

# Neptune Investment Funds

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Neptune China Fund  
Neptune European Opportunities Fund  
Neptune Global Alpha Fund  
Neptune Global Equity Fund  
Neptune Global Income Fund  
Neptune Income Fund  
Neptune India Fund  
Neptune Japan Opportunities Fund  
Neptune Latin America Fund  
Neptune Russia and Greater Russia Fund  
Neptune UK Mid Cap Fund  
Neptune UK Opportunities Fund  
Neptune US Income Fund  
Neptune US Opportunities Fund

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## Notes

Please read the following important notes and definitions to aid your understanding of the technical terms used in this annual report and financial statements.

### Accumulation shares

Shares that do not pay a dividend but reinvest any income earned from the fund's underlying holdings into the value of the shares. All Neptune funds have accumulation shares.

### Annual management charge

The annual fee charged by Neptune, calculated on a daily basis, for managing the fund.

### Distribution

This is the dividend that is paid to investors, based on the income earned from the fund's underlying holdings. Where applicable, investors in an income share class may receive a distribution, whereas in accumulation shares the distribution is reinvested into the value of the shares.

### Equalisation

Equalisation applies to shares purchased during a distribution period, known as 'Group 2' shares. It is the average amount of income included in the purchase price of all the 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 the shares for capital gains tax purposes. The equalisation amount for each share class and distribution is shown in the distribution table. Group 2 shares revert to being Group 1 shares following the first distribution after their purchase.

### Equities

These are shares in companies. Shareholders are the owners of a company and can vote on important matters such as the appointment of directors. They also participate in the potential increase in value of the company through increases in the value of its shares, if the company is successful for example. Neptune funds predominantly invest in equities.

### Fair value hierarchy

The fair value hierarchy gives information on how the fair value of the underlying investments has been measured in arriving at the valuation of the assets in the fund:

Level 1 – the unadjusted quoted price in an active market for identical assets or liabilities that can be accessed at the measurement date (31 December 2018). This will generally include quoted equities, highly liquid bonds and exchange traded derivatives.

Level 2 – uses inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly. This means the valuation has been derived using observable market inputs such as quoted prices for similar instruments, interest rates, yield curves and credit spreads.

Level 3 – valuation inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability. Level 3 assets might include unquoted equities.

### Fixed interest investments

These are bond or debt securities issued by governments and companies that carry rights to a fixed rate of interest paid by the issuer to investors. At the end of the payment term, the issuer repays the capital sum.

### Growth fund

A fund seeking capital growth aims to maximise the value of the money invested, rather than specifically aiming to produce income. In contrast, a fund may seek to maximise income over capital growth. Neptune's fund range includes funds that seek capital growth, funds that seek to generate income and funds that aim to produce income and grow capital.

### Income shares

Income shareholders receive all the income generated by the fund's underlying holdings in the form of a distribution. This is in contrast to accumulation shares. These two choices are important: some investors want income so they opt for income shares. Other investors want growth so they opt for accumulation shares.

### ISA (Individual Savings Account)

An ISA is a tax efficient means of investing. All UK tax payers are eligible to invest within an ISA. Due to their tax advantages, the Government limits how much investors can pay into an ISA in each tax year. The current ISA limit is £20,000 for tax year 2019/20, which can be invested in cash, shares or any combination of the two. All Neptune funds are eligible to be held in an ISA; Neptune, however, only offers stocks & shares ISAs. Investors can also transfer existing ISAs which are currently held with other fund providers into our funds.

### Junior ISA (Junior Individual Savings Account)

Junior ISAs were launched by the Government to enable parents/guardians to invest in a tax friendly vehicle for their children.

Once a parent or guardian opens a Junior ISA for their child, anyone is able to make a contribution up to the annual limit. The current Junior ISA limit is £4,368 for the tax year 2019/20, which can be invested in cash, shares or any combination of the two. Neptune, however, only offers stocks & shares Junior ISAs. From the age of 16 a child can register to be their own contact. When the child reaches 18 their account is automatically converted into an 'adult' ISA and they are entitled to full access to their investments and savings. All Neptune funds are eligible to be held in a Junior ISA.

### Macroeconomics

Analysis of a country or region's economy as a whole. Alongside global industry sector analysis and rigorous stockpicking, macroeconomics forms an important part of Neptune's investment process.

## Notes (continued)

### Negative equalisation

Equalisation that is applied to each share class when in a deficit position, also known as 'negative equalisation', rather than applying a nil rate. Negative equalisation should be applied to avoid any possible distortion of distribution yields when comparing share class performance in a sub-fund.

### Neptune Investment Funds

A number of Neptune funds which have a similar legal structure and investment powers but differing investment objectives. Together, these funds – sometimes referred to as sub-funds – make up the Neptune Investment Funds umbrella, which forms a distinct legal company.

### OEIC (Open-Ended Investment Company)

A type of fund in the UK that is structured as a company and has the ability to invest in equities and to adjust its investment criteria and fund size. The price of the shares is based on the underlying holdings of the fund. There are no bid and offer prices on Neptune OEIC shares; buyers and sellers receive the same price but an initial charge may be payable. An OEIC allows investment to be diversified away from holding a single or small number of companies.

OEICs are also referred to as Investment Companies with Variable Capital (ICVC).

### Operating Charge Figure (OCF)

A measure of the charges associated with managing and operating a fund and therefore reflective of the cost of investing in a particular fund. These costs consist primarily of management fees as well as legal, auditor and operational expenses. The figure excludes transaction costs and is provided for each share class available within a fund.

The OCF shows the annual expenses of the fund expressed as a percentage of the average net asset value, which helps you compare the annual expenses to other classes, funds and different schemes.

The ACD caps the OCF as a percentage of the average net asset value. The OCF percentage cap for each share class is given in the Performance Record for the class. The OCF capping is entirely at the discretion of the ACD and may cease at any time.

### Research

The research provision is a revenue charge made to each sub-fund for research services provided by third parties who are independent of the fund manager. The fund manager uses the research to inform investment decisions for the sub-fund. The charge was previously included in the transaction charges. The ACD ensures that the research provides analysis and reaches conclusions based on new or existing information that could be used to inform an investment strategy or capable of adding value to the fund managers' decisions on behalf of the sub-fund being charged for that research.

### Sector

Globally, businesses can be classified into ten different sectors based on the nature of their industry. These are consumer discretionary, consumer staples, energy, financials, healthcare, industrials, information technology, materials, telecommunications and utilities. Neptune's investment process is based on sector industry analysis, investing our sub-funds based on how we believe each sector will perform.

### Sub-fund

A sub-fund, such as the Neptune Global Equity Fund, forms part of a wider group of funds which sit under the same umbrella known as an investment company. Each sub-fund has its own investment objective and is held separately from other sub-funds within the same umbrella.

### UCITS (Undertakings for Collective Investment in Transferable Securities)

The UCITS legislation governs how a fund can be marketed in the European Union and is designed to allow cross border fund sales to investors of different nationalities.

To obtain UCITS status a fund must invest within defined but wide parameters. The fund may then be sold in any EU country, subject only to the marketing rules of that country and any necessary regulatory approval. All of Neptune's funds are UCITS compliant.

### Yield

The amount of income generated by a fund's investments in relation to the price. Funds aiming to generate an income will seek to have a high yield whilst those funds focusing on capital growth typically have a smaller yield.

## Statement of Authorised Corporate Director (ACD) responsibilities

The Financial Conduct Authority's (FCA) Collective Investment Schemes Sourcebook (COLL) requires the ACD to prepare annual financial statements which give a true and fair view of the financial position of the Scheme at the end of each accounting period and of its revenue and expenditure and gains and losses for the period.

In preparing these financial statements, the ACD is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements in accordance with generally accepted accounting principles, the Statement of Recommended Practice (SORP) for Authorised Funds issued by the Investment Association (IA), the COLL, Financial Reporting Standards (FRS) 102 and the Instrument of Incorporation, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is not appropriate to presume that the Scheme will continue in operation; and
- take reasonable steps to prevent or detect fraud and other irregularities.

The ACD is responsible for keeping such accounting and other records as are necessary to enable it to comply with the COLL and to demonstrate at any time that such compliance has been achieved.

The ACD is responsible for the management of the Scheme in accordance with its Instrument of Incorporation, Scheme Particulars and the Regulations and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Certification of Financial Statements by Directors of the ACD

This report is signed in accordance with the requirements of the FCA COLL.

For  
Neptune Investment Management Limited  
ACD of Neptune Investment Funds  
23 April 2019

## Cross holdings

Sub-fund	Shares held	Holding £	Value £
Neptune Global Alpha	Neptune Latin America	1,300,000	1,423,500
Neptune Global Alpha	Neptune Global Smaller Companies	625,000	929,375
Neptune Global Alpha	Neptune Emerging Markets	2,000,000	2,976,000
Neptune Global Equity	Neptune Global Technology	3,959,000	7,553,772
Neptune Global Equity	Neptune Emerging Markets	5,935,000	8,831,280

There were no other cross holdings within the ICVC.

## Statement of the Depositary's responsibilities

in respect of the Scheme and Report of the Depositary to the Shareholders of Neptune Investment Funds ('the Company') for the year ended 31 December 2018

The Depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228), as amended, the Financial Services and Markets Act 2000, as amended, (together 'the Regulations'), the Company's Instrument of Incorporation and Prospectus (together 'the Scheme documents') as detailed below.

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

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

The Depositary must ensure that:

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

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

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

- (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 Regulations and the Scheme documents of the Company, and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

State Street Trustees Limited,  
Depositary of Neptune Investment Funds  
23 April 2019

## Independent Auditor's report to the members of Neptune Investment Funds

### Opinion

We have audited the financial statements of Neptune Investment Funds ('the Company') for the year ended 31 December 2018 which comprise the accounting policies of the Company, the Statement of Total Return, Statement of Changes in Net Assets Attributable to Shareholders, the Balance Sheet, the related notes and the Distribution Table(s) for each of the Company's sub-funds, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Company comprising each of its sub-funds as at 31 December 2018 and of the net revenue/expenses and the net capital gains/losses on the scheme property of the Company comprising each of its sub-funds for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

### Basis of opinion

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

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

### Conclusions relating to going concern

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

- the ACD's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

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

### Other information

The other information comprises the information included in the annual report set out on page 250, other than the financial statements and our auditor's report thereon. The ACD is responsible for the other information.

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

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

We have nothing to report in this regard.

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

In our opinion:

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



## Independent Auditor's report to the members of Neptune Investment Funds (continued)

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

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

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

### Responsibilities of the ACD

As explained more fully in the ACD's responsibilities statement set out on page 5, the ACD is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the ACD determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditor's responsibilities for the audit of the financial statements

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

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

### Use of our report

This report is made solely to the Company's members, as a body, pursuant to Paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority. Our audit work has been undertaken so that we might state to the Company's members 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP  
Statutory Auditor  
London  
23 April 2019

### Notes:

*The maintenance and integrity of the Neptune Investment Managers Limited website is the responsibility of the ACD; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.*

*Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.*



## Notes to the Financial Statements

for the year ended 31 December 2018

### 1 Accounting policies

#### (a) Basis of accounting

The financial statements of each sub-fund have been prepared under the historical cost convention, as modified by the revaluation of investments and in accordance with the Statement of Recommended Practice (SORP) for Authorised Funds issued by the Investment Association (IA) in May 2014, Financial Reporting Standards (FRS) 102.

#### (b) Recognition of revenue

All dividends on investments marked ex-dividend up to the accounting date are included in revenue, net of attributable tax credits and withholding tax. Bank interest, interest on debt securities and other interest receivable is accrued up to the accounting date.

Revenue on debt securities is recognised on an effective yield basis, which takes account of the amortisation of any discounts or premiums arising on the purchase price, compared to the final maturity value, over the remaining life of the security.

#### (c) Treatment of stock dividends and special dividends

The ordinary element of stock dividends is treated as revenue and forms part of any distribution. In the case of an enhanced stock dividend, the value of the enhancement is treated as capital and does not form part of the distribution.

Special dividends are reviewed on a case by case basis when determining if the dividend is to be treated as revenue or capital. Amounts recognised as revenue will form part of the distribution. The tax accounting treatment follows the treatment of the principal amount.

#### (d) Treatment of expenses

For all Funds, the ACD's periodic charge and all other expenses are charged against revenue except for costs associated with the purchase and sale of investments, stamp duty reserve tax and set-up costs which are charged against capital. For the purposes of the distribution the ACD's periodic charge and all other expenses are charged against capital for the following Funds: Neptune Global Income Fund, Neptune Income Fund and Neptune US Income Fund.

The Funds' expenses are capped at a rate agreed with the ACD. Any expenses, above the Funds' capped rate will be rebated by the ACD and deducted from expenses. Details of the Funds' capped rate can be found in note 4 of the Notes to the Financial Statements of the individual Fund. This capping may cease at any time.

Please see page 4 for treatment of research costs.

#### (e) Allocation of expenses to multiple share classes

Each Fund will be charged with the liabilities, expenses, costs and charges of the Company attributable to that Fund and within the Funds, charges will be allocated between classes in accordance with the terms of issue of shares of those classes. Any assets, liabilities, expenses, costs or charges not attributable to a particular Fund may be allocated by the ACD in a manner which is considered fair to the shareholders generally but they will normally be allocated to all Funds pro-rata to the value of the net assets of the relevant Funds.

#### (f) Taxation

- i. Corporation tax is provided at 20% on taxable revenue received after deduction of expenses.
- ii. The charge for deferred tax is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is provided using the liability method on all timing differences, calculated at the rate at which it is anticipated the timing differences will reverse. Deferred tax assets are recognised only when, on the basis of available evidence, it is more likely than not that there will be taxable profits in the future against which the deferred tax asset can be offset.

#### (g) Distribution policy

The net revenue arising from investments accumulates during each accounting period and is available for distribution. Surplus revenue is allocated to shareholders in accordance with COLL 6.8.3R of the FCA Handbook of Rules and Regulations. In order to conduct a controlled dividend flow to shareholders interim distributions may be made at the ACD's discretion, up to a maximum of the distributable revenue available for the period.

Any revenue deficit will be borne by the capital account.

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

### 1 Accounting policies (continued)

#### (h) Basis of valuation of investments

All investments have been valued at their fair value at the 12 noon market rates on the last business day of the financial year. The fair value of equity and non-equity shares is the bid price, excluding any accrued interest. The fair value of collective investment schemes managed by the ACD is the quoted price for single priced funds and the bid price for dual priced funds. Where applicable, unquoted and suspended securities have been valued at the ACD's best estimate of their fair value.

Unquoted investments are valued at fair value, which represents the ACD's view of the amount for which an asset could be exchanged between knowledgeable and willing parties in an arm's length transaction. This does not assume that the underlying business is saleable at the reporting date or that its current shareholders have an intention to sell their holding in their near future.

The unquoted investments are valued by the ACD in-line with International and Venture Capital Valuation Guidelines (IPEVCV) for the valuation of unquoted investments, taking into account, where appropriate, latest dealing prices, achievement or not of key milestones, valuations from reliable sources, financial performance, and other relevant factors.

#### (i) Exchange rates

Transactions in foreign currencies are recorded in sterling at the exchange rates ruling at the date of the transaction. Assets and liabilities expressed in foreign currencies at the end of the accounting period are translated into sterling at the 12 noon exchange rates ruling on that date. Distribution rates for Euro and USD share classes are recorded in sterling and translated into Euro and USD respectively at the 12 noon exchange rates at the accounting date.

#### (j) Functional currency

The functional currency of the Fund is UK Sterling as it is the dominant capital raising currency for the Company and the currency of the location from which the Funds are managed.

**Notes 2 to 9 are reflected in the notes of the individual Funds.**

### 10 Related party transactions

Neptune is regarded as the controlling party by virtue of having the ability to act in concert in respect of the operations of the Funds.

Neptune, as ACD, is a related party, and acts as principal in respect of all transactions of shares in the Funds. The aggregate monies received and paid by the ACD through the issue and cancellation of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders for each Fund and amounts outstanding at the year end in notes 7 and 9.

In their capacity as Depositary, State Street Trustees Limited is considered to have an influence over the activities of the Funds. Depositary fees charged to State Street Trustees Limited are shown in note 4 and amounts due at the year end in note 9.

Amounts paid to Neptune in respect of the ACD's periodic charge are disclosed in note 4 and amounts due at the year end in note 9.

Where Funds have investments in other Neptune products, these are highlighted in the Funds' Portfolio Statements.

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

### 11 Shareholder funds

The Company has five share classes: A, B, C, D, E and F. The annual management charge on those shares is set out in the below table.

	A	B	C	D	E	F
Neptune China Fund	1.75%	1.25%	0.75%	—	—	—
Neptune European Opportunities Fund	1.75%	1.25%	0.75%	0.65%	0.55%	—
Neptune Global Alpha Fund	2.00%	—	0.75%	—	—	—
Neptune Global Equity Fund	1.75%	1.25%	0.75%	—	—	—
Neptune Global Income Fund	—	—	0.75%	—	—	0.65%
Neptune Income Fund	1.60%	1.10%	0.75%	—	—	—
Neptune India Fund	1.75%	—	0.75%	—	—	—
Neptune Japan Opportunities Fund	1.60%	1.10%	0.75%	0.65%	—	—
Neptune Latin America Fund	—	—	0.75%	—	—	—
Neptune Russia and Greater Russia Fund	1.75%	—	0.80%	—	—	—
Neptune UK Mid Cap Fund	1.60%	—	0.75%	0.65%	—	—
Neptune UK Opportunities Fund	1.60%	1.10%	0.75%	0.65%	—	—
Neptune US Income Fund	—	—	0.75%	—	—	—
Neptune US Opportunities Fund	1.60%	1.10%	0.75%	0.65%	—	—

The ACD is entitled to take an annual fee out of the Funds or classes of shares.

The net asset of each share class, the net asset value per share and the number of shares in issue are given in the Net Asset Value per Share and Comparative Tables of each Fund.

### 12 Contingent liabilities, contingent assets and commitments

Details of contingent liabilities, contingent assets or outstanding commitments are set out in the notes to the financial statements for the relevant Fund.

### 13 Swing Pricing

All client transactions into and out of a Fund may result in the Investment Manager buying or selling the underlying investments of the Fund, thereby attracting dealing costs which would otherwise be borne by the Fund's current investors.

As a result, long-term investors could be adversely affected by other investors trading in and out of the Fund. This effect is known as dilution.

However, an adjustment to the NAV can be made if the Fund experiences net subscriptions or redemptions on a particular dealing day, to reduce the impact of dilution costs. This adjustment is called swing pricing. This is a technique which reduces the impact of dilution and helps to protect existing investors. It aims to ensure that investors subscribing or redeeming from a Fund bear the trading costs, i.e. the underlying bid/offer spreads and transaction costs.

The extent to which prices are swung is based on an estimated dealing cost made up of a number of elements, including bid-offer spreads, commissions and other transaction costs. Commissions and other costs (e.g. transaction tax) will be based on an historic analysis of actual trades. The estimated rates are reviewed and updated periodically.

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

### 14 Derivatives and other financial instruments

In pursuing the investment objective a number of financial instruments are held which may comprise securities and other investments, cash balances and debtors and creditors that arise directly from operations.

Political and economic events in the major economies of the world, such as the United States, Japan and the European Union, will influence stock and securities markets worldwide.

The main risks from the Company's holding of financial instruments with the ACD's policy for managing these risks are set out below:

#### (a) Market price risk

Market price risk is the risk that the value of the Company's financial instruments will fluctuate as a result of changes in market prices caused by factors other than interest rates or foreign currency movement. Market price risk arises primarily from uncertainty about the future prices of financial instruments that the Company holds.

Market price risk represents the potential loss the Company may suffer through holding market positions in the face of price movements. The Company's investment portfolio is exposed to price fluctuations, which are monitored by the ACD in pursuance of the investment objective and policy. For an equity portfolio the risk is generally regarded as consisting of two elements, stock specific risk and market risk. Adhering to investment guidelines and avoiding excessive exposure to one particular issuer can limit stock specific risk. Subject to compliance with the investment objective, spreading exposure across a broad range of global stocks can mitigate market risk.

#### (b) Currency risk

Currency risk is the risk that the sterling value of investments will fluctuate as a result of exchange rate movements. Changes in the sterling exchange rate can affect the profitability of some UK companies, and thus their market prices, as sterling's relative strength or weakness can affect export prospects, the value of overseas earnings in sterling terms and the prices of imports sold in the UK. Investment in overseas securities will provide direct exposure to currency risk as a consequence of the movement in foreign exchange rates.

Changes in the value of currencies against the US dollar, Euro and Japanese yen can also result in fluctuations in the value of share classes denominated in these currencies.

Currency risk is managed through diversification where the investment objective of the Fund permits holding assets denominated in a variety of different currencies. The Investment Manager may also elect to hold cash balances in an alternate currency to the base currency of the Fund, or, where the Investment Manager perceives there is a material risk of depreciation in the value of a currency in which assets are held, hedge the value of the relevant assets held back to the base currency of the Fund using forward foreign exchange contracts.

