	1.7148
Group 2	1.1187	0.8774	1.9961	1.7148
<b>Income 'U2' Shares</b>				
Group 1	1.6987	-	1.6987	1.5212
Group 2	0.2633	1.4354	1.6987	1.5212
<b>Accumulation 'W' Shares†</b>				
Group 1	0.2520	-	0.2520	-
Group 2	0.0080	0.2440	0.2520	-

## Distribution table (continued)

## Second Interim distribution

Group 1: Shares purchased prior to 1 November 2017  
 Group 2: Shares purchased from 1 November 2017 to 31 January 2018

	Revenue pence per share	Equalisation pence per share*	Distribution paid 31.03.18 pence per share	Distribution paid 31.03.17 pence per share
<b>Accumulation 'A' Shares</b>				
Group 1	17.7373	-	17.7373	17.4462
Group 2	3.6344	14.1029	17.7373	17.4462
<b>Income 'A' Shares</b>				
Group 1	4.7997	-	4.7997	4.9192
Group 2	0.6026	4.1971	4.7997	4.9192
<b>Accumulation 'P' Shares</b>				
Group 1	1.0308	-	1.0308	1.0090
Group 2	0.6337	0.3971	1.0308	1.0090
<b>Income 'P' Shares</b>				
Group 1	0.6938	-	0.6938	0.7075
Group 2	0.1947	0.4991	0.6938	0.7075
<b>Accumulation 'R' Shares</b>				
Group 1	0.9262	-	0.9262	0.9044
Group 2	0.2069	0.7193	0.9262	0.9044
<b>Income 'R' Shares</b>				
Group 1	0.7654	-	0.7654	0.7783
Group 2	0.3072	0.4582	0.7654	0.7783
<b>Accumulation 'U1' Shares</b>				
Group 1	0.6948	-	0.6948	0.6778
Group 2	0.2982	0.3966	0.6948	0.6778
<b>Income 'U1' Shares</b>				
Group 1	0.6056	-	0.6056	0.6155
Group 2	0.1215	0.4841	0.6056	0.6155
<b>Accumulation 'U2' Shares</b>				
Group 1	0.6969	-	0.6969	0.6790
Group 2	0.1307	0.5662	0.6969	0.6790
<b>Income 'U2' Shares</b>				
Group 1	0.5970	-	0.5970	0.6063
Group 2	0.0984	0.4986	0.5970	0.6063



## Distribution table (continued)

## First Interim distribution

Group 1: Shares purchased prior to 1 August 2017  
 Group 2: Shares purchased from 1 August 2017 to 31 October 2017

	Revenue pence per share	Equalisation pence per share*	Distribution paid 31.12.17 pence per share	Distribution paid 31.12.16 pence per share
<b>Accumulation 'A' Shares</b>				
Group 1	34.1986	-	34.1986	32.9975
Group 2	9.3410	24.8576	34.1986	32.9975
<b>Income 'A' Shares</b>				
Group 1	9.3530	-	9.3530	9.4054
Group 2	2.7448	6.6082	9.3530	9.4054
<b>Accumulation 'P' Shares</b>				
Group 1	1.9851	-	1.9851	1.9059
Group 2	0.1416	1.8435	1.9851	1.9059
<b>Income 'P' Shares</b>				
Group 1	1.3505	-	1.3505	1.3507
Group 2	0.5104	0.8401	1.3505	1.3507
<b>Accumulation 'R' Shares</b>				
Group 1	1.7822	-	1.7822	1.7071
Group 2	0.4822	1.3000	1.7822	1.7071
<b>Income 'R' Shares</b>				
Group 1	1.4885	-	1.4885	1.4851
Group 2	0.1847	1.3038	1.4885	1.4851
<b>Accumulation 'U1' Shares</b>				
Group 1	1.3369	-	1.3369	1.2793
Group 2	0.4131	0.9238	1.3369	1.2793
<b>Income 'U1' Shares</b>				
Group 1	1.1777	-	1.1777	1.1742
Group 2	0.3128	0.8649	1.1777	1.1742
<b>Accumulation 'U2' Shares</b>				
Group 1	1.3406	-	1.3406	1.2819
Group 2	0.4270	0.9136	1.3406	1.2819
<b>Income 'U2' Shares</b>				
Group 1	1.1604	-	1.1604	1.1567
Group 2	0.0795	1.0809	1.1604	1.1567

† From 10 April 2018 to 31 May 2018.

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

## Old Mutual UK Mid Cap Fund

Launch date	22 February 2002
IA Sector	UK All Companies
Investment adviser	Old Mutual Global Investors (UK) Limited
Net asset value	£3,688,482,919

### Objective

This sub-fund aims to provide capital growth from investing primarily in a portfolio of medium sized UK companies.

Medium sized companies are defined for this purpose as those companies that are members of the FTSE 250 Index and those UK listed companies that have a market capitalisation consistent with inclusion in the FTSE 250 Index but are not included in this reference benchmark. Typically at least 75% of the invested assets will be held in companies meeting this definition. Liquidity will under normal circumstances not exceed 10% of the value of the holding of the sub-fund.

### Policy

Subject to the regulations, the property of the sub-fund may include transferable securities; units in collective investment schemes (including those managed or operated by the ACD or an associate of the ACD), warrants, money market instruments, deposits and derivatives.

The sub-fund will initially only use derivatives for EPM purposes. The ACD considers that the use of derivatives for this purpose is not likely to affect the volatility or risk profile of the sub-fund. The sub-fund may use derivatives for purposes other than EPM, provided it has given shareholders 60 days' notice of such change. If the sub-fund did use derivatives for investment purposes this might, at times, increase the volatility of the sub-fund's NAV and change the risk profile of the sub-fund.

### Investment Manager's review

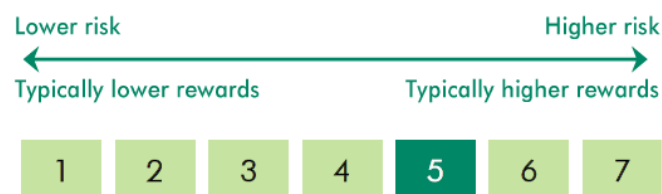
UK stock markets made positive, if somewhat volatile, progress over the year. Continuing good levels of global growth, seemingly contained inflationary forces (outside of the US at least) and good corporate newsflow served as favourable elements. Meanwhile, the prospect of growing inflationary pressures within the US economy, and policymakers raising US interest rates more rapidly than had previously been anticipated, gave rise to episodes of investor caution. Increasing trade tensions between the US and China, as well as a lack of clarity around the likely denouement of the Brexit negotiations also added to the uncertainty.

Against this backdrop, the sub-fund delivered a steady performance. Overall, stock selection was beneficial to relative performance, while sector allocation detracted value. Positions in Fevertree, Burford, Ashtead, Blue Prism and SSP performed well, while boohoo.com, Purplebricks and Microfocus underperformed the benchmark index. Much of the negative sector allocation arose through not owning Ocado, which more than doubled, within the food producers sector.

The sub-fund has remained relatively balanced in terms of sectoral positioning, with activity during the period being stock led. New positions were opened in software business, Blue Prism, online gaming business, GVC, specialist lender, Charter Court Financial Services and recruitment companies Page and Hays. Positions in plastics packaging business RPC, retailer Card Factory and financials Jupiter and TP ICAP were sold, while holdings in Paysafe and Shawbrook were both the subject of successful bids.

Stock markets experienced some share price fluctuations in the early part of 2018 in response to signs of increased US wage inflation and fears that central bankers may have to raise interest rates more quickly than might have previously been anticipated. Leading indicators, meanwhile, are supportive of continued synchronised global growth. We believe UK shares do not look richly valued relative to history. While we may see further share price fluctuations, our central case would be that these are not the conditions that are likely to give rise to a sustained bear market. In a world of rising rates and more plentiful global growth, we expect to find further selective opportunities among the more economically sensitive, cheaper stocks, to complement some of our more highly valued, growth positions.

### Risk and Reward Profile



The calculated risk and reward category, as shown above, uses a method of calculation derived from EU rules. It is based on the rate at which the returns of the sub-fund have moved up and down in the past (i.e. volatility) and is not a guide to the future risk and reward category of the sub-fund. The category shown is not a target or guarantee and may shift over time. Even the lowest category 1 does not mean a risk-free investment. The seven-category scale is nonlinear, for example, 2 is not twice as risky as 1.

Sub-funds in category 5 have in the past shown moderately high volatility. With a sub-fund of category 5, you have a moderately high risk of losing money but your chance for gains is also moderately high.

**Investment risk** - there is no guarantee that the sub-fund will achieve its objective. A capital loss of some or all of the amount invested may occur.

**Geographic concentration risk** - a fall in the UK market may have a significant impact on the value of the sub-fund because it primarily invests in this market.

**Concentration risk (number of investments)** - the sub-fund may at times hold a smaller number of investments, and therefore a fall in the value of a single investment may have a greater impact on the sub-fund's value than if it held a larger number of investments.

**Currency risk** - the sub-fund is denominated in British Pounds but may hold assets denominated in, or with exposure to, other currencies. The value of your shares may rise and fall as a result of exchange rate movements between these currencies.

**Derivative risk** - the sub-fund may use derivatives to reduce costs and/or the overall risk of the sub-fund (i.e. Efficient Portfolio Management (EPM)). Derivatives involve a level of risk, however, for EPM they should not increase the overall riskiness of the sub-fund. Derivatives also involve counterparty risk where the institutions acting as counterparty to derivatives may not meet their contractual obligations.

**Capital erosion risk** - the sub-fund takes its charges from the income of the sub-fund in the first instance. The impact of sub-fund charges may be material on the value of any income you receive from your investment. There is potential for capital erosion if insufficient income is generated by the sub-fund to cover these charges. Capital erosion may have the effect of reducing the level of income generated.

For a more detailed explanation of risks, please refer to the "Risks" section of the prospectus.

## Performance Records

## Comparative Tables

Accumulation 'A'	1 August 2017 to 31 July 2018 p/share	1 August 2016 to 31 July 2017 p/share	1 August 2015 to 31 July 2016 p/share
<b>Change in net assets per share</b>			
Opening net asset value per share	463.73	336.62	330.50
Return before operating charges*	41.65	133.45	11.37
Operating charges**	(7.60)	(6.34)	(5.25)
Return after operating charges*	34.05	127.11	6.12
Distributions	(2.98)	(1.74)	(1.26)
Retained distributions	2.98	1.74	1.26
Closing net asset value per share	497.78	463.73	336.62
* after direct transaction costs of***	0.57	0.88	0.60
<b>Performance</b>			
Return after charges	7.34%	37.76%	1.85%
<b>Other information</b>			
Closing net asset value (£)	578,764,585	573,206,283	445,174,179
Closing number of shares	116,270,135	123,608,212	132,248,728
Operating charges****	1.60%	1.60%	1.60%
Direct transaction costs***	0.12%	0.22%	0.18%
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	510.10	486.32	367.65
Lowest share price	445.20	331.93	292.61
<b>Income 'A'</b>	<b>1 August 2017 to 31 July 2018 p/share</b>	<b>1 August 2016 to 31 July 2017 p/share</b>	<b>1 August 2015 to 31 July 2016 p/share</b>
<b>Change in net assets per share</b>			
Opening net asset value per share	411.87	300.11	295.76
Return before operating charges*	36.99	118.96	10.18
Operating charges**	(6.75)	(5.65)	(4.70)
Return after operating charges*	30.24	113.31	5.48
Distributions	(2.65)	(1.55)	(1.13)
Retained distributions	-	-	-
Closing net asset value per share	439.46	411.87	300.11
* after direct transaction costs of***	0.50	0.78	0.53
<b>Performance</b>			
Return after charges	7.34%	37.76%	1.85%
<b>Other information</b>			
Closing net asset value (£)	190,480,191	181,846,481	146,302,305
Closing number of shares	43,343,858	44,151,241	48,750,127
Operating charges****	1.60%	1.60%	1.60%
Direct transaction costs***	0.12%	0.22%	0.18%
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	453.10	433.56	329.01
Lowest share price	395.40	295.89	261.85

## Comparative Tables (continued)

Accumulation 'P'	1 August 2017 to 31 July 2018 p/share	1 August 2016 to 31 July 2017 p/share	1 August 2015 to 31 July 2016 p/share
<b>Change in net assets per share</b>			
Opening net asset value per share	395.35	285.55	278.95
Return before operating charges*	35.63	113.52	9.65
Operating charges**	(4.47)	(3.72)	(3.05)
Return after operating charges*	31.16	109.80	6.60
Distributions	(4.59)	(3.17)	(2.47)
Retained distributions	4.59	3.17	2.47
Closing net asset value per share	426.51	395.35	285.55
* after direct transaction costs of***	0.48	0.75	0.50
<b>Performance</b>			
Return after charges	7.88%	38.45%	2.37%
<b>Other information</b>			
Closing net asset value (£)	18,533,146	14,734,806	10,025,074
Closing number of shares	4,345,326	3,727,017	3,510,782
Operating charges****	1.10%	1.10%	1.10%
Direct transaction costs***	0.12%	0.22%	0.18%
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	436.80	414.59	310.97
Lowest share price	380.90	281.58	248.10
<b>Income 'P'</b>	<b>1 August 2017 to 31 July 2018 p/share</b>	<b>1 August 2016 to 31 July 2017 p/share</b>	<b>1 August 2015 to 31 July 2016 p/share</b>
<b>Change in net assets per share</b>			
Opening net asset value per share	244.58	178.08	175.48
Return before operating charges*	22.04	70.81	6.07
Operating charges**	(2.77)	(2.33)	(1.92)
Return after operating charges*	19.27	68.48	4.15
Distributions	(2.84)	(1.98)	(1.55)
Retained distributions	-	-	-
Closing net asset value per share	261.01	244.58	178.08
* after direct transaction costs of***	0.30	0.47	0.32
<b>Performance</b>			
Return after charges	7.88%	38.45%	2.36%
<b>Other information</b>			
Closing net asset value (£)	5,249,603	4,057,849	2,130,359
Closing number of shares	2,011,227	1,659,134	1,196,273
Operating charges****	1.10%	1.10%	1.10%
Direct transaction costs***	0.12%	0.22%	0.18%
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	270.20	258.54	195.62
Lowest share price	235.60	175.59	156.07

## Comparative Tables (continued)

Accumulation 'R'	1 August 2017 to 31 July 2018 p/share	1 August 2016 to 31 July 2017 p/share	1 August 2015 to 31 July 2016 p/share
<b>Change in net assets per share</b>			
Opening net asset value per share	307.28	221.39	215.73
Return before operating charges*	27.73	88.12	7.49
Operating charges**	(2.69)	(2.23)	(1.83)
Return after operating charges*	25.04	85.89	5.66
Distributions	(4.36)	(3.12)	(2.45)
Retained distributions	4.36	3.12	2.45
Closing net asset value per share	332.32	307.28	221.39
* after direct transaction costs of***	0.38	0.58	0.39
<b>Performance</b>			
Return after charges	8.15%	38.80%	2.62%
<b>Other information</b>			
Closing net asset value (£)	1,090,037,406	846,768,761	626,753,233
Closing number of shares	328,005,588	275,571,636	283,101,795
Operating charges****	0.85%	0.85%	0.85%
Direct transaction costs***	0.12%	0.22%	0.18%
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	340.20	309.82	231.47
Lowest share price	296.50	218.31	192.30
<b>Income 'R'</b>	<b>1 August 2017 to 31 July 2018 p/share</b>	<b>1 August 2016 to 31 July 2017 p/share</b>	<b>1 August 2015 to 31 July 2016 p/share</b>
<b>Change in net assets per share</b>			
Opening net asset value per share	246.63	179.51	176.88
Return before operating charges*	22.26	71.42	6.14
Operating charges**	(2.16)	(1.78)	(1.50)
Return after operating charges*	20.10	69.64	4.64
Distributions	(3.50)	(2.52)	(2.01)
Retained distributions	-	-	-
Closing net asset value per share	263.23	246.63	179.51
* after direct transaction costs of***	0.30	0.47	0.32
<b>Performance</b>			
Return after charges	8.15%	38.79%	2.62%
<b>Other information</b>			
Closing net asset value (£)	317,394,438	238,317,418	350,927,209
Closing number of shares	120,576,780	96,630,728	195,492,513
Operating charges****	0.85%	0.85%	0.85%
Direct transaction costs***	0.12%	0.22%	0.18%
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	273.10	251.21	189.79
Lowest share price	238.00	177.00	157.67

## Comparative Tables (continued)

Accumulation 'U1'	1 August 2017 to 31 July 2018 p/share	1 August 2016 to 31 July 2017 p/share	1 August 2015 to 31 July 2016 p/share
<b>Change in net assets per share</b>			
Opening net asset value per share	170.04	122.42	119.20
Return before operating charges*	15.36	48.76	4.15
Operating charges**	(1.36)	(1.14)	(0.93)
Return after operating charges*	14.00	47.62	3.22
Distributions	(2.54)	(1.83)	(1.44)
Retained distributions	2.54	1.83	1.44
Closing net asset value per share	184.04	170.04	122.42
* after direct transaction costs of***	0.21	0.33	0.22
<b>Performance</b>			
Return after charges	8.23%	38.90%	2.70%
<b>Other information</b>			
Closing net asset value (£)	838,133,870	630,634,156	305,283,645
Closing number of shares	455,415,982	370,873,371	249,378,826
Operating charges****	0.78%	0.78%	0.78%
Direct transaction costs***	0.12%	0.22%	0.18%
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	188.40	171.44	127.94
Lowest share price	164.20	120.72	106.33
<b>Income 'U1'</b>	<b>1 August 2017 to 31 July 2018 p/share</b>	<b>1 August 2016 to 31 July 2017 p/share</b>	<b>1 August 2015 to 31 July 2016 p/share</b>
<b>Change in net assets per share</b>			
Opening net asset value per share	165.09	120.15	118.39
Return before operating charges*	14.91	47.89	4.11
Operating charges**	(1.32)	(1.15)	(0.92)
Return after operating charges*	13.59	46.74	3.19
Distributions	(2.47)	(1.80)	(1.43)
Retained distributions	-	-	-
Closing net asset value per share	176.21	165.09	120.15
* after direct transaction costs of***	0.20	0.33	0.21
<b>Performance</b>			
Return after charges	8.23%	38.90%	2.69%
<b>Other information</b>			
Closing net asset value (£)	545,864,739	375,154,304	67,548,742
Closing number of shares	309,775,625	227,239,255	56,220,167
Operating charges****	0.78%	0.78%	0.78%
Direct transaction costs***	0.12%	0.22%	0.18%
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	182.90	168.27	127.07
Lowest share price	159.40	118.48	105.60

## Comparative Tables (continued)

Accumulation 'U2'	1 August 2017 to 31 July 2018 p/share	1 August 2016 to 31 July 2017 p/share	1 August 2015 to 31 July 2016 p/share
<b>Change in net assets per share</b>			
Opening net asset value per share	173.45	124.79	121.42
Return before operating charges*	15.67	49.67	4.22
Operating charges**	(1.25)	(1.01)	(0.85)
Return after operating charges*	14.42	48.66	3.37
Distributions	(2.73)	(1.98)	(1.56)
Retained distributions	2.73	1.98	1.56
Closing net asset value per share	187.87	173.45	124.79
* after direct transaction costs of***	0.21	0.32	0.22
<b>Performance</b>			
Return after charges	8.31%	38.99%	2.78%
<b>Other information</b>			
Closing net asset value (£)	16,950,540	15,629,841	22,015,725
Closing number of shares	9,022,299	9,010,941	17,642,746
Operating charges****	0.70%	0.70%	0.70%
Direct transaction costs***	0.12%	0.22%	0.18%
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	192.30	174.89	130.36
Lowest share price	167.50	123.05	108.38
<b>Income 'U2'</b>	<b>1 August 2017 to 31 July 2018 p/share</b>	<b>1 August 2016 to 31 July 2017 p/share</b>	<b>1 August 2015 to 31 July 2016 p/share</b>
<b>Change in net assets per share</b>			
Opening net asset value per share	153.07	111.39	109.86
Return before operating charges*	13.82	44.38	3.71
Operating charges**	(1.10)	(0.93)	(0.77)
Return after operating charges*	12.72	43.45	2.94
Distributions	(2.41)	(1.77)	(1.41)
Retained distributions	-	-	-
Closing net asset value per share	163.38	153.07	111.39
* after direct transaction costs of***	0.19	0.29	0.20
<b>Performance</b>			
Return after charges	8.31%	39.01%	2.68%
<b>Other information</b>			
Closing net asset value (£)	87,074,401	79,571,318	39,153,658
Closing number of shares	53,294,284	51,984,597	35,150,359
Operating charges****	0.70%	0.70%	0.70%
Direct transaction costs***	0.12%	0.22%	0.18%
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	169.70	156.11	117.84
Lowest share price	147.90	109.84	97.97

\*\* The operating charges include all costs borne by the sub-fund, except for direct transaction costs.