Details of the foreign currency risk profile per Fund is set out in the notes to the financial statements of the relevant Fund.

#### (c) Interest rate risk

Interest rate risk is the risk that the value of the Company's investments will fluctuate as a result of interest rate changes. The value of fixed interest securities may be affected by changes in the interest rate environment, either globally or locally. Changes in the rate of return in one asset class may influence the valuation basis of other classes. The amount of revenue receivable from floating rate securities and bank balances or payable on bank overdrafts will be affected by fluctuations in interest rates.

By a careful assessment of economic and other relevant factors, the Investment Manager will seek to invest in those companies most likely to benefit, or be shielded from anticipated changes in interest rates.

Details of the interest rate risk profile per Fund is set out in the notes to the financial statements of the relevant Fund.

#### (d) Credit risk

The Company may find that companies in which it invests fail to settle their debts on a timely basis. The value of securities issued by such companies may fall as a result of the perceived increase in credit risk. Adhering to investment guidelines and avoiding excessive exposure to one particular issuer can limit credit risk.

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

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

(e) Liquidity risk

The main liability of the Company is the cancellation of any shares that investors want to sell. Securities may have to be sold to fund such cancellations should insufficient cash be held at the bank to meet this obligation.

Smaller companies by their nature, tend to have relatively modest traded share capital and the market in such shares can, at times, prove illiquid. Shifts in investor sentiment, or the announcement of new price sensitive information, can provoke significant movement in share prices, and make dealing in any quantity difficult.

The equity markets of emerging countries tend to be more volatile than the more developed markets of the world. Standards of disclosure and accounting regimes may not always fully comply with international criteria, and can make it difficult to establish accurate estimates of fundamental value. The lack of accurate and meaningful information, and inefficiencies in its distribution, can leave emerging markets prone to sudden and unpredictable changes in sentiment. The resultant investment flows can trigger significant volatility in these relatively small and illiquid markets. At the same time, this lack of liquidity, together with low dealing volumes, can restrict the Investment Manager's ability to execute substantial deals.

To reduce liquidity risk the Investment Manager will ensure that a substantial portion of the Company's assets consist of readily realisable securities.

(f) Counterparty risk

Transactions in securities entered into by the Company give rise to exposure to the risk that the counterparties may not be able to fulfil their responsibility by completing their side of the transaction. The Investment Manager minimises this risk by conducting trades only through brokers which have been approved by Neptune.

Due diligence is carried out on an ongoing basis by Neptune on the brokers with which the sub-funds trade and the banks which hold the sub-funds' cash which is overseen by the Neptune Investment, Performance and Risk Committee. Such due diligence would include, inter alia, the financial and operating performance of the counterparty, its regulatory record and creditworthiness.

(g) Derivatives

Funds of the Company may enter into derivative contracts for Efficient Portfolio Management (EPM) purposes.

The purposes of EPM must be to achieve reduction of risk, the reduction of cost, or the generation of additional revenue or capital with an acceptably low level of risk and the use of these instruments must not cause the Fund to stray from its investment objective.

Any EPM transaction must be economically appropriate and the exposure fully covered. The ACD monitors the use of derivatives to ensure EPM rules are satisfied.

(h) Fair value of financial assets and financial liabilities

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

### 15 Portfolio transaction costs

Details of portfolio transaction costs are set out in the notes to the financial statements for the relevant Fund.

### 16 Stock lending

Funds of the Company do not enter into stock lending arrangements.

Investment objective

The investment objective of the Neptune China Fund (the Fund) is to generate capital growth from investment predominantly in Chinese securities, or in the securities issued by companies transacting a significant proportion of their business in China.

Other eligible asset classes may include collective investment schemes, other transferable securities, cash or near cash, deposits and money market instruments.

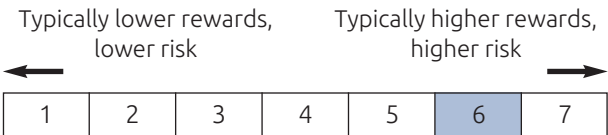
It is anticipated that derivative instruments and forward transactions may be used by the ACD for EPM.

It is the intention to be near-fully invested at all times, however, the Fund has the facility to take tactical positions in cash or near cash should the ACD feel it appropriate.

The portfolio will be managed to ensure that the Fund is at all times eligible to be included in an ISA.

Risk and reward profile

The risk and reward indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the risk and reward indicator.



This Fund is in Category 6 because of the high range and frequency of price movements (volatility) of the underlying investments referenced by the Fund.

The following are additional risks not covered by the risk and reward category.

- Investing overseas can bring additional returns and spread risk to different markets. There are risks, however, that changes in currency rates will reduce the value of your investment.
- Emerging markets or less developed countries may face more political, economic or structural challenges than developed countries. This means your money may be at greater risk.
- This Fund holds a limited number of investments. If one of these investments falls in value this can have a greater impact on the Fund's value than if it held a larger number of investments.
- For a full list of the Fund's risks, please see the Prospectus.

## Investment Manager's report

for the year ended 31 December 2018

The Neptune China Fund returned –14.6% in 2018, versus the MSCI China Index's return of –13.7% and the IA China peer group average loss of –14.3%.\*

Along with higher oil prices and a strong dollar, the trade war's hit to sentiment was the main driver of China's underperformance in 2018. This is despite China's deleveraging efforts having likely had a bigger impact on growth than the trade dispute. China is fine-tuning the economy with stimulus measures to keep growth stable; GDP growth was 6.6% this year, slightly ahead of the government target of 6.5%. Meanwhile, the current pause in tariff escalation has given the US and China some breathing space and allowed some time to negotiate an agreement. First indications reveal that meetings have so far been productive with news that China has agreed to reduce the trade deficit and address intellectual property concerns.

As well as negative sentiment, regulatory changes impacted share price performance over the year. New draft regulations placed on the education sector implied limited business growth through acquisitions and new national healthcare reform included a reduction in drug pricing, adversely affecting the drug manufacturers. Counteracting these positions was relative outperformance due to stock selection in the materials and consumer discretionary sectors. Most notably, our focus on the theme of growing health awareness of the Chinese consumer continued to play out with sportswear companies outperforming the benchmark.

We started the year with an overweight position in the consumer discretionary sector due to a tight labour market and consequent wage growth. However, upon examining the Chinese government's response to the trade tensions, we subsequently reduced our overweight position in the second half of the year. We also increased our positioning in the industrials sector as we believe more proactive fiscal policy will result in government support for infrastructure investment growth. This increase was also funded by a reduction in exposure to the materials sector, which we believe will start to see a reduction in demand over the course of 2019. We maintain exposure to companies that we think will benefit from Beijing's ongoing push to improve environmental conditions. We believe this will remain a long-term theme, particularly as President Xi

succeeded in extending his term limit at the start of the year, enabling him to see through his long-term policy objectives.

The US/China trade war tensions were a significant overall driver of the Chinese market's performance but on a Fund level there were some stock-specific detractors too. Fosun Pharmaceuticals is an example of this negative stockpicking, with the holding returning –51.0% for the year. Furthermore, the Funds two largest holdings, Tencent and Alibaba, also posted negative returns for the year, which again contributed to the Fund's negative performance.

Trade negotiations and the relationship with the US will be a key driver for sentiment around China in 2019. The Chinese government has enacted and announced numerous stimulus policies including reductions in the reserve requirement ratio for banks and reducing tax for corporations and consumers. While a large-scale stimulus seems unlikely due to the ongoing deleveraging campaign, we believe that there will be an ongoing-targeted stimulus to help private companies, reduce the tariff burden on exports and boost consumer spending. We believe this should go a long way to offsetting the effects of the trade war and maintain stability in the economy.

*\*Source: Morningstar, C Accumulation share class performance, in sterling with no initial charges, net revenue reinvested to 31 December 2018. The performance of other share classes may differ. Past performance is not a guide for future performance. Investments in emerging markets may be higher risk and potentially more volatile than those in developed markets. The value of an investment and any revenue from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the original amount invested. References to specific securities and sectors are for illustration purposes only and should not be taken as a recommendation to buy or sell these securities. Neptune Funds are not tied to replicating a benchmark and holdings can therefore vary from those in the index quoted. For this reason the comparison index should be used for reference only. Forecasts are not a reliable indicator of future performance. Any views expressed are those of Neptune as at the date of issue and we do not undertake to advise you as to any changes in our views. Please refer to the Prospectus for further details.*



# Neptune China Fund

## Investment Manager's report

for the year ended 31 December 2018 (continued)

The Portfolio statement as at 31 December 2018 is as follows:

Holding	Portfolio of investments	Market value £000	Total net assets %
	<b>China 76.03% (2017 - 78.53%)</b>		
	<b>Basic Materials 1.01% (2017 - 2.57%)</b>		
	<b>Industrial Metals &amp; Mining 1.01%</b>		
710,000	Maanshan Iron & Steel	245	1.01
	<b>Consumer Goods 7.99% (2017 - 7.28%)</b>		
	<b>Food Producers 1.60%</b>		
160,000	China Mengniu Dairy	389	1.60
	<b>Personal Goods 6.39%</b>		
84,000	ANTA Sports Products	316	1.30
60,000	Hengan International	342	1.41
519,000	Li Ning	435	1.79
51,900	Shenzhou International	460	1.89
	<b>Consumer Services 1.80% (2017 - 8.46%)</b>		
	<b>General Retailers 0.95%</b>		
5,416	New Oriental Education & Technology ADR	232	0.95
	<b>Travel &amp; Leisure 0.85%</b>		
9,499	Ctrip.Com International ADR	206	0.85
	<b>Financials 23.24% (2017 - 14.84%)</b>		
	<b>Banks 17.17%</b>		
732,000	Agricultural Bank Of China	251	1.03
2,512,000	Bank Of China	847	3.49
2,544,000	China Construction Bank	1,641	6.75
120,500	China Merchants Bank	346	1.42
1,946,800	Industrial & Commercial Bank Of China	1,088	4.48
	<b>Life Insurance 4.48%</b>		
157,500	Ping An Insurance	1,088	4.48
	<b>Real Estate Investment &amp; Services 1.59%</b>		
646,000	Greentown Service	386	1.59
	<b>Health Care 1.96% (2017 - 6.26%)</b>		
	<b>Pharmaceuticals &amp; Biotechnology 1.96%</b>		
1,258,200	China Animal Healthcare*	—	—
198,000	CSPC Pharmaceutical	223	0.92
110,900	Shanghai Fosun Pharmaceutical	254	1.04
	<b>Industrials 6.63% (2017 - 3.43%)</b>		
	<b>Construction &amp; Materials 4.73%</b>		
94,000	Anhui Conch Cement	357	1.47
560,000	China Communications Construction	414	1.70
348,500	China Railway Construction	378	1.56
	<b>Electronic &amp; Electrical Equipment 1.90%</b>		
34,546	Hollysys Automation Technologies	462	1.90
	<b>Oil &amp; Gas 6.82% (2017 - 7.38%)</b>		
	<b>Alternative Energy 1.40%</b>		
1,627,200	Huaneng Renewables	340	1.40
	<b>Oil &amp; Gas Producers 5.42%</b>		
864,000	China Petroleum & Chemical	482	1.98
405,000	CNOOC	489	2.01
712,000	Petrochina	347	1.43

## Investment Manager's report

for the year ended 31 December 2018 (continued)

The Portfolio statement as at 31 December 2018 (continued)

Holding	Portfolio of investments	Market value £000	Total net assets %
	<b>Technology 25.00% (2017 - 28.31%)</b>		
	<b>Software &amp; Computer Services 25.00%</b>		
20,144	Alibaba ADR	2,195	9.03
6,180	Baidu ADR	785	3.23
75,400	Tencent	2,366	9.74
213,000	Travelsky Technology	427	1.76
6,565	Weibo ADR	302	1.24
	<b>Utilities 1.58% (2017 - 0.00%)</b>		
	<b>Gas, Water &amp; Multiutilities 1.58%</b>		
55,100	Enn Energy	383	1.58
	<b>Hong Kong 20.92% (2017 - 19.29%)</b>		
102,000	BOC Hong Kong	296	1.22
941,740	China Everbright International	661	2.72
148,500	China Mobile	1,117	4.60
252,000	China Overseas Land & Investment	678	2.79
94,000	China Resources Beer	256	1.05
424,000	China Resources Cement	299	1.23
120,000	China Resources Gas	372	1.53
436,000	China Unicom Hong Kong	363	1.49
147,400	Haier Electronics	282	1.16
50,000	Health & Happiness H&H International	222	0.91
288,000	Kunlun Energy	238	0.98
150,000	Longtop Financial Technologies ADR*	—	—
348,000	Xinyi Glass	301	1.24
	<b>United States 0.00% (2017 - 1.45%)</b>		
	Portfolio of investments	23,561	96.95
	Net other assets	740	3.05
	Net assets	24,301	100.00

All holdings are ordinary shares or stock units unless otherwise stated.

\*Delisted security.

Stocks shown as ADRs represent American Depositary Receipts.

## Investment Manager's report

for the year ended 31 December 2018 (continued)

The top five purchases and sales for the year are as follows:

Purchases	Cost £000
China Construction Bank	902
China Overseas Land & Investment	651
China Mobile	629
Weibo ADR	623
Li Ning	517

Sales	Proceeds £000
Baidu ADR	1,082
Ping An Insurance	750
Galaxy Entertainment	654
Shenzhou International	610
China Pacific Insurance	600

## Fund information

### Performance record

#### A Accumulation

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 2.11%			
<b>Change in net asset per share</b>			
Opening net asset value per share	456.34	346.35	297.57
Return before operating charges	(61.59)	118.08	54.94
Operating charges	(8.79)	(8.09)	(6.16)
Return after operating charges	(70.38)	109.99	48.78
Distributions	(0.05)	(0.28)	(2.73)
Retained distributions on accumulation shares	0.05	0.28	2.73
Closing net asset value per share	385.96	456.34	346.35
After direct transaction costs of:	0.48	0.77	1.08
<b>Performance</b>			
Return after operating charges	(15.42)%	31.76%	16.39%
	£000	£000	£000
<b>Other information</b>			
Closing net asset value	8,674	11,396	10,196
Closing number of shares	2,247,509	2,497,347	2,943,857
Operating Charge Figure	1.97%	1.98%	2.00%
Direct transaction costs	0.11%	0.19%	0.35%
OCF/TER cap	2.15%	2.10%	2.10%
Research fee	0.06%	—	—
Research fee rebate	(0.02)%	—	—
<b>Prices</b>			
Highest share price	500.70p	473.60p	380.60p
Lowest share price	374.20p	347.50p	242.50p

#### C Accumulation

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 1.09%			
<b>Change in net asset per share</b>			
Opening net asset value per share	188.66	141.76	120.57
Return before operating charges	(25.70)	48.54	22.44
Operating charges	(1.78)	(1.64)	(1.25)
Return after operating charges	(27.48)	46.90	21.19
Distributions	(1.89)	(1.63)	(1.88)
Retained distributions on accumulation shares	1.89	1.63	1.88
Closing net asset value per share	161.18	188.66	141.76
After direct transaction costs of:	0.20	0.31	0.45
<b>Performance</b>			
Return after operating charges	(14.57)%	33.08%	17.58%
	£000	£000	£000
<b>Other information</b>			
Closing net asset value	15,627	19,718	19,995
Closing number of shares	9,695,505	10,451,468	14,104,561
Operating Charge Figure	0.96%	0.98%	0.98%
Direct transaction costs	0.11%	0.19%	0.35%
OCF/TER cap	1.16%	1.10%	1.10%
Research fee	0.06%	—	—
Research fee rebate	(0.02)%	—	—
<b>Prices</b>			
Highest share price	207.90p	195.60p	155.40p
Lowest share price	155.90p	142.30p	98.37p

## Fund information (continued)

### Performance record (continued)

C Accumulation USD (Share class closed on 1 August 2018)

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
<b>Change in net asset per share</b>			
Opening net asset value per share	111.15	82.72	70.53
Return before operating charges	2.05	28.43	12.92
Operating charges	—	—	(0.73)
Return after operating charges	2.05	28.43	12.19
Return to shareholders as a result of class closure	(113.20)	—	—
Distributions	—	(1.87)	(0.89)
Retained distributions on accumulation shares	—	1.87	0.89
Closing net asset value per share	—	111.15	82.72
After direct transaction costs of:	0.07	0.19	0.26
<b>Performance</b>			
Return after operating charges	1.84%	34.37%	17.28%
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Other information</b>			
Closing net asset value	—	1	1
Closing number of shares	—	1,000	1,000
Operating Charge Figure	—	0.00%	1.00%
Direct transaction costs	—	0.19%	0.35%
OCF/TER cap	—	1.10%	1.10%
Research fee	—	—	—
Research fee rebate	—	—	—
<b>Prices</b>			
Highest share price	166.70¢*	152.50¢	112.80¢
Lowest share price	146.80¢*	102.00¢	83.61¢

Research costs are defined in the Notes on page 23 and for the period 1 January 2018 to 31 December 2018 the research cost was £17,964. Additionally in the period, a rebate of research costs of £6,542 was credited to the Fund. This represented unused research costs accrued for in 2017.

\*From 1 January 2018 to 1 August 2018.

### Fund performance

The performance of the Fund is shown in the Investment Manager's report on page 15.

Details of the distribution per share for the year are shown in the distribution tables on page 28.

### Status

Neptune China Fund is a sub-fund of Neptune Investment Funds which is a UCITS scheme.

### Risk warning

Please remember that past performance should not be seen as a guide to future performance and that the value of an investment in an OEIC and the income from it can fall as well as rise and may be affected by exchange rate variations.

## Financial Statements

### Statement of total return

for the year ended 31 December 2018

	Note	31 December 2018		31 December 2017	
		£000	£000	£000	£000
Income					
Net capital (losses)/gains	2		(4,590)		8,548
Revenue	3	622		642	
Expenses	4	(384)		(400)	
Interest payable and similar charges		—		—	
Net revenue before taxation		238		242	
Taxation	5	(39)		(32)	
Net revenue after taxation			199		210
Total return before distributions			(4,391)		8,758
Distributions	6		(199)		(220)
Change in net assets attributable to shareholders from investment activities			(4,590)		8,538

### Statement of change in net assets attributable to shareholders

for the year ended 31 December 2018

	31 December 2018		31 December 2017	
	£000	£000	£000	£000
Opening net assets attributable to shareholders		31,115		30,192
Amounts received on issue of shares	3,094		3,721	
Amounts paid on cancellation of shares	(5,502)		(11,561)	
		(2,408)		(7,840)
Dilution adjustment charged		—		18
Change in net assets attributable to shareholders from investment activities		(4,590)		8,538
Retained distribution on accumulation shares		184		207
Closing net assets attributable to shareholders		24,301		31,115

## Financial Statements (continued)

### Balance sheet

as at 31 December 2018

		31 December 2018		31 December 2017	
	Note	£000	£000	£000	£000
<b>Assets</b>					
Fixed assets					
Investments			23,561		30,889
Current assets					
Debtors	7	112		171	
Cash and bank balances	8	712		116	
Total current assets			824		287
Total assets			24,385		31,176
<b>Liabilities</b>					
Creditors					
Other creditors	9	(84)		(61)	
Total liabilities			(84)		(61)
Net assets attributable to shareholders			24,301		31,115

The accompanying notes are an integral part of these financial statements.



## Notes to the Financial Statements

for the year ended 31 December 2018

### 1 Accounting policies

For accounting policies relating to this Fund please refer to the notes on pages 9 to 13.

2 Net capital (losses)/gains	31 December 2018	31 December 2017
	£000	£000
Non-derivative securities	(4,601)	8,618
Forward currency contracts	73	114
Currency losses	(55)	(168)
Transaction charges	(7)	(16)
Net capital (losses)/gains	<u>(4,590)</u>	<u>8,548</u>
3 Revenue	31 December 2018	31 December 2017
	£000	£000
Overseas dividends	622	642
Total revenue	<u>622</u>	<u>642</u>
4 Expenses	31 December 2018	31 December 2017
	£000	£000
<i>Payable to the ACD, associates of the ACD and agents of either of them:</i>		
ACD's periodic charge	330	344
Distribution fees	9	12
Printing costs	(3)	3
Registration fees	7	6
Transfer agent fees	5	4
	<u>348</u>	<u>369</u>
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	9	12
Safe custody fees	6	6
	<u>15</u>	<u>18</u>
<i>Other expenses:</i>		
Audit fee	5	5
Research fees	12	-
Legal and professional fees	2	6
Publication costs	2	2
	<u>21</u>	<u>13</u>
Total expenses	<u>384</u>	<u>400</u>

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

### 5 Taxation

	31 December 2018 £000	31 December 2017 £000
(a) Analysis of charge in the year:		
Overseas withholding tax	39	32
Total taxation for the year	<u>39</u>	<u>32</u>

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

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an authorised OEIC (20%).