\*\*\* The direct transaction costs are made up of fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges as well as transfer taxes and duties. They do not include any difference between the quoted bid and offer prices or internal administrative or holding costs. These costs arise as a result of transactions undertaken both for efficient portfolio management and the meeting of the sub-fund's objectives. These costs exclude any effect of dilution adjustments used to offset the costs.

\*\*\*\* The operating charges percentage is the sub-fund's ongoing charges (excluding interest on borrowings) to the average net assets of the sub-fund.

## Performance

	6 months to 31 July 2018	1 year to 31 July 2018	3 years to 31 July 2018	5 years to 31 July 2018
Old Mutual UK Mid Cap Fund*	3.50%	7.96%	53.87%	107.64%
FTSE 250 ex-IT (benchmark)	4.59%	8.39%	26.00%	59.13%
IA UK All Companies (sector average)	4.29%	8.62%	28.11%	48.83%
Quartile ranking	3	3	1	1

\* Accumulation 'R' shares

\*\* Performance is based on the quoted NAV as at 31 July 2018, and hence differs from the comparative tables which have been adjusted as a result of post balance sheet events.

Data Source – Factset. Figures are calculated on a total return and single price basis, with net income reinvested into the sub-fund.

Portfolio allocation		Major holdings	Percentage of portfolio
Support Services	15.74%	boohoo.com	6.87%
Financial Services	11.98%	Ascential	5.31%
General Retailers	9.25%	Fevertree Drinks	4.74%
Travel & Leisure	9.08%	SSP	4.30%
Media	6.72%	Ashtead	4.01%
Real Estate Investment Trusts	6.11%	GVC Holdings	3.93%
Industrial Engineering	5.36%	HomeServe	3.58%
Household Goods & Home Construction	5.18%	Workspace	3.34%
Beverages	4.74%	3i	3.33%
Real Estate Investment & Services	3.53%	Burford Capital	3.19%
Construction & Materials	3.40%		
Pharmaceuticals & Biotechnology	3.14%	Number of holdings	43
Retail	2.96%		
Software & Computer Services	2.75%		
Chemicals	1.96%		
Life Insurance	1.94%		
Personal Goods	1.54%		
Food & Drug Retailers	1.19%		
General Industrials	1.15%		
Mobile Telecommunications	0.76%		
Net other assets	1.52%		
<b>Total</b>	<b>100.00%</b>		
<b>Asset allocation</b>			
Equities	98.48%		
Net other assets	1.52%		
<b>Total</b>	<b>100.00%</b>		



## Portfolio statement

as at 31 July 2018

Holding	Investment	Market Value £'000	Percentage of total net assets %
	<b>United Kingdom 98.48% (31 July 2017 90.72%)</b>		
	<b>United Kingdom Equities 98.48% (31 July 2017 90.72%)</b>		
	<b>Beverages 4.74% (31 July 2017 3.22%)</b>		
5,026,308	Fevertree Drinks	174,966	4.74
		174,966	4.74
	<b>Chemicals 1.96% (31 July 2017 1.77%)</b>		
13,697,665	Synthomer	72,461	1.96
		72,461	1.96
	<b>Construction &amp; Materials 3.40% (31 July 2017 3.98%)</b>		
36,128,358	Breedon	29,408	0.80
44,909,036	Melrose Industries	96,105	2.60
		125,513	3.40
	<b>Financial Services 11.98% (31 July 2017 10.77%)</b>		
12,889,000	3i	122,729	3.33
6,361,413	Burford Capital	117,686	3.19
20,420,000	Charter Court Financial Services	68,815	1.87
18,884,575	OneSavings Bank	82,375	2.23
1,218,140	Transferwise†	50,306	1.36
		441,911	11.98
	<b>Food &amp; Drug Retailers 1.19% (31 July 2017 0.00%)</b>		
3,895,000	Ocado	43,760	1.19
		43,760	1.19
	<b>General Industrials 1.15% (31 July 2017 1.13%)</b>		
6,634,000	Vesuvius	42,292	1.15
		42,292	1.15
	<b>General Retailers 9.25% (31 July 2017 12.43%)</b>		
124,859,956	boohoo.com	253,341	6.87
13,381,686	JD Sports Fashion	62,787	1.70
21,239,022	Pets at Home	25,020	0.68
		341,148	9.25
	<b>Household Goods &amp; Home Construction 5.18% (31 July 2017 5.05%)</b>		
13,116,410	Barratt Developments	70,461	1.91
42,099,158	Taylor Wimpey	73,568	1.99
5,694,278	Victoria	47,035	1.28
		191,064	5.18
	<b>Industrial Engineering 5.36% (31 July 2017 3.21%)</b>		
10,342,000	Bodycote	103,006	2.79
4,915,989	Weir	94,829	2.57
		197,835	5.36
	<b>Life Insurance 1.94% (31 July 2017 2.27%)</b>		
5,914,064	St James's Place	71,590	1.94
		71,590	1.94

## Portfolio statement (continued)

as at 31 July 2018

Holding	Investment	Market Value £'000	Percentage of total net assets %
	<b>Media 6.72% (31 July 2017 6.58%)</b>		
47,026,442	Ascential	195,724	5.31
12,138,214	Auto Trader	51,867	1.41
		<u>247,591</u>	<u>6.72</u>
	<b>Mobile Telecommunications 0.76% (31 July 2017 0.00%)</b>		
4,857,964	Inmarsat	28,137	0.76
		<u>28,137</u>	<u>0.76</u>
	<b>Personal Goods 1.54% (31 July 2017 1.88%)</b>		
4,572,610	Superdry	56,655	1.54
		<u>56,655</u>	<u>1.54</u>
	<b>Pharmaceuticals &amp; Biotechnology 3.14% (31 July 2017 1.92%)</b>		
36,961,224	Indivior	115,836	3.14
		<u>115,836</u>	<u>3.14</u>
	<b>Real Estate Investment &amp; Services 3.53% (31 July 2017 5.10%)</b>		
15,366,990	Capital & Counties Properties	42,705	1.16
18,111,398	Purplebricks	50,169	1.36
4,177,632	Savills	37,118	1.01
		<u>129,992</u>	<u>3.53</u>
	<b>Real Estate Investment Trusts 6.11% (31 July 2017 5.25%)</b>		
6,092,000	Big Yellow	57,752	1.57
5,064,000	Unite	44,437	1.20
11,338,363	Workspace	123,361	3.34
		<u>225,550</u>	<u>6.11</u>
	<b>Retail 2.96% (31 July 2017 0.00%)</b>		
199,833	The Hut Group*	109,007	2.96
		<u>109,007</u>	<u>2.96</u>
	<b>Software &amp; Computer Services 2.75% (31 July 2017 4.37%)</b>		
5,635,585	Blue Prism	101,553	2.75
		<u>101,553</u>	<u>2.75</u>
	<b>Support Services 15.74% (31 July 2017 17.95%)</b>		
6,302,351	Ashtead	147,979	4.01
10,860,066	Electrocomponents	77,150	2.09
24,938,787	Hays	49,578	1.34
12,894,702	HomeServe	131,913	3.58
8,727,942	Pagegroup	52,630	1.43
28,374,567	Rentokil Initial	95,282	2.58
4,146,829	Smart Metering Systems	26,084	0.71
		<u>580,616</u>	<u>15.74</u>
	<b>Travel &amp; Leisure 9.08% (31 July 2017 3.84%)</b>		
12,405,978	GVC Holdings	145,150	3.93
180,994	Secret Escapes*	31,225	0.85
23,216,099	SSP	158,496	4.30
		<u>334,871</u>	<u>9.08</u>

## Portfolio statement (continued)

as at 31 July 2018

Holding	Investment	Market Value £'000	Percentage of total net assets %
	Overseas 0.00% (31 July 2017 1.68%)		
	Europe 0.00% (31 July 2017 1.68%)		
	Ireland Equities 0.00% (31 July 2017 1.68%)		
	Food Producers 0.00% (31 July 2017 1.68%)		
	Investment assets	3,632,348	98.48
	Net other assets	56,135	1.52
	Total net assets	3,688,483	100.00

\* Unlisted, suspended and delisted securities within the meaning of the COLL.

† Subsequent to the year end, the valuation of this unlisted security was revised based on a more recent review of the fair value. This change is reflected in the financial statements presented for the sub-fund however was not reflected in the NAV struck on the year end date for pricing purposes.

All investments are approved securities being either officially listed in a member state or traded on or under the rules of an eligible securities market, unless otherwise stated.

All investments are ordinary shares unless otherwise stated.

## Statement of total return

for the year from 1 August 2017 to 31 July 2018

	Note	01.08.17 to 31.07.18 £'000	01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000	01.08.16 to 31.07.17 £'000
Income					
Net capital gains	2		219,294		759,318
Revenue	3	74,905		49,238	
Expenses	4	(33,011)		(24,872)	
Interest payable and similar charges	5	(6)		(21)	
Net revenue before taxation		41,888		24,345	
Taxation	6	-		-	
Net revenue after taxation			41,888		24,345
<b>Total return before distributions</b>			<b>261,182</b>		<b>783,663</b>
Distributions	7		(41,960)		(24,552)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>219,222</b>		<b>759,111</b>

## Statement of change in net assets attributable to shareholders

for the year from 1 August 2017 to 31 July 2018

	01.08.17 to 31.07.18 £'000	01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000	01.08.16 to 31.07.17 £'000
<b>Opening net assets attributable to shareholders</b>		<b>2,959,921</b>		<b>2,015,314</b>
Amounts received on issue of shares	593,557		319,419	
Amounts paid on cancellation of shares	(116,007)		(153,878)	
		477,550		165,541
Dilution adjustment		1,990		2,117
Change in net assets attributable to shareholders from investment activities		219,222		759,111
Retained distribution on accumulation shares		29,800		17,838
<b>Closing net assets attributable to shareholders</b>		<b>3,688,483</b>		<b>2,959,921</b>

The notes on pages 134 to 141 form an integral part of these financial statements.

## Balance sheet

as at 31 July 2018

	Note	31.07.18 £'000	31.07.17 £'000
<b>Assets</b>			
Fixed assets			
Investments		3,632,348	2,734,937
Current assets			
Debtors	8	23,100	11,234
Cash and bank balances	9	51,329	234,277
Total assets		3,706,777	2,980,448
<b>Liabilities</b>			
Creditors			
Distribution payable		(14,363)	(8,167)
Other creditors	10	(3,931)	(12,360)
Total liabilities		(18,294)	(20,527)
<b>Net assets attributable to shareholders</b>		<b>3,688,483</b>	<b>2,959,921</b>

The notes on pages 134 to 141 form an integral part of these financial statements.

## Notes to the financial statements

for the year from 1 August 2017 to 31 July 2018

### 1 Accounting policies

The applicable accounting policies adopted by the Old Mutual UK Mid Cap Fund are included on pages 184 to 185.

### 2 Net capital gains

The net capital gains on investments comprise:

Gains on non-derivative securities

Losses on currency contracts

Handling charges

**Net capital gains on investments**

01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000
219,545	759,328
(245)	(4)
(6)	(6)
<b>219,294</b>	<b>759,318</b>

### 3 Revenue

Bank interest

Non-taxable overseas dividends

UK dividends

UK REIT dividends

**Total revenue**

01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000
49	22
3,160	635
66,006	45,090
5,690	3,491
<b>74,905</b>	<b>49,238</b>

### 4 Expenses

Payable to the Authorised Corporate Director, associates of the Authorised Corporate Director and agents of either of them:

Fixed Ongoing Charge\*

Authorised Corporate Director's periodic charge\*\*

Fixed expenses\*\*

**Total expenses**

01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000
14,443	-
16,712	22,472
1,856	2,400
<b>33,011</b>	<b>24,872</b>

\* This figure represents the Fixed Ongoing Charge that was introduced from 1 March 2018, which covers all fees payable by the sub-fund to the Authorised Corporate Director, Investment adviser, Depositary (including associates etc.) and other expenses.

\*\* These figures represent the charges to 28 February 2018, which have now been replaced by the Fixed Ongoing Charge. The Audit fee for the year, excluding VAT, was £9,300 (31 July 2017: £9,100). As a result of the change to a Fixed Ongoing Charge basis, this expense is split between other expenses and Fixed Ongoing Charge.

### 5 Interest payable and similar charges

Bank overdraft interest

**Total interest payable and similar charges**

01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000
6	21
<b>6</b>	<b>21</b>

## Notes to the financial statements (continued)

for the year from 1 August 2017 to 31 July 2018

### 6 Taxation

#### a) Analysis of tax charge in the year

	01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000
Overseas tax suffered	-	-
<b>Total current tax charge for the year</b>	<b>-</b>	<b>-</b>
Deferred tax charge for the year (see note 6(c))	-	-
<b>Total taxation for the year (see note 6(b))</b>	<b>-</b>	<b>-</b>

#### b) Factors affecting current tax charge for the year

	01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000
The taxation assessed for the year is lower than the standard rate of corporation tax in the UK for an open-ended investment company (20%). The differences are explained below:		
Net revenue before taxation	41,888	24,345
Corporation tax at 20% (31 July 2017: 20%)	8,377	4,869
Effects of:		
Excess management expenses for which no relief is taken	5,456	4,276
Revenue not subject to taxation – UK	(13,201)	(9,018)
Non-taxable overseas dividends	(632)	(127)
<b>Total tax charge for the year (see note 6(a))</b>	<b>-</b>	<b>-</b>

OEICs are exempt from tax on capital gains, therefore, any capital return is not included in the above reconciliation.

#### c) Movement in deferred tax liability

	01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000
Deferred tax liability at the start of the year	-	-
Deferred tax charge for the year (see note 6(a))	-	-
<b>Deferred tax liability at the end of the year</b>	<b>-</b>	<b>-</b>

At 31 July 2018 the sub-fund had surplus management expenses of £191,975,159 (31 July 2017: £164,696,615) which can be utilised against profits chargeable to corporation tax in future periods. It is unlikely that the sub-fund will generate sufficient taxable profits in the future to utilise these expenses and, therefore, no deferred tax asset has been recognised.

## Notes to the financial statements (continued)

for the year from 1 August 2017 to 31 July 2018

### 7 Distributions

The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000
Final – Accumulation shares (31 July)	29,800	17,838
Final – Income shares (31 July)	14,363	8,167
	<b>44,163</b>	<b>26,005</b>
Revenue deducted on cancellation of shares	561	579
Revenue received on issue of shares	(2,764)	(2,032)
<b>Distributions</b>	<b>41,960</b>	<b>24,552</b>
<b>Reconciliation of distributions:</b>		
Net revenue after taxation	41,888	24,345
Equalisation on conversion	72	207
<b>Distributions</b>	<b>41,960</b>	<b>24,552</b>

Details of the final distributions per share are set out in the table on page 142.

### 8 Debtors

	31.07.18 £'000	31.07.17 £'000
Accrued revenue	5,145	3,296
Amounts receivable for issue of shares	6,525	7,938
Sales awaiting settlement	11,430	-
<b>Total debtors</b>	<b>23,100</b>	<b>11,234</b>

### 9 Cash and bank balances

	31.07.18 £'000	31.07.17 £'000
Cash and bank balances	51,329	234,277
<b>Total cash and bank balances</b>	<b>51,329</b>	<b>234,277</b>

### 10 Other creditors

	31.07.18 £'000	31.07.17 £'000
Accrued Authorised Corporate Director's periodic charge	-	2,210
Accrued expenses	3,042	242
Amounts payable for cancellation of shares	889	738
Purchases awaiting settlement	-	9,170
<b>Total other creditors</b>	<b>3,931</b>	<b>12,360</b>



## Notes to the financial statements (continued)

for the year from 1 August 2017 to 31 July 2018

### 11 Related party transactions

Quilter Investors Limited, as ACD, is a related party, and acts as principal in respect of all transactions of shares in each sub-fund. The aggregate monies received on issue and paid on cancellation are disclosed in the Statement of change in net assets attributable to shareholders on page 132. Any amounts due to or from Quilter Investors Limited at the end of the accounting period in respect of transactions of shares in each sub-fund are disclosed in notes 8 and 10. Amounts paid to the ACD in respect of expenses are disclosed in note 4 and amounts due to it at the year end are disclosed in note 10.

### 12 Derivatives and other financial instruments

#### a) Financial instrument risk

The sub-fund, in pursuing its objective, holds a number of financial instruments, which may comprise of the following:

Equity shares and equity related shares.

The sub-fund will also hold cash and other short term debtors and creditors that arise directly from its operations.

In addition, the sub-fund may hold derivatives in the form of forward foreign exchange contracts and/or futures contracts for the purpose of efficient portfolio management in accordance with the COLL Sourcebook.

The financial instruments are held in line with the sub-fund's investment policy.

Each Investment Adviser is responsible for monitoring the portfolio of his/her sub-fund in accordance with its investment objective and seeks to ensure that individual assets also meet a risk reward profile that is acceptable. The ACD has appointed specialist managers to manage the sub-fund, and continuously monitors this appointment.