The differences are explained below:

	31 December 2018 £000	31 December 2017 £000
Net revenue before taxation	238	242
Corporation tax at 20% (2017: 20%)	48	48
Effects of:		
Movement in excess management expenses	77	80
Non-taxable overseas dividends	(125)	(128)
Overseas withholding tax	39	32
Current tax charge for the year	<u>39</u>	<u>32</u>

#### (c) Deferred tax

At the year end, there is a potential deferred tax asset of £1,800,596 (2017: £1,723,855) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore, no deferred tax assets have been recognised in the current or prior year.

### 6 Distributions

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

	31 December 2018 £	31 December 2017 £
Interim	—	131
Final	184	76
Add: Amounts deducted on cancellation of shares	20	20
Deduct: Amounts received on issue of shares	(5)	(7)
Net distribution for the year	<u>199</u>	<u>220</u>
Reconciliation of net revenue after taxation to distributions		
Net revenue after taxation	199	210
Revenue deficit borne by capital	—	10
Net distribution for the year	<u>199</u>	<u>220</u>

Details of the distribution per share are set out in the distribution tables on page 28.

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

<b>7 Debtors</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>£000</b>	<b>£000</b>
Accrued revenue	—	5
Amounts receivable for issue of shares	4	26
Sales awaiting settlement	108	140
Total debtors	<u>112</u>	<u>171</u>

<b>8 Cash and bank balances</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>£000</b>	<b>£000</b>
Cash and bank balances	712	116
	<u>712</u>	<u>116</u>

<b>9 Creditors</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>£000</b>	<b>£000</b>
ACD's periodic charge	23	27
Accrued expenses	25	33
Amounts payable on cancellation of shares	36	1
Total creditors	<u>84</u>	<u>61</u>

### 10 Related party transactions

General details on related parties are shown in the notes on pages 9 to 13.

Amounts paid to/from the ACD and Depositary are shown in note 4 on page 23. The balances due at the year end are shown in notes 7 and 9.

### 11 Shareholder funds

Details relating to the Fund are shown in the notes on pages 9 to 13.

### 12 Contingent liabilities, contingent assets and commitments

There were no contingent liabilities, contingent assets or outstanding commitments at the balance sheet date (2017: nil).

### 13 Swing pricing

The ACD's swing pricing policy is disclosed in the notes on pages 9 to 13.

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

### 14 Derivatives and other financial instruments

The main risk from the Fund's holdings of financial instruments together with the ACD's policy for managing these risks are disclosed in the notes on pages 9 to 13.

As an international equity fund the Fund is exposed to market price risk, currency risk, liquidity risk and counterparty risk. The Fund does not invest in debt securities and therefore has no material exposure to interest rate risk or credit risk.

As at 31 December 2018, if the price of investments held by the Fund increased or decreased by 1%, the resulting change in net assets attributable to shareholders would have been an increase or decrease of approximately 1%; which for this Fund would equate to £235,615 (2017: £308,893).

As at 31 December 2018, if the value of sterling increased or decreased by 1% against all currencies, the resulting change in the net assets attributable to shareholders of the Fund would have been an increase or decrease of approximately £243,794 (2017: £311,500).

Numerical disclosures relating to the Fund are as follows:

#### Foreign currency risk

The table below shows the foreign currency risk profile at the balance sheet date:

Currency	Net foreign currency assets	
	31 December 2018	31 December 2017
	Total £000	Total £000
Hong Kong dollar	20,197	24,310
US dollar	4,182	6,840
Total	<u>24,379</u>	<u>31,150</u>

### 15 Portfolio transaction costs

Analysis of total trade costs

	Purchases		Sales	
	31 December 2018 £000	31 December 2017 £000	31 December 2018 £000	31 December 2017 £000
Equities	<u>10,446</u>	<u>10,769</u>	<u>13,200</u>	<u>18,472</u>
Trades in the year before transaction costs	<u>10,446</u>	<u>10,769</u>	<u>13,200</u>	<u>18,472</u>
Commissions				
Equities	<u>5</u>	<u>10</u>	<u>(6)</u>	<u>(21)</u>
Total commissions	<u>5</u>	<u>10</u>	<u>(6)</u>	<u>(21)</u>
Taxes				
Equities	<u>9</u>	<u>11</u>	<u>(11)</u>	<u>(18)</u>
Total taxes	<u>9</u>	<u>11</u>	<u>(11)</u>	<u>(18)</u>
Total costs	<u>14</u>	<u>21</u>	<u>(17)</u>	<u>(39)</u>
Total net trades in the year after transaction costs	<u>10,460</u>	<u>10,790</u>	<u>13,183</u>	<u>18,433</u>

In the case of shares, commissions and taxes are paid by the Fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments and derivatives) have no separately identifiable transaction costs: these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the dealing spread was 0.19% (2017: 0.16%).

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

### 15 Portfolio transaction costs (continued)

Total transaction cost expressed as a percentage of asset class:

	Purchases		Sales	
	31 December 2018 %	31 December 2017 %	31 December 2018 %	31 December 2017 %
Commissions Equities	0.05	0.09	(0.05)	(0.11)
Taxes Equities	0.09	0.10	(0.08)	(0.10)

Total transaction cost expressed as a percentage of average NAV:

For the year ended	31 December 2018 %	31 December 2017 %
Commissions	0.04	0.10
Taxes	0.07	0.09
Total	<u>0.11</u>	<u>0.19</u>

### 16 Post balance sheet events

There were no post balance sheet events.

### 17 Share reconciliation

Reconciliation of the share movements in the year

	A Accumulation	31 December 2018 C Accumulation	C Accumulation USD
Opening shares in issue	2,497,347	10,451,468	1,000
Creations during the year	147,998	1,326,396	—
Cancellations during the year	(397,836)	(2,082,359)	(1,000)
Closing shares in issue	<u>2,247,509</u>	<u>9,695,505</u>	<u>—</u>

### 18 Fair value hierarchy

Valuation technique	Assets 31 December 2018 £000	Liabilities 31 December 2018 £000	Assets 31 December 2017 £000	Liabilities 31 December 2017 £000
Level 1	23,561	—	30,889	—
	<u>23,561</u>	<u>—</u>	<u>30,889</u>	<u>—</u>

The Fund has no Level 2 or Level 3 financial instruments.

## Distribution table

for the year ended 31 December 2018 – in pence/cents per share

### Interim

Group 1-Shares purchased prior to 1 January 2018

Group 2-Shares purchased on or after 1 January 2018 to 30 June 2018

	Net revenue	Equalisation	Paid 31 August 2018	Paid 31 August 2017
<b>A Accumulation shares (p)</b>				
Group 1	—	—	—	0.2839
Group 2	—	—	—	0.2839
<b>C Accumulation shares (p)</b>				
Group 1	—	—	—	0.8971
Group 2	—	—	—	0.8971
<b>C Accumulation USD shares (¢)</b>				
Group 1	—	—	—	1.2122
Group 2	—	—	—	1.2122

### Final

Group 1-Shares purchased prior to 1 January 2018

Group 2-Shares purchased on or after 1 January 2018 to 31 December 2018

	Net revenue	Equalisation	Payable 28 February 2019	Paid 28 February 2018
<b>A Accumulation shares (p)</b>				
Group 1	0.0474	—	0.0474	—
Group 2	0.0474	—	0.0474	—
<b>C Accumulation shares (p)</b>				
Group 1	1.8850	—	1.8850	0.7297
Group 2	1.2667	0.6183	1.8850	0.7297
<b>C Accumulation USD shares (¢)</b>				
Group 1	—	—	—	1.2610
Group 2	—	—	—	1.2610

The Accumulation share classes have changed distribution frequency and from 30 June 2018 will be distributing only at every year end.

# Neptune European Opportunities Fund

## Investment objective

The investment objective of the Neptune European Opportunities Fund is to generate capital growth by investing predominantly in a concentrated portfolio of securities selected from European markets, excluding the UK, with a view to attaining top quartile performance within the appropriate peer group\*.

Other eligible asset classes are collective investment schemes, other transferable securities, cash or near cash, deposits and money market instruments.

It is anticipated that derivative instruments and forward transactions may be used by the ACD for effective portfolio management.

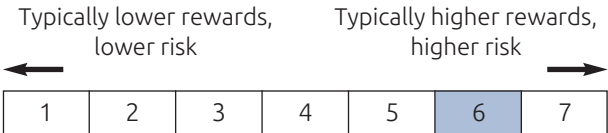
It is the intention to be near-fully invested at all times, however, the Fund has the facility to take tactical positions in cash or near cash should the ACD feel it appropriate.

The portfolio will be managed to ensure that the Fund is at all times eligible to qualify and to be included in an Individual Savings Account.

\*The Fund's peer group is the Investment Association's 'Europe excluding the UK' category.

## Risk and reward profile

The risk and reward indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the risk and reward indicator.



The Fund is in Category 6 because of the high range and frequency of price movements (volatility) of the underlying investments referenced by the Fund.

The following are additional risks not covered by the risk and reward category.

- Investing overseas can bring additional returns and spread risk to different markets. There are risks, however, that changes in currency rates will reduce the value of your investment.
- This Fund holds a limited number of investments. If one of these investments falls in value this can have a greater impact on the Fund's value than if it held a larger number of investments.
- For a full list of the Fund's risks, please see the Prospectus.



## Investment Manager's report

for the year ended 31 December 2018

The Neptune European Opportunities Fund returned –24.8% in 2018, versus the MSCI Europe ex UK Index's –9.10% loss.\*

Global equities had a volatile year which can be broadly split into weak first and fourth quarters, with resilience in the middle two. The trade war between the US and China escalated beyond all expectations triggering concerns over global growth alongside continued interest rate hikes from the Fed and a tightening in global financial conditions. Political uncertainty further weighed on European equities with limited clarity on Brexit and the Rome-Brussels confrontation intensifying as the year progressed. Against this backdrop European equities fell by 9.1% during 2018, underperforming developed markets with the US proving most resilient.

Throughout the year the Fund maintained a strong focus on deep value sectors such as financials, autos, industrials and materials which bore the brunt of the selling, particularly in the fourth quarter, as global growth expectations were revised down and the trade war escalated. Financials, the dominant value sector in Europe, suffered from political risk in Italy and fears that slower global growth would push out interest rate hikes, while autos and steel companies also faced the headwind of slower growth and rhetoric around the trade war. This had a material impact on the performance of the Fund.

The Neptune European Opportunities Fund is now being managed with a three-silo process, holding at least 20% of the portfolio in each of the three different silos at any one time. These silos are structural growth (high-quality, best-in-class

companies with strong franchises), economic recovery (companies that are geared into economic tailwinds and which tend to exhibit more cyclical earnings profiles and higher operating leverage); and special situations (previously poor performing companies set for a reversal in fortunes, due to a management change or a new strategic plan). Despite a slight rebalancing of the portfolio, it maintains a strong value bias, with valuations at a material discount to both the market and peers. As recession fears recede and risk assets are supported by a more dovish Fed and stimulus measures in China, we see room for the sharp outperformance of growth over value to begin to reverse.

*\*Source: Morningstar, C Accumulation share class performance, in sterling with no initial charges, net revenue reinvested to 31 December 2018. The performance of other share classes may differ. Past performance is not a guide for future performance. The value of an investment and any revenue from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the original amount invested. References to specific securities and sectors are for illustration purposes only and should not be taken as a recommendation to buy or sell these securities. Neptune Funds are not tied to replicating a benchmark and holdings can therefore vary from those in the index quoted. For this reason the comparison index should be used for reference only. Forecasts are not a reliable indicator of future performance. Any views expressed are those of Neptune as at the date of issue and we do not undertake to advise you as to any changes in our views. Please refer to the Prospectus for further details.*

# Neptune European Opportunities Fund

## Investment Manager's report

for the year ended 31 December 2018 (continued)

The Portfolio statement as at 31 December 2018 is as follows:

Holding	Portfolio of investments	Market value £000	Total net assets %
	<b>Austria 3.64% (2017 - 2.53%)</b>		
201,542	Erste Bank	5,224	2.28
133,016	Voestalpine	3,116	1.36
	<b>Belgium 0.39% (2017 - 3.49%)</b>		
17,641	KBC	893	0.39
	<b>Canada 0.00% (2017 - 4.15%)</b>		
	<b>Denmark 3.39% (2017 - 2.22%)</b>		
6,931	AP Moller - Maersk	6,803	2.96
89,231	D/S Norden	992	0.43
	<b>France 14.50% (2017 - 18.73%)</b>		
225,572	Bouygues	6,338	2.76
862,533	Credit Agricole	7,296	3.18
150,119	Renault	7,365	3.21
291,479	Société Générale	7,259	3.16
264,546	Vivendi	5,030	2.19
	<b>Germany 28.02% (2017 - 21.35%)</b>		
45,291	Aurubis	1,746	0.76
86,000	Bayer	4,679	2.04
163,602	Bilfinger	3,768	1.64
69,251	Continental	7,475	3.26
238,018	Daimler	9,798	4.27
141,319	Deutz	654	0.29
1,180,000	E.ON	9,134	3.98
57,000	Merck	4,589	2.00
139,301	Porsche Automobil Preference Shares	6,459	2.81
157,948	Salzgitter	3,632	1.58
99,165	Volkswagen Preference Shares	12,360	5.39
	<b>Italy 11.45% (2017 - 7.56%)</b>		
5,518,655	Intesa Sanpaolo	9,593	4.18
1,127,186	Saipem	3,300	1.44
1,019,939	UniCredit	9,050	3.94
1,913,259	Unione di Banche Italiane	4,329	1.89
	<b>Luxembourg 3.59% (2017 - 3.33%)</b>		
506,234	ArcelorMittal	8,249	3.59
	<b>Netherlands 5.46% (2017 - 3.53%)</b>		
394,589	ING	3,323	1.45
2,229,015	PostNL	3,996	1.74
448,380	SBM Offshore	5,212	2.27
	<b>Norway 3.80% (2017 - 4.53%)</b>		
3,816,355	Agrinos	1,033	0.45
255,641	Yara International	7,683	3.35
	<b>Portugal 4.93% (2017 - 1.05%)</b>		
31,528,792	Banco Comercial Portugues	6,490	2.83
390,000	Galp Energia	4,818	2.10

# Neptune European Opportunities Fund

## Investment Manager's report

for the year ended 31 December 2018 (continued)

The Portfolio statement as at 31 December 2018 (continued)

Holding	Portfolio of investments	Market value £000	Total net assets %
	<b>Spain 9.30% (2017 - 11.53%)</b>		
2,306,931	Banco Santander	8,197	3.57
2,557,271	Bankia	5,881	2.56
2,566,631	CaixaBank	7,285	3.17
	<b>Sweden 5.51% (2017 - 8.98%)</b>		
186,398	Alfa Laval	3,093	1.35
812,736	SKF	9,538	4.16
	<b>Switzerland 4.12% (2017 - 0.85%)</b>		
131,252	Adecco	4,799	2.09
23,000	Lonza	4,660	2.03
	<b>United Kingdom 0.00% (2017 - 5.36%)</b>		
	<b>Derivatives 0.01% (2017 - 0.00%)</b>		
	FORWARD FOREIGN EXCHANGE CONTRACTS 0.01% (2017 - 0.00%)		
	Bought CHF39,231 for GBP31,375 Settlement 15/01/2019	—	0.00
	Sold CHF515,106 for GBP411,923 Settlement 15/01/2019	2	0.00
	Bought DKK257,795 for GBP31,105 Settlement 15/01/2019	—	0.00
	Sold DKK2,916,224 for GBP351,785 Settlement 15/01/2019	1	0.00
	Bought EUR1,051,353 for GBP947,454 Settlement 15/01/2019	(4)	0.00
	Sold EUR9,369,236 for GBP8,433,921 Settlement 15/01/2019	28	0.01
	Bought NOK184,651 for GBP17,021 Settlement 15/01/2019	—	0.00
	Sold NOK4,171,813 for GBP384,929 Settlement 15/01/2019	8	0.00
	Bought SEK295,503 for GBP25,839 Settlement 15/01/2019	—	0.00
	Sold SEK6,225,971 for GBP542,756 Settlement 15/01/2019	(2)	0.00
	Bought USD377,316 for GBP297,548 Settlement 15/01/2019	(3)	0.00
	Sold USD377,391 for GBP298,059 Settlement 15/01/2019	3	0.00
	Portfolio of investments	225,172	98.11
	Net other assets	4,329	1.89
	Net assets	229,501	100.00

All holdings are ordinary shares or stock units unless otherwise stated.

## Investment Manager's report

for the year ended 31 December 2018 (continued)

The top five purchases and sales for the year are as follows:

Purchases	Cost £000
E.ON	16,622
Deutsche Bank	10,941
Intesa Sanpaolo	8,949
Unione di Banche Italiane	6,950
UniCredit	6,186

Sales	Proceeds £000
Nutrien	18,254
Rio Tinto	17,141
TOTAL	9,882
BNP Paribas	9,842
Eni	9,718

## Fund information

### Performance record

#### A Income

OCF cap from 1 January 2019: 2.13%	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
<b>Change in net asset per share</b>			
Opening net asset value per share	552.70	470.39	374.10
Return before operating charges	(128.83)	105.50	109.18
Operating charges	(9.95)	(9.84)	(6.85)
Return after operating charges	(138.78)	95.66	102.33
Distributions	(15.08)	(13.35)	(6.04)
Closing net asset value per share	398.84	552.70	470.39
After direct transaction costs of:	0.32	1.64	1.58
<b>Performance</b>			
Return after operating charges	(25.11)%	20.34%	27.35%
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Other information</b>			
Closing net asset value	1,707	2,480	2,400
Closing number of shares	428,038	448,711	510,271
Operating Charge Figure	1.96%	1.88%	1.87%
Direct transaction costs	0.06%	0.31%	0.43%
OCF/TER cap	2.06%	2.00%	2.00%
Research fee	0.10%	—	—
Research fee rebate	(0.02)%	—	—
<b>Prices</b>			
Highest share price	588.70p	565.30p	474.10p
Lowest share price	398.00p	470.90p	298.60p

#### A Accumulation

OCF cap from 1 January 2019: 2.13%	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
<b>Change in net asset per share</b>			
Opening net asset value per share	644.86	535.21	419.39
Return before operating charges	(152.84)	120.97	123.59
Operating charges	(11.90)	(11.32)	(7.77)
Return after operating charges	(164.74)	109.65	115.82
Distributions	(5.85)	(7.45)	(6.34)
Retained distributions on accumulation shares	5.85	7.45	6.34
Closing net asset value per share	480.12	644.86	535.21
After direct transaction costs of:	0.38	1.88	1.79
<b>Performance</b>			
Return after operating charges	(25.55)%	20.49%	27.62%
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Other information</b>			
Closing net asset value	27,792	53,427	48,010
Closing number of shares	5,788,488	8,285,007	8,970,412
Operating Charge Figure	1.97%	1.88%	1.87%
Direct transaction costs	0.06%	0.31%	0.43%
OCF/TER cap	2.06%	2.00%	2.00%
Research fee	0.10%	—	—
Research fee rebate	(0.02)%	—	—
<b>Prices</b>			
Highest share price	686.90p	657.10p	536.50p
Lowest share price	477.40p	535.70p	334.50p

## Fund information (continued)

### Performance record (continued)

#### B Income

OCF cap from 1 January 2019: 1.62%	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
<b>Change in net asset per share</b>			
Opening net asset value per share	562.69	476.50	384.41
Return before operating charges	(131.56)	107.07	109.32
Operating charges	(7.64)	(7.33)	(4.93)
Return after operating charges	(139.20)	99.74	104.39
Distributions	(15.38)	(13.55)	(12.30)
Closing net asset value per share	408.11	562.69	476.50
After direct transaction costs of:	0.33	1.66	1.57
<b>Performance</b>			
Return after operating charges	(24.74)%	20.93%	27.16%
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Other information</b>			
Closing net asset value	1,604	3,084	3,409
Closing number of shares	392,975	548,043	715,436
Operating Charge Figure	1.46%	1.38%	1.36%
Direct transaction costs	0.06%	0.31%	0.43%
OCF/TER cap	1.56%	1.50%	1.50%
Research fee	0.10%	—	—
Research fee rebate	(0.02)%	—	—
<b>Prices</b>			
Highest share price	599.50p	575.10p	480.20p
Lowest share price	407.20p	477.30p	306.60p

#### B Accumulation

OCF cap from 1 January 2019: 1.62%	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
<b>Change in net asset per share</b>			
Opening net asset value per share	689.39	569.34	443.93
Return before operating charges	(164.12)	128.91	131.33
Operating charges	(9.40)	(8.86)	(5.92)
Return after operating charges	(173.52)	120.05	125.41
Distributions	(9.50)	(9.46)	(7.73)
Retained distributions on accumulation shares	9.50	9.46	7.73
Closing net asset value per share	515.87	689.39	569.34
After direct transaction costs of:	0.41	2.01	1.87
<b>Performance</b>			
Return after operating charges	(25.17)%	21.09%	28.25%
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Other information</b>			
Closing net asset value	1,703	2,908	3,226
Closing number of shares	330,039	421,842	566,664
Operating Charge Figure	1.46%	1.38%	1.37%
Direct transaction costs	0.06%	0.31%	0.43%
OCF/TER cap	1.56%	1.50%	1.50%
Research fee	0.10%	—	—
Research fee rebate	(0.02)%	—	—
<b>Prices</b>			
Highest share price	734.50p	701.90p	570.70p
Lowest share price	512.90p	570.30p	354.20p