Adherence to the investment guidelines and the investment and borrowing powers as set out in the Prospectus and in the rules of the Regulations also mitigates the risk of excessive exposure to any particular type of security or issuer. Further information on the investment portfolio is set out in the Investment Manager's review and the Portfolio statement of each sub-fund.

The main risks arising from financial instruments are interest rate risk, foreign currency risk, credit risk, counterparty risk, liquidity risk and market risk which are summarised below.

#### b) Foreign currency risk

A proportion of the sub-fund's financial assets and liabilities are invested overseas. As a result, movements in exchange rates may affect the market price of investments and, due to timing differences between the transaction dates of investment sales, purchases and income, and actual cash settlement, create currency exchange gains/losses. The Investment Adviser does seek to reduce some of this risk by using forward currency contracts.

The direct foreign currency exposure of the sub-fund as at 31 July 2018 (31 July 2017) was as follows:

Currency	Net foreign currency assets			Net foreign currency assets		
	Monetary exposures*	Non-monetary exposures	Total	Monetary exposures*	Non-monetary exposures	Total
	31.07.18	31.07.18	31.07.18	31.07.17	31.07.17	31.07.17
	£'000	£'000	£'000	£'000	£'000	£'000
US Dollar	-	50,306	50,306	-	-	-
<b>Total</b>	<b>-</b>	<b>50,306</b>	<b>50,306</b>	<b>-</b>	<b>-</b>	<b>-</b>

\* For the purpose of the above disclosure, monetary is taken to include only cash or near-cash items.

#### Currency sensitivity

A 5% increase in the value of the sub-fund's foreign currency exposure would have the effect of increasing the return and net assets as at 31 July 2018 by £2,515,312 or 0.07% (31 July 2017: £Nil). A 5% decrease would have an equal and opposite effect.

## Notes to the financial statements (continued)

for the year from 1 August 2017 to 31 July 2018

### 12 Derivatives and other financial instruments (continued)

#### c) Interest rate risk

Interest rate risk is the risk of movements in the value of financial instruments as a result of fluctuations in interest rates.

The interest rate risk profile of the sub-fund's financial assets and liabilities at 31 July 2018 (31 July 2017) was as follows:

Currency	Variable rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
31.07.18				
Sterling	51,329	-	3,605,142	3,656,471
US Dollar	-	-	50,306	50,306
<b>Total</b>	<b>51,329</b>	<b>-</b>	<b>3,655,448</b>	<b>3,706,777</b>

Currency	Variable rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
31.07.17				
Sterling	234,277	-	2,746,171	2,980,448
<b>Total</b>	<b>234,277</b>	<b>-</b>	<b>2,746,171</b>	<b>2,980,448</b>

Currency	Variable rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
31.07.18			
Sterling	-	(18,294)	(18,294)
<b>Total</b>	<b>-</b>	<b>(18,294)</b>	<b>(18,294)</b>

Currency	Variable rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
31.07.17			
Sterling	-	(20,527)	(20,527)
<b>Total</b>	<b>-</b>	<b>(20,527)</b>	<b>(20,527)</b>

#### Interest rate risk sensitivity

In the event of changes in interest rates, there would be no material impact upon the assets of the sub-fund.

#### d) Credit risk

Credit risk is the risk of suffering loss due to another party not meeting its financial obligation. The risk is managed by the Investment Adviser who monitors the credit profile of financial instruments in accordance with the objective and policy of the sub-fund.

Adherence to the investment guidelines and the investment and borrowing powers as set out in the Prospectus and in the rules of the Regulations also mitigates the risk of excessive exposure to any particular type of security or issuer. Further information on the investment portfolio is set out in the Investment Manager's review and the Portfolio statement.

## Notes to the financial statements (continued)

for the year from 1 August 2017 to 31 July 2018

### 12 Derivatives and other financial instruments (continued)

#### e) Counterparty risk

Certain transactions in financial instruments that the sub-fund enters into have the risk that the counterparty will not meet its financial obligations, i.e. the investment (purchase) or cash (sale) after the sub-fund has fulfilled its responsibilities.

The sub-fund will only buy and sell investments through brokers which have been approved by the ACD and Investment Adviser as an acceptable counterparty. This is overseen by the Depositary to ensure that the exposure to any counterparty remains appropriate for investors.

#### f) Liquidity risk

The sub-fund's assets comprise mainly of readily realisable securities which can be sold promptly to meet liquidity requirements. The main source of this risk comes from the obligation to shareholders to meet any cancellation of shares. Assets from the sub-fund may need to be sold to meet any redemption proceeds. As part of its operating duties the ACD regularly monitors the liquidity levels held on the sub-fund (cash and underlying securities) to ensure any redemption can be readily met. Some investments may be less liquid than other securities and can be more sensitive to economic factors. The rules of the Regulations mitigate the risk of excessive exposure to assets which are not readily realisable.

#### g) Market risk

Market risk arises from uncertainty about future prices of financial instruments held. The main source of risk to the sub-fund is the potential movement in the value of financial instruments held as a result of price fluctuations. Stock market prices can move erratically and be unpredictably affected by diverse factors including political and economic events but also rumours and sentiment. The ACD adheres to the investment guidelines and borrowing powers set out within the Prospectus and the COLL Sourcebook. In this way the ACD monitors and controls the exposure to risk from any type of security, sector or issuer. The sub-fund may also use derivative instruments to mitigate risk and reduce cost.

##### Market price risk sensitivity

A 5% market movement in the price of investments held by the sub-fund, with all other variables remaining constant, would result in an increase or decrease on net asset value of the sub-fund by approximately £181,617,415 or 4.92% (31 July 2017: £136,746,859 or 4.62%).

#### h) Fair value of financial assets and liabilities

There is no material difference between the carrying value of the financial assets and liabilities, as shown in the Balance sheet, and their fair value.

Basis of valuation	31.07.18		31.07.17	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1: Quoted prices	3,441,810	-	2,734,937	-
Level 2: Observable market data	-	-	-	-
Level 3: Unobservable data*	190,538	-	-	-
<b>Total</b>	<b>3,632,348</b>	<b>-</b>	<b>2,734,937</b>	<b>-</b>

\* This figure is made up of 3 securities (2017: £Nil). The valuation technique applied has been reviewed by the ACD taking into account, where appropriate, latest dealing prices, broker statements, valuations from reliable sources, models using underlying investee financial performance information and other relevant factors.

#### i) Global exposure

The Investment Adviser assesses the market risk of the Old Mutual UK Mid Cap Fund, including any derivative exposures, using a commitment approach. All exposure arising through the investment in financial derivative instruments will be covered by the underlying assets of the sub-fund. The sub-fund will use the commitment approach methodology to measure, monitor and manage the "leverage" effect produced by the use of financial derivative instruments and for the calculation of global exposure. As the sub-fund uses the commitment approach it must ensure that its global exposure does not exceed its total net asset value and the sub-fund may not therefore be leveraged in excess of 100% of its net asset value. In using the commitment approach for the calculation of global exposure, the sub-fund will convert each derivative position into the market value of an equivalent position in the underlying asset of that derivative. Using the commitment approach the global exposure is 0.00%.

### 13 Contingent liabilities

The sub-fund had no contingent liabilities at the Balance sheet date (31 July 2017: £Nil).

## Notes to the financial statements (continued)

for the year from 1 August 2017 to 31 July 2018

### 14 Portfolio transaction costs

#### Analysis of total purchase costs

31.07.18

Equities

Total

Total purchases including transaction costs

Value £'000	Commissions £'000	%	Other costs £'000	%
1,216,713	541	0.04%	3,213	0.26%
1,216,713	541		3,213	
1,220,467				

31.07.17

Equities

Corporate actions

Total

Total purchases including transaction costs

Value £'000	Commissions £'000	%	Other costs £'000	%
879,081	678	0.08%	4,040	0.46%
66,852	-	-	-	-
945,933	678		4,040	
950,651				

#### Analysis of total sale costs

31.07.18

Equities

Corporate actions

Total

Total sales including transaction costs

Value £'000	Commission: £'000	%	Other costs £'000	%
534,519	307	0.06%	-	-
8,389	-	-	-	-
542,908	307		-	
542,601				

31.07.17

Equities

Corporate actions

Total

Total sales including transaction costs

Value £'000	Commissions £'000	%	Other costs £'000	%
786,345	617	0.08%	-	-
83,194	-	-	-	-
869,539	617		-	
868,922				

#### Transaction costs as a percentage of average Net Assets

Commissions:

Other costs:

31.07.18	31.07.17
0.03%	0.05%
0.10%	0.17%

In the case of shares, transaction costs are paid by the sub-fund on each transaction. Commissions relate to those paid to agents, advisers, brokers and dealers in the buying and selling of securities. Other costs include any additional fees that may be paid to agents, advisers, brokers and dealers as well as levies by regulatory agencies and security exchanges and any transfer taxes or duties. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike share, other types of investments have no separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads may vary considerably depending on the transaction value and market sentiment. At the balance sheet date the dealing spread was 0.15% (31 July 2017: 0.12%).

## Notes to the financial statements (continued)

for the year from 1 August 2017 to 31 July 2018

### 15 Shareholders' funds

The sub-fund currently has ten share classes: Accumulation 'A', Income 'A', Accumulation 'P', Income 'P', Accumulation 'R', Income 'R', Accumulation 'U1', Income 'U1', Accumulation 'U2' and Income 'U2'. The net asset value of each share class, net asset value per share and the number of shares in issue are given in the information pages for each sub-fund.

The share classes currently in issue and the Fixed Ongoing Charge of each share class are shown below. The comparative figure at the 31 July 2017, was the Authorised Corporate Directors fee, which is now included within the Fixed Ongoing Charge.

	31.07.18	31.07.17
- Accumulation 'A'	1.60%	1.50%
- Income 'A'	1.60%	1.50%
- Accumulation 'P'	1.10%	1.00%
- Income 'P'	1.10%	1.00%
- Accumulation 'R'	0.85%	0.75%
- Income 'R'	0.85%	0.75%
- Accumulation 'U1'	0.775%	0.675%
- Income 'U1'	0.775%	0.675%
- Accumulation 'U2'	0.70%	0.60%
- Income 'U2'	0.70%	0.60%

#### Share class movement reconciliation

	Opening	Issued	Redeemed	Converted	Closing
- Accumulation 'A'	123,608,212	1,044,395	(4,920,957)	(3,461,515)	116,270,135
- Income 'A'	44,151,241	5,010,613	(5,293,564)	(524,432)	43,343,858
- Accumulation 'P'	3,727,017	578,987	(376,907)	416,229	4,345,326
- Income 'P'	1,659,134	1,603,627	(483,027)	(768,507)	2,011,227
- Accumulation 'R'	275,571,636	28,213,230	(1,768,080)	25,988,802	328,005,588
- Income 'R'	96,630,728	62,964,879	(1,010,309)	(38,008,518)	120,576,780
- Accumulation 'U1'	370,873,371	40,393,282	(16,109,441)	60,258,770	455,415,982
- Income 'U1'	227,239,255	139,353,794	(9,246,388)	(47,571,036)	309,775,625
- Accumulation 'U2'	9,010,941	607,945	(637,920)	41,333	9,022,299
- Income 'U2'	51,984,597	5,732,075	(9,817,498)	5,395,110	53,294,284

### 16 Post balance sheet date events

On 28 September 2018, Old Mutual UK Mid Cap Fund changed its name to Merian UK Mid Cap Fund.

## Distribution table

### Final distribution

Group 1: Shares purchased prior to 1 August 2017  
 Group 2: Shares purchased from 1 August 2017 to 31 July 2018

	Revenue pence per share	Equalisation pence per share*	Distribution paid 30.09.18 pence per share	Distribution paid 30.09.17 pence per share
<b>Accumulation 'A' Shares</b>				
Group 1	2.9808	-	2.9808	1.7437
Group 2	2.0663	0.9145	2.9808	1.7437
<b>Income 'A' Shares</b>				
Group 1	2.6503	-	2.6503	1.5537
Group 2	1.9194	0.7309	2.6503	1.5537
<b>Accumulation 'P' Shares</b>				
Group 1	4.5873	-	4.5873	3.1716
Group 2	2.7573	1.8300	4.5873	3.1716
<b>Income 'P' Shares</b>				
Group 1	2.8361	-	2.8361	1.9769
Group 2	1.0867	1.7494	2.8361	1.9769
<b>Accumulation 'R' Shares</b>				
Group 1	4.3595	-	4.3595	3.1150
Group 2	2.6504	1.7091	4.3595	3.1150
<b>Income 'R' Shares</b>				
Group 1	3.5006	-	3.5006	2.5181
Group 2	1.9532	1.5474	3.5006	2.5181
<b>Accumulation 'U1' Shares</b>				
Group 1	2.5446	-	2.5446	1.8342
Group 2	1.5150	1.0296	2.5446	1.8342
<b>Income 'U1' Shares</b>				
Group 1	2.4703	-	2.4703	1.8025
Group 2	1.8353	0.6350	2.4703	1.8025
<b>Accumulation 'U2' Shares</b>				
Group 1	2.7301	-	2.7301	1.9766
Group 2	1.5212	1.2089	2.7301	1.9766
<b>Income 'U2' Shares</b>				
Group 1	2.4098	-	2.4098	1.7668
Group 2	1.4601	0.9497	2.4098	1.7668

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

## Old Mutual UK Opportunities Fund

Launch date	2 August 2013
IA Sector	Targeted Absolute Return
Investment adviser	Old Mutual Global Investors (UK) Limited
Net asset value	£13,673,374

### Objective

The sub-fund aims to deliver an absolute return over rolling three year periods.

Notwithstanding that the sub-fund is expressed to be an "absolute return" sub-fund, any capital invested is, in fact, at risk. The sub-fund aims to deliver a positive absolute return over rolling three year periods, but there is no guarantee that such return will be generated over that specific time period or within another time period.

### Policy

The sub-fund will obtain exposure (either directly or indirectly) principally to UK equities and convertible bonds. UK equities are equities of companies the majority of which will either be domiciled in the UK, or which derive a significant proportion of their income from the UK. Such investments will be across the market capitalisation spectrum, with the majority of these being companies included in the FTSE 100 and FTSE 250 indices. Up to 15 per cent of the sub-funds NAV may be exposed to non-UK equities and convertible bonds.

More than 35% in value of the property of the sub-fund may consist of Government and other public securities issued by one issuer in accordance with the investment management and borrowing powers of the Company set out in Schedule 2.

The sub-fund will principally use derivatives to take long and short positions in order to gain exposure to particular companies, industries or sectors. Where the sub-fund gains exposure through derivatives its physical assets will consist of cash deposits or short term investment grade money market instruments to provide cover for this exposure.

The sub-fund may also invest in transferable securities, units in collective investment schemes (including those managed or operated by the ACD), warrants, money market instruments and deposits.

The sub-fund is permitted to use derivatives for investment purposes. The use of derivatives for this purpose may affect the volatility or risk profile of the sub-fund although this is not the ACD's intention.

### Investment Manager's review

The external environment was relatively benign in the first half of the period with a continuation of the solid growth/low inflation backdrop along with a relatively calm political atmosphere allowing markets to make steady progress.

A short sharp setback occurred during the first few months of 2018 as extremely powerful monetary stimulus started slowly being withdrawn by central banks and the US Federal Reserve in particular. Markets recovered swiftly towards the end of the period despite some potentially adverse developments including a rapidly escalating trade dispute between the US and China and Europe, a potentially destabilising populist coalition government in Italy and a continuation of gradual liquidity withdrawal by the world's central banks.

The long book was a strong contributor in the rising market, with significant attribution from holdings such as Royal Dutch Shell, Tesco, AstraZeneca and GVC Holdings. Detractors included stocks such as Micro Focus, TP ICAP, Shire, British American Tobacco and Fresnillo.

On the short book our index hedge positions detracted significantly whilst our short alpha portfolio also detracted modestly. Meaningful positive contributions came from positions such as Debenhams, Provident Financial, Interserve, ConvaTec and Travis Perkins.

New stocks introduced to the long book included GVC Holdings, Synthomer, Land Securities, Whitbread and Weir Group. We disposed of holdings in Ashmore, IMI, Bodycote, London Stock Exchange, Severn Trent, Shire and Micro Focus.

On the short book we took profits from several successful positions and we added a variety of new shorts in UK domestic-economy-focused stocks and some highly rated industrial companies.

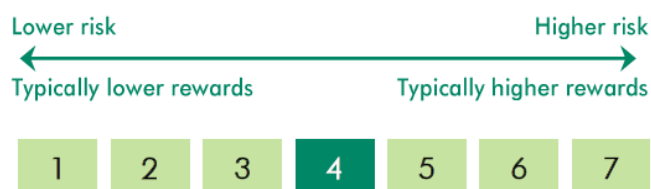
At the end of the period we had a net short market exposure of -6% of NAV and gross exposure of 195%. Notwithstanding the solid gains made by markets over the last year, we remain of the view that the investing environment is gradually changing and becoming more hostile to equity investors.

Liquidity is clearly being withdrawn from global markets, initially by the US Federal Reserve, with other central banks following. This is starting to impact areas such as emerging markets, crypto currencies such as Bitcoin, commodity prices and investment-grade credit spreads. We suspect developed economy equity markets will ultimately be similarly impacted.

Global economic activity appears to have peaked, despite ongoing strength in the US, and is rolling over, and market volatility, whilst relatively benign, refuses to return to the extremely low levels of 2017. Political disruption remains an ever-present danger, with the latest escalation in trade war rhetoric taking a potentially highly damaging turn.

Our primary concerns for the market remain. These include elevated valuation levels, rising corporate and consumer leverage, withdrawal of extraordinary monetary stimulus, excessive M&A activity and the potential for policy mistakes from either central bankers or politicians. Whilst acknowledging the potential for significant short-term rallies at any time, we continue to position the portfolio cautiously for the period ahead.

### Risk and Reward Profile



The calculated risk and reward category, as shown above, uses a method of calculation derived from EU rules. It is based on the rate at which the returns of the sub-fund have moved up and down in the past (i.e. volatility) and is not a guide to the future risk and reward category of the sub-fund. The category shown is not a target or guarantee and may shift over time. Even the lowest category 1 does not mean a risk-free investment. The seven-category scale is nonlinear, for example, 2 is not twice as risky as 1.

Sub-funds in category 4 have in the past shown moderate volatility. With a sub-fund of category 4, you have a moderate risk of losing money but your chance for gains is also moderate.

**Investment risk** - whilst the sub-fund aims to deliver above zero performance irrespective of market conditions, there can be no guarantee this aim will be achieved. A capital loss of some or all of the amount invested may occur.

**Geographic concentration risk** - a rise or fall in the UK market may have a significant impact on the value of the sub-fund because it primarily invests in this market.

**Currency risk** - the sub-fund is denominated in British Pounds but may hold assets denominated in, or with exposure to, other currencies. The value of your shares may rise and fall as a result of exchange rate movements between these currencies.

**Derivative risk** - the sub-fund uses derivatives to generate returns and/or to reduce costs and the overall risk of the sub-fund. Using derivatives can involve a higher level of risk. A small movement in the price of an underlying investment may result in a disproportionately large movement in the price of the derivative investment. Derivatives also involve counterparty risk where the institutions acting as counterparty to derivatives may not meet their contractual obligations.

**Capital erosion risk** - the sub-fund takes its charges from the income of the sub-fund in the first instance. The impact of sub-fund charges may be material on the value of any income you receive from your investment. There is potential for capital erosion if insufficient income is generated by the sub-fund to cover these charges. Capital erosion may have the effect of reducing the level of income generated.

For a more detailed explanation of risks, please refer to the "Risks" section of the prospectus.

## Performance Records

## Comparative Tables

Accumulation 'A'	1 August 2017 to 31 July 2018 p/share	1 August 2016 to 31 July 2017 p/share	1 August 2015 to 31 July 2016 p/share
<b>Change in net assets per share</b>			
Opening net asset value per share	115.37	118.11	127.16
Return before operating charges*	(4.18)	(0.83)	(6.98)
Operating charges**	(1.88)	(1.91)	(2.07)
Return after operating charges*	(6.06)	(2.74)	(9.05)
Distributions	-	-	-
Retained distributions	-	-	-
Closing net asset value per share	109.31	115.37	118.11
* after direct transaction costs of***	0.19	0.23	0.29
<b>Performance</b>			
Return after charges	(5.25)%	(2.32)%	(7.12)%
<b>Other information</b>			
Closing net asset value (£)	9,610,147	12,494,887	16,391,416
Closing number of shares	8,791,719	10,830,127	13,878,257
Operating charges****	1.65%	1.65%	1.65%
Direct transaction costs***	0.16%	0.20%	0.23%
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	118.10	123.98	135.64
Lowest share price	108.90	113.65	117.99
<b>Accumulation 'R'</b>	<b>1 August 2017 to 31 July 2018 p/share</b>	<b>1 August 2016 to 31 July 2017 p/share</b>	<b>1 August 2015 to 31 July 2016 p/share</b>
<b>Change in net assets per share</b>			
Opening net asset value per share	120.08	122.01	130.41
Return before operating charges*	(4.37)	(0.85)	(7.24)
Operating charges**	(1.08)	(1.08)	(1.16)
Return after operating charges*	(5.45)	(1.93)	(8.40)
Distributions	-	-	-
Retained distributions	-	-	-
Closing net asset value per share	114.63	120.08	122.01
* after direct transaction costs of***	0.19	0.24	0.30
<b>Performance</b>			
Return after charges	(4.54)%	(1.58)%	(6.44)%
<b>Other information</b>			
Closing net asset value (£)	2,373,362	6,402,242	12,366,240
Closing number of shares	2,070,466	5,331,639	10,135,593
Operating charges****	0.90%	0.90%	0.90%
Direct transaction costs***	0.16%	0.20%	0.23%
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	123.00	123.30	134.07
Lowest share price	114.20	117.76	121.89



## Comparative Tables (continued)

Accumulation 'U1'	1 August 2017 to 31 July 2018 p/share	1 August 2016 to 31 July 2017 p/share	1 August 2015 to 31 July 2016 p/share
<b>Change in net assets per share</b>			
Opening net asset value per share	92.91	94.26	100.68
Return before operating charges*	(3.32)	(0.59)	(5.59)
Operating charges**	(0.76)	(0.76)	(0.83)
Return after operating charges*	(4.08)	(1.35)	(6.42)
Distributions	-	-	-
Retained distributions	-	-	-
Closing net asset value per share	88.83	92.91	94.26
* after direct transaction costs of***	0.15	0.18	0.23
<b>Performance</b>			
Return after charges	(4.39)%	(1.43)%	(6.38)%
<b>Other information</b>			
Closing net asset value (£)	1,674,820	3,379,943	5,184,302
Closing number of shares	1,885,443	3,637,815	5,500,091
Operating charges****	0.83%	0.83%	0.83%
Direct transaction costs***	0.16%	0.20%	0.23%
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	95.21	95.27	103.47
Lowest share price	88.49	91.03	94.16
<b>Accumulation 'U2'</b>	<b>1 August 2017 to 31 July 2018 p/share</b>	<b>1 August 2016 to 31 July 2017 p/share</b>	<b>1 August 2015 to 31 July 2016 p/share</b>
<b>Change in net assets per share</b>			
Opening net asset value per share	94.54	95.91	102.43
Return before operating charges*	(3.33)	(0.66)	(5.77)
Operating charges**	(0.71)	(0.71)	(0.75)
Return after operating charges*	(4.04)	(1.37)	(6.52)
Distributions	-	-	-
Retained distributions	-	-	-
Closing net asset value per share	90.50	94.54	95.91
* after direct transaction costs of***	0.15	0.19	0.23
<b>Performance</b>			
Return after charges	(4.27)%	(1.43)%	(6.37)%
<b>Other information</b>			
Closing net asset value (£)	15,045	945,703	769,573
Closing number of shares	16,624	1,000,282	802,360
Operating charges****	0.75%	0.75%	0.75%
Direct transaction costs***	0.16%	0.20%	0.23%
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	96.85	96.95	105.30
Lowest share price	90.16	92.63	95.82

\*\* The operating charges include all costs borne by the sub-fund, except for direct transaction costs.

\*\*\* The direct transaction costs are made up of fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges as well as transfer taxes and duties. They do not include any difference between the quoted bid and offer prices or internal administrative or holding costs. These costs arise as a result of transactions undertaken both for efficient portfolio management and the meeting of the sub-fund's objectives. These costs exclude any effect of dilution adjustments used to offset the costs.

\*\*\*\* The operating charges percentage is the ratio of the sub-fund's ongoing charges (excluding interest on borrowings) to the average net assets of the sub-fund.

## Performance

	6 months to 31 July 2018	1 year to 31 July 2018	3 years to 31 July 2018	5 years to 31 July 2018
Old Mutual UK Opportunities Fund*	(4.10)%	(4.42)%	(12.16)%	(3.51)%
Bank of England base rate (benchmark)	0.25%	0.44%	1.19%	2.21%
Quartile ranking	4	4	4	4

\* Accumulation 'R' shares

Data Source – Factset. Figures are calculated on a total return and single price basis, with net income reinvested into the sub-fund.

Portfolio allocation		Major holdings	Percentage of portfolio
United Kingdom Equities	39.35%	UK Treasury 0% 17/09/2018	11.69%
Sterling Denominated Fixed Rate Government Bonds	35.81%	BNP Paribas 0.50819%	9.72%
Sterling Denominated Cash on Deposit	9.72%	UK Treasury 0% 06/08/2018	5.85%
Europe Equities	7.20%	UK Treasury 0% 10/09/2018	5.48%
North America Equities	2.03%	UK Treasury 0% 05/11/2018	5.48%
United Kingdom Contracts for Difference	(0.32)%	British American Tobacco	4.35%
		UK Treasury 0% 03/09/2018	3.66%
Net other assets	6.21%	UK Treasury 0% 24/09/2018	3.65%
		GVC Holdings	2.65%
<b>Total</b>	<b>100.00%</b>	Whitbread	2.27%
Asset allocation		Number of holdings	76
Equities	48.58%		
Government Bonds	35.81%		
Cash on Deposit	9.72%		
Contracts for Difference	(0.32)%		
Net other assets	6.21%		
<b>Total</b>	<b>100.00%</b>		

## Portfolio statement

as at 31 July 2018

Holding	Investment	Market Value £'000	Percentage of total net assets %
<b>United Kingdom 84.56% (31 July 2017 88.03%)</b>			
<b>Sterling Denominated Fixed Rate Government Bonds 35.81% (31 July 2017 38.74%)</b>			
£800,000	UK Treasury 0% 06/08/2018	800	5.85
£500,000	UK Treasury 0% 03/09/2018	500	3.66
£750,000	UK Treasury 0% 10/09/2018	749	5.48
£1,600,000	UK Treasury 0% 17/09/2018	1,599	11.69
£500,000	UK Treasury 0% 24/09/2018	499	3.65
£750,000	UK Treasury 0% 05/11/2018	749	5.48
		<b>4,896</b>	<b>35.81</b>
<b>United Kingdom Equities 39.35% (31 July 2017 42.71%)</b>			
54,427	Biffa	125	0.91
11,867	Bovis Homes	136	1.00
14,093	British American Tobacco	595	4.35
97,325	BT	230	1.68
49,622	Cairn Energy	122	0.90
53,753	DS Smith	272	1.99
31,010	GVC Holdings	363	2.65
15,054	HomeServe	154	1.13
10,026	Imperial Brands	291	2.13
24,369	Land Securities	230	1.68
125,233	Melrose Industries	268	1.96
33,304	Phoenix	229	1.67
2,729	Randgold Resources	154	1.13
1,451	Reckitt Benckiser	99	0.72
40,698	RSA Insurance	261	1.91
61,597	Sabre Insurance	171	1.25
22,750	Sage	140	1.02
313,701	Sherborne Investors	282	2.06
11,200	Superdry	139	1.01
42,973	Synthomer	227	1.66
30,069	TP ICAP	84	0.62
152,319	Vodafone	285	2.09
11,071	Weir	214	1.56
7,871	Whitbread	310	2.27
		<b>5,381</b>	<b>39.35</b>
<b>Sterling Denominated Contracts For Difference (0.32)% (31 July 2017 0.88%)</b>			
(23,489)	A.G. BARR	6	0.04
(20,213)	Aggreko	(7)	(0.05)
(100,142)	AO World	-	-
8,395	AstraZeneca (UK Listing)	17	0.12
52,995	Aviva	4	0.03
67,434	Barclays	6	0.04
76,250	BP	4	0.03
(18,477)	BTG	(5)	(0.04)
(4,121)	Burberry	2	0.02
16,300	Compass	(3)	(0.02)
(488,469)	Debenhams	4	0.03
(63,222)	DFS Furniture	(5)	(0.04)

## Portfolio statement (continued)

as at 31 July 2018

Holding	Investment	Market Value £'000	Percentage of total net assets %
<b>Sterling Denominated Contracts For Difference (continued)</b>			
23,980	Diageo	(18)	(0.13)
(1,329)	FTSE 100 Index	(101)	(0.74)
(39)	FTSE Mid 250 Index	-	-
33,185	GlaxoSmithKline	10	0.07
(7,196)	Greggs	(5)	(0.04)
(27,386)	Halfords	6	0.04
93,702	HSBC (UK Listing)	15	0.11
(66,936)	Intu Properties	(6)	(0.04)
(15,834)	Just Eat	10	0.07
382,211	Lloyds Banking	(1)	-
(44,285)	Marks & Spencer	-	-
(1,367)	Paddy Power Betfair	2	0.02
(15,957)	Pearson	(4)	(0.03)
26,069	Prudential	6	0.04
(2,109)	Renishaw	4	0.03
44,965	Rentokil Initial	(2)	(0.01)
7,692	Rio Tinto (UK Listing)	6	0.04
34,714	Royal Dutch Shell 'B'	(12)	(0.09)
(25,682)	Royal Mail	(3)	(0.02)
(167,621)	Serco	(2)	(0.01)
18,807	Smith & Nephew	(1)	(0.01)
(3,614)	Spectris	12	0.09
161,606	Tesco	-	-
(15,037)	Travis Perkins	25	0.19
2,341	Unilever	-	-
(4,472)	Victrex	(5)	(0.04)
(9,119)	WPP	(3)	(0.02)
		(44)	(0.32)
<b>Sterling Denominated Cash on Deposit 9.72% (31 July 2017 5.70%)</b>			
£1,329,027	BNP Paribas 0.50819%	1,329	9.72
		1,329	9.72
<b>Overseas 9.23% (31 July 2017 11.26%)</b>			
<b>Europe 7.20% (31 July 2017 6.89%)</b>			
<b>Ireland Equities 3.40% (31 July 2017 3.17%)</b>			
10,837	CRH (UK Listing)	288	2.11
192,308	Greencoat Renewables	176	1.29
		464	3.40
<b>Switzerland Equities 3.80% (31 July 2017 3.72%)</b>			
3,901	Ferguson	236	1.72
86,520	Glencore	284	2.08
		520	3.80

## Portfolio statement (continued)

as at 31 July 2018

Holding	Investment	Market Value £'000	Percentage of total net assets %
	North America 2.03% (31 July 2017 4.37%)		
11,052	Mexico Equities 0.83% (31 July 2017 1.39%) Fresnillo	114	0.83
		114	0.83
2,652	United States Equities 1.20% (31 July 2017 2.98%) Worldpay	164	1.20
		164	1.20
	Investment assets*	12,824	93.79
	Net other assets	849	6.21
	Total net assets	13,673	100.00

\* Including investment liabilities.

All investments are approved securities being either officially listed in a member state or traded on or under the rules of an eligible securities market, unless otherwise stated.

## Statement of total return

for the year from 1 August 2017 to 31 July 2018

		01.08.17 to 31.07.18 £'000	01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000	01.08.16 to 31.07.17 £'000
	Note				
Income					
Net capital losses	2		(494)		(180)
Revenue	3	596		838	
Expenses	4	(237)		(365)	
Interest payable and similar charges	5	(643)		(1,000)	
Net expense before taxation		(284)		(527)	
Taxation	6	(1)		(1)	
Net expense after taxation			(285)		(528)
<b>Total return before distributions</b>			<b>(779)</b>		<b>(708)</b>
Distributions	7		-		-
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>(779)</b>		<b>(708)</b>

## Statement of change in net assets attributable to shareholders

for the year from 1 August 2017 to 31 July 2018

		01.08.17 to 31.07.18 £'000	01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000	01.08.16 to 31.07.17 £'000
Opening net assets attributable to shareholders			23,223		34,712
Amounts received on issue of shares		477		2,813	
Amounts paid on cancellation of shares		(9,258)		(13,615)	
			(8,781)		(10,802)
Dilution adjustment			10		21
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>(779)</b>		<b>(708)</b>
<b>Closing net assets attributable to shareholders</b>			<b>13,673</b>		<b>23,223</b>

The notes on pages 152 to 159 form an integral part of these financial statements.

## Balance sheet

as at 31 July 2018

	Note	31.07.18 £'000	31.07.17 £'000
<b>Assets</b>			
Fixed assets			
Investments		13,007	23,272
Current assets			
Debtors	8	51	56
Cash and bank balances	9	887	599
Total assets		13,945	23,927
<b>Liabilities</b>			
Investment liabilities		(183)	(214)
Creditors			
Bank overdrafts	10	(14)	(86)
Other creditors	11	(75)	(404)
Total liabilities		(272)	(704)
<b>Net assets attributable to shareholders</b>		<b>13,673</b>	<b>23,223</b>

The notes on pages 152 to 159 form an integral part of these financial statements.

## Notes to the financial statements

for the year from 1 August 2017 to 31 July 2018

### 1 Accounting policies

The applicable accounting policies adopted by the Old Mutual UK Opportunities Fund are included on pages 184 to 185.

### 2 Net capital losses

The net capital losses on investments comprise:

(Losses)/gains on non-derivative securities

Gains/(losses) on derivative securities

Gains/(losses) on currency contracts

Handling charges

Net capital losses on investments

01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000
(607)	1,408
111	(1,586)
3	(1)
(1)	(1)
<b>(494)</b>	<b>(180)</b>

### 3 Revenue

Bank interest

Derivative revenue

Interest on debt securities

Interest on short term investments

Non-taxable overseas dividends

UK dividends

UK REIT dividends

Total revenue

01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000
1	2
283	410
15	16
6	7
79	45
206	358
6	-
<b>596</b>	<b>838</b>

### 4 Expenses

Payable to the Authorised Corporate Director, associates of the Authorised Corporate Director and agents of either of them:

Fixed Ongoing Charge\*

Authorised Corporate Director's periodic charge\*\*

Fixed expenses\*\*

Total expenses

01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000
88	-
133	322
16	43
<b>237</b>	<b>365</b>

\* This figure represents the Fixed Ongoing Charge that was introduced from 1 March 2018, which covers all fees payable by the sub-fund to the Authorised Corporate Director, Investment adviser, Depositary (including associates etc.) and other expenses.

\*\* These figures represent the charges to 28 February 2018, which have now been replaced by the Fixed Ongoing Charge. The Audit fee for the year, excluding VAT, was £9,300 (31 July 2017: £9,100). As a result of the change to a Fixed Ongoing Charge basis, this expense is split between other expenses and Fixed Ongoing Charge.



## Notes to the financial statements (continued)

for the year from 1 August 2017 to 31 July 2018

### 5 Interest payable and similar charges

	01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000
Dividends payable on short positions	643	1,000
<b>Total interest payable and similar charges</b>	<b>643</b>	<b>1,000</b>

### 6 Taxation

#### a) Analysis of tax charge in the year

	01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000
Overseas tax suffered	1	1
<b>Total current tax charge for the year</b>	<b>1</b>	<b>1</b>
Deferred tax charge for the year (see note 6(c))	-	-
<b>Total taxation for the year (see note 6(b))</b>	<b>1</b>	<b>1</b>

#### b) Factors affecting current tax charge for the year

	01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000
The taxation assessed for the year is higher than the standard rate of corporation tax in the UK for an open-ended investment company (20%). The differences are explained below:		
Net expense before taxation	(284)	(527)
Corporation tax at 20% (31 July 2017: 20%)	(57)	(105)
Effects of:		
Excess management expenses for which no relief is taken	114	186
Revenue not subject to taxation – UK	(41)	(72)
Non-taxable overseas dividends	(16)	(9)
Overseas tax suffered	1	1
<b>Total tax charge for the year (see note 6(a))</b>	<b>1</b>	<b>1</b>

OEICs are exempt from tax on capital gains, therefore, any capital return is not included in the above reconciliation.

#### c) Movement in deferred tax liability

	01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000
Deferred tax liability at the start of the year	-	-
Deferred tax charge for the year (see note 6(a))	-	-
<b>Deferred tax liability at the end of the year</b>	<b>-</b>	<b>-</b>

At 31 July 2018 the sub-fund had surplus management expenses of £4,071,667 (31 July 2017: £3,503,545) which can be utilised against profits chargeable to corporation tax in future periods. It is unlikely that the sub-fund will generate sufficient taxable profits in the future to utilise these expenses and, therefore, no deferred tax asset has been recognised.

## Notes to the financial statements (continued)

for the year from 1 August 2017 to 31 July 2018

### 7 Distributions

The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000
Final – Accumulation shares (31 July)	-	-
Final – Income shares (31 July)	-	-
Revenue deducted on cancellation of shares	-	-
Revenue received on issue of shares	-	-
<b>Distributions</b>	<b>-</b>	<b>-</b>
<b>Reconciliation of distributions:</b>		
Net revenue after taxation	(285)	(528)
Revenue deficit reimbursed from capital	285	528
<b>Distributions</b>	<b>-</b>	<b>-</b>

Details of the final distributions per share are set out in the table on page 160.