# Neptune European Opportunities Fund

## Fund information (continued)

### Performance record (continued)

#### C Income

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 1.12%			
<b>Change in net asset per share</b>			
Opening net asset value per share	162.36	136.81	109.54
Return before operating charges	(38.14)	30.80	31.50
Operating charges	(1.43)	(1.35)	(0.92)
Return after operating charges	(39.57)	29.45	30.58
Distributions	(4.44)	(3.90)	(3.31)
Closing net asset value per share	118.35	162.36	136.81
After direct transaction costs of:	0.09	0.48	0.46
<b>Performance</b>			
Return after operating charges	(24.37)%	21.53%	27.92%
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Other information</b>			
Closing net asset value	22,008	48,380	45,330
Closing number of shares	18,595,256	29,797,489	33,134,402
Operating Charge Figure	0.96%	0.88%	0.87%
Direct transaction costs	0.06%	0.31%	0.43%
OCF/TER cap	1.06%	1.00%	1.00%
Research fee	0.09%	—	—
Research fee rebate	(0.02)%	—	—
<b>Prices</b>			
Highest share price	173.00p	165.80p	137.90p
Lowest share price	118.10p	137.20p	87.48p

#### C Accumulation

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 1.11%			
<b>Change in net asset per share</b>			
Opening net asset value per share	203.66	167.35	129.84
Return before operating charges	(48.66)	37.98	38.63
Operating charges	(1.83)	(1.67)	(1.12)
Return after operating charges	(50.49)	36.31	37.51
Distributions	(3.77)	(3.24)	(2.84)
Retained distributions on accumulation shares	3.77	3.24	2.84
Closing net asset value per share	153.17	203.66	167.35
After direct transaction costs of:	0.12	0.59	0.56
<b>Performance</b>			
Return after operating charges	(24.79)%	21.70%	28.89%
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Other information</b>			
Closing net asset value	99,597	189,281	135,797
Closing number of shares	65,022,675	92,937,380	81,144,317
Operating Charge Figure	0.96%	0.88%	0.87%
Direct transaction costs	0.06%	0.31%	0.43%
OCF/TER cap	1.06%	1.00%	1.00%
Research fee	0.10%	—	—
Research fee rebate	(0.02)%	—	—
<b>Prices</b>			
Highest share price	217.10p	207.20p	167.70p
Lowest share price	152.30p	167.80p	103.70p



# Neptune European Opportunities Fund

## Fund information (continued)

### Performance record (continued)

#### D Accumulation

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 1.01%			
<b>Change in net asset per share</b>			
Opening net asset value per share	163.10	133.89	103.77
Return before operating charges	(38.98)	30.39	30.92
Operating charges	(1.33)	(1.18)	(0.80)
Return after operating charges	(40.31)	29.21	30.12
Distributions	(3.17)	(2.67)	(2.37)
Retained distributions on accumulation shares	3.17	2.67	2.37
Closing net asset value per share	122.79	163.10	133.89
After direct transaction costs of:	0.10	0.47	0.45
<b>Performance</b>			
Return after operating charges	(24.71)%	21.82%	29.03%
	£000	£000	£000
<b>Other information</b>			
Closing net asset value	10,025	30,621	16,700
Closing number of shares	8,164,242	18,773,918	12,472,364
Operating Charge Figure	0.86%	0.78%	0.77%
Direct transaction costs	0.06%	0.31%	0.43%
OCF/TER cap	0.96%	0.90%	0.90%
Research fee	0.10%	—	—
Research fee rebate	(0.02)%	—	—
<b>Prices</b>			
Highest share price	173.80p	165.90p	134.20p
Lowest share price	122.10p	134.20p	82.87p

#### E Income (Launched 1 December 2017)

	31 December 2018 (p)	31 December 2017 (p)
OCF cap from 1 January 2019: 0.91%		
<b>Change in net asset per share</b>		
Opening net asset value per share	102.43	100.00
Return before operating charges	(24.16)	2.48
Operating charges	(0.71)	(0.05)
Return after operating charges	(24.87)	2.43
Distributions	(2.14)	—
Closing net asset value per share	75.42	102.43
After direct transaction costs of:	0.06	0.32
<b>Performance</b>		
Return after operating charges	(24.28)%	2.43%
	£000	£000
<b>Other information</b>		
Closing net asset value	34,135	37,972
Closing number of shares	45,259,705	37,069,718
Operating Charge Figure	0.76%	0.70%
Direct transaction costs	0.06%	0.31%
OCF/TER cap	0.86%	0.80%
Research fee	0.10%	—
Research fee rebate	(0.02)%	—
<b>Prices</b>		
Highest share price	109.20p	103.10p
Lowest share price	74.98p	99.81p

# Neptune European Opportunities Fund

## Fund information (continued)

### Performance record (continued)

#### A Accumulation EUR

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 2.13%			
<b>Change in net asset per share</b>			
Opening net asset value per share	199.50	165.57	129.74
Return before operating charges	(47.28)	37.43	38.15
Operating charges	(3.69)	(3.50)	(2.32)
Return after operating charges	(50.97)	33.93	35.83
Distributions	(1.81)	(2.30)	(1.96)
Retained distributions on accumulation shares	1.81	2.30	1.96
Closing net asset value per share	148.53	199.50	165.57
After direct transaction costs of:	0.12	0.58	0.54
<b>Performance</b>			
Return after operating charges	(25.55)%	20.49%	27.62%
	£000	£000	£000
<b>Other information</b>			
Closing net asset value	2,694	7,917	8,182
Closing number of shares	1,814,145	3,968,634	4,941,560
Operating Charge Figure	1.96%	1.88%	1.86%
Direct transaction costs	0.06%	0.31%	0.43%
OCF/TER cap	2.06%	2.00%	2.00%
Research fee	0.09%	—	—
Research fee rebate	(0.02)%	—	—
<b>Prices</b>			
Highest share price	241.20¢	229.50¢	195.30¢
Lowest share price	163.80¢	196.10¢	131.60¢

#### B Accumulation EUR

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 1.62%			
<b>Change in net asset per share</b>			
Opening net asset value per share	208.26	172.00	134.09
Return before operating charges	(49.53)	38.94	39.71
Operating charges	(2.90)	(2.68)	(1.80)
Return after operating charges	(52.43)	36.26	37.91
Distributions	(2.86)	(2.86)	(2.33)
Retained distributions on accumulation shares	2.86	2.86	2.33
Closing net asset value per share	155.83	208.26	172.00
After direct transaction costs of:	0.12	0.61	0.57
<b>Performance</b>			
Return after operating charges	(25.18)%	21.08%	28.27%
	£000	£000	£000
<b>Other information</b>			
Closing net asset value	6,369	23,637	28,191
Closing number of shares	4,087,016	11,349,850	16,390,279
Operating Charge Figure	1.46%	1.38%	1.37%
Direct transaction costs	0.06%	0.31%	0.43%
OCF/TER cap	1.56%	1.50%	1.50%
Research fee	0.10%	—	—
Research fee rebate	(0.02)%	—	—
<b>Prices</b>			
Highest share price	251.90¢	239.40¢	202.80¢
Lowest share price	171.80¢	203.90¢	136.10¢

# Neptune European Opportunities Fund

## Fund information (continued)

### Performance record (continued)

#### C Accumulation EUR

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 1.11%			
<b>Change in net asset per share</b>			
Opening net asset value per share	120.52	99.03	76.84
Return before operating charges	(28.78)	22.48	22.86
Operating charges	(1.10)	(0.99)	(0.67)
Return after operating charges	(29.88)	21.49	22.19
Distributions	(2.23)	(1.91)	(1.68)
Retained distributions on accumulation shares	2.23	1.91	1.68
Closing net asset value per share	90.64	120.52	99.03
After direct transaction costs of:	0.07	0.35	0.33
<b>Performance</b>			
Return after operating charges	(24.79)%	21.70%	28.88%
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Other information</b>			
Closing net asset value	12,143	50,409	32,736
Closing number of shares	13,396,968	41,824,820	33,055,849
Operating Charge Figure	0.96%	0.88%	0.87%
Direct transaction costs	0.06%	0.31%	0.43%
OCF/TER cap	1.06%	1.00%	1.00%
Research fee	0.09%	—	—
Research fee rebate	(0.02)%	—	—
<b>Prices</b>			
Highest share price	145.80¢	138.40¢	116.70¢
Lowest share price	99.92¢	119.50¢	78.01¢

#### C Accumulation Hedged (Launched 3 January 2018)

	31 December 2018 (p)
OCF cap from 1 January 2019: 1.11%	
<b>Change in net asset per share</b>	
Opening net asset value per share	100.00
Return before operating charges	(24.76)
Operating charges	(0.85)
Return after operating charges	(25.61)
Distributions	(1.82)
Retained distributions on accumulation shares	1.82
Closing net asset value per share	74.39
After direct transaction costs of:	0.05
<b>Performance</b>	
Return after operating charges	(25.61)%
	<b>£000</b>
<b>Other information</b>	
Closing net asset value	528
Closing number of shares	710,175
Operating Charge Figure	0.98%
Direct transaction costs	0.06%
OCF/TER cap	1.06%
Research fee	0.09%
Research fee rebate	(0.02)%
<b>Prices</b>	
Highest share price	105.90p
Lowest share price	73.59p

## Fund information (continued)

### Performance record (continued)

D Accumulation Hedged *(Launched 3 January 2018)*

31 December 2018

OCF cap from 1 January 2019: 1.01%

(p)

#### Change in net asset per share

Opening net asset value per share	100.00
Return before operating charges	(24.99)
Operating charges	(0.80)
Return after operating charges	(25.79)
Distributions	(1.91)
Retained distributions on accumulation shares	1.91
Closing net asset value per share	74.21
After direct transaction costs of:	0.06

#### Performance

Return after operating charges (25.79)%

£000

#### Other information

Closing net asset value	9,196
Closing number of shares	12,391,965
Operating Charge Figure	0.90%
Direct transaction costs	0.06%
OCF/TER cap	0.96%
Research fee	0.09%
Research fee rebate	(0.02)%

#### Prices

Highest share price	105.90p
Lowest share price	73.41p

Research costs are defined in the Notes on page 43 and for the period 1 January 2018 to 31 December 2018 the research cost was £412,530. Additionally in the period, a rebate of research costs of £112,341 was credited to the Fund. This represented unused research costs accrued for in 2017.

### Fund performance

The performance of the Fund is shown in the Investment Manager's report on page 30.

Details of the distributions per share for the year are shown in the distribution tables on pages 49 to 51.

### Status

Neptune European Opportunities Fund is a sub-fund of Neptune Investment Funds which is a UCITS scheme.

### Risk warning

Please remember that past performance should not be seen as a guide to future performance and that the value of an investment in an OEIC and the income from it can fall as well as rise and may be affected by exchange rate variations.

## Financial Statements

### Statement of total return

for the year ended 31 December 2018

	Note	31 December 2018		31 December 2017	
		£000	£000	£000	£000
Income					
Net capital (losses)/gains	2		(105,431)		70,028
Revenue	3	12,991		10,564	
Expenses	4	(4,303)		(4,344)	
Interest payable and similar charges		(11)		(3)	
Net revenue before taxation		8,677		6,217	
Taxation	5	(766)		(311)	
Net revenue after taxation			7,911		5,906
Total return before distributions			(97,520)		75,934
Distributions	6		(8,460)		(7,080)
Change in net assets attributable to shareholders from investment activities			(105,980)		68,854

### Statement of change in net assets attributable to shareholders

for the year ended 31 December 2018

	31 December 2018		31 December 2017	
	£000	£000	£000	£000
Opening net assets attributable to shareholders		450,116		323,981
Amounts received on issue of shares	76,198		190,617	
Amounts paid on cancellation of shares	(194,619)		(138,852)	
		(118,421)		51,765
Dilution adjustment charged		11		10
Change in net assets attributable to shareholders from investment activities		(105,980)		68,854
Retained distribution on accumulation shares		3,775		5,506
Closing net assets attributable to shareholders		229,501		450,116

## Financial Statements (continued)

### Balance sheet

as at 31 December 2018

		31 December 2018		31 December 2017	
	Note	£000	£000	£000	£000
<b>Assets</b>					
Fixed assets					
Investments			225,181		446,487
Current assets					
Debtors	7	1,817		3,267	
Cash and bank balances	8	9,739		1,313	
Total current assets			11,556		4,580
Total assets			236,737		451,067
<b>Liabilities</b>					
Investment liabilities		(9)		—	
Creditors					
Distributions payable		(92)		(204)	
Other creditors	9	(7,135)		(747)	
Total liabilities			(7,236)		(951)
Net assets attributable to shareholders			229,501		450,116

The accompanying notes are an integral part of these financial statements.

## Notes to the Financial Statements

for the year ended 31 December 2018

### 1 Accounting policies

For accounting policies relating to this Fund please refer to the notes on pages 9 to 13.

2 Net capital (losses)/gains	31 December 2018 £000	31 December 2017 £000
Non-derivative securities	(105,096)	70,441
Forward currency contracts	(311)	—
Currency losses	(23)	(376)
Transaction charges	(1)	(37)
Net capital (losses)/gains	<u>(105,431)</u>	<u>70,028</u>
3 Revenue	31 December 2018 £000	31 December 2017 £000
Bank interest	1	(3)
Scrip dividends	594	1,332
UK dividends	982	245
Overseas dividends	11,414	8,990
Total revenue	<u>12,991</u>	<u>10,564</u>
4 Expenses	31 December 2018 £000	31 December 2017 £000
<i>Payable to the ACD, associates of the ACD and agents of either of them:</i>		
ACD's periodic charge	3,494	3,848
Distribution fees	31	64
Printing costs	13	11
Registration fees	16	15
Transfer agent fees	65	57
	<u>3,619</u>	<u>3,995</u>
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	95	107
Safe custody fees	91	69
	<u>186</u>	<u>176</u>
<i>Other expenses:</i>		
Audit fee	43	27
Hedge fee	4	—
Legal and professional fees	135	137
Publication costs	16	9
Research fees	300	—
	<u>498</u>	<u>173</u>
Total expenses	<u>4,303</u>	<u>4,344</u>

The ACD caps the ongoing charges figure (OCF) of each share class as a percentage of the average net asset value and these percentage caps are disclosed in the performance record of each share class. The OCF capping is entirely at the discretion of the ACD and may cease at any time.

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

### 5 Taxation

31 December 2018  
£000

31 December 2017  
£000

(a) Analysis of charge in the year:

Overseas withholding tax	766	311
Total taxation for the year	<u>766</u>	<u>311</u>

(b) Factors affecting current tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an authorised OEIC (20%).

The differences are explained below:

31 December 2018  
£000

31 December 2017  
£000

Net revenue before taxation	8,677	6,217
Corporation tax at 20% (2017: 20%)	<u>1,735</u>	<u>1,243</u>
Effects of:		
Movement in excess management expenses	863	870
Overseas withholding tax	766	311
Revenue not subject to taxation	<u>(2,598)</u>	<u>(2,113)</u>
Current tax charge for the year	<u>766</u>	<u>311</u>

(c) Deferred tax

At the year end, there is a potential deferred tax asset of £16,822,258 (2017: £15,959,596) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore, no deferred tax assets have been recognised in the current or prior year.

### 6 Distributions

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

31 December 2018  
£000

31 December 2017  
£000

Interim	2,351	7,083
Final	3,867	205
Add: Amounts deducted on cancellation of shares	2,656	324
Deduct: Amounts received on issue of shares	<u>(414)</u>	<u>(532)</u>
Net distribution for the year	<u>8,460</u>	<u>7,080</u>
Reconciliation of net revenue after taxation to distributions		
Net revenue after taxation	7,911	5,906
Expenses charged to capital	526	654
Equalisation on conversion of shares	—	2
Revenue deficit borne by capital	<u>23</u>	<u>518</u>
Net distribution for the year	<u>8,460</u>	<u>7,080</u>

Details of the distribution per share are set out in the distribution tables on pages 49 to 51.



## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

7 Debtors	31 December 2018	31 December 2017
	£000	£000
Accrued revenue	1	211
Amounts receivable for issue of shares	50	1,662
Overseas tax recoverable	1,766	1,394
Total debtors	<u>1,817</u>	<u>3,267</u>

8 Cash and bank balances	31 December 2018	31 December 2017
	£000	£000
Cash and bank balances	9,739	1,313
	<u>9,739</u>	<u>1,313</u>

9 Creditors	31 December 2018	31 December 2017
	£000	£000
ACD's periodic charge	194	322
Rebate borne by ACD	3	3
Accrued expenses	203	157
Amounts payable on cancellation of shares	6,734	265
Interest payable	1	—
Total creditors	<u>7,135</u>	<u>747</u>

### 10 Related party transactions

General details on related parties are shown in the notes on pages 9 to 13.

Amounts paid to/from the ACD and Depositary are shown in note 4 on page 43. The balances due at the year end are shown in notes 7 and 9.

### 11 Shareholder funds

Details relating to the Fund are shown in the notes on pages 9 to 13.

### 12 Contingent liabilities, contingent assets and commitments

There were no contingent liabilities, contingent assets or outstanding commitments at the balance sheet date (2017: nil).

### 13 Swing pricing

The ACD's swing pricing policy is disclosed in the notes on pages 9 to 13.

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

### 14 Derivatives and other financial instruments

The main risk from the Fund's holdings of financial instruments together with the ACD's policy for managing these risks are disclosed in the notes on pages 9 to 13.

As an international equity fund the Fund is exposed to market price risk, currency risk, liquidity risk and counterparty risk. The Fund does not invest in debt securities and therefore has no material exposure to interest rate risk or credit risk.

As at 31 December 2018, if the price of investments held by the Fund increased or decreased by 1%, the resulting change in net assets attributable to shareholders would have been an increase or decrease of approximately 1%; which for this Fund would equate to £2,251,389 (2017: £4,464,867).

As at 31 December 2018, if the value of sterling increased or decreased by 1% against all currencies, the resulting change in the net assets attributable to shareholders of the Fund would have been an increase or decrease of approximately £2,150,265 (2017: £4,238,086).

Numerical disclosures relating to the Fund are as follows:

#### Foreign currency risk

The table below shows the foreign currency risk profile at the balance sheet date:

Currency	Net foreign currency assets	
	31 December 2018	31 December 2017
	Total £000	Total £000
Danish krone	7,501	9,991
Euro	177,746	330,114
Norwegian krone	8,496	20,625
Swedish krona	12,112	40,395
Swiss franc	9,170	3,870
US dollar	1	18,814
Total	<u>215,026</u>	<u>423,809</u>

#### Counterparty risk

The table below shows the counterparty risk as at the balance sheet date:

	Counterparty	Derivative exposure £000	Collateral posted £000	Collateral received £000	Collateral asset class
2018	State Street	33,000	—	—	Cash

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

### 15 Portfolio transaction costs

Analysis of total trade costs

	Purchases		Sales	
	31 December 2018 £000	31 December 2017 £000	31 December 2018 £000	31 December 2017 £000
Equities	133,068	489,421	249,569	434,837
Trades in the year before transaction costs	133,068	489,421	249,569	434,837
Commissions				
Equities	67	521	(123)	(416)
Total commissions	67	521	(123)	(416)
Taxes				
Equities	59	456	—	—
Total taxes	59	456	—	—
Total costs	126	977	(123)	(416)
Total net trades in the year after transaction costs	133,194	490,398	249,446	434,421

In the case of shares, commissions and taxes are paid by the Fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments and derivatives) have no separately identifiable transaction costs: these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the dealing spread was 0.07% (2017: 0.05%).

Total transaction cost expressed as a percentage of asset class:

	Purchases		Sales	
	31 December 2018 %	31 December 2017 %	31 December 2018 %	31 December 2017 %
Commissions				
Equities	0.05	0.11	(0.05)	(0.10)
Taxes				
Equities	0.04	0.09	—	—

Total transaction cost expressed as a percentage of average NAV:  
For the year ended

	31 December 2018 %	31 December 2017 %
Commissions	0.05	0.21
Taxes	0.01	0.10
Total	0.06	0.31

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

### 16 Post balance sheet events

There were no post balance sheet events.