### 8 Debtors

	31.07.18 £'000	31.07.17 £'000
Accrued revenue	28	55
Amounts receivable on issue of shares	1	-
Overseas tax recoverable	-	1
Sales awaiting settlement	22	-
<b>Total debtors</b>	<b>51</b>	<b>56</b>

### 9 Cash and bank balances

	31.07.18 £'000	31.07.17 £'000
Amounts held at futures clearing houses and brokers	20	71
Cash and bank balances	867	528
<b>Total cash and bank balances</b>	<b>887</b>	<b>599</b>

### 10 Bank overdrafts

	31.07.18 £'000	31.07.17 £'000
Cash and bank overdrafts	14	86
<b>Total overdrafts</b>	<b>14</b>	<b>86</b>

### 11 Other creditors

	31.07.18 £'000	31.07.17 £'000
Accrued Authorised Corporate Director's periodic charge	-	23
Accrued expenses	17	3
Amounts payable for cancellation of shares	29	208
Amounts payable on Contracts for Difference	29	47
Purchases awaiting settlement	-	123
<b>Total other creditors</b>	<b>75</b>	<b>404</b>

## Notes to the financial statements (continued)

for the year from 1 August 2017 to 31 July 2018

### 12 Related party transactions

Quilter Investors Limited, as ACD, is a related party, and acts as principal in respect of all transactions of shares in each sub-fund. The aggregate monies received on issue and paid on cancellation are disclosed in the Statement of change in net assets attributable to shareholders on page 150. Any amounts due to or from Quilter Investors Limited at the end of the accounting period in respect of transactions of shares in each sub-fund are disclosed in notes 8 and 11. Amounts paid to the ACD in respect of expenses are disclosed in note 4 and amounts due to it at the period end are disclosed in note 11.

### 13 Derivatives and other financial instruments

#### a) Financial instrument risk

The sub-fund, in pursuing its objective, holds a number of financial instruments, which may comprise of the following:

Bonds and derivatives.

Equity shares and equity related shares.

The sub-fund will also hold cash and other short term debtors and creditors that arise directly from its operations.

In addition, the sub-fund may hold derivatives in the form of forward foreign exchange contracts and/or futures contracts for the purpose of efficient portfolio management in accordance with the COLL Sourcebook.

The financial instruments are held in line with the sub-fund's investment policy.

Each Investment Adviser is responsible for monitoring the portfolio of his/her sub-fund in accordance with its investment objective and seeks to ensure that individual assets also meet a risk reward profile that is acceptable. The ACD has appointed specialist managers to manage the sub-fund, and continuously monitors this appointment.

Adherence to the investment guidelines and the investment and borrowing powers as set out in the Prospectus and in the rules of the Regulations also mitigates the risk of excessive exposure to any particular type of security or issuer. Further information on the investment portfolio is set out in the Investment Manager's review and the Portfolio statement of each sub-fund.

The main risks arising from financial instruments are interest rate risk, foreign currency risk, credit risk, counterparty risk, liquidity risk and market risk which are summarised below.

#### b) Foreign currency risk

A proportion of the sub-fund's financial assets and liabilities are invested overseas. As a result, movements in exchange rates may affect the market price of investments and, due to timing differences between the transaction dates of investment sales, purchases and income, and actual cash settlement, create currency exchange gains/losses. The Investment Adviser does seek to reduce some of this risk by using forward currency contracts.

The direct foreign currency exposure of the sub-fund as at 31 July 2018 (31 July 2017) was as follows:

Currency	Net foreign currency assets/(liabilities)			Net foreign currency assets		
	Monetary exposures*	Non-monetary exposures	Total	Monetary exposures*	Non-monetary exposures	Total
	31.07.18 £'000	31.07.18 £'000	31.07.18 £'000	31.07.17 £'000	31.07.17 £'000	31.07.17 £'000
Euro	17	176	193	38	179	217
US Dollar	33	-	33	85	-	85
<b>Total</b>	<b>50</b>	<b>176</b>	<b>226</b>	<b>123</b>	<b>179</b>	<b>302</b>

\* For the purpose of the above disclosure, monetary is taken to include only cash or near-cash items.

#### c) Interest rate risk

Interest rate risk is the risk of movements in the value of financial instruments as a result of fluctuations in interest rates.

The interest rate risk profile of the sub-fund's financial assets and liabilities at 31 July 2018 (31 July 2017) was as follows:

Currency	Variable rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
31.07.18				
Euro	-	-	193	193
Sterling	854	4,896	7,969	13,719
US Dollar	33	-	-	33
<b>Total</b>	<b>887</b>	<b>4,896</b>	<b>8,162</b>	<b>13,945</b>

## Notes to the financial statements (continued)

for the year from 1 August 2017 to 31 July 2018

### 13 Derivatives and other financial instruments (continued)

#### c) Interest rate risk (continued)

Currency	Variable rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
31.07.17				
Euro	-	-	217	217
Sterling	1,837	8,996	12,792	23,625
US Dollar	85	-	-	85
<b>Total</b>	<b>1,922</b>	<b>8,996</b>	<b>13,009</b>	<b>23,927</b>

Currency	Variable rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
31.07.18			
Sterling	(14)	(258)	(272)
<b>Total</b>	<b>(14)</b>	<b>(258)</b>	<b>(272)</b>

Currency	Variable rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
31.07.17			
Sterling	(86)	(618)	(704)
<b>Total</b>	<b>(86)</b>	<b>(618)</b>	<b>(704)</b>

#### d) Credit risk

Credit risk is the risk of suffering loss due to another party not meeting its financial obligation. The risk is managed by the Investment Adviser who monitors the credit profile of financial instruments in accordance with the objective and policy of the sub-fund.

Adherence to the investment guidelines and the investment and borrowing powers as set out in the Prospectus and in the rules of the Regulations also mitigates the risk of excessive exposure to any particular type of security or issuer. Further information on the investment portfolio is set out in the Investment Manager's review and the Portfolio statement.

As at 31 July 2018 the sub-fund's exposure to investment grade rated was 35.81% (Source: Old Mutual Global Investors (UK) Limited/Factsheet).

Analysis of bonds	£'000	%
Investment Grade	4,896	35.81
Below Investment Grade	-	-
Unrated	-	-
	<b>4,896</b>	<b>35.81</b>

As at 31 July 2018 9.72% is invested in Cash on Deposit.

As at 31 July 2017 the sub-fund's exposure to investment grade rated was 38.74% (Source: Old Mutual Global Investors (UK) Limited/Factsheet).

Analysis of bonds	£'000	%
Investment Grade	8,996	38.74
Below Investment Grade	-	-
Unrated	-	-
	<b>8,996</b>	<b>38.74</b>

As at 31 July 2017 5.70% is invested in Cash on Deposit.

## Notes to the financial statements (continued)

for the year from 1 August 2017 to 31 July 2018

### 13 Derivatives and other financial instruments (continued)

#### e) Counterparty risk

Certain transactions in financial instruments that the sub-fund enters into have the risk that the counterparty will not meet its financial obligations, i.e. the investment (purchase) or cash (sale) after the sub-fund has fulfilled its responsibilities.

The sub-fund will only buy and sell investments through brokers which have been approved by the ACD and Investment Adviser as an acceptable counterparty. This is overseen by the Depositary to ensure that the exposure to any counterparty remains appropriate for investors.

Exposure Table 31.07.18	Credit default swaps exposure	Interest rate swaps exposure	Futures and options exposure	Forward foreign exchange contracts exposure	Collateral held
Counterparty	£'000	£'000	£'000	£'000	£'000
No uncollateralised counterparty exposure	-	-	-	-	-

#### Exposure Table 31.07.17

Counterparty	£'000	£'000	£'000	£'000	£'000
Citibank	-	-	204	-	60

Positive exposure represents the sub-fund's exposure to that counterparty and not the sub-fund's holdings with that counterparty.

Collateral arrangements with counterparties require assets of an agreed type and quality to be pledged where exposures are above a certain magnitude. At the year end, collateral of £Nil in the form of cash was held for the sub-fund on behalf of counterparties (2017: £60,000 in the form of cash). Collateral of £Nil was pledged by the sub-fund to counterparties in the form of cash (2017: £Nil in the form of cash).

#### f) Liquidity risk

The sub-fund's assets comprise mainly of readily realisable securities which can be sold promptly to meet liquidity requirements. The main source of this risk comes from the obligation to shareholders to meet any cancellation of shares. Assets from the sub-fund may need to be sold to meet any redemption proceeds. As part of its operating duties the ACD regularly monitors the liquidity levels held on the sub-fund (cash and underlying securities) to ensure any redemption can be readily met. Some investments may be less liquid than other securities and can be more sensitive to economic factors. The rules of the Regulations mitigate the risk of excessive exposure to assets which are not readily realisable.

#### g) Market risk

Market risk arises from uncertainty about future prices of financial instruments held. The main source of risk to the sub-fund is the potential movement in the value of financial instruments held as a result of price fluctuations. Stock market prices can move erratically and be unpredictably affected by diverse factors including political and economic events but also rumours and sentiment. The ACD adheres to the investment guidelines and borrowing powers set out within the Prospectus and the COLL Sourcebook. In this way the ACD monitors and controls the exposure to risk from any type of security, sector or issuer. The sub-fund may also use derivative instruments to mitigate risk and reduce cost.

#### h) Fair value of financial assets and liabilities

There is no material difference between the carrying value of the financial assets and liabilities, as shown in the Balance sheet, and their fair value.

Basis of valuation	31.07.18		31.07.17	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1: Quoted prices	13,007	(183)	23,272	(214)
Level 2: Observable market data	-	-	-	-
Level 3: Unobservable data	-	-	-	-
<b>Total</b>	<b>13,007</b>	<b>(183)</b>	<b>23,272</b>	<b>(214)</b>

#### i) Sensitivity analysis

The Investment Adviser assesses the market risk of the Old Mutual UK Opportunities Fund, including any derivative exposures, using an Absolute Value at Risk ('VaR') methodology. VaR is a process that provides the Investment Adviser with an estimate of the maximum potential loss that could be expected to occur as a result of changes in market prices over a given period of time in all but a given percentage of circumstances. As the sub-fund adopts an absolute VaR Model to measure the global market risk, the daily VaR limit for the sub-fund cannot be greater than 20 per cent of the Net Asset Value of the sub-fund. The VaR is calculated using a one-tailed 99 per cent confidence level, a one month holding period and the historical period of one year (250 Business Days). Derivatives are used to efficiently manage the tactical asset allocation positioning of the sub-fund, Old Mutual UK Opportunities Fund. The sub-fund uses absolute methodology to measure Value at Risk (VaR). The VaR for the fund at 31 July 2018 was 2.30% (31 July 2017: 2.77%).

The minimum, average and maximum VaR of the sub-fund over the year was 1.40%, 2.00% and 2.30% (31 July 2017: 1.90%, 3.10% and 6.50%).

The Gross sum of notionals (GSON) leverage figures are prepared with no hedging or netting of any asset class. Across the range of asset classes exposures are treated differently. For instance currency forwards are treated by valuing both legs of the underlying and expressing them as a percentage of the NAV. Physical assets are excluded to get the incremental exposure resulting from derivatives.

The sub-fund is limited to 200% gross leverage, and this limit has not been exceeded over the year. Using the "gross sum of notionals" methodology, the average leverage for the year ended 31 July 2018 was 146.8% (31 July 2017: 142.00%).

## Notes to the financial statements (continued)

for the year from 1 August 2017 to 31 July 2018

### 14 Contingent liabilities

The sub-fund had no contingent liabilities at the Balance sheet date (31 July 2017: £Nil).

### 15 Portfolio transaction costs

#### Analysis of total purchase costs

31.07.18

Bonds

Equities

Corporate actions

**Total**

**Total purchases including transaction costs**

Value	Commissions		Other costs	
£'000	£'000	%	£'000	%
18,882	-	-	-	-
4,746	3	0.06%	18	0.37%
40	-	-	-	-
<b>23,668</b>	<b>3</b>		<b>18</b>	
<b>23,689</b>				

31.07.17

Bonds

Equities

Corporate actions

**Total**

**Total purchases including transaction costs**

Value	Commissions		Other costs	
£'000	£'000	%	£'000	%
57,522	-	-	-	-
11,426	8	0.07%	37	0.33%
9	-	-	-	-
<b>68,957</b>	<b>8</b>		<b>37</b>	
<b>69,002</b>				

#### Analysis of total sale costs

31.07.18

Bonds

Equities

Corporate actions

**Total**

**Total sales excluding transaction costs**

Value	Commissions		Other costs	
£'000	£'000	%	£'000	%
23,000	-	-	-	-
10,049	8	0.08%	-	-
48	-	-	-	-
<b>33,097</b>	<b>8</b>		<b>-</b>	
<b>33,089</b>				

31.07.17

Bonds

Equities

Corporate actions

**Total**

**Total sales excluding transaction costs**

Value	Commissions		Other costs	
£'000	£'000	%	£'000	%
66,408	-	-	-	-
11,098	11	0.10%	-	-
337	-	-	-	-
<b>77,843</b>	<b>11</b>		<b>-</b>	
<b>77,832</b>				

Transaction costs as a percentage of average Net Assets\*

Commissions:

Other costs:

31.07.18

0.06%

0.10%

31.07.17

0.07%

0.13%

\* Includes commission on derivative transactions of £Nil (31 July 2017: £Nil). There were no taxes on derivative transactions (31 July 2017: £Nil).

In the case of shares, transaction costs are paid by the sub-fund on each transaction. Commissions relate to those paid to agents, advisers, brokers and dealers in the buying and selling of securities. Other costs include any additional fees that may be paid to agents, advisers, brokers and dealers as well as levies by regulatory agencies and security exchanges and any transfer taxes or duties. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments have no separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads may vary considerably depending on the transaction value and market sentiment. At the balance sheet date the dealing spread was 0.17% (31 July 2017: 0.13%).

## Notes to the financial statements (continued)

for the year from 1 August 2017 to 31 July 2018

### 16 Shareholders' funds

The sub-fund currently has four share classes: Accumulation 'A', Accumulation 'R', Accumulation 'U1' and Accumulation 'U2'. The net asset value of each share class, net asset value per share and the number of shares in issue are given in the information pages for each sub-fund.

The share classes currently in issue and the Fixed Ongoing Charge of each share class are shown below. The comparative figure at the 31 July 2017, was the Authorised Corporate Directors fee, which is now included within the Fixed Ongoing Charge

	31.07.18	31.07.17
- Accumulation 'A'	1.65%	1.50%
- Accumulation 'R'	0.90%	0.75%
- Accumulation 'U1'	0.825%	0.675%
- Accumulation 'U2'	0.75%	0.60%

Share class movement reconciliation	Opening	Issued	Redeemed	Converted	Closing
- Accumulation 'A'	10,830,127	50,730	(1,955,076)	(134,062)	8,791,719
- Accumulation 'R'	5,331,639	296,080	(3,685,711)	128,458	2,070,466
- Accumulation 'U1'	3,637,815	66,864	(1,819,236)	-	1,885,443
- Accumulation 'U2'	1,000,282	-	(983,658)	-	16,624

### 17 Post balance sheet date events

On 28 September 2018, Old Mutual UK Opportunities Fund changed its name to Merian UK Opportunities Fund.

## Distribution table

### Final distribution

Group 1: Shares purchased prior to 1 August 2017  
 Group 2: Shares purchased from 1 August 2017 to 31 July 2018

	Revenue pence per share	Equalisation pence per share*	Distribution paid 30.09.18 pence per share	Distribution paid 30.09.17 pence per share
<b>Accumulation 'A' Shares</b>				
Group 1	0.0000	-	0.0000	0.0000
Group 2	0.0000	0.0000	0.0000	0.0000
<b>Accumulation 'R' Shares</b>				
Group 1	0.0000	-	0.0000	0.0000
Group 2	0.0000	0.0000	0.0000	0.0000
<b>Accumulation 'U1' Shares</b>				
Group 1	0.0000	-	0.0000	0.0000
Group 2	0.0000	0.0000	0.0000	0.0000
<b>Accumulation 'U2' Shares</b>				
Group 1	0.0000	-	0.0000	0.0000
Group 2	0.0000	0.0000	0.0000	0.0000

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



## Old Mutual UK Smaller Companies Fund

Launch date	9 February 2001
IA Sector	UK Smaller Companies
Investment adviser	Old Mutual Global Investors (UK) Limited
Net asset value	£1,434,238,993

### Objective

The sub-fund aims to provide capital growth from investing primarily in a portfolio of UK smaller companies.

### Policy

Smaller companies are defined for this purpose as those companies which are quoted on a regulated market and which have market capitalisations no greater than the largest company in the Numis Smaller Companies Index at the time of the initial investment. Typically, the ACD will invest at least 80% of the portfolio in smaller companies. Liquidity will under normal circumstances not exceed 10% of the value of the holding of the sub-fund.

Subject to the regulations, the property of the sub-fund may include transferable securities; units in collective investment schemes (including those managed or operated by the ACD or an associate of the ACD), warrants, money market instruments, deposits and derivatives.

The sub-fund will initially only use derivatives for Efficient Portfolio Management (EPM) purposes. The ACD considers that the use of derivatives for this purpose is not likely to affect the volatility or risk profile of the sub-fund. The sub-fund may use derivatives for purposes other than Efficient Portfolio Management (EPM), provided it has given shareholders 60 days' notice of such change. If the sub-fund did use derivatives for investment purposes this might, at times, increase the volatility of the sub-fund's NAV and change the risk profile of the sub-fund.

### Investment Manager's review

UK Equity markets made positive if somewhat volatile progress over the review period. Somewhat mixed, but in aggregate, good levels of global GDP growth, seemingly contained inflationary forces (outside of the US at least) and pleasing corporate newsflow served as tailwinds, while the prospect of growing inflationary pressures within the US economy and policymakers there tightening faster and more rapidly than had previously been seen as likely gave rise to episodes of risk aversion. The volatile US Presidency, increasing tension between the US and North Korea, developing trade wars between the US and China as well as a lack of clarity around the likely ultimate denouement of the Brexit negotiations also added to the uncertainty.

Against this backdrop the sub-fund delivered a satisfactory performance. Both sector allocation and stock selection were positive for the sub-fund's relative performance – at a sector level, the overweight to software added value, as did the underweight to pharmaceuticals. At a stock level holdings in Fever Tree Drinks Blue Prism, Burford and Robert Walters performed well, while holdings in Micro Focus and Conviviality fell materially following profits warnings and were exited.

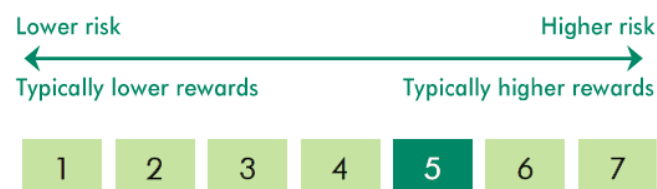
The sub-fund entered the review period relatively balanced in terms of sectoral positioning and no significant thematic or sector changes were made, with activity being primarily stock-led. Holdings were added in Sabre Insurance and Foot Asylum (both via IPO) and also in Applegreen (an operator of service stations) and Hunting (an oil services business). In addition, the sub-fund made its first foray into the unquoted space, with three holdings (accounting for approximately 4% of the sub-fund) being added. Positions in Micro Focus and Conviviality were sold following disappointing trading news, while a long-standing position in Paysafe was exited following an offer from a Private Equity consortium for the Company.

Leading economic indicators are supportive of continued steady global growth, albeit more recent signs suggest a gradual de-synchronisation of the picture relative to that which prevailed at the turn of the year. In the UK we have the added complexity of ongoing Brexit negotiations which are likely to continue to constrain growth relative to other Western economies – the apparent unity evident in the immediate aftermath of the 'Chequers agreement' has quickly given way to resignations and it remains far from clear as to how the withdrawal process proceeds from here, with a wide range of outcomes still possible.

Central Banks – led by the Federal Reserve – will continue their path of gradual rate tightening but are likely to go cautiously as they exit the decade long era of very loose monetary policy. Meanwhile the growing threat of an escalating trade war between US and China is becoming a more pressing theme in the nearer term; President Trump's rhetoric towards natural post WW2 allies has stoked uncertainties.

Against this backdrop we are maintaining relatively balanced sector exposures, while at a thematic level we remain overweight of structural growth, are broadly neutral in those areas of the market sensitive to global economic expansion, and retain an underweight to generic UK consumer-cyclicality. This broad framework has been in place since the closing months of 2016.

### Risk and Reward Profile



The calculated risk and reward category, as shown above, uses a method of calculation derived from EU rules. It is based on the rate at which the returns of the sub-fund have moved up and down in the past (i.e. volatility) and is not a guide to the future risk and reward category of the sub-fund. The category shown is not a target or guarantee and may shift over time. Even the lowest category 1 does not mean a risk-free investment. The seven-category scale is nonlinear, for example, 2 is not twice as risky as 1.

Sub-funds in category 5 have in the past shown moderately high volatility. With a sub-fund of category 5, you have a moderately high risk of losing money but your chance for gains is also moderately high.

**Investment risk** - there is no guarantee that the sub-fund will achieve its objective. A capital loss of some or all of the amount invested may occur.

**Geographic concentration risk** - a fall in the UK market may have a significant impact on the value of the sub-fund because it primarily invests in this market.

**Smaller companies risk** - smaller companies are subject to greater risk and reward potential. Investments may be volatile or difficult to buy or sell.

**Liquidity risk** - some investments may become hard to value or sell at a desired time and price. In extreme circumstances this may affect the sub-fund's ability to meet redemption requests upon demand.

**Currency risk** - the sub-fund is denominated in British Pounds but may hold assets denominated in, or with exposure to, other currencies. The value of your shares may rise and fall as a result of exchange rate movements between these currencies.

**Derivative risk** - the sub-fund may use derivatives to reduce costs and/or the overall risk of the sub-fund (i.e. Efficient Portfolio Management (EPM)). Derivatives involve a level of risk, however, for EPM they should not increase the overall riskiness of the sub-fund. Derivatives also involve counterparty risk where the institutions acting as counterparty to derivatives may not meet their contractual obligations.

**Capital erosion risk** - the sub-fund takes its charges from the income of the sub-fund in the first instance. The impact of sub-fund charges may be material on the value of any income you receive from your investment. There is potential for capital erosion if insufficient income is generated by the sub-fund to cover these charges. Capital erosion may have the effect of reducing the level of income generated.

For a more detailed explanation of risks, please refer to the "Risks" section of the prospectus.

## Performance Records

## Comparative Tables

Accumulation 'A'	1 August 2017 to 31 July 2018 p/share	1 August 2016 to 31 July 2017 p/share	1 August 2015 to 31 July 2016 p/share
<b>Change in net assets per share</b>			
Opening net asset value per share	507.53	357.62	343.06
Return before operating charges*	58.43	158.00	21.16
Operating charges**	(10.17)	(8.09)	(6.60)
Return after operating charges*	48.26	149.91	14.56
Distributions	-	-	(0.04)
Retained distributions	-	-	0.04
Closing net asset value per share	555.79	507.53	357.62
* after direct transaction costs of***	0.45	0.69	0.54
<b>Performance</b>			
Return after charges	9.51%	41.92%	4.24%
<b>Other information</b>			
Closing net asset value (£)	289,768,109	281,745,812	220,094,911
Closing number of shares	52,136,322	55,513,641	61,544,035
Operating charges****	1.90%	1.90%	1.90%
Direct transaction costs***	0.08%	0.16%	0.16%
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	565.4	533.47	390.61
Lowest share price	504.0	357.13	317.66
<b>Income 'A'</b>	<b>1 August 2017 to 31 July 2018 p/share</b>	<b>1 August 2016 to 31 July 2017 p/share</b>	<b>1 August 2015 to 31 July 2016 p/share</b>
<b>Change in net assets per share</b>			
Opening net asset value per share	486.31	342.68	328.73
Return before operating charges*	55.98	151.38	20.27
Operating charges**	(9.74)	(7.75)	(6.32)
Return after operating charges*	46.24	143.63	13.95
Distributions	-	-	-
Retained distributions	-	-	-
Closing net asset value per share	532.55	486.31	342.68
* after direct transaction costs of***	0.43	0.66	0.52
<b>Performance</b>			
Return after charges	9.51%	41.91%	4.24%
<b>Other information</b>			
Closing net asset value (£)	33,450,944	35,968,088	28,227,323
Closing number of shares	6,281,238	7,396,119	8,237,328
Operating charges****	1.90%	1.90%	1.90%
Direct transaction costs***	0.08%	0.16%	0.16%
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	541.7	511.17	374.29
Lowest share price	482.9	342.19	304.39

## Comparative Tables (continued)

Accumulation 'P'	1 August 2017 to 31 July 2018 p/share	1 August 2016 to 31 July 2017 p/share	1 August 2015 to 31 July 2016 p/share
<b>Change in net assets per share</b>			
Opening net asset value per share	378.81	265.52	253.48
Return before operating charges*	43.71	117.76	15.64
Operating charges**	(5.61)	(4.47)	(3.60)
Return after operating charges*	38.10	113.29	12.04
Distributions	(0.63)	(1.18)	(1.35)
Retained distributions	0.63	1.18	1.35
Closing net asset value per share	416.91	378.81	265.52
* after direct transaction costs of***	0.34	0.52	0.40
<b>Performance</b>			
Return after charges	10.06%	42.67%	4.75%
<b>Other information</b>			
Closing net asset value (£)	3,127,107	2,532,465	1,600,136
Closing number of shares	750,063	668,530	602,639
Operating charges****	1.40%	1.40%	1.40%
Direct transaction costs***	0.08%	0.16%	0.16%
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	423.8	398.06	289.80
Lowest share price	376.2	265.17	235.77
<b>Income 'P'</b>	<b>1 August 2017 to 31 July 2018 p/share</b>	<b>1 August 2016 to 31 July 2017 p/share</b>	<b>1 August 2015 to 31 July 2016 p/share</b>
<b>Change in net assets per share</b>			
Opening net asset value per share	220.97	155.43	149.10
Return before operating charges*	25.52	68.80	9.24
Operating charges**	(3.28)	(2.57)	(2.12)
Return after operating charges*	22.24	66.23	7.12
Distributions	(0.45)	(0.69)	(0.79)
Retained distributions	-	-	-
Closing net asset value per share	242.76	220.97	155.43
* after direct transaction costs of***	0.20	0.30	0.24
<b>Performance</b>			
Return after charges	10.06%	42.61%	4.78%
<b>Other information</b>			
Closing net asset value (£)	811,400	490,549	565,224
Closing number of shares	334,246	221,996	363,649
Operating charges****	1.40%	1.40%	1.40%
Direct transaction costs***	0.08%	0.16%	0.16%
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	247.2	233.02	170.50
Lowest share price	219.5	155.22	138.72

## Comparative Tables (continued)

Accumulation 'R'	1 August 2017 to 31 July 2018 p/share	1 August 2016 to 31 July 2017 p/share	1 August 2015 to 31 July 2016 p/share
<b>Change in net assets per share</b>			
Opening net asset value per share	267.25	186.67	177.51
Return before operating charges*	30.89	82.88	11.02
Operating charges**	(2.90)	(2.30)	(1.86)
Return after operating charges*	27.99	80.58	9.16
Distributions	(1.51)	(1.67)	(1.62)
Retained distributions	1.51	1.67	1.62
Closing net asset value per share	295.24	267.25	186.67
* after direct transaction costs of***	0.24	0.37	0.28
<b>Performance</b>			
Return after charges	10.47%	43.17%	5.16%
<b>Other information</b>			
Closing net asset value (£)	547,184,307	436,193,614	268,754,303
Closing number of shares	185,336,909	163,214,941	143,969,119
Operating charges****	1.03%	1.03%	1.03%
Direct transaction costs***	0.08%	0.16%	0.16%
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	300.0	270.10	195.80
Lowest share price	265.5	186.43	165.72
<b>Income 'R'</b>	<b>1 August 2017 to 31 July 2018 p/share</b>	<b>1 August 2016 to 31 July 2017 p/share</b>	<b>1 August 2015 to 31 July 2016 p/share</b>
<b>Change in net assets per share</b>			
Opening net asset value per share	245.58	172.61	165.58
Return before operating charges*	28.40	76.62	10.28
Operating charges**	(2.67)	(2.11)	(1.74)
Return after operating charges*	25.73	74.51	8.54
Distributions	(1.39)	(1.54)	(1.51)
Retained distributions	-	-	-
Closing net asset value per share	269.92	245.58	172.61
* after direct transaction costs of***	0.22	0.34	0.26
<b>Performance</b>			
Return after charges	10.48%	43.17%	5.16%
<b>Other information</b>			
Closing net asset value (£)	188,525,849	155,681,571	128,864,992
Closing number of shares	69,845,301	63,392,200	74,654,621
Operating charges****	1.03%	1.03%	1.03%
Direct transaction costs***	0.08%	0.16%	0.16%
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	275.7	249.77	182.65
Lowest share price	243.9	172.39	154.59

## Comparative Tables (continued)

Accumulation 'U1'	1 August 2017 to 31 July 2018 p/share	1 August 2016 to 31 July 2017 p/share	1 August 2015 to 31 July 2016 p/share
<b>Change in net assets per share</b>			
Opening net asset value per share	168.13	117.33	111.47
Return before operating charges*	19.44	52.13	6.93
Operating charges**	(1.67)	(1.33)	(1.07)
Return after operating charges*	17.77	50.80	5.86
Distributions	(1.11)	(1.17)	(1.12)
Retained distributions	1.11	1.17	1.12
Closing net asset value per share	185.90	168.13	117.33
* after direct transaction costs of***	0.15	0.23	0.18
<b>Performance</b>			
Return after charges	10.57%	43.30%	5.26%
<b>Other information</b>			
Closing net asset value (£)	266,790,653	202,258,318	102,189,206
Closing number of shares	143,516,044	120,300,916	87,092,522
Operating charges****	0.94%	0.94%	0.94%
Direct transaction costs***	0.08%	0.16%	0.16%
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	188.9	169.92	123.06
Lowest share price	167.0	117.18	104.16
<b>Income 'U1'</b>	<b>1 August 2017 to 31 July 2018 p/share</b>	<b>1 August 2016 to 31 July 2017 p/share</b>	<b>1 August 2015 to 31 July 2016 p/share</b>
<b>Change in net assets per share</b>			
Opening net asset value per share	169.35	119.02	114.17
Return before operating charges*	19.59	52.85	7.09
Operating charges**	(1.68)	(1.33)	(1.09)
Return after operating charges*	17.91	51.52	6.00
Distributions	(1.12)	(1.19)	(1.15)
Retained distributions	-	-	-
Closing net asset value per share	186.14	169.35	119.02
* after direct transaction costs of***	0.15	0.23	0.18
<b>Performance</b>			
Return after charges	10.58%	43.29%	5.26%
<b>Other information</b>			
Closing net asset value (£)	53,818,047	40,907,236	34,666,496
Closing number of shares	28,912,206	24,154,810	29,125,483
Operating charges****	0.94%	0.94%	0.94%
Direct transaction costs***	0.08%	0.16%	0.16%
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	190.3	172.37	126.04
Lowest share price	168.2	118.87	106.68

## Comparative Tables (continued)

Accumulation 'U2'	1 August 2017 to 31 July 2018 p/share	1 August 2016 to 31 July 2017 p/share	1 August 2015 to 31 July 2016 p/share
<b>Change in net assets per share</b>			
Opening net asset value per share	167.23	116.61	110.68
Return before operating charges*	19.35	51.79	6.89
Operating charges**	(1.52)	(1.17)	(0.96)
Return after operating charges*	17.83	50.62	5.93
Distributions	(1.26)	(1.29)	(1.22)
Retained distributions	1.26	1.29	1.22
Closing net asset value per share	185.06	167.23	116.61
* after direct transaction costs of***	0.15	0.22	0.18
<b>Performance</b>			
Return after charges	10.66%	43.41%	5.36%
<b>Other information</b>			
Closing net asset value (£)	12,257,879	4,180,472	5,386,134
Closing number of shares	6,623,763	2,499,804	4,618,949
Operating charges****	0.85%	0.85%	0.85%
Direct transaction costs***	0.08%	0.16%	0.16%
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	188.0	169.02	122.28
Lowest share price	166.1	116.46	103.51
<b>Income 'U2'</b>	<b>1 August 2017 to 31 July 2018 p/share</b>	<b>1 August 2016 to 31 July 2017 p/share</b>	<b>1 August 2015 to 31 July 2016 p/share</b>
<b>Change in net assets per share</b>			
Opening net asset value per share	160.77	112.97	108.36
Return before operating charges*	18.61	50.20	6.74
Operating charges**	(1.45)	(1.15)	(0.94)
Return after operating charges*	17.16	49.05	5.80
Distributions	(1.21)	(1.25)	(1.19)
Retained distributions	-	-	-
Closing net asset value per share	176.72	160.77	112.97
* after direct transaction costs of***	0.14	0.22	0.17
<b>Performance</b>			
Return after charges	10.67%	43.42%	5.35%
<b>Other information</b>			
Closing net asset value (£)	38,504,698	40,198,400	24,693,045
Closing number of shares	21,788,838	25,003,305	21,858,015
Operating charges****	0.85%	0.85%	0.85%
Direct transaction costs***	0.08%	0.16%	0.16%
<b>Prices</b>	<b>pence per share</b>	<b>pence per share</b>	<b>pence per share</b>
Highest share price	180.8	163.75	119.71
Lowest share price	159.7	112.83	101.33

\*\* The operating charges include all costs borne by the sub-fund, except for direct transaction costs.

\*\*\* The direct transaction costs are made up of fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges as well as transfer taxes and duties. They do not include any difference between the quoted bid and offer prices or internal administrative or holding costs. These costs arise as a result of transactions undertaken both for efficient portfolio management and the meeting of the sub-fund's objectives. These costs exclude any effect of dilution adjustments used to offset the costs.

\*\*\*\* The operating charges percentage is the ratio of the sub-fund's ongoing charges (excluding interest on borrowings) to the average net assets of the sub-fund.

## Performance

	6 months to 31 July 2018	1 year to 31 July 2018	3 years to 31 July 2018	5 years to 31 July 2018
Old Mutual UK Smaller Companies Fund*	3.03%	10.68%	66.68%	114.86%
Numis Smaller Companies Index (benchmark)	2.27%	4.96%	28.95%	60.97%
IA UK Smaller Companies (sector average)	4.83%	13.27%	47.76%	91.44%
Quartile ranking	3	3	1	2

\* Accumulation 'R' shares

\*\* Performance is based on the quoted NAV as at 31 July 2018, and hence differs from the comparative tables which have been adjusted as a result of post balance sheet events.

Data Source – Factset. Figures are calculated on a total return and single price basis, with net income reinvested into the sub-fund.

Portfolio allocation		Major holdings	Percentage of portfolio
Support Services	16.73%	Fevertree Drinks	4.09%
Financial Services	13.47%	Blue Prism	3.52%
Software & Computer Services	11.47%	Ascential	3.18%
General Retailers	4.70%	boohoo.com	3.02%
Media	4.30%	Clinigen	2.54%
Beverages	4.09%	Burford Capital	2.29%
Real Estate Investment Trusts	3.97%	Smart Metering Systems	2.24%
Pharmaceuticals & Biotechnology	3.55%	Restore	2.21%
Real Estate Investment & Services	3.23%	OneSavings Bank	2.06%
Construction & Materials	2.97%	The Hut Group	2.05%
Travel & Leisure	2.83%		
Household Goods & Home Construction	2.67%	Number of holdings	84
Industrial Engineering	2.10%		
Retail	2.05%		
Food Producers	1.98%		
Nonlife Insurance	1.79%		
Oil & Gas Producers	1.52%		
General Industrials	1.46%		
Oil Equipment, Services & Distribution	1.23%		
Electronic & Electrical Equipment	1.22%		
Health Care Equipment & Services	1.15%		
Chemicals	1.06%		
Leisure Goods	0.93%		
Personal Goods	0.78%		
Mining	0.35%		
Life Insurance	0.03%		
Net other assets	8.37%		
<b>Total</b>	<b>100.00%</b>		
<b>Asset Allocation</b>			
Equities	91.63%		
Net other assets	8.37%		
<b>Total</b>	<b>100.00%</b>		

## Portfolio statement

as at 31 July 2018

Holding	Investment	Market Value £'000	Percentage of total net assets %
	United Kingdom 87.96% (31 July 2017 89.45%)		
	United Kingdom Equities 87.96% (31 July 2017 89.45%)		
	Beverages 4.09% (31 July 2017 4.71%)		
1,684,000	Fevertree Drinks	58,620	4.09
		58,620	4.09
	Chemicals 1.06% (31 July 2017 1.19%)		
2,887,000	Synthomer	15,272	1.06
		15,272	1.06
	Construction & Materials 2.97% (31 July 2017 3.92%)		
20,142,795	Breedon	16,396	1.14
3,126,877	Marshalls	13,414	0.94
5,962,000	Melrose Industries	12,759	0.89
		42,569	2.97
	Electronic & Electrical Equipment 0.31% (31 July 2017 0.76%)		
465,394	Oxford Instruments	4,440	0.31
		4,440	0.31
	Financial Services 13.28% (31 July 2017 8.33%)		
1,772,000	Burford Capital	32,782	2.29
8,288,000	Charter Court Financial Services	27,931	1.95
3,781,953	Draper Esprit	21,935	1.53
1,523,866	IntegraFin	5,714	0.40
3,133,500	JTC	12,095	0.84
2,430,000	Liontrust Asset Management	15,892	1.11
837,552	Mortgage Advice Bureau	5,545	0.39
6,789,930	OneSavings Bank	29,618	2.06
4,969,500	Premier Asset Management	14,014	0.98
401,000	Transferwise†	16,560	1.15
4,786,641	Xafinity	8,377	0.58
		190,463	13.28
	Food & Drug Retailers 0.00% (31 July 2017 2.17%)		
	Food Producers 1.98% (31 July 2017 0.94%)		
1,941,000	Hilton Food	18,867	1.32
2,795,032	Hotel Chocolat	9,503	0.66
		28,370	1.98
	General Industrials 1.46% (31 July 2017 1.38%)		
3,292,000	Vesuvius	20,987	1.46
		20,987	1.46
	General Retailers 3.65% (31 July 2017 6.72%)		
21,351,304	boohoo.com	43,322	3.02
2,772,582	Joules	8,983	0.63
		52,305	3.65