### 17 Share reconciliation

Reconciliation of the share movements in the year

	31 December 2018			
	A Income	A Accumulation	B Income	B Accumulation
Opening shares in issue	448,711	8,285,007	548,043	421,842
Creations during the year	23,675	330,407	2,765	58,312
Cancellations during the year	(44,348)	(2,805,367)	(157,833)	(148,695)
Share converted during the year	—	(21,559)	—	(1,420)
Closing shares in issue	<u>428,038</u>	<u>5,788,488</u>	<u>392,975</u>	<u>330,039</u>
	C Income	C Accumulation	D Accumulation	E Income
Opening shares in issue	29,797,489	92,937,380	18,773,918	37,069,718
Creations during the year	7,293,779	8,694,605	2,960,316	9,916,500
Cancellations during the year	(18,496,012)	(36,682,258)	(13,569,992)	(1,726,513)
Shares converted during the year	—	72,948	—	—
Closing shares in issue	<u>18,595,256</u>	<u>65,022,675</u>	<u>8,164,242</u>	<u>45,259,705</u>
	A Accumulation EUR	B Accumulation EUR	C Accumulation EUR	C Accumulation Hedged
Opening shares in issue	3,968,634	11,349,850	41,824,820	—
Creations during the year	492,873	3,404,473	8,132,132	714,851
Cancellations during the year	(2,647,362)	(10,667,307)	(36,559,984)	(4,676)
Shares converted during the year	—	—	—	—
Closing shares in issue	<u>1,814,145</u>	<u>4,087,016</u>	<u>13,396,968</u>	<u>710,175</u>
	D Accumulation Hedged			
Opening shares in issue	—			
Creations during the year	13,067,328			
Cancellations during the year	(675,363)			
Shares converted during the year	—			
Closing shares in issue	<u>12,391,965</u>			

### 18 Fair value hierarchy

Valuation technique

	Assets 31 December 2018 €000	Liabilities 31 December 2018 €000	Assets 31 December 2017 €000	Liabilities 31 December 2017 €000
Level 1	225,139	—	445,927	—
Level 2	42	(9)	—	—
Level 3	—	—	560	—
	<u>225,181</u>	<u>(9)</u>	<u>446,487</u>	<u>—</u>

# Neptune European Opportunities Fund

## Distribution table

for the year ended 31 December 2018 – in pence/cents per share

### Interim

Group 1-Shares purchased prior to 1 January 2018

Group 2-Shares purchased on or after 1 January 2018 to 30 June 2018

	Net revenue	Equalisation	Paid 31 August 2018	Paid 31 August 2017
<b>A Income shares (p)</b>				
Group 1	13.6227	—	13.6227	11.2506
Group 2	9.2104	4.4123	13.6227	11.2506
<b>A Accumulation shares (p)</b>				
Group 1	—	—	—	7.4520
Group 2	—	—	—	7.4520
<b>B Income shares (p)</b>				
Group 1	13.8921	—	13.8921	11.4164
Group 2	13.2378	0.6543	13.8921	11.4164
<b>B Accumulation shares (p)</b>				
Group 1	—	—	—	9.4633
Group 2	—	—	—	9.4633
<b>C Income shares (p)</b>				
Group 1	4.0153	—	4.0153	3.2834
Group 2	3.1032	0.9121	4.0153	3.2834
<b>C Accumulation shares (p)</b>				
Group 1	—	—	—	3.2359
Group 2	—	—	—	3.2359
<b>D Accumulation shares (p)</b>				
Group 1	—	—	—	2.6619
Group 2	—	—	—	2.6619
<b>E Income shares (p)</b>				
Group 1	2.1414	—	2.1414	—
Group 2	1.7864	0.3550	2.1414	—
<b>A Accumulation EUR shares (¢)</b>				
Group 1	—	—	—	2.6224
Group 2	—	—	—	2.6224
<b>B Accumulation EUR shares (¢)</b>				
Group 1	—	—	—	3.2497
Group 2	—	—	—	3.2497
<b>C Accumulation EUR shares (¢)</b>				
Group 1	—	—	—	2.1786
Group 2	—	—	—	2.1786

# Neptune European Opportunities Fund

## Distribution table

for the year ended 31 December 2018 (continued) – in pence/cents per share

### Final

Group 1-Shares purchased prior to 1 July 2018

Group 2-Shares purchased on or after 1 July 2018 to 31 December 2018

	Net revenue	Equalisation	Payable 28 February 2019	Paid 28 February 2018
<b>A Income shares (p)</b>				
Group 1	1.4528	—	1.4528	2.1024
Group 2	0.3884	1.0644	1.4528	2.1024
<b>B Income shares (p)</b>				
Group 1	1.4836	—	1.4836	2.1375
Group 2	0.6052	0.8784	1.4836	2.1375
<b>C Income shares (p)</b>				
Group 1	0.4296	—	0.4296	0.6156
Group 2	0.1832	0.2464	0.4296	0.6156
<b>E Income shares (p)</b>				
Group 1	—	—	—	—
Group 2	—	—	—	—

## Distribution table

for the year ended 31 December 2018 (continued) – in pence/cents per share

### Final

Group 1-Shares purchased prior to 1 January 2018

Group 2-Shares purchased on or after 1 January 2018 to 31 December 2018

	Net revenue	Equalisation	Payable 28 February 2019	Paid 28 February 2018
<b>A Accumulation shares (p)</b>				
Group 1	5.8525	—	5.8525	—
Group 2	3.8792	1.9733	5.8525	—
<b>B Accumulation shares (p)</b>				
Group 1	9.5001	—	9.5001	—
Group 2	1.9537	7.5464	9.5001	—
<b>C Accumulation shares (p)</b>				
Group 1	3.7663	—	3.7663	—
Group 2	2.1148	1.6515	3.7663	—
<b>D Accumulation shares (p)</b>				
Group 1	3.1676	—	3.1676	0.0045
Group 2	1.4550	1.7126	3.1676	0.0045
<b>A Accumulation EUR shares (¢)</b>				
Group 1	2.0134	—	2.0134	—
Group 2	0.1227	1.8907	2.0134	—
<b>B Accumulation EUR shares (¢)</b>				
Group 1	3.1923	—	3.1923	—
Group 2	0.6186	2.5737	3.1923	—
<b>C Accumulation EUR shares (¢)</b>				
Group 1	2.4818	—	2.4818	—
Group 2	1.6263	0.8555	2.4818	—
<b>C Accumulation Hedged shares (p)</b>				
Group 1	1.8224	—	1.8224	—
Group 2	—	1.8224	1.8224	—
<b>D Accumulation Hedged shares (p)</b>				
Group 1	1.9084	—	1.9084	—
Group 2	1.1934	0.7150	1.9084	—

The Accumulation share classes have changed distribution frequency and from 30 June 2018 will be distributing only at every year end.

## Investment objective

The investment objective of the Neptune Global Alpha Fund (the Fund) is to generate a positive total return, from investment predominantly in equities and bonds, with a view to attaining top quartile performance amongst the relevant peer group.

There is no predetermined exposure to the two asset classes. There are also no constraints on the regional, sectorial or geographical allocation policy adopted by the Fund.

Other eligible asset classes may include collective investment schemes, other transferable securities, cash or near cash, deposits and money market instruments.

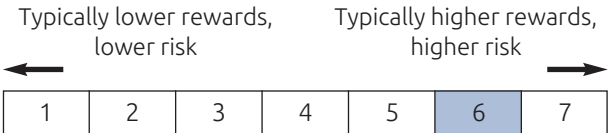
It is anticipated that derivative instruments and forward transactions may be used by the ACD for EPM.

The Fund has the facility to take tactical positions in cash or near cash should the ACD feel it appropriate.

The portfolio will be managed to ensure that the Fund is at all times eligible to be included in an ISA.

## Risk and reward profile

The risk and reward indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the risk and reward indicator.



The Fund is in Category 6 because of the high range and frequency of price movements (volatility) of the underlying investments referenced by the Fund.

The following are additional risks not covered by the risk and reward category.

- Investing overseas can bring additional returns and spread risk to different markets. There are risks, however, that changes in currency rates will reduce the value of your investment.
- Emerging markets or less developed countries may face more political, economic or structural challenges than developed countries. This means your money may be at greater risk.
- Bonds are affected by changes in interest rates, inflation and any decline in creditworthiness of the bond issuer. Bonds that produce a higher level of income usually also carry greater risk as such bond issuers may have difficulty in paying their debts.
- The Investment Manager aims to remove the impact of changes in some exchange rates by hedging, a currency transaction which can protect against such movements. However, if exchange rates move contrary to the Investment Manager's expectations this can have a significantly negative impact on the value of your investment.
- This Fund holds a limited number of investments. If one of these investments falls in value this can have a greater impact on the Fund's value than if it held a larger number of investments.
- For a full list of the Fund's risks, please see the Prospectus.



## Investment Manager's report

for the year ended 31 December 2018

Over the last year, the Neptune Global Alpha Fund has returned –1.1% in comparison to the IA Flexible Investment sector average return of –6.6%\*. This outperformance saw the Fund rank in the top quartile of the IA peer group over the period. Since launch, the Fund has returned 446.8% versus the peer group average return of 139.4%, and is the top performer in the sector over this time period.\*

The first quarter of 2018 saw the return of market volatility following extremely favourable conditions over the previous several quarters. Despite a very strong start to the year, global markets experienced a sharp sell-off in the first weeks of February before stabilising somewhat for the remainder of the quarter. There were several reasons for the selling, but most prominent was the concern that sharply rising global interest rates would act to slow the synchronised economic growth recovery evident in the last two years. The second quarter of 2018 was a positive one for global equity markets, despite a pick-up in macroeconomic headwinds sparked by fears of a global trade war. The US equity market delivered strong returns thanks to continued underlying earnings and revenue growth, particularly within the information technology sector.

Global markets finished the third quarter up over 6%, with strong fundamental data driving market strength. Despite continuing fears around increased protectionism and trade wars, the US equity market was relatively calm in the third quarter of the year. This was in stark contrast to other global markets where equities suffered. Dollar strength and other idiosyncratic factors led to a number of emerging market currencies suffering volatility. On the trade front, there was some good news later on in the quarter where a new NAFTA deal was agreed with Canada and Mexico.

The US equity market, having for most of the year eluded the growing fears that had afflicted other global stockmarkets, succumbed during the final quarter of 2018 and suffered a sharp correction. In addition to fears over the damage from the ongoing US/China trade spat, markets became concerned that the US economy was headed for tougher times. Further fuel to the sell-off was added by concerns that the Federal Reserve was going to continue to tighten monetary policy with more regular rate hikes in addition to continued shrinking of its QE-bloated balance sheet despite growing evidence that the economy was likely to head back towards trend growth in 2019.

Despite this, we continue to see an attractive backdrop for equities in the US and we have retained our significant weighting here. The Fund's weighting to the UK was a detractor to performance as

concerns surrounding Brexit negotiations continued to weigh on sterling which, combined with further evidence of a deteriorating outlook for the UK consumer, meant the market struggled. The Fund retains its overweights to emerging markets, which significantly outperformed developed markets during the period of volatility in the fourth quarter. In order to shield the portfolio from overall market volatility, we maintained our positions in exchange traded index put options, these options were a significant positive contributor to relative performance in a volatile final quarter. At an individual stock level, positive relative performance came from particular stocks, most notably, US tech firm Twilio. The company, which offers a software platform that allows its customers to easily integrate various communication capabilities into their products, continued to impress with an excellent Q3 earnings report seeing the stock rise and maintain a high price in the fourth quarter as many of its tech peers struggled. Another positive contributor to the relative outperformance of the Fund included CME Group, the futures exchange which benefited from the more volatile market conditions during the fourth quarter.

We are optimistic about the global economy and we continue to believe in the relative strength of US economy particularly versus the UK. There are increasing signs the UK economy is headed for tougher times. Our deepest-held conviction is that the US will – at some point – see a sustained and meaningful increase in productivity owing to innovation and the application of new technologies to less productive industries.

*\*Source: Morningstar, C Accumulation share class performance, in sterling with no initial charges, net revenue reinvested to 31 December 2018. The performance of other share classes may differ. This Fund may have a high historic volatility rating and past performance is not a guide to future performance. The value of an investment and any revenue from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the original amount invested. References to specific securities and sectors are for illustration purposes only and should not be taken as a recommendation to buy or sell these securities. Neptune Funds are not tied to replicating a benchmark and holdings can therefore vary from those in the index quoted. For this reason the comparison index should be used for reference only. Forecasts are not a reliable indicator of future performance. Any views expressed are those of Neptune as at the date of issue and we do not undertake to advise you as to any changes in our views. Please refer to the Prospectus for further details.*

# Neptune Global Alpha Fund

## Investment Manager's report

for the year ended 31 December 2018 (continued)

The Portfolio statement as at 31 December 2018 is as follows:

Holding	Portfolio of investments	Market value £000	Total net assets %
	<b>Chile 2.12% (2017 - 2.21%)</b>		
260,000	Antofagasta	2,036	2.12
	<b>China 8.22% (2017 - 10.24%)</b>		
20,000	Alibaba ADR	2,179	2.27
11,500	Baidu ADR	1,461	1.52
300,000	Ping An Insurance	2,073	2.15
70,000	Tencent	2,197	2.28
	<b>Cyprus 0.00% (2017 - 1.91%)</b>		
	<b>Hong Kong 3.08% (2017 - 3.12%)</b>		
1,875,000	Mandarin Oriental International	2,966	3.08
	<b>Ireland 2.53% (2017 - 0.00%)</b>		
160,000	Horizon Pharma	2,432	2.53
	<b>Japan 6.47% (2017 - 18.63%)</b>		
158,000	CYBERDYNE	545	0.57
80,000	Jafco	1,989	2.07
140,000	Optex	1,696	1.76
48,000	Sony	1,819	1.89
15,000	Uzabase	176	0.18
	<b>Russia 0.00% (2017 - 1.81%)</b>		
	<b>Switzerland 2.10% (2017 - 2.36%)</b>		
690,000	Glencore	2,023	2.10
	<b>United Kingdom 13.95% (2017 - 13.41%)</b>		
120,000	3i	931	0.97
290,165	Cambridge Innovation Capital	257	0.27
250,000	IP	268	0.28
32,000	LivaNova	2,231	2.32
3,041	Navenio (Private Equity)	225	0.24
2,000,000	Neptune Emerging Markets Fund 'C' Acc <sup>†</sup>	2,976	3.09
625,000	Neptune Global Smaller Companies Fund 'C' Acc <sup>†</sup>	929	0.97
1,300,000	Neptune Latin America Fund 'C' Acc <sup>†</sup>	1,424	1.48
1,331	Oxford Nanoimaging (Private Equity)	231	0.24
9,662	Oxford Nanopore Technologies (Private Equity)	500	0.52
833,334	Oxford Sciences Innovation	1,000	1.04
3,085	Oxford VR (Private Equity)	100	0.10
471	Oxstem (Private Equity)	100	0.10
406	Proxisense (Private Equity)	100	0.10
7,455	Ultromics (Private Equity)	500	0.52
322	Vaccitech 'A' (Private Equity)	350	0.36
11,000	Willis Towers Watson	1,300	1.35
	<b>United States 51.03% (2017 - 43.85%)</b>		
5,000	Alphabet 'A'	4,100	4.26
4,020	Amazon.com	4,654	4.84
21,000	ANSYS	2,351	2.44
65,000	Brown-Forman 'B'	2,413	2.51
25,000	CME	3,644	3.79
24,500	Electronic Arts	1,521	1.58
25,000	Evercore	1,385	1.44
20,000	Intercontinental Exchange	1,166	1.21

## Investment Manager's report

for the year ended 31 December 2018 (continued)

The Portfolio statement as at 31 December 2018 (continued)

Holding	Portfolio of investments	Market value £000	Total net assets %
9,000	Intuitive Surgical	3,321	3.45
25,000	NVIDIA	2,617	2.72
20,000	Palo Alto Networks	2,884	3.00
140,000	Rapid7	3,380	3.51
20,000	Red Hat	2,735	2.84
34,000	RingCentral	2,116	2.20
14,000	SVB Financial	2,082	2.17
65,000	Twilio	4,377	4.55
14,000	United Rentals	1,112	1.16
20,000	Visa 'A'	2,051	2.13
27,000	XPO Logistics	1,185	1.23
	<b>Derivatives 5.53% (2017 - 0.15%)</b>		
	<b>Options 5.53% (2017 - 0.15%)</b>		
54	FTSE 100 Index 7300 Put 15/03/2019	350	0.36
349	NASDAQ 100 E-Mini Futures 6950 Put 15/03/2019	3,641	3.79
209	S+P 500 E-Mini Futures 2625 Put 15/03/2019	1,328	1.38
	Portfolio of investments	91,427	95.03
	Net other assets	4,779	4.97
	Net assets	96,206	100.00

All holdings are ordinary shares or stock units unless otherwise stated.

Stocks shown as ADRs represent American Depositary Receipts.

†Represents investment into a Neptune Collective Investment Scheme product.

The top five purchases and sales for the year are as follows:

Purchases	Cost £000
Neptune Emerging Markets Fund 'C' Acc†	3,349
Neptune Russia and Greater Russia Fund 'C' Acc†	3,090
CME	2,940
Rapid7	2,831
NVIDIA	2,478

Sales	Proceeds £000
Neptune India Fund 'C' Acc†	3,570
Neptune Latin America Fund 'C' Acc†	3,076
Neptune Russia and Greater Russia Fund 'C' Acc†	2,854
Facebook	2,102
Globaltrans Investment GDR	1,764

Stocks shown as GDRs represent Global Depositary Receipts.

†Represents investment into a Neptune Collective Investment Scheme product.

## Fund information

### Performance record

#### A Accumulation

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
<b>OCF cap from 1 January 2019: 2.20%</b>			
<b>Change in net asset per share</b>			
Opening net asset value per share	492.22	397.46	377.36
Return before operating charges	(0.71)	104.00	27.46
Operating charges	(10.54)	(9.24)	(7.36)
Return after operating charges	(11.25)	94.76	20.10
Distributions	—	—	—
Retained distributions on accumulation shares	—	—	—
Closing net asset value per share	480.97	492.22	397.46
After direct transaction costs of:	0.22	0.84	0.33
<b>Performance</b>			
Return after operating charges	(2.29)%	23.84%	5.33%
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Other information</b>			
Closing net asset value	27,163	29,636	26,910
Closing number of shares	5,647,708	6,020,758	6,770,493
Operating Charge Figure	2.05%	2.09%	2.08%
Direct transaction costs	0.04%	0.19%	0.09%
OCF/TER cap	2.23%	2.20%	2.20%
Research fee	0.05%	—	—
Research fee rebate	(0.04)%	—	—
<b>Prices</b>			
Highest share price	552.00p	496.60p	402.70p
Lowest share price	477.60p	397.40p	290.40p

#### C Accumulation

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
<b>OCF cap from 1 January 2019: 1.04%</b>			
<b>Change in net asset per share</b>			
Opening net asset value per share	552.34	440.70	413.35
Return before operating charges	(1.15)	116.04	30.69
Operating charges	(5.14)	(4.40)	(3.34)
Return after operating charges	(6.29)	111.64	27.35
Distributions	—	(2.69)	—
Retained distributions on accumulation shares	—	2.69	—
Closing net asset value per share	546.05	552.34	440.70
After direct transaction costs of:	0.25	0.93	0.36
<b>Performance</b>			
Return after operating charges	(1.14)%	25.33%	6.62%
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Other information</b>			
Closing net asset value	69,043	60,343	50,347
Closing number of shares	12,643,997	10,924,880	11,424,231
Operating Charge Figure	0.89%	0.89%	0.85%
Direct transaction costs	0.04%	0.19%	0.09%
OCF/TER cap	1.03%	1.00%	0.90%
Research fee	0.05%	—	—
Research fee rebate	(0.04)%	—	—
<b>Prices</b>			
Highest share price	624.30p	556.60p	446.50p
Lowest share price	541.70p	440.70p	318.60p

## Fund information (continued)

### Performance record (continued)

Research costs are defined in the Notes on page 60 and for the period 1 January 2018 to 31 December 2018 the research cost was £44,891. Additionally in the period, a rebate of research costs of £35,237 was credited to the Fund. This represented unused research costs accrued for in 2017.

### Fund performance

The performance of the Fund is shown in the Investment Manager's report on page 53.

Details of the distributions per share for the year are shown in the distribution tables on page 65.

### Status

Neptune Global Alpha Fund is a sub-fund of Neptune Investment Funds which is a UCITS scheme.

### Risk warning

Please remember that past performance should not be seen as a guide to future performance and that the value of an investment in an OEIC and the income from it can fall as well as rise and may be affected by exchange rate variations.

## Financial Statements

### Statement of total return

for the year ended 31 December 2018

	Note	31 December 2018		31 December 2017	
		£000	£000	£000	£000
Income					
Net capital (losses)/gains	2		(1,204)		17,724
Revenue	3	741		1,176	
Expenses	4	(1,149)		(1,006)	
Interest payable and similar charges		—		(1)	
Net (expense)/revenue before taxation		(408)		169	
Taxation	5	(58)		(56)	
Net (expense)/revenue after taxation			(466)		113
Total return before equalisation/distribution			(1,670)		17,837
Equalisation/Distribution	6		10		(287)
Change in net assets attributable to shareholders from investment activities			(1,660)		17,550

### Statement of change in net assets attributable to shareholders

for the year ended 31 December 2018

	31 December 2018		31 December 2017	
	£000	£000	£000	£000
Opening net assets attributable to shareholders		89,979		77,257
Amounts received on issue of shares	20,494		12,383	
Amounts paid on cancellation of shares	(12,607)		(17,504)	
		7,887		(5,121)
Dilution adjustment charged		—		4
Change in net assets attributable to shareholders from investment activities		(1,660)		17,550
Retained distribution on accumulation shares		—		289
Closing net assets attributable to shareholders		96,206		89,979

## Financial Statements (continued)

### Balance sheet

as at 31 December 2018

	Note	31 December 2018		31 December 2017	
		£000	£000	£000	£000
<b>Assets</b>					
Fixed assets					
Investments			91,427		87,903
Current assets					
Debtors	7	175		35	
Cash and bank balances	8	5,520		2,263	
Total current assets			5,695		2,298
Total assets			97,122		90,201
<b>Liabilities</b>					
Creditors					
Other creditors	9	(916)		(222)	
Total liabilities			(916)		(222)
Net assets attributable to shareholders			96,206		89,979

The accompanying notes are an integral part of these financial statements.