## Portfolio statement (continued)

as at 31 July 2018

Holding	Investment	Market Value £'000	Percentage of total net assets %
	<b>Health Care Equipment &amp; Services 1.15% (31 July 2017 0.84%)</b>		
1,309,493	Consort Medical	14,483	1.01
1,434,635	Medica	1,988	0.14
		<b>16,471</b>	<b>1.15</b>
	<b>Household Goods &amp; Home Construction 2.67% (31 July 2017 2.69%)</b>		
4,939,000	Crest Nicholson	18,827	1.31
2,354,127	Victoria	19,445	1.36
		<b>38,272</b>	<b>2.67</b>
	<b>Industrial Engineering 1.80% (31 July 2017 2.23%)</b>		
2,594,000	Bodycote	25,836	1.80
		<b>25,836</b>	<b>1.80</b>
	<b>Industrial Transportation 0.00% (31 July 2017 0.43%)</b>		
	<b>Leisure Goods 0.93% (31 July 2017 0.41%)</b>		
3,739,692	Codemasters	8,003	0.56
784,207	Gear4Music	5,270	0.37
		<b>13,273</b>	<b>0.93</b>
	<b>Life Insurance 0.03% (31 July 2017 0.79%)</b>		
440,407	Just Group	479	0.03
		<b>479</b>	<b>0.03</b>
	<b>Media 4.30% (31 July 2017 4.78%)</b>		
10,952,619	Ascential	45,585	3.18
87,232	Euromoney Institutional Investor	1,192	0.08
1,342,993	Future	6,460	0.45
7,501,148	Huntsworth	8,476	0.59
		<b>61,713</b>	<b>4.30</b>
	<b>Mining 0.00% (31 July 2017 0.81%)</b>		
	<b>Nonlife Insurance 1.79% (31 July 2017 1.12%)</b>		
1,996,000	Lancashire	11,317	0.79
5,149,193	Sabre Insurance	14,315	1.00
		<b>25,632</b>	<b>1.79</b>
	<b>Oil &amp; Gas Producers 1.52% (31 July 2017 0.80%)</b>		
7,806,400	Amerisur Resources	1,115	0.08
5,357,000	Cairn Energy	13,221	0.92
5,763,000	Premier Oil	7,446	0.52
		<b>21,782</b>	<b>1.52</b>
	<b>Oil Equipment, Services &amp; Distribution 1.23% (31 July 2017 0.00%)</b>		
2,227,000	Hunting	17,571	1.23
		<b>17,571</b>	<b>1.23</b>
	<b>Personal Goods 0.78% (31 July 2017 0.00%)</b>		
907,014	Superdry	11,238	0.78
		<b>11,238</b>	<b>0.78</b>

## Portfolio statement (continued)

as at 31 July 2018

Holding	Investment	Market Value £'000	Percentage of total net assets %
	<b>Pharmaceuticals &amp; Biotechnology 3.55% (31 July 2017 4.90%)</b>		
3,675,039	Clinigen	36,401	2.54
2,950,383	Eco Animal Health	14,457	1.01
		<b>50,858</b>	<b>3.55</b>
	<b>Real Estate Investment &amp; Services 3.23% (31 July 2017 4.35%)</b>		
4,959,000	Helical Bar	15,918	1.11
4,334,925	Purplebricks	12,008	0.84
2,066,000	Savills	18,356	1.28
		<b>46,282</b>	<b>3.23</b>
	<b>Real Estate Investment Trusts 3.97% (31 July 2017 3.86%)</b>		
1,382,000	Big Yellow	13,101	0.91
1,844,000	Unite	16,181	1.13
2,546,000	Workspace	27,700	1.93
		<b>56,982</b>	<b>3.97</b>
	<b>Retail 2.05% (31 July 2017 0.00%)</b>		
53,949	The Hut Group*	29,429	2.05
		<b>29,429</b>	<b>2.05</b>
	<b>Software &amp; Computer Services 11.47% (31 July 2017 11.96%)</b>		
628,000	Accesso Technology	17,019	1.19
507,000	AVEVA	13,253	0.92
2,805,373	Blue Prism	50,553	3.52
2,184,972	FDM	20,823	1.45
322,000	First Derivatives	12,880	0.90
2,623,000	GB Group	14,400	1.00
1,417,858	IMImobile	4,537	0.32
627,124	LoopUp	2,822	0.20
3,585,000	Microgen	14,232	0.99
1,997,519	SDL	10,067	0.70
660,893	Tracsis	4,031	0.28
		<b>164,617</b>	<b>11.47</b>
	<b>Support Services 15.86% (31 July 2017 18.64%)</b>		
2,602,548	Alpha Financial Markets	6,819	0.48
1,954,669	Electrocomponents	13,886	0.97
21,329,237	Johnson Service	29,221	2.04
3,298,518	Knights	5,607	0.39
9,527,028	Learning Technologies	9,622	0.67
1,958,327	Midwich	12,533	0.87
3,294,992	Mind Gym	5,931	0.41
6,369,190	Restore	31,719	2.21
3,602,000	Robert Walters	26,943	1.88
5,092,000	RWS	23,398	1.63
2,210,754	Sanne	15,630	1.09
5,098,525	Smart Metering Systems	32,070	2.24
23,015,000	Speedy Hire	14,131	0.98
		<b>227,510</b>	<b>15.86</b>

## Portfolio statement (continued)

as at 31 July 2018

Holding	Investment	Market Value £'000	Percentage of total net assets %
	Travel & Leisure 2.83% (31 July 2017 0.72%)		
617,163	El Group	963	0.07
5,637,133	Gym Group	16,545	1.15
70,768	Secret Escapes*	12,209	0.85
855,000	Young & Co's Brewery 'A' (non-voting)	10,944	0.76
		<u>40,661</u>	<u>2.83</u>
	Overseas 3.67% (31 July 2017 5.02%)		
	Asia Pacific (excluding Japan) 0.91% (31 July 2017 0.76%)		
	Singapore Equities 0.91% (31 July 2017 0.76%)		
	Electronic & Electrical Equipment 0.91% (31 July 2017 0.76%)		
359,000	XP Power (UK Listing)	12,996	0.91
		<u>12,996</u>	<u>0.91</u>
	Europe 1.92% (31 July 2017 3.03%)		
	Ireland Equities 1.92% (31 July 2017 2.19%)		
	Food Producers 0.00% (31 July 2017 1.44%)		
	General Retailers 1.05% (31 July 2017 0.00%)		
2,825,000	Applegreen	15,086	1.05
		<u>15,086</u>	<u>1.05</u>
	Support Services 0.87% (31 July 2017 0.75%)		
692,735	Keywords Studios	12,442	0.87
		<u>12,442</u>	<u>0.87</u>
	Switzerland Equities 0.00% (31 July 2017 0.84%)		
	Mining 0.00% (31 July 2017 0.84%)		
	South America 0.35% (31 July 2017 0.75%)		
	Peru Equities 0.35% (31 July 2017 0.75%)		
	Mining 0.35% (31 July 2017 0.75%)		
2,893,000	Hochschild Mining	5,024	0.35
		<u>5,024</u>	<u>0.35</u>
	North America 0.49% (31 July 2017 0.48%)		
	United States Equities 0.49% (31 July 2017 0.48%)		
	Financial Services 0.19% (31 July 2017 0.48%)		
3,623,985	FFI	2,718	0.19
		<u>2,718</u>	<u>0.19</u>

## Portfolio statement (continued)

as at 31 July 2018

Holding	Investment	Market Value £'000	Percentage of total net assets %
1,149,000	Industrial Engineering 0.30% (31 July 2017 0.00%) Somero Enterprises	4,309	0.30
		4,309	0.30
	Investment assets	1,314,207	91.63
	Net other assets	120,032	8.37
	Total net assets	1,434,239	100.00

\* Unlisted, suspended and delisted securities within the meaning of the COLL.

† Subsequent to the year end, the valuation of this unlisted security was revised based on a more recent review of the fair value. This change is reflected in the financial statements presented for the sub-fund however was not reflected in the NAV struck on the year end date for pricing purposes.

All investments are approved securities being either officially listed in a member state or traded on or under the rules of an eligible securities market, unless otherwise stated.

All investments are ordinary shares unless otherwise stated.

## Statement of total return

for the year from 1 August 2017 to 31 July 2018

	Note	01.08.17 to 31.07.18 £'000	01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000	01.08.16 to 31.07.17 £'000
Income					
Net capital gains	2		121,891		339,007
Revenue	3	20,899		17,102	
Expenses	4	(16,210)		(12,099)	
Net revenue before taxation		4,689		5,003	
Taxation	5	(40)		-	
Net revenue after taxation			4,649		5,003
<b>Total return before distributions</b>			<b>126,540</b>		<b>344,010</b>
Distributions	6		(5,772)		(5,404)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>120,768</b>		<b>338,606</b>

## Statement of change in net assets attributable to shareholders

for the year from 1 August 2017 to 31 July 2018

	01.08.17 to 31.07.18 £'000	01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000	01.08.16 to 31.07.17 £'000
Opening net assets attributable to shareholders		1,200,157		815,042
Amounts received on issue of shares	220,194		143,678	
Amounts paid on cancellation of shares	(112,388)		(102,970)	
		107,806		40,708
Dilution adjustment		1,022		1,620
Change in net assets attributable to shareholders from investment activities		120,768		338,606
Retained distribution on accumulation shares		4,486		4,181
<b>Closing net assets attributable to shareholders</b>		<b>1,434,239</b>		<b>1,200,157</b>

The notes on pages 175 to 182 form an integral part of these financial statements.

## Balance sheet

as at 31 July 2018

	Note	31.07.18 £'000	31.07.17 £'000
<b>Assets</b>			
Fixed assets			
Investments		1,314,207	1,133,731
Current assets			
Debtors	7	6,484	7,074
Cash and bank balances	8	118,189	68,638
Total assets		1,438,880	1,209,443
<b>Liabilities</b>			
Creditors			
Distribution payable		(1,560)	(1,579)
Other creditors	9	(3,081)	(7,707)
Total liabilities		(4,641)	(9,286)
<b>Net assets attributable to shareholders</b>		<b>1,434,239</b>	<b>1,200,157</b>

The notes on pages 175 to 182 form an integral part of these financial statements.

## Notes to the financial statements

for the year from 1 August 2017 to 31 July 2018

### 1 Accounting policies

The applicable accounting policies adopted by the Old Mutual UK Smaller Companies Fund are included on pages 184 to 185.

### 2 Net capital gains

The net capital gains on investments comprise:

Gains on non-derivative securities

(Losses)/gains on currency contracts

Handling charges

Net capital gains on investments

01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000
121,977	338,994
(81)	18
(5)	(5)
<b>121,891</b>	<b>339,007</b>

### 3 Revenue

Bank interest

Non-taxable overseas dividends

UK dividends

UK REIT dividends

Total revenue

01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000
52	26
1,626	2,098
17,749	13,838
1,472	1,140
<b>20,899</b>	<b>17,102</b>

### 4 Expenses

Payable to the Authorised Corporate Director, associates of the Authorised Corporate Director and agents of either of them:

Fixed Ongoing Charge\*

Authorised Corporate Director's periodic charge\*\*

Fixed expenses\*\*

Total expenses

01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000
6,989	-
8,092	10,650
1,129	1,449
<b>16,210</b>	<b>12,099</b>

\* This figure represents the Fixed Ongoing Charge that was introduced from 1 March 2018, which covers all fees payable by the sub-fund to the Authorised Corporate Director, Investment adviser, Depositary (including associates etc.) and other expenses.

\*\* These figures represent the charges to 28 February 2018, which have now been replaced by the Fixed Ongoing Charge. The Audit fee for the year, excluding VAT, was £9,300 (31 July 2017: £9,100). As a result of the change to a Fixed Ongoing Charge basis, this expense is split between other expenses and Fixed Ongoing Charge.

## Notes to the financial statements (continued)

for the year from 1 August 2017 to 31 July 2018

### 5 Taxation

#### a) Analysis of tax charge in the year

	01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000
Overseas tax suffered	40	-
<b>Total current tax charge for the year</b>	<b>40</b>	<b>-</b>
Deferred tax charge for the year (see note 5(c))	-	-
<b>Total taxation for the year (see note 5(b))</b>	<b>40</b>	<b>-</b>

#### b) Factors affecting current tax charge for the year

	01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000
The taxation assessed for the year is lower than the standard rate of corporation tax in the UK for an open-ended investment company (20%). The differences are explained below:		
Net revenue before taxation	4,689	5,003
Corporation tax at 20% (31 July 2017: 20%)	938	1,000
Effects of:		
Excess management expenses for which no relief is taken	2,937	2,187
Revenue not subject to taxation – UK	(3,550)	(2,768)
Non-taxable overseas dividends	(325)	(419)
Overseas tax suffered	40	-
<b>Total tax charge for the year (see note 5(a))</b>	<b>40</b>	<b>-</b>

OEICs are exempt from tax on capital gains, therefore, any capital return is not included in the above reconciliation.

#### c) Movement in deferred tax liability

	01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000
Deferred tax liability at the start of the year	-	-
Deferred tax charge for the year (see note 5(a))	-	-
<b>Deferred tax liability at the end of the year</b>	<b>-</b>	<b>-</b>

At 31 July 2018 the sub-fund had surplus management expenses of £121,950,729 (31 July 2017: £107,264,672) which can be utilised against profits chargeable to corporation tax in future periods. It is unlikely that the sub-fund will generate sufficient taxable profits in the future to utilise these expenses and, therefore, no deferred tax asset has been recognised.



## Notes to the financial statements (continued)

for the year from 1 August 2017 to 31 July 2018

### 6 Distributions

The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	01.08.17 to 31.07.18 £'000	01.08.16 to 31.07.17 £'000
Final – Accumulation shares (31 July)	4,486	4,181
Final – Income shares (31 July)	1,559	1,579
	<b>6,045</b>	<b>5,760</b>
Revenue deducted on cancellation of shares	217	245
Revenue received on issue of shares	(490)	(601)
<b>Distributions</b>	<b>5,772</b>	<b>5,404</b>
<b>Reconciliation of distributions:</b>		
Net revenue after taxation	4,649	5,003
Equalisation on conversion	25	58
Revenue deficit reimbursed from capital	1,098	343
<b>Distributions</b>	<b>5,772</b>	<b>5,404</b>

Details of the final distributions per share are set out in the table on page 183.

### 7 Debtors

	31.07.18 £'000	31.07.17 £'000
Accrued revenue	1,531	907
Amounts receivable for issue of shares	2,309	5,029
Overseas tax recoverable	1	-
Sales awaiting settlement	2,643	1,138
<b>Total debtors</b>	<b>6,484</b>	<b>7,074</b>

### 8 Cash and bank balances

	31.07.18 £'000	31.07.17 £'000
Cash and bank balances	118,189	68,638
<b>Total cash and bank balances</b>	<b>118,189</b>	<b>68,638</b>

### 9 Other creditors

	31.07.18 £'000	31.07.17 £'000
Accrued Authorised Corporate Director's periodic charge	-	1,058
Accrued expenses	1,466	146
Amounts payable for cancellation of shares	1,264	309
Purchases awaiting settlement	351	6,194
<b>Total other creditors</b>	<b>3,081</b>	<b>7,707</b>

### 10 Related party transactions

Quilter Investors Limited, as ACD, is a related party, and acts as principal in respect of all transactions of shares in each sub-fund. The aggregate monies received on issue and paid on cancellation are disclosed in the Statement of change in net assets attributable to shareholders on page 173. Any amounts due to or from Quilter Investors Limited at the end of the accounting period in respect of transactions of shares in each sub-fund are disclosed in notes 7 and 9. Other amounts paid to the ACD are disclosed in note 4 and amounts due to it at the period end are disclosed in note 9.

## Notes to the financial statements (continued)

for the year from 1 August 2017 to 31 July 2018

### 11 Derivatives and other financial instruments

#### a) Financial instrument risk

The sub-fund, in pursuing its objective, holds a number of financial instruments, which may comprise of the following:

Equity shares and equity related shares.

The sub-fund will also hold cash and other short term debtors and creditors that arise directly from its operations.

In addition, the sub-fund may hold derivatives in the form of forward foreign exchange contracts and/or futures contracts for the purpose of efficient portfolio management in accordance with the COLL Sourcebook.

The financial instruments are held in line with the sub-fund's investment policy.

Each Investment Adviser is responsible for monitoring the portfolio of his/her sub-fund in accordance with its investment objective and seeks to ensure that individual assets also meet a risk reward profile that is acceptable. The ACD has appointed specialist managers to manage the sub-fund, and continuously monitors this appointment.

Adherence to the investment guidelines and the investment and borrowing powers as set out in the Prospectus and in the rules of the Regulations also mitigates the risk of excessive exposure to any particular type of security or issuer. Further information on the investment portfolio is set out in the Investment Manager's review and the Portfolio statement of each sub-fund.

The main risks arising from financial instruments are interest rate risk, foreign currency risk, credit risk, counterparty risk, liquidity risk and market risk which are summarised below.

#### b) Foreign currency risk

A proportion of the sub-fund's financial assets and liabilities are invested overseas. As a result, movements in exchange rates may affect the market price of investments and, due to timing differences between the transaction dates of investment sales, purchases and income, and actual cash settlement, create currency exchange gains/losses. The Investment Adviser does seek to reduce some of this risk by using forward currency contracts.

The direct foreign currency exposure of the sub-fund as at 31 July 2018 (31 July 2017) was as follows:

Currency	Net foreign currency assets			Net foreign currency assets		
	Monetary exposures* 31.07.18 £'000	Non-monetary exposures 31.07.18 £'000	Total 31.07.18 £'000	Monetary exposures* 31.07.17 £'000	Non-monetary exposures 31.07.17 £'000	Total 31.07.17 £'000
Euro	1	-	1	-	-	-
US Dollar	-	16,560	16,560	-	-	-
<b>Total</b>	<b>1</b>	<b>16,560</b>	<b>16,561</b>	<b>-</b>	<b>-</b>	<b>-</b>

\* For the purpose of the above disclosure, monetary is taken to include only cash or near-cash items.

#### Currency sensitivity

A 5% increase in the value of the sub-fund's foreign currency exposure would have the effect of increasing the return and net assets as at 31 July 2018 by £828,0368 or 0.05% (31 July 2017: £Nil). A 5% decrease would have an equal and opposite effect.

#### c) Interest rate risk

Interest rate risk is the risk of movements in the value of financial instruments as a result of fluctuations in interest rates.

The interest rate risk profile of the sub-fund's financial assets and liabilities at 31 July 2018 (31 July 2017) was as follows:

Currency	Variable rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
31.07.18				
Euro	-	-	1	1
Sterling	118,189	-	1,304,130	1,422,319
US Dollar	-	-	16,560	16,560
<b>Total</b>	<b>118,189</b>	<b>-</b>	<b>1,320,691</b>	<b>1,438,880</b>

Currency	Variable rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
31.07.17				
Sterling	68,638	-	1,140,805	1,209,443
<b>Total</b>	<b>68,638</b>	<b>-</b>	<b>1,140,805</b>	<b>1,209,443</b>

## Notes to the financial statements (continued)

for the year from 1 August 2017 to 31 July 2018

### 11 Derivatives and other financial instruments (continued)

#### c) Interest rate risk (continued)

Currency	Variable rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
31.07.18			
Sterling	-	(4,641)	(4,641)
<b>Total</b>	<b>-</b>	<b>(4,641)</b>	<b>(4,641)</b>

Currency	Variable rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
31.07.17			
Sterling	-	(9,286)	(9,286)
<b>Total</b>	<b>-</b>	<b>(9,286)</b>	<b>(9,286)</b>

#### Interest rate risk sensitivity

In the event of changes in interest rates, there would be no material impact upon the assets of the sub-fund.

#### d) Credit risk

Credit risk is the risk of suffering loss due to another party not meeting its financial obligation. The risk is managed by the Investment Adviser who monitors the credit profile of financial instruments in accordance with the objective and policy of the sub-fund.

Adherence to the investment guidelines and the investment and borrowing powers as set out in the Prospectus and in the rules of the Regulations also mitigates the risk of excessive exposure to any particular type of security or issuer. Further information on the investment portfolio is set out in the Investment Manager's review and the Portfolio statement.

#### e) Counterparty risk

Certain transactions in financial instruments that the sub-fund enters into have the risk that the counterparty will not meet its financial obligations, i.e. the investment (purchase) or cash (sale) after the sub-fund has fulfilled its responsibilities.

The sub-fund will only buy and sell investments through brokers which have been approved by the ACD and Investment Adviser as an acceptable counterparty. This is overseen by the Depositary to ensure that the exposure to any counterparty remains appropriate for investors.

#### f) Liquidity risk

The sub-fund's assets comprise mainly of readily realisable securities which can be sold promptly to meet liquidity requirements. The main source of this risk comes from the obligation to shareholders to meet any cancellation of shares. Assets from the sub-fund may need to be sold to meet any redemption proceeds. As part of its operating duties the ACD regularly monitors the liquidity levels held on the sub-fund (cash and underlying securities) to ensure any redemption can be readily met. Some investments may be less liquid than other securities and can be more sensitive to economic factors. The rules of the Regulations mitigate the risk of excessive exposure to assets which are not readily realisable.

#### g) Market risk

Market risk arises from uncertainty about future prices of financial instruments held. The main source of risk to the sub-fund is the potential movement in the value of financial instruments held as a result of price fluctuations. Stock market prices can move erratically and be unpredictably affected by diverse factors including political and economic events but also rumours and sentiment. The ACD adheres to the investment guidelines and borrowing powers set out within the Prospectus and the COLL Sourcebook. In this way the ACD monitors and controls the exposure to risk from any type of security, sector or issuer. The sub-fund may also use derivative instruments to mitigate risk and reduce cost.

#### Market price risk sensitivity

A 5% market movement in the price of investments held by the sub-fund, with all other variables remaining constant, would result in an increase or decrease on net asset value of the sub-fund by approximately £65,710,340 or 4.58% (31 July 2017: £56,686,561 or 4.72%).

## Notes to the financial statements (continued)

for the year from 1 August 2017 to 31 July 2018

### 11 Derivatives and other financial instruments (continued)

#### h) Fair value of financial assets and liabilities

There is no material difference between the carrying value of the financial assets and liabilities, as shown in the Balance sheet, and their fair value.

Basis of valuation	31.07.18		31.07.17	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1: Quoted prices	1,240,923	-	1,128,629	-
Level 2: Observable market data	-	-	-	-
Level 3: Unobservable data*	73,284	-	5,102	-
<b>Total</b>	<b>1,314,207</b>	<b>-</b>	<b>1,133,731</b>	<b>-</b>

\* This figure is made up of 4 securities (2017: 2). The valuation technique applied has been reviewed by the ACD taking into account, where appropriate, latest dealing prices, broker statements, valuations from reliable sources, models using underlying investee financial performance information and other relevant factors.

#### i) Global exposure

The Investment Adviser assesses the market risk of the Old Mutual UK Smaller Companies Fund, including any derivative exposures, using a commitment approach. All exposure arising through the investment in financial derivative instruments will be covered by the underlying assets of the sub-fund. The sub-fund will use the commitment approach methodology to measure, monitor and manage the "leverage" effect produced by the use of financial derivative instruments and for the calculation of global exposure. As the sub-fund uses the commitment approach it must ensure that its global exposure does not exceed its total net asset value and the sub-fund may not therefore be leveraged in excess of 100% of its net asset value. In using the commitment approach for the calculation of global exposure, the sub-fund will convert each derivative position into the market value of an equivalent position in the underlying asset of that derivative. Using the commitment approach the global exposure is 0.00%.

### 12 Contingent liabilities

The sub-fund had no contingent liabilities at the Balance sheet date (31 July 2017: £Nil).

## Notes to the financial statements (continued)

for the year from 1 August 2017 to 31 July 2018

### 13 Portfolio transaction costs

#### Analysis of total purchase costs

31.07.18

Equities

Corporate actions

**Total**

**Total purchases including transaction costs**

Value	Commissions		Other costs	
£'000	£'000	%	£'000	%
402,986	140	0.03%	843	0.21%
535	-	-	-	-
<b>403,521</b>	<b>140</b>		<b>843</b>	
<b>404,504</b>				

31.07.17

Equities

Corporate actions

**Total**

**Total purchases including transaction costs**

Value	Commissions		Other costs	
£'000	£'000	%	£'000	%
362,966	252	0.07%	1,036	0.29%
19,253	-	-	-	-
<b>382,219</b>	<b>252</b>		<b>1,036</b>	
<b>383,507</b>				

#### Analysis of total sale costs

31.07.18

Equities

Corporate actions

**Total**

**Total sales including transaction costs**

Value	Commissions		Other costs	
£'000	£'000	%	£'000	%
334,220	170	0.05%	1	-
11,980	-	-	-	-
<b>346,200</b>	<b>170</b>		<b>1</b>	
<b>346,029</b>				

31.07.17

Equities

Corporate actions

**Total**

**Total sales including transaction costs**

Value	Commissions		Other costs	
£'000	£'000	%	£'000	%
316,000	289	0.09%	1	-
11,411	-	-	-	-
<b>327,411</b>	<b>289</b>		<b>1</b>	
<b>327,121</b>				

#### Transaction costs as a percentage of average Net Assets

Commissions:

Other costs:

31.07.18	31.07.17
0.02%	0.06%
0.06%	0.11%

In the case of shares, transaction costs are paid by the sub-fund on each transaction. Commissions relate to those paid to agents, advisers, brokers and dealers in the buying and selling of securities. Other costs include any additional fees that may be paid to agents, advisers, brokers and dealers as well as levies by regulatory agencies and security exchanges and any transfer taxes or duties. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike share, other types of investments have no separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads may vary considerably depending on the transaction value and market sentiment. At the balance sheet date the dealing spread was 0.80% (31 July 2017: 0.79%).

## Notes to the financial statements (continued)

for the year from 1 August 2017 to 31 July 2018

### 14 Shareholders' funds

The sub-fund currently has ten share classes: Accumulation 'A', Income 'A', Accumulation 'P', Income 'P', Accumulation 'R', Income 'R', Accumulation 'U1', Income 'U1', Accumulation 'U2' and Income 'U2'. The net asset value of each share class, net asset value per share and the number of shares in issue are given in the information pages for each sub-fund.

The share classes currently in issue and the Fixed Ongoing Charge of each share class are shown below. The comparative figure at the 31 July 2017, was the Authorised Corporate Directors' Fee, which is now included within the Fixed Ongoing Charge.

	31.07.18	31.07.17
- Accumulation 'A'	1.90%	1.75%
- Income 'A'	1.90%	1.75%
- Accumulation 'P'	1.40%	1.25%
- Income 'P'	1.40%	1.25%
- Accumulation 'R'	1.025%	0.875%
- Income 'R'	1.025%	0.875%
- Accumulation 'U1'	0.9375%	0.7875%
- Income 'U1'	0.9375%	0.7875%
- Accumulation 'U2'	0.85%	0.70%
- Income 'U2'	0.85%	0.70%

#### Share class movement reconciliation

	Opening	Issued	Redeemed	Converted	Closing
- Accumulation 'A'	55,513,641	1,066,380	(2,126,833)	(2,316,866)	52,136,322
- Income 'A'	7,396,119	1,296,441	(2,497,528)	86,206	6,281,238
- Accumulation 'P'	668,530	67,920	(121,475)	135,088	750,063
- Income 'P'	221,996	695,289	(273,622)	(309,417)	334,246
- Accumulation 'R'	163,214,941	13,016,984	(11,063,572)	20,168,556	185,336,909
- Income 'R'	63,392,200	32,890,779	(7,480,646)	(18,957,032)	69,845,301
- Accumulation 'U1'	120,300,916	12,072,707	(8,276,933)	19,419,354	143,516,044
- Income 'U1'	24,154,810	28,057,872	(6,508,307)	(16,792,169)	28,912,206
- Accumulation 'U2'	2,499,804	4,213,465	(130,410)	40,904	6,623,763
- Income 'U2'	25,003,305	2,956,338	(6,078,345)	(92,460)	21,788,838

### 15 Post balance sheet date events

On 28 September 2018, Old Mutual UK Smaller Companies Fund changed its name to Merian UK Smaller Companies Fund.

## Distribution table

### Final distribution

Group 1: Shares purchased prior to 1 August 2017  
 Group 2: Shares purchased from 1 August 2017 to 31 July 2018

	Net revenue pence per share	Equalisation pence per share*	Distribution paid 30.09.18 pence per share	Distribution paid 30.09.17 pence per share
<b>Accumulation 'A' Shares</b>				
Group 1	0.0000	-	0.0000	0.0000
Group 2	0.0000	0.0000	0.0000	0.0000
<b>Income 'A' Shares</b>				
Group 1	0.0000	-	0.0000	0.0000
Group 2	0.0000	0.0000	0.0000	0.0000
<b>Accumulation 'P' Shares</b>				
Group 1	0.6336	-	0.6336	1.1843
Group 2	0.3819	0.2517	0.6336	1.1843
<b>Income 'P' Shares</b>				
Group 1	0.4479	-	0.4479	0.6906
Group 2	0.3811	0.0668	0.4479	0.6906
<b>Accumulation 'R' Shares</b>				
Group 1	1.5142	-	1.5142	1.6716
Group 2	0.8877	0.6265	1.5142	1.6716
<b>Income 'R' Shares</b>				
Group 1	1.3913	-	1.3913	1.5422
Group 2	0.7795	0.6118	1.3913	1.5422
<b>Accumulation 'U1' Shares</b>				
Group 1	1.1088	-	1.1088	1.1744
Group 2	0.6592	0.4496	1.1088	1.1744
<b>Income 'U1' Shares</b>				
Group 1	1.1166	-	1.1166	1.1892
Group 2	0.5222	0.5944	1.1166	1.1892
<b>Accumulation 'U2' Shares</b>				
Group 1	1.2581	-	1.2581	1.2894
Group 2	0.1537	1.1044	1.2581	1.2894
<b>Income 'U2' Shares</b>				
Group 1	1.2093	-	1.2093	1.2488
Group 2	0.6430	0.5663	1.2093	1.2488

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

## Accounting policies

### a) Basis of accounting

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of investments, in compliance with FRS 102 and in accordance with the Statement of Recommended Practice for Authorised Funds (SORP) issued by the Investment Management Association in May 2014.

### b) Recognition of revenue

Dividends on quoted ordinary shares, preference shares and distributions on holdings in Collective Investment Schemes are recognised when the securities are quoted ex-dividend. Where such securities are not quoted, dividends are recognised when they are declared. Nominal interest on interest bearing securities and bank interest are recognised on an accruals basis. Accrued interest purchased and sold on interest bearing securities is excluded from the capital cost of these securities and dealt with as part of the revenue of the sub-fund. Revenue arising on debt securities that are purchased at a discount/premium to the maturity value is amortised or accumulated over the life of such securities and recognised at a consistent rate over the life of the instrument (effective yield basis). This basis uses the effective interest rate of the security to discount exactly the expected stream of future cash flows to the current net carrying value of the security. All distributions from accumulation holdings in Collective Investment Schemes are treated as revenue. The equalisation component of collective investment scheme distributions has been recognised as capital.

### c) Treatment of stock dividends

Ordinary stock dividends are recognised wholly as revenue and are based on the market value of the shares on the dates they are quoted ex-dividend. Where an enhancement is offered, the amount by which the market value of the shares (on the date they are quoted ex-dividend) exceeds the cash dividend is taken to capital. The ordinary element of stock dividends is treated as revenue but does not form part of the distribution.

### d) Special dividends and share buy backs

The underlying circumstances behind both special dividends and share buy backs are reviewed on a case by case basis in determining whether the amount is revenue or capital in nature. Amounts recognised as revenue will form part of the distribution. Any tax treatment will follow the accounting treatment of the principal amount.

### e) Underwriting commissions

Underwriting commission is wholly recognised as revenue when the issue takes place, except where the sub-fund is required to take up some or all of the shares underwritten, in which case an appropriate proportion of the commission received is deducted from the cost of those shares.

### f) Treatment of expenses

All expenses, except those relating to the purchase and sale of investments, are included in expenses, in the Statement of Total Return. Expenses are recognised on an accruals basis and include irrecoverable VAT where appropriate.

### g) Revenue allocation share classes

Revenue is allocated to the share classes of each sub-fund based on the proportion of assets held within each share class.

### h) Rebate of Authorised Corporate Director's fees from underlying instruments

The sub-fund may be entitled to a rebate of Authorised Corporate Director's charge, or is sometimes paid as renewal commission, when it holds underlying investments in Collective Investment Schemes. This is accrued daily and treated as revenue or capital depending on the treatment of the ACD charge in the underlying investment.

### i) Taxation and deferred tax

Provision is made for corporation tax at the current rate on the excess of taxable revenue over allowable expenses. Provision is made on all material timing differences arising from the different treatment of items for accounting and tax purposes. A deferred tax asset is recognised only to the extent that there will be taxable profits in the future against which the asset can be offset.

### j) Distribution policy

All of the net revenue available for distribution at the end of interim and final distribution periods will be distributed to shareholders. Any share class in deficit of revenue will be made-up from the capital attributable to that share class. Should taxation and expenses taken together exceed revenue, there will be no distribution and the shortfall will be met from capital. The sub-fund distributes revenue on debt securities on an effective yield basis. Equalisation received on collective investment scheme distributions will be distributed.

For all sub-funds, some or all of any charges and expenses (including the charges of the ACD, the Depositary and the Administrator) may be treated as a capital expense in accordance with the Sourcebook, which may have the effect of constraining capital growth, as the Company may treat the generation of income as a higher priority than capital growth or (as the case may be) place equal emphasis on the generation of income and on capital growth. In respect of the Monthly Income Bond Fund the policy is to charge all expenses to capital. In respect of the UK Alpha Fund and UK Equity Income Fund the policy is to split the fee between income and capital. In respect of the UK Alpha Fund and UK Equity Income Fund the policy is to split the fee between revenue and capital. For the UK Alpha Fund, the policy is to charge 0.10% of the fixed ongoing charge to revenue with all other expenses charged to capital. For UK Equity Income Fund, the policy is to charge 0.15% of the fixed ongoing charge to revenue with all other expenses charged to capital.



## Accounting policies (continued)

### k) Basis of valuation of investments

The investments of the sub-fund are valued at noon bid prices on the last business day of the accounting year. Any unquoted or suspended investments are valued at the ACD's valuation taking into account, where appropriate, cost of the investment if recent, latest dealing prices, valuations from reliable sources, financial performance and other relevant factors.

The ACD may apply a fair value price determined in accordance with the COLL Sourcebook if it has reasonable grounds for believing that no reliable price exists for a security at a valuation point or the most recent price available does not reflect the ACD's best estimate of the value at the valuation point.

Where a sub-fund invests in securities markets that are closed for trading (including planned stock exchange closures) at the sub-fund's valuation point, there is a risk that the price calculated is not representative of the markets in which it invests due to developments since the market's closure. Potentially this could lead to gains or losses on the sub-fund as it opens a window for investors or market timers to buy or sell at stale prices. An example would be when a sub-fund is priced using end of day prices from a market which closed for trading for a material period prior to the sub-fund's valuation point, for example, a UK fund which is invested in US stocks, valuing at 12 noon UK time and using US asset prices from the previous day close of the US market within the sub-fund valuation. During this period it may be concluded that prices may change significantly when the market reopens, perhaps off the back of a global event or on indications from the global futures markets. In an event like this, the ACD has the power to invoke a fair value price to give our best estimate of the value of the market or asset in question using a reliable source. A delegated Committee is responsible for the monitoring and approval of any fair value pricing decisions.

The fair value pricing policy for the Old Mutual Investment Series I Funds differs dependant on the type of instruments held within the Portfolio and their economic exposure and the materiality of any fair value adjustment. Our fair value pricing policy is regularly reviewed by the Depositary of the sub-fund to ensure adherence to the COLL Sourcebook.

Authorised unit trusts and collective investment schemes operated by Old Mutual have been valued at cancellation price, for all other such funds they have been valued at bid price. Single priced authorised unit trusts and collective investment schemes have been valued at the dealing price and open-ended investment companies have been valued at the latest available price.

### l) Exchange rates

Assets and liabilities in foreign currencies are translated into sterling at the exchange rates ruling at noon on the last business day of the accounting year. Revenue items in foreign currencies are translated into sterling at the exchange rates ruling when the revenue is received.

### m) Financial instruments

Where appropriate, certain permitted financial instruments such as derivatives or forward currency contracts are used for efficient portfolio management. Where such financial instruments are used to protect or enhance revenue, the revenue and expenses derived therefrom are included in "revenue" or "expenses" in the statement of total return. Where such financial instruments are used to protect or enhance capital, the gains and losses derived there from are included in "Net capital gains/(losses)" in the statement of total return. Any positions on such financial instruments open at the year end are reflected in the Balance sheet at their market value at the close of business on the last business day of the accounting year. Assets and liabilities in foreign currencies are translated into sterling at the exchange rates ruling at close of business on the last business day of the accounting year.

### n) Dilution policy

The ACD has discretion to require a dilution adjustment to the price of a share on the purchase or redemption of shares in the sub-fund. The ACD's policy is to make a dilution adjustment when the ACD believes it is in the interest of the shareholders to do so.