## Notes to the Financial Statements

for the year ended 31 December 2018

### 1 Accounting policies

For accounting policies relating to this Fund please refer to the notes on pages 9 to 13.

2 Net capital (losses)/gains	31 December 2018	31 December 2017
	£000	£000
Non-derivative securities	(3,334)	19,914
Derivative contracts	1,951	(1,187)
Forward currency contracts	7	(1,287)
Currency gains	175	320
Transaction charges	(3)	(32)
Broker's commission on futures	—	(4)
Net capital (losses)/gains	<u>(1,204)</u>	<u>17,724</u>

3 Revenue	31 December 2018	31 December 2017
	£000	£000
Bank interest	9	3
UK dividends	91	54
Overseas dividends	629	1,097
Franked income from collective investment schemes	12	22
Total revenue	<u>741</u>	<u>1,176</u>

4 Expenses	31 December 2018	31 December 2017
	£000	£000
<i>Payable to the ACD, associates of the ACD and agents of either of them:</i>		
ACD's periodic charge	1,049	918
Distribution fees	8	12
Printing costs	—	4
Registration fees	7	6
Transfer agent fees	17	11
	<u>1,081</u>	<u>951</u>
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	30	29
Safe custody fees	12	11
	<u>42</u>	<u>40</u>
<i>Other expenses:</i>		
Audit fee	7	7
Legal and professional fees	7	6
Publication costs	2	2
Research fees	10	—
	<u>26</u>	<u>15</u>
Total expenses	<u>1,149</u>	<u>1,006</u>



## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

### 5 Taxation

	31 December 2018 £000	31 December 2017 £000
(a) Analysis of charge in the year:		
Overseas withholding tax	58	56
Total taxation for the year	<u>58</u>	<u>56</u>

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

The tax assessed for the year is higher than the standard rate of corporation tax in the UK for an authorised OEIC (20%).

The differences are explained below:

	31 December 2018 £000	31 December 2017 £000
Net (expense)/revenue before taxation	(408)	169
Corporation tax at 20% (2017: 20%)	(82)	34
Effects of:		
Movement in excess management expenses	228	174
Overseas tax expensed	—	(3)
Overseas withholding tax	58	56
Revenue not subject to taxation	(146)	(205)
Current tax charge for the year	<u>58</u>	<u>56</u>

#### (c) Deferred tax

At the year end, there is a potential deferred tax asset of £2,716,576 (2017: £2,488,528) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore, no deferred tax assets have been recognised in the current or prior year.

### 6 Equalisation/distribution

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

	31 December 2018 £000	31 December 2017 £000
Interim	—	229
Final	—	61
Add: Amounts deducted on cancellation of shares	(47)	(1)
Deduct: Amounts received on issue of shares	37	(2)
Net equalisation/distribution for the year	<u>(10)</u>	<u>287</u>
Reconciliation of net (expense)/revenue after taxation to distributions		
Net (expense)/revenue after taxation	(466)	113
Equalisation on conversion of shares	—	1
Revenue deficit borne by capital	456	173
Net equalisation/distribution for the year	<u>(10)</u>	<u>287</u>

Details of the distribution per share are set out in the distribution table on page 65.

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

7 Debtors	31 December 2018	31 December 2017
	£000	£000
Accrued revenue	73	30
Amounts receivable for issue of shares	93	5
Sales awaiting settlement	9	—
Total debtors	<u>175</u>	<u>35</u>

8 Cash and bank balances	31 December 2018	31 December 2017
	£000	£000
Cash and bank balances	5,520	2,263
	<u>5,520</u>	<u>2,263</u>

9 Creditors	31 December 2018	31 December 2017
	£000	£000
ACD's periodic charge	88	76
Accrued expenses	41	44
Amounts payable on cancellation of shares	787	102
Total creditors	<u>916</u>	<u>222</u>

### 10 Related party transactions

General details on related parties are shown in the notes on pages 9 to 13.

Amounts paid to/from the ACD and Depositary are shown in note 4 on page 60. The balances due at the year end are shown in notes 7 and 9.

### 11 Shareholder funds

Details relating to the Fund are shown in the notes on pages 9 to 13.

### 12 Contingent liabilities, contingent assets and commitments

There were no contingent liabilities, contingent assets or outstanding commitments at the balance sheet date (2017: nil).

### 13 Swing pricing

The ACD's swing pricing policy is disclosed in the notes on pages 9 to 13.

### 14 Derivatives and other financial instruments

The main risk from the Fund's holdings of financial instruments together with the ACD's policy for managing these risks are disclosed in the notes on pages 9 to 13.

As an international equity fund the Fund is exposed to market price risk, currency risk, liquidity risk and counterparty risk. The Fund does not invest in debt securities and therefore has no material exposure to interest rate risk or credit risk.

As at 31 December 2018, if the price of investments held by the Fund increased or decreased by 1%, the resulting change in net assets attributable to shareholders would have been an increase or decrease of approximately 1%; which for this Fund would equate to £861,080 (2017: £877,685).

As at 31 December 2018, if the value of sterling increased or decreased by 1% against all currencies, the resulting change in the net assets attributable to shareholders of the Fund would have been an increase or decrease of approximately £826,883 (2017: £740,975).

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

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

Numerical disclosures relating to the Fund are as follows:

#### Foreign currency risk

The table below shows the foreign currency risk profile at the balance sheet date:

Currency	Net foreign currency assets	
	31 December 2018	31 December 2017
	Total £000	Total £000
Hong Kong dollar	4,270	—
Japanese yen	6,239	16,774
US dollar	72,180	57,323
Total	82,689	74,097

#### Counterparty risk

The table below shows the counterparty risk as at the balance sheet date:

	Counterparty	Derivative exposure £000	Collateral posted £000	Collateral received £000	Collateral asset class
2018	RBC Europe	5,319	—	—	Cash
2017	RBC Europe	135	—	—	Cash

### 15 Portfolio transaction costs

Analysis of total trade costs

	Purchases		Sales	
	31 December 2018 £000	31 December 2017 £000	31 December 2018 £000	31 December 2017 £000
Equities	42,834	55,615	41,208	64,000
Options	—	—	—	—
Trades in the year before transaction costs	42,834	55,615	41,208	64,000
Commissions				
Equities	12	49	(13)	(77)
Options	4	3	(4)	(2)
Total commissions	16	52	(17)	(79)
Taxes				
Equities	10	22	(1)	—
Options	—	—	—	—
Total taxes	10	22	(1)	—
Total costs	26	74	(18)	(79)
Total net trades in the year after transaction costs	42,860	55,689	41,190	63,921

In the case of shares, commissions and taxes are paid by the Fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments and derivatives) have no separately identifiable transaction costs: these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the dealing spread was 0.27% (2017: 0.09%).

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

### 15 Portfolio transaction costs (continued)

Total transaction cost expressed as a percentage of asset class:

	Purchases		Sales	
	31 December 2018 %	31 December 2017 %	31 December 2018 %	31 December 2017 %
Commissions				
Equities	0.03	0.09	(0.03)	(0.12)
Options	—	—	—	—
Taxes				
Equities	0.02	0.04	—	—
Options	—	—	—	—

Total transaction cost expressed as a percentage of average NAV:

For the year ended

	31 December 2018 %	31 December 2017 %
Commissions	0.03	0.16
Taxes	0.01	0.02
Total	<u>0.04</u>	<u>0.18</u>

### 16 Post balance sheet events

There were no post balance sheet events.

### 17 Share reconciliation

Reconciliation of the share movements in the year

	31 December 2018	
	A Accumulation	C Accumulation
Opening shares in issue	6,020,758	10,924,880
Creations during the year	836,882	2,797,415
Cancellations during the year	(1,204,452)	(1,083,174)
Share converted during the year	(5,480)	4,876
Closing shares in issue	<u>5,647,708</u>	<u>12,643,997</u>

### 18 Fair value hierarchy

Valuation technique

	Assets		Liabilities	
	31 December 2018 £000	31 December 2018 £000	31 December 2017 £000	31 December 2017 £000
Level 1	83,992	—	80,850	—
Level 2	5,329	—	6,478	—
Level 3	2,106	—	575	—
	<u>91,427</u>	<u>—</u>	<u>87,903</u>	<u>—</u>

## Distribution table

for the year ended 31 December 2018 – in pence per share

### Interim

Group 1-Shares purchased prior to 1 January 2018

Group 2-Shares purchased on or after 1 January 2018 to 30 June 2018

	Net revenue	Equalisation	Paid 31 August 2018	Paid 31 August 2017
<b>A Accumulation shares</b>				
Group 1	—	—	—	—
Group 2	—	—	—	—
<b>C Accumulation shares</b>				
Group 1	—	—	—	2.1355
Group 2	—	—	—	2.1355

### Final

Group 1-Shares purchased prior to 1 January 2018

Group 2-Shares purchased on or after 1 January 2018 to 31 December 2018

	Net revenue	Equalisation	Payable 28 February 2019	Paid 28 February 2018
<b>A Accumulation shares</b>				
Group 1	—	—	—	—
Group 2	—	—	—	—
<b>C Accumulation shares</b>				
Group 1	—	—	—	0.5559
Group 2	—	—	—	0.5559

The Accumulation share classes have changed distribution frequency and from 30 June 2018 will be distributing only at every year end.

## Investment objective

The investment objective of the Neptune Global Equity Fund (the Fund) is to generate capital growth from a concentrated portfolio of global securities, selected from across world equity markets, with a view to attaining top quartile performance within the appropriate peer group.

This is an international Fund but there will be no restrictions in terms of regional allocation.

Other eligible asset classes may include collective investment schemes, other transferable securities, cash or near cash, deposits and money market instruments.

It is anticipated that derivative instruments and forward transactions may be used by the ACD for EPM.

It is the intention to be near-fully invested at all times, however, the Fund has the facility to take tactical positions in cash or near cash should the ACD feel it appropriate.

The portfolio will be managed to ensure that the Fund is at all times eligible to be included in an ISA.

## Risk and reward profile

The risk and reward indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the risk and reward indicator.

Typically lower rewards, lower risk				Typically higher rewards, higher risk		
←				→		
1	2	3	4	5	6	7

The Fund is in Category 5 because of the high range and frequency of price movements (volatility) of the underlying investments referenced by the Fund.

The following are additional risks not covered by the risk and reward category.

- Investing overseas can bring additional returns and spread risk to different markets. There are risks, however, that changes in currency rates will reduce the value of your investment.
- Emerging markets or less developed countries may face more political, economic or structural challenges than developed countries. This means your money may be at greater risk.
- The Investment Manager aims to remove the impact of changes in some exchange rates by hedging, a currency transaction which can protect against such movements. However, if exchange rates move contrary to the Investment Manager's expectations this can have a significantly negative impact on the value of your investment.
- This Fund holds a limited number of investments. If one of these investments falls in value this can have a greater impact on the Fund's value than if it held a larger number of investments.
- For a full list of the Fund's risks, please see the Prospectus.

## Investment Manager's report

for the year ended 31 December 2018

The Neptune Global Equity Fund returned –2.7% over 2018, versus the MSCI World benchmark's –2.5% loss and IA Global sector average return of –5.7%. This performance saw the Fund rank in the first quartile of the IA peer group for the year.

The first quarter of 2018 saw the return of market volatility following extremely favourable conditions over the previous several quarters. Despite a very strong start to the year, global markets experienced a sharp sell-off in the first weeks of February before stabilising somewhat for the remainder of the quarter. There were several reasons for the selling, but most prominent was the concern that sharply rising global interest rates would act to slow the synchronised economic growth recovery evident in the last two years. The second quarter of 2018 was a positive one for global equity markets, despite a pick-up in macroeconomic headwinds sparked by fears of a global trade war. The US equity market delivered strong returns thanks to continued underlying earnings and revenue growth, particularly within the information technology sector.

Global markets finished the third quarter up over 6%, with strong fundamental data driving market strength. Despite continuing fears around increased protectionism and trade wars, the US equity market was relatively calm in the third quarter of the year. This was in stark contrast to other global markets where equities suffered. Dollar strength and other idiosyncratic factors led to a number of emerging market currencies suffering volatility. On the trade front, there was some good news later on in the quarter where a new NAFTA deal was agreed with Canada and Mexico.

The US equity market, having for most of the year eluded the growing fears that had afflicted other global stockmarkets, succumbed during the final quarter of 2018 and suffered a sharp correction. In addition to fears over the damage from the ongoing US/China trade spat, markets became concerned that the US economy was headed for tougher times. Further fuel to the sell-off was added by concerns that the Federal Reserve was going to continue to tighten monetary policy with more regular rate hikes in addition to continued shrinking of its QE-bloated

balance sheet despite growing evidence that the economy was likely to head back towards trend growth in 2019.

Despite this, we continue to see an attractive backdrop for equities in the US and we have retained our significant weighting here. The Fund's small weighting to the UK was a detractor to performance as concerns surrounding Brexit negotiations continued to weigh on sterling which, combined with further evidence of a deteriorating outlook for the UK consumer, meant the market struggled. The Fund retains its overweights to emerging markets, which significantly outperformed developed markets during the period of volatility in the fourth quarter. In order to shield the portfolio from overall market volatility, we maintained our positions in exchange traded index put options, these options were a significant positive contributor to relative performance in a volatile final quarter. At a stock level, the most positive contributor to the relative outperformance of the Fund included CME Group, the futures exchange which benefited from the more volatile market conditions during the fourth quarter.

*\*Source: Morningstar, C Accumulation share class performance, in sterling with no initial charges, net revenue reinvested to 31 December 2018. The performance of other share classes may differ. This Fund may have a high historic volatility rating and past performance is not a guide to future performance. The value of an investment and any revenue from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the original amount invested. References to specific securities and sectors are for illustration purposes only and should not be taken as a recommendation to buy or sell these securities. Neptune Funds are not tied to replicating a benchmark and holdings can therefore vary from those in the index quoted. For this reason the comparison index should be used for reference only. Forecasts are not a reliable indicator of future performance. Any views expressed are those of Neptune as at the date of issue and we do not undertake to advise you as to any changes in our views. Please refer to the Prospectus for further details.*

# Neptune Global Equity Fund

## Investment Manager's report

for the year ended 31 December 2018 (continued)

The Portfolio statement as at 31 December 2018 is as follows:

Holding	Portfolio of investments	Market value £000	Total net assets %
	<b>Canada 0.00% (2017 - 0.00%)</b>		
99,500	Nebex Resources *	—	—
	<b>Chile 1.23% (2017 - 1.28%)</b>		
260,000	Antofagasta	2,036	1.23
	<b>China 10.14% (2017 - 10.69%)</b>		
39,000	Alibaba ADR	4,249	2.58
29,000	Baidu ADR	3,683	2.23
500,000	Ping An Insurance	3,455	2.09
170,000	Tencent	5,335	3.24
	<b>Hong Kong 3.84% (2017 - 3.92%)</b>		
4,000,000	Mandarin Oriental International	6,328	3.84
	<b>Japan 7.88% (2017 - 13.29%)</b>		
340,000	CYBERDYNE	1,172	0.71
110,000	Jafco	2,735	1.66
230,000	Japan Exchange	2,907	1.76
7,000	Keyence	2,776	1.68
90,000	Sony	3,410	2.07
	<b>Netherlands 1.54% (2017 - 1.71%)</b>		
110,000	Royal Dutch Shell 'A'	2,534	1.54
	<b>Russia 0.00% (2017 - 1.06%)</b>		
	<b>Switzerland 1.07% (2017 - 0.96%)</b>		
600,000	Glencore	1,759	1.07
	<b>United Kingdom 13.65% (2017 - 15.75%)</b>		
400,000	HSBC	2,581	1.56
5,935,000	Neptune Emerging Markets Fund†	8,831	5.36
3,959,000	Neptune Global Technology Fund†	7,554	4.58
30,000	Willis Towers Watson	3,546	2.15
	<b>United States 53.89% (2017 - 50.84%)</b>		
14,000	Adobe	2,446	1.48
8,500	Alphabet 'A'	6,969	4.23
7,200	Amazon.com	8,335	5.05
42,000	Apple	5,139	3.12
125,000	Brown-Forman 'B'	4,640	2.81
65,000	Citizens Financial	1,505	0.91
65,000	CME	9,474	5.74
48,000	Electronic Arts	2,981	1.81
30,000	Fortive	1,567	0.95
17,000	Home Depot	2,265	1.37
27,000	Honeywell International	2,765	1.68
5,000	Intuitive Surgical	1,845	1.12
65,000	JPMorgan Chase	4,928	2.99
100,000	Microsoft	7,863	4.77
32,000	NVIDIA	3,350	2.03
40,000	Palo Alto Networks	5,768	3.50
80,000	Rapid7	1,932	1.17
40,000	SunTrust Banks	1,559	0.95
28,000	SVB Financial	4,165	2.53
14,000	UnitedHealth	2,699	1.64
65,000	Visa 'A'	6,664	4.04



# Neptune Global Equity Fund

## Investment Manager's report

for the year ended 31 December 2018 (continued)

The Portfolio statement as at 31 December 2018 (continued)

Holding	Portfolio of investments	Market value £000	Total net assets %
	<b>Derivatives 6.00% (2017 - 0.18%)</b>		
	<b>Options 6.00% (2017 - 0.18%)</b>		
100	FTSE 100 Index 7300 Put 15/03/2019	649	0.39
608	NASDAQ 100 E-Mini Futures 6950 Put 15/03/2019	6,343	3.85
458	S+P 500 E-Mini Futures 2625 Put 15/03/2019	2,910	1.76
	Portfolio of investments	163,652	99.24
	Net other assets	1,250	0.76
	Net assets	164,902	100.00

All holdings are ordinary shares or stock units unless otherwise stated.

Stocks shown as ADRs represent American Depositary Receipts.

\*Non voting depositary receipts.

†Represents investment into a Neptune Collective Investment Scheme product.

The top five purchases and sales for the year are as follows:

Purchases	Cost £000
SunTrust Banks	4,064
Neptune Global Technology Fund†	3,714
DowDuPont	2,969
Neptune Emerging Markets Fund†	2,860
NASDAQ 100 E-Mini Futures 6950 Put 15/03/2019	2,673
Sales	Proceeds £000
Facebook	6,548
General Dynamics	4,369
Brink's	3,853
Neptune India Fund†	3,811
Johnson & Johnson	3,705

†Represents investment into a Neptune Collective Investment Scheme product.

## Fund information

### Performance record

#### A Income

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 1.97%			
<b>Change in net asset per share</b>			
Opening net asset value per share	139.71	118.65	110.17
Return before operating charges	(2.49)	25.24	13.89
Operating charges	(2.59)	(2.33)	(1.91)
Return after operating charges	(5.08)	22.91	11.98
Distributions	(1.65)	(1.85)	(3.50)
Closing net asset value per share	132.98	139.71	118.65
After direct transaction costs of:	0.05	0.14	0.21
<b>Performance</b>			
Return after operating charges	(3.64)%	19.31%	10.88%
	£000	£000	£000
<b>Other information</b>			
Closing net asset value	2,285	2,578	2,712
Closing number of shares	1,718,500	1,844,881	2,285,887
Operating Charge Figure	1.80%	1.81%	1.81%
Direct transaction costs	0.03%	0.11%	0.19%
OCF/TER cap	1.97%	1.90%	1.90%
Research fee	0.05%	—	—
Research fee rebate	(0.05)%	—	—
<b>Prices</b>			
Highest share price	153.60p	142.20p	120.60p
Lowest share price	133.50p	118.60p	88.96p

#### A Accumulation

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 1.97%			
<b>Change in net asset per share</b>			
Opening net asset value per share	450.55	377.33	339.60
Return before operating charges	(8.25)	80.68	43.72
Operating charges	(8.40)	(7.46)	(5.99)
Return after operating charges	(16.65)	73.22	37.73
Distributions	—	—	—
Retained distributions on accumulation shares	—	—	—
Closing net asset value per share	433.90	450.55	377.33
After direct transaction costs of:	0.16	0.45	0.64
<b>Performance</b>			
Return after operating charges	(3.70)%	19.40%	11.11%
	£000	£000	£000
<b>Other information</b>			
Closing net asset value	56,731	76,440	81,688
Closing number of shares	13,074,648	16,965,987	21,649,060
Operating Charge Figure	1.80%	1.81%	1.80%
Direct transaction costs	0.03%	0.11%	0.19%
OCF/TER cap	1.97%	1.90%	1.90%
Research fee	0.05%	—	—
Research fee rebate	(0.05)%	—	—
<b>Prices</b>			
Highest share price	498.70p	455.60p	381.10p
Lowest share price	433.50p	377.20p	273.90p

## Fund information (continued)

### Performance record (continued)

#### B Accumulation

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 1.51%			
<b>Change in net asset per share</b>			
Opening net asset value per share	487.50	406.45	364.09
Return before operating charges	(9.11)	87.12	47.04
Operating charges	(6.80)	(6.07)	(4.68)
Return after operating charges	(15.91)	81.05	42.36
Distributions	—	(0.84)	(0.55)
Retained distributions on accumulation shares	—	0.84	0.55
Closing net asset value per share	471.59	487.50	406.45
After direct transaction costs of:	0.17	0.49	0.68
<b>Performance</b>			
Return after operating charges	(3.26)%	19.94%	11.63%
	£000	£000	£000
<b>Other information</b>			
Closing net asset value	7,621	11,979	9,874
Closing number of shares	1,616,057	2,457,227	2,429,212
Operating Charge Figure	1.34%	1.36%	1.34%
Direct transaction costs	0.03%	0.11%	0.19%
OCF/TER cap	1.52%	1.40%	1.50%
Research fee	0.05%	—	—
Research fee rebate	(0.05)%	—	—
<b>Prices</b>			
Highest share price	541.30p	492.60p	410.50p
Lowest share price	471.10p	406.40p	293.80p

#### C Income

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 1.06%			
<b>Change in net asset per share</b>			
Opening net asset value per share	144.24	121.37	110.30
Return before operating charges	(2.65)	25.96	14.15
Operating charges	(1.34)	(1.19)	(0.92)
Return after operating charges	(3.99)	24.77	13.23
Distributions	(1.71)	(1.90)	(2.16)
Closing net asset value per share	138.54	144.24	121.37
After direct transaction costs of:	0.05	0.15	0.21
<b>Performance</b>			
Return after operating charges	(2.77)%	20.40%	11.99%
	£000	£000	£000
<b>Other information</b>			
Closing net asset value	5,798	7,216	11,458
Closing number of shares	4,185,007	5,003,068	9,440,211
Operating Charge Figure	0.89%	0.90%	0.87%
Direct transaction costs	0.03%	0.11%	0.19%
OCF/TER cap	1.06%	0.90%	1.00%
Research fee	0.05%	—	—
Research fee rebate	(0.05)%	—	—
<b>Prices</b>			
Highest share price	159.60p	146.60p	123.30p
Lowest share price	139.10p	121.40p	89.09p

## Fund information (continued)

### Performance record (continued)

#### C Accumulation

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
<b>OCF cap from 1 January 2019: 1.06%</b>			
<b>Change in net asset per share</b>			
Opening net asset value per share	179.03	148.57	132.47
Return before operating charges	(3.39)	31.92	17.23
Operating charges	(1.66)	(1.46)	(1.13)
Return after operating charges	(5.05)	30.46	16.10
Distributions	(0.67)	(1.07)	(0.81)
Retained distributions on accumulation shares	0.67	1.07	0.81
Closing net asset value per share	173.98	179.03	148.57
After direct transaction costs of:	0.06	0.18	0.25
<b>Performance</b>			
Return after operating charges	(2.82)%	20.50%	12.15%
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Other information</b>			
Closing net asset value	90,136	100,726	99,120
Closing number of shares	51,806,661	56,262,212	66,714,494
Operating Charge Figure	0.89%	0.90%	0.87%
Direct transaction costs	0.03%	0.11%	0.19%
OCF/TER cap	1.06%	0.90%	1.00%
Research fee	0.05%	—	—
Research fee rebate	(0.05)%	—	—
<b>Prices</b>			
Highest share price	199.40p	180.80p	150.10p
Lowest share price	173.80p	148.60p	107.00p

#### A Accumulation EUR

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
<b>OCF cap from 1 January 2019: 1.97%</b>			
<b>Change in net asset per share</b>			
Opening net asset value per share	188.62	157.96	142.16
Return before operating charges	(3.40)	33.77	18.30
Operating charges	(3.59)	(3.11)	(2.50)
Return after operating charges	(6.99)	30.66	15.80
Distributions	—	—	—
Retained distributions on accumulation shares	—	—	—
Closing net asset value per share	181.63	188.62	157.96
After direct transaction costs of:	0.07	0.19	0.27
<b>Performance</b>			
Return after operating charges	(3.71)%	19.41%	11.11%
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Other information</b>			
Closing net asset value	70	206	231
Closing number of shares	38,584	109,106	146,276
Operating Charge Figure	1.83%	1.81%	1.81%
Direct transaction costs	0.03%	0.11%	0.19%
OCF/TER cap	1.97%	1.90%	1.90%
Research fee	0.08%	—	—
Research fee rebate	(0.05)%	—	—
<b>Prices</b>			
Highest share price	235.20¢	193.40¢	190.20¢
Lowest share price	201.40¢	147.20¢	147.80¢

## Fund information (continued)

### Performance record (continued)

#### C Accumulation EUR

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
<b>OCF cap from 1 January 2019: 1.06%</b>			
<b>Change in net asset per share</b>			
Opening net asset value per share	202.73	168.24	150.48
Return before operating charges	(3.84)	36.14	19.18
Operating charges	(1.87)	(1.65)	(1.42)
Return after operating charges	(5.71)	34.49	17.76
Distributions	(0.77)	(1.20)	(0.52)
Retained distributions on accumulation shares	0.77	1.20	0.52
Closing net asset value per share	197.02	202.73	168.24
After direct transaction costs of:	0.07	0.20	0.28
<b>Performance</b>			
Return after operating charges	(2.82)%	20.50%	11.80%
	<b>€000</b>	<b>€000</b>	<b>€000</b>
<b>Other information</b>			
Closing net asset value	43	50	57
Closing number of shares	21,978	24,543	33,665
Operating Charge Figure	0.89%	0.90%	1.00%
Direct transaction costs	0.03%	0.11%	0.19%
OCF/TER cap	1.06%	0.90%	1.00%
Research fee	0.05%	—	—
Research fee rebate	(0.05)%	—	—
<b>Prices</b>			
Highest share price	253.80¢	231.80¢	201.40¢
Lowest share price	218.40¢	196.40¢	156.50¢

#### A Accumulation USD

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
<b>OCF cap from 1 January 2019: 1.97%</b>			
<b>Change in net asset per share</b>			
Opening net asset value per share	143.06	119.81	107.83
Return before operating charges	(2.61)	25.62	13.89
Operating charges	(2.67)	(2.37)	(1.91)
Return after operating charges	(5.28)	23.25	11.98
Distributions	—	—	—
Retained distributions on accumulation shares	—	—	—
Closing net asset value per share	137.78	143.06	119.81
After direct transaction costs of:	0.05	0.14	0.21
<b>Performance</b>			
Return after operating charges	(3.69)%	19.41%	11.11%
	<b>€000</b>	<b>€000</b>	<b>€000</b>
<b>Other information</b>			
Closing net asset value	2,218	3,051	2,584
Closing number of shares	1,609,942	2,132,803	2,156,435
Operating Charge Figure	1.80%	1.81%	1.80%
Direct transaction costs	0.03%	0.11%	0.19%
OCF/TER cap	1.97%	1.90%	1.90%
Research fee	0.06%	—	—
Research fee rebate	(0.05)%	—	—
<b>Prices</b>			
Highest share price	209.70¢	206.70¢	157.50¢
Lowest share price	174.10¢	155.70¢	126.40¢

# Neptune Global Equity Fund

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## Fund information (continued)

### Performance record (continued)

Research costs are defined in the Notes on page 77 and for the period 1 January 2018 to 31 December 2018 the research cost was £98,533. Additionally in the period, a rebate of research costs of £95,888 was credited to the Fund. This represented unused research costs accrued for in 2017.

### Fund performance

The performance of the Fund is shown in the Investment Manager's report on page 67.

Details of the distributions per share for the year are shown in the distribution tables on pages 82 and 83.

### Status

Neptune Global Equity Fund is a sub-fund of Neptune Investment Funds which is a UCITS scheme.

### Risk warning

Please remember that past performance should not be seen as a guide to future performance and that the value of an investment in an OEIC and the income from it can fall as well as rise and may be affected by exchange rate variations.

## Financial Statements

### Statement of total return

for the year ended 31 December 2018

	Note	31 December 2018		31 December 2017	
		£000	£000	£000	£000
Income					
Net capital (losses)/gains	2		(4,469)		36,429
Revenue	3	2,519		3,199	
Expenses	4	(2,298)		(2,429)	
Interest payable and similar charges		(2)		(1)	
Net revenue before taxation		219		769	
Taxation	5	(261)		(292)	
Net (expense)/revenue after taxation			(42)		477
Total return before distributions			(4,511)		36,906
Distributions	6		(418)		(774)
Change in net assets attributable to shareholders from investment activities			(4,929)		36,132

### Statement of change in net assets attributable to shareholders

for the year ended 31 December 2018

	31 December 2018		31 December 2017	
	£000	£000	£000	£000
Opening net assets attributable to shareholders		202,246		207,724
Amounts received on issue of shares	12,897		7,805	
Amounts paid on cancellation of shares	(45,658)		(50,048)	
		(32,761)		(42,243)
Change in net assets attributable to shareholders from investment activities		(4,929)		36,132
Retained distribution on accumulation shares		346		633
Closing net assets attributable to shareholders		164,902		202,246

## Financial Statements (continued)

### Balance sheet

as at 31 December 2018

	Note	31 December 2018		31 December 2017	
		£000	£000	£000	£000
<b>Assets</b>					
Fixed assets					
Investments			163,652		201,607
Current assets					
Debtors	7	272		407	
Cash and bank balances	8	3,211		742	
Total current assets			3,483		1,149
Total assets			167,135		202,756
<b>Liabilities</b>					
Creditors					
Distribution payable		(41)		(63)	
Other creditors	9	(2,192)		(447)	
Total liabilities			(2,233)		(510)
Net assets attributable to shareholders			164,902		202,246

The accompanying notes are an integral part of these financial statements.



## Notes to the Financial Statements

for the year ended 31 December 2018

### 1 Accounting policies

For accounting policies relating to this Fund please refer to the notes on pages 9 to 13.

2 Net capital (losses)/gains	31 December 2018	31 December 2017
	£000	£000
Non-derivative securities	(7,903)	41,199
Derivative contracts	3,318	(3,096)
Forward currency contracts	74	(2,140)
Currency gains	46	507
Transaction charges	(4)	(12)
Issuance fee	—	(29)
Net capital (losses)/gains	(4,469)	36,429

3 Revenue	31 December 2018	31 December 2017
	£000	£000
Bank interest	5	2
UK dividends*	478	466
Overseas dividends*	2,036	2,731
Total revenue	2,519	3,199

\*Comparative values have been restated to split out UK Fund of Funds dividends from Overseas dividends.

4 Expenses	31 December 2018	31 December 2017
	£000	£000
<i>Payable to the ACD, associates of the ACD and agents of either of them:</i>		
ACD's periodic charge	2,088	2,204
ACD's fee rebate**	—	(12)
Distribution fees	17	52
Printing costs	2	8
Registration fees	18	15
Transfer agent fees	32	27
	2,157	2,294
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	53	64
Safe custody fees	25	23
	78	87
<i>Other expenses:</i>		
Audit fee	9	10
Legal and professional fees*	41	8
Publication costs	10	28
Organisation fees	—	2
Research fees	3	—
	63	48
Total expenses	2,298	2,429

\*Comparative values have been restated to disclose cross border fee under legal and professional fee.

\*\*The ACD caps the ongoing charges figure (OCF) of each share class as a percentage of the average net asset value and these percentage caps are disclosed in the performance record of each share class. The OCF capping is entirely at the discretion of the ACD and may cease at any time.

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

### 5 Taxation

	31 December 2018	31 December 2017
	£000	£000
(a) Analysis of charge in the year:		
Irrecoverable overseas tax	261	292
Total taxation for the year	<u>261</u>	<u>292</u>

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

The tax assessed for the year is higher than the standard rate of corporation tax in the UK for an authorised OEIC (20%).

The differences are explained below:

	31 December 2018	31 December 2017
	£000	£000
Net revenue before taxation	219	769
Corporation tax at 20% (2017: 20%)	44	154
Effects of:		
Movement in excess management expenses	459	413
Overseas tax expensed	—	(12)
Revenue not subject to taxation	(503)	(555)
Irrecoverable overseas tax	261	292
Current tax charge for the year	<u>261</u>	<u>292</u>

#### (c) Deferred tax

At the year end, there is a potential deferred tax asset of £17,317,488 (2017: £16,858,587) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore, no deferred tax assets have been recognised in the current or prior year.

### 6 Distributions

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

	31 December 2018	31 December 2017
	£000	£000
Interim	63	430
Final	387	338
Add: Amounts deducted on cancellation of shares	(36)	9
Deduct: Amounts received on issue of shares	4	(3)
Net distribution for the year	<u>418</u>	<u>774</u>
Reconciliation of net (expense)/revenue after taxation to distributions		
Net (expense)/revenue after taxation	(42)	477
Expenses charged to capital	99	106
Equalisation on conversion of shares	—	2
Revenue deficit borne by capital	361	189
Net distribution for the year	<u>418</u>	<u>774</u>

Details of the distribution per share are set out in the distribution tables on pages 82 and 83.

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

7 Debtors	31 December 2018	31 December 2017
	£000	£000
Accrued revenue	104	24
Amounts receivable for issue of shares	91	27
Overseas tax recoverable	77	77
Reimbursement of expenses receivable from ACD	—	9
Sales awaiting settlement	—	270
Total debtors	<u>272</u>	<u>407</u>

8 Cash and bank balances	31 December 2018	31 December 2017
	£000	£000
Cash and bank balances	3,211	742
	<u>3,211</u>	<u>742</u>

9 Creditors	31 December 2018	31 December 2017
	£000	£000
ACD's periodic charge	150	177
Accrued expenses	67	98
Amounts payable on cancellation of shares	1,975	172
Total creditors	<u>2,192</u>	<u>447</u>

### 10 Related party transactions

General details on related parties are shown in the notes on pages 9 to 13.

Amounts paid to/from the ACD and Depositary are shown in note 4 on page 77. The balances due at the year end are shown in notes 7 and 9.

### 11 Shareholder funds

Details relating to the Fund are shown in the notes on pages 9 to 13.

### 12 Contingent liabilities, contingent assets and commitments

There were no contingent liabilities, contingent assets or outstanding commitments at the balance sheet date (2017: nil).

### 13 Swing pricing

The ACD's swing pricing policy is disclosed in the notes on pages 9 to 13.

### 14 Derivatives and other financial instruments

The main risk from the Fund's holdings of financial instruments together with the ACD's policy for managing these risks are disclosed in the notes on pages 9 to 13.

As an international equity fund the Fund is exposed to market price risk, currency risk, liquidity risk and counterparty risk. The Fund does not invest in debt securities and therefore has no material exposure to interest rate risk or credit risk.

As at 31 December 2018, if the price of investments held by the Fund increased or decreased by 1%, the resulting change in net assets attributable to shareholders would have been an increase or decrease of approximately 1%; which for this Fund would equate to £1,537,500 (2017: £2,012,456).

As at 31 December 2018, if the value of sterling increased or decreased by 1% against all currencies, the resulting change in the net assets attributable to shareholders of the Fund would have been an increase or decrease of approximately £1,343,663 (2017: £1,692,539).

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

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

Numerical disclosures relating to the Fund are as follows:

#### Foreign currency risk

The table below shows the foreign currency risk profile at the balance sheet date:

Currency	Net foreign currency assets	
	31 December 2018	31 December 2017
	Total £000	Total £000
Euro	2,614	3,530
Hong Kong dollar	8,789	11,618
Japanese yen	13,000	26,916
Swiss franc	—	3
US dollar	109,963	127,187
Total	<u>134,366</u>	<u>169,254</u>

#### Counterparty risk

The table below shows the counterparty risk as at the balance sheet date:

	Counterparty	Derivative exposure £000	Collateral posted £000	Collateral received £000	Collateral asset class
2018	RBC Europe	9,902	—	—	Cash
2017	RBC Europe	361,414	—	—	Cash

### 15 Portfolio transaction costs

Analysis of total trade costs

	Purchases		Sales	
	31 December 2018 £000	31 December 2017 £000	31 December 2018 £000	31 December 2017 £000
Equities	34,799	70,504	74,530	115,757
Options	—	—	—	—
Trades in the year before transaction costs	<u>34,799</u>	<u>70,504</u>	<u>74,530</u>	<u>115,757</u>
Commissions				
Equities	10	54	(26)	(100)
Options	9	7	(8)	(4)
Total commissions	<u>19</u>	<u>61</u>	<u>(34)</u>	<u>(104)</u>
Taxes				
Equities	9	59	(3)	—
Options	—	—	—	—
Total taxes	<u>9</u>	<u>59</u>	<u>(3)</u>	<u>—</u>
Total costs	<u>28</u>	<u>120</u>	<u>(37)</u>	<u>(104)</u>
Total net trades in the year after transaction costs	<u>34,827</u>	<u>70,624</u>	<u>74,493</u>	<u>115,653</u>

In the case of shares, commissions and taxes are paid by the Fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments and derivatives) have no separately identifiable transaction costs: these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the dealing spread was 0.26% (2017: 0.07%).

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

### 15 Portfolio transaction costs (continued)

Total transaction cost expressed as a percentage of asset class:

	Purchases		Sales	
	31 December 2018 %	31 December 2017 %	31 December 2018 %	31 December 2017 %
Commissions				
Equities	0.03	0.08	(0.03)	(0.09)
Options	—	—	—	—
Taxes				
Equities	0.03	0.08	—	—
Options	—	—	—	—

Total transaction cost expressed as a percentage of average NAV:

	31 December 2018 %	31 December 2017 %
Commissions	0.02	0.08
Taxes	0.01	0.03
Total	<u>0.03</u>	<u>0.11</u>

### 16 Post balance sheet events

There were no post balance sheet events.

### 17 Share reconciliation

Reconciliation of the share movements in the year

	31 December 2018			
	A Income	A Accumulation	B Accumulation	C Income
Opening shares in issue	1,844,881	16,965,987	2,457,227	5,003,068
Creations during the year	54,724	608,522	1,269,527	237,3958
Cancellations during the year	(177,451)	(4,435,165)	(2,110,697)	(1,058,986)
Share converted during the year	(3,654)	(64,696)	—	3,530
Closing shares in issue	<u>1,718,500</u>	<u>13,074,648</u>	<u>1,616,057</u>	<u>4,185,007</u>
	C Accumulation	A Accumulation EUR	C Accumulation EUR	A Accumulation USD
Opening shares in issue	56,262,212	109,106	24,543	2,132,803
Creations during the year	1,662,558	2,529	4,717	145,944
Cancellations during the year	(6,280,645)	(73,051)	(7,282)	(668,805)
Share converted during the year	162,536	—	—	—
Closing shares in issue	<u>51,806,661</u>	<u>38,584</u>	<u>21,978</u>	<u>1,609,942</u>

### 18 Fair value hierarchy

Valuation technique

	Assets 31 December 2018 €000	Liabilities 31 December 2018 €000	Assets 31 December 2017 €000	Liabilities 31 December 2017 €000
Level 1	147,267	—	181,447	—
Level 2	16,385	—	20,160	—
	<u>163,652</u>	<u>—</u>	<u>201,607</u>	<u>—</u>

The Fund has no Level 3 financial instruments.

## Distribution table

for the year ended 31 December 2018 – in pence/cents per share

### Interim

Group 1-Shares purchased prior to 1 January 2018

Group 2-Shares purchased on or after 1 January 2018 to 30 June 2018

	Net revenue	Equalisation	Paid 31 August 2018	Paid 31 August 2017
<b>A Income shares (p)</b>				
Group 1	0.9770	—	0.9770	0.9495
Group 2	0.4741	0.5029	0.9770	0.9495
<b>A Accumulation shares (p)</b>				
Group 1	—	—	—	—
Group 2	—	—	—	—
<b>B Accumulation shares (p)</b>				
Group 1	—	—	—	0.6340
Group 2	—	—	—	0.6340
<b>C Income shares (p)</b>				
Group 1	1.0074	—	1.0074	0.9735
Group 2	0.3755	0.6319	1.0074	0.9735
<b>C Accumulation shares (p)</b>				
Group 1	—	—	—	0.5853
Group 2	—	—	—	0.5853
<b>A Accumulation EUR shares (¢)</b>				
Group 1	—	—	—	—
Group 2	—	—	—	—
<b>C Accumulation EUR shares (¢)</b>				
Group 1	—	—	—	0.7559
Group 2	—	—	—	0.7559
<b>A Accumulation USD shares (¢)</b>				
Group 1	—	—	—	—
Group 2	—	—	—	—
<b>C Accumulation USD shares (¢)</b>				
Group 1	—	—	—	1.4127
Group 2	—	—	—	1.4127

## Distribution table

for the year ended 31 December 2018 (continued) – in pence/cents per share

### Final

Group 1-Shares purchased prior to 1 July 2018

Group 2-Shares purchased on or after 1 July 2018 to 31 December 2018

	Net revenue	Equalisation	Payable 28 February 2019	Paid 28 February 2018
<b>A Income shares (p)</b>				
Group 1	0.6747	—	0.6747	0.9014
Group 2	0.3333	0.3414	0.6747	0.9014
<b>C Income shares (p)</b>				
Group 1	0.7013	—	0.7013	0.9282
Group 2	0.4644	0.2369	0.7013	0.9282

### Final

Group 1-Shares purchased prior to 1 January 2018

Group 2-Shares purchased on or after 1 January 2018 to 31 December 2018

	Net revenue	Equalisation	Payable 28 February 2019	Paid 28 February 2018
<b>A Accumulation shares (p)</b>				
Group 1	—	—	—	—
Group 2	—	—	—	—
<b>B Accumulation shares (p)</b>				
Group 1	—	—	—	0.2077
Group 2	—	—	—	0.2077
<b>C Accumulation shares (p)</b>				
Group 1	0.6671	—	0.6671	0.4798
Group 2	0.2610	0.4061	0.6671	0.4798
<b>A Accumulation EUR shares (¢)</b>				
Group 1	—	—	—	—
Group 2	—	—	—	—
<b>C Accumulation EUR shares (¢)</b>				
Group 1	0.8624	—	0.8624	0.6084
Group 2	0.2296	0.6328	0.8624	0.6084
<b>A Accumulation USD shares (¢)</b>				
Group 1	—	—	—	—
Group 2	—	—	—	—

The Accumulation share classes have changed distribution frequency and from 30 June 2018 will be distributing only at every year end.

## Investment objective

The Investment objective of the Neptune Global Income Fund (the Fund) is to generate rising levels of income with the potential of capital growth by investing predominantly in a concentrated portfolio of global securities, selected from across world equity markets. The Fund aims to achieve top quartile performance, in terms of total return, against the appropriate peer group.

This is an international fund but there will be no restrictions in terms of regional allocation.

The Fund may also invest in collective investment schemes, other transferable securities, cash or near cash, deposits and money market instruments.

It is anticipated that derivative instruments and forward transactions may be used by the ACD for EPM.

It is the intention to be near-fully invested at all times but the Fund may take tactical positions in cash or near cash should the ACD feel it appropriate.

The portfolio will be managed to ensure that the Fund is at all times eligible to be included in an ISA.

## Risk and reward profile

The risk and reward indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the risk and reward indicator.

Typically lower rewards, lower risk				Typically higher rewards, higher risk		
←				→		
1	2	3	4	5	6	7

The Fund is in Category 5 because of the high range and frequency of price movements (volatility) of the underlying investments referenced by the Fund.

The following are additional risks not covered by the risk and reward category.

- The level of income is not guaranteed.
- Investing overseas can bring additional returns and spread risk to different markets. There are risks, however, that changes in currency rates will reduce the value of your investment.
- The Investment Manager aims to remove the impact of changes in some exchange rates by hedging, a currency transaction which can protect against such movements. However, if exchange rates move contrary to the Investment Manager's expectations this can have a significantly negative impact on the value of your investment.
- This Fund holds a limited number of investments. If one of these investments falls in value this can have a greater impact on the Fund's value than if it held a larger number of investments.
- For a full list of the Fund's risks, please see the Prospectus.



## Investment Manager's report

for the year ended 31 December 2018

The Neptune Global Income Fund returned –5.2% in 2018, versus the MSCI World Index's loss of –2.50% and the IA Global Equity Income sector average return of –5.7%.

After a mixed year for equities, volatility returned to the global markets in Q4 with most markets retracing gains for the year. Weakness in energy markets spread to all areas of the markets as Chinese economic growth concerns resurfaced. Political deadlock added to economic growth uncertainty with US/China trade tensions escalating after strong rhetoric from both sides. Whilst China initiated a range of measures to offset softening local demand. Importantly, we invest for the long term, so during periods of market volatility, we took the opportunity to increase our positions in companies where valuations offered attractive entry points given the wider market sell off.

In particular, Apple's significant share price declines offered a chance for us to increase our position in a company that has a superior business model and is exceptionally well managed. We also used emerging market weakness to build a new position in Tencent, a company operating in a market with strong barriers to entry and plenty of opportunities to invest cash at attractive returns. The company was trading 40% off its highs earlier in the year, and offered an attractive return/reward proposition, even though it is transitioning through short term regulatory issues. Importantly, the companies cloud capabilities and monetisation of key platforms are underappreciated by the market so for our investment horizon of 3–5 years, Tencent offers an attractive investment. Tencent is not a typical dividend fund holdings, however, we prefer to invest in companies that are growing earnings and dividends faster than the industry average and importantly, has attractive opportunities to deploy capital over the long term. During the year, Coty and General Electric both endured management transitions resulting in weak stock price action.

However, from a long-term perspective, we believe both companies have strong franchises and significant value creation opportunities ahead. Nevertheless, we will continue to monitor these positions closely due to the uncertainty surrounding both investments. In terms of sector exposure, we retain our large underweight position in energy, as the oil production cost curve lowers as a result of productivity enhancements in the shale oil industry.

Looking forward to 2019, the US offers the most attractive opportunities after its most recent pullback and we remain positive on economic activity in 2019, but remain wary of companies with leveraged balance sheets and low pricing power. We continue to focus on high quality, cash generative companies which have a clear capacity for continued dividend growth.

*\*Source: Morningstar, C Accumulation share class performance, in sterling with no initial charges, net revenue reinvested to 31 December 2018. The performance of other share classes may differ. Past performance is not a guide for future performance. The value of an investment and any revenue from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the original amount invested. Investments in emerging markets are higher risk and potentially more volatile than those in established markets. References to specific securities and sectors are for illustration purposes only and should not be taken as a recommendation to buy or sell these securities. Neptune Funds are not tied to replicating a benchmark and holdings can therefore vary from those in the index quoted. For this reason the comparison index should be used for reference only. Forecasts are not a reliable indicator of future performance. Any views expressed are those of Neptune as at the date of issue and we do not undertake to advise you as to any changes in our views. Please refer to the Prospectus for further details.*

# Neptune Global Income Fund

## Investment Manager's report

for the year ended 31 December 2018 (continued)

The Portfolio statement as at 31 December 2018 is as follows:

Holding	Portfolio of investments	Market value £000	Total net assets %
	<b>Canada 3.93% (2017 - 0.00%)</b>		
380	Constellation Software	188	3.93
	<b>China 6.56% (2017 - 0.00%)</b>		
1,300	Alibaba ADR	142	2.97
5,500	Tencent	172	3.59
	<b>Germany 3.41% (2017 - 0.00%)</b>		
2,090	SAP	163	3.41
	<b>Japan 8.13% (2017 - 8.45%)</b>		
30,000	Mitsubishi Chemical	178	3.72
12,000	SUMCO	105	2.19
3,300	TechnoPro	106	2.22
	<b>Netherlands 0.00% (2017 - 3.09%)</b>		
	<b>New Zealand 8.38% (2017 - 0.00%)</b>		
25,000	Contact Energy	77	1.61
45,000	Spark New Zealand	98	2.05
35,000	Trustpower	111	2.32
40,000	Z Energy	115	2.40
	<b>Russia 2.44% (2017 - 4.90%)</b>		
8,000	MMC Norilsk Nickel ADR	117	2.44
	<b>Switzerland 2.76% (2017 - 3.08%)</b>		
45,000	Glencore	132	2.76
	<b>United Kingdom 5.26% (2017 - 23.32%)</b>		
7,500	Diploma	91	1.90
1,600	Renishaw	68	1.42
1,500	Spirax-Sarco Engineering	93	1.94
	<b>United States 64.90% (2017 - 53.62%)</b>		
235	Alphabet 'A'	193	4.03
110	Amazon.com	127	2.65
1,200	American Tower	149	3.11
1,600	Apple	196	4.09
7,000	Bank of America	134	2.80
900	Becton Dickinson	156	3.26
1,000	CME	146	3.05
18,000	Coty	91	1.90
1,500	Facebook	156	3.26
17,000	General Electric	100	2.09
2,500	Intercontinental Exchange	146	3.05
1,900	JPMorgan Chase	144	3.01
1,700	Lowe's Cos	122	2.55
2,300	Microsoft	181	3.78
1,600	Moody's	175	3.66
1,250	NVIDIA	131	2.74
700	Roper Technologies	145	3.03
3,200	Starbucks	159	3.32
675	Thermo Fisher Scientific	117	2.44
800	UnitedHealth	154	3.22
1,800	Visa 'A'	185	3.86

# Neptune Global Income Fund

## Investment Manager's report

for the year ended 31 December 2018 (continued)

The Portfolio statement as at 31 December 2018 (continued)

Holding	Portfolio of investments	Market value £000	Total net assets %
	Derivatives 0.00% (2017 - 0.16%)		
	Options 0.00% (2017 - 0.16%)		
	Portfolio of investments	5,063	105.77
	Net other liabilities	(276)	(5.77)
	Net assets	4,787	100.00

All holdings are ordinary shares or stock units unless otherwise stated.

Stocks shown as ADRs represent American Depositary Receipts.

The top five purchases and sales for the year are as follows:

Purchases	Cost £000
SAP	307
Facebook	298
Ping An Insurance	279
Alphabet 'A'	271
Visa 'A'	263

Sales	Proceeds £000
AbbVie	390
Motorola Solutions	291
SunTrust Banks	256
Ping An Insurance	253
LyondellBasell Industries	250

## Fund information

### Performance record

#### C Income

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 1.20%			
<b>Change in net asset per share</b>			
Opening net asset value per share	133.70	128.95	120.11
Return before operating charges	(5.13)	10.42	14.70
Operating charges	(1.60)	(1.67)	(1.55)
Return after operating charges	(6.73)	8.75	13.15
Distributions	(3.18)	(4.00)	(4.31)
Closing net asset value per share	123.79	133.70	128.95
After direct transaction costs of:	0.33	0.36	0.21
<b>Performance</b>			
Return after operating charges	(5.03)%	6.79%	10.95%
	£000	£000	£000
<b>Other information</b>			
Closing net asset value	923	1,163	1,477
Closing number of shares	745,644	870,031	1,145,954
Operating Charge Figure	1.20%	1.30%	1.30%
Direct transaction costs	0.25%	0.28%	0.18%
OCF/TER cap	1.20%	1.30%	1.30%
Research fee	0.06%	—	—
Research fee rebate	(0.04)%	—	—
<b>Prices</b>			
Highest share price	143.60p	135.50p	130.60p
Lowest share price	121.40p	122.50p	103.90p

#### C Accumulation

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 1.20%			
<b>Change in net asset per share</b>			
Opening net asset value per share	158.07	147.81	132.76
Return before operating charges	(6.17)	12.20	16.78
Operating charges	(1.91)	(1.94)	(1.73)
Return after operating charges	(8.08)	10.26	15.05
Distributions	(3.81)	(4.65)	(4.84)
Retained distributions on accumulation shares	3.81	4.65	4.84
Closing net asset value per share	149.99	158.07	147.81
After direct transaction costs of:	0.40	0.42	0.24
<b>Performance</b>			
Return after operating charges	(5.11)%	6.94%	11.34%
	£000	£000	£000
<b>Other information</b>			
Closing net asset value	1,154	1,116	1,106
Closing number of shares	769,328	705,813	748,214
Operating Charge Figure	1.20%	1.30%	1.30%
Direct transaction costs	0.25%	0.28%	0.18%
OCF/TER cap	1.20%	1.30%	1.30%
Research fee	0.06%	—	—
Research fee rebate	(0.04)%	—	—
<b>Prices</b>			
Highest share price	171.90p	159.10p	148.50p
Lowest share price	144.40p	141.60p	114.90p

## Fund information (continued)

### Performance record (continued)

#### F Income

OCF cap from 1 January 2019: 1.20%	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
<b>Change in net asset per share</b>			
Opening net asset value per share	137.00	130.76	120.58
Return before operating charges	(5.15)	10.65	14.84
Operating charges	(1.64)	(0.33)	(0.30)
Return after operating charges	(6.79)	10.32	14.54
Distributions	(3.25)	(4.08)	(4.36)
Closing net asset value per share	126.96	137.00	130.76
After direct transaction costs of:	0.34	0.36	0.21
<b>Performance</b>			
Return after operating charges	(4.96)%	7.89%	12.06%
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Other information</b>			
Closing net asset value	1,396	2,714	2,716
Closing number of shares	1,099,068	1,981,190	2,077,118
Operating Charge Figure	1.20%	0.25%	0.25%
Direct transaction costs	0.25%	0.28%	0.18%
OCF/TER cap	1.20%	0.25%	0.25%
Research fee	0.06%	—	—
Research fee rebate	(0.04)%	—	—
<b>Prices</b>			
Highest share price	147.30p	138.80p	133.90p
Lowest share price	124.50p	124.60p	104.50p

#### F Accumulation

OCF cap from 1 January 2019: 1.20%	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
<b>Change in net asset per share</b>			
Opening net asset value per share	160.65	148.65	132.15
Return before operating charges	(6.13)	12.38	16.83
Operating charges	(1.94)	(0.38)	(0.33)
Return after operating charges	(8.07)	12.00	16.50
Distributions	(3.87)	(4.69)	(4.83)
Retained distributions on accumulation shares	3.87	4.69	4.83
Closing net asset value per share	152.58	160.65	148.65
After direct transaction costs of:	0.40	0.42	0.24
<b>Performance</b>			
Return after operating charges	(5.02)%	8.07%	12.49%
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Other information</b>			
Closing net asset value	1,314	2,169	2,244
Closing number of shares	861,359	1,349,954	1,509,402
Operating Charge Figure	1.20%	0.25%	0.25%
Direct transaction costs	0.25%	0.28%	0.18%
OCF/TER cap	1.20%	0.25%	0.25%
Research fee	0.06%	—	—
Research fee rebate	(0.04)%	—	—
<b>Prices</b>			
Highest share price	174.90p	161.60p	149.30p
Lowest share price	146.80p	142.80p	114.60p

# Neptune Global Income Fund

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## Fund information (continued)

### Performance record (continued)

Research costs are defined in the Notes on page 93 and for the period 1 January 2018 to 31 December 2018 the research cost was £3,640. Additionally in the period, a rebate of research costs of £2,158 was credited to the Fund. This represented unused research costs accrued for in 2017.

### Fund performance

The performance of the Fund is shown in the Investment Manager's report on page 85.

Details of the distributions per share for the year are shown in the distribution tables on pages 99 and 100.

### Status

Neptune Global Income Fund is a sub-fund of Neptune Investment Funds which is a UCITS scheme.

### Risk warning

Please remember that past performance should not be seen as a guide to future performance and that the value of an investment in an OEIC and the income from it can fall as well as rise and may be affected by exchange rate variations.

## Financial Statements

### Statement of total return

for the year ended 31 December 2018

	Note	31 December 2018		31 December 2017	
		£000	£000	£000	£000
Income					
Net capital (losses)/gains	2		(373)		387
Revenue	3	178		238	
Expenses	4	(98)		(94)	
Interest payable and similar charges		—		—	
Net revenue before taxation		80		144	
Taxation	5	(19)		(23)	
Net revenue after taxation			61		121
Total return before distributions			(312)		508
Distributions	6		(158)		(217)
Change in net assets attributable to shareholders from investment activities			(470)		291

### Statement of change in net assets attributable to shareholders

for the year ended 31 December 2018

	31 December 2018		31 December 2017	
	£000	£000	£000	£000
Opening net assets attributable to shareholders		7,162		7,543
Amounts received on issue of shares	713		1,179	
Amounts paid on cancellation of shares	(2,685)		(1,951)	
		(1,972)		(772)
Dilution adjustment charged		—		4
Change in net assets attributable to shareholders from investment activities		(470)		291
Retained distribution on accumulation shares		67		96
Closing net assets attributable to shareholders		4,787		7,162

## Financial Statements (continued)

### Balance sheet

as at 31 December 2018

		31 December 2018		31 December 2017	
	Note	£000	£000	£000	£000
<b>Assets</b>					
Fixed assets					
Investments			5,063		6,920
Current assets					
Debtors	7	595		60	
Cash and bank balances	8	19		252	
Total current assets			614		312
Total assets			5,677		7,232
<b>Liabilities</b>					
Creditors					
Distribution payable		(15)		(26)	
Other creditors	9	(875)		(44)	
Total liabilities			(890)		(70)
Net assets attributable to shareholders			4,787		7,162

The accompanying notes are an integral part of these financial statements.



## Notes to the Financial Statements

for the year ended 31 December 2018

### 1 Accounting policies

For accounting policies relating to this Fund please refer to the notes on pages 9 to 13.

2 Net capital (losses)/gains	31 December 2018 £000	31 December 2017 £000
Non-derivative securities	(480)	400
Derivative contracts	83	(31)
Forward currency contracts	—	(82)
Currency gains	1	48
ACD's fee rebate*	26	54
Transaction charges	(4)	(5)
Transaction charges rebate	1	3
Net capital (losses)/gains	(373)	387
3 Revenue	31 December 2018 £000	31 December 2017 £000
UK dividends	19	74
Overseas dividends	159	164
Total revenue	178	238
4 Expenses	31 December 2018 £000	31 December 2017 £000
<i>Payable to the ACD, associates of the ACD and agents of either of them:</i>		
ACD's periodic charge	44	29
Distribution fees	36	48
Printing costs	(4)	2
Registration fees	3	2
Transfer agent fees	1	1
	80	82
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	2	2
Safe custody fees	1	1
	3	3
<i>Other expenses:</i>		
Audit fee	5	5
Legal and professional fees	5	3
Publication costs	3	1
Research fees	2	—
	15	9
Total expenses	98	94

\*The ACD caps the ongoing charges figure (OCF) of each share class as a percentage of the average net asset value and these percentage caps are disclosed in the performance record of each share class. The OCF capping is entirely at the discretion of the ACD and may cease at any time.

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

### 5 Taxation

	31 December 2018 £000	31 December 2017 £000
(a) Analysis of charge in the year:		
Overseas withholding tax	19	19
Foreign capital gains tax	—	4
Total taxation for the year	19	23

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

The tax assessed for the year is higher than the standard rate of corporation tax in the UK for an authorised OEIC (20%).

The differences are explained below:

	31 December 2018 £000	31 December 2017 £000
Net revenue before taxation	80	144
Corporation tax at 20% (2017: 20%)	16	29
Effects of:		
Expenses not deductible for tax purposes	5	11
Movement in excess management expenses	11	3
Overseas withholding tax	19	19
Revenue not subject to taxation	(32)	(43)
Foreign capital gains tax	—	4
Current tax charge for the year	19	23

#### (c) Deferred tax

At the year end, there is a potential deferred tax asset of £35,764 (2017: £36,754) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore, no deferred tax assets have been recognised in the current or prior year.

### 6 Distributions

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

	31 December 2018 £000	31 December 2017 £000
1st Quarter	40	57
Interim	18	57
3rd Quarter	20	53
Final	63	48
Add: Amounts deducted on cancellation of shares	21	6
Deduct: Amounts received on issue of shares	(4)	(4)
Net distribution for the year	158	217
Reconciliation of net revenue after taxation to distributions		
Net revenue after taxation	61	121
Expenses charged to capital	98	94
Tax relief from capital	(1)	(2)
Foreign capital gains tax	—	4
Net distribution for the year	158	217

Details of the distribution per share are set out in the distribution tables on pages 99 and 100.

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

7 Debtors	31 December 2018	31 December 2017
	£000	£000
Accrued revenue	9	8
Rebate borne by ACD	4	14
Amounts receivable for issue of shares	2	30
Overseas tax recoverable	4	3
Sales awaiting settlement	576	5
Total debtors	<u>595</u>	<u>60</u>

8 Cash and bank balances	31 December 2018	31 December 2017
	£000	£000
Cash and bank balances	19	252
	<u>19</u>	<u>252</u>

9 Creditors	31 December 2018	31 December 2017
	£000	£000
ACD's periodic charge	3	2
Accrued expenses	22	37
Amounts payable on cancellation of shares	850	5
Total creditors	<u>875</u>	<u>44</u>

### 10 Related party transactions

General details on related parties are shown in the notes on pages 9 to 13.

Amounts paid to/from the ACD and Depositary are shown in note 4 on page 93. The balances due at the year end are shown in notes 7 and 9.

### 11 Shareholder funds

Details relating to the Fund are shown in the notes on pages 9 to 13.

### 12 Contingent liabilities, contingent assets and commitments

There were no contingent liabilities, contingent assets or outstanding commitments at the balance sheet date (2017: nil).

### 13 Swing pricing

The Swing pricing policy is disclosed in the notes on pages 9 to 13.

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

### 14 Derivatives and other financial instruments

The main risk from the Fund's holdings of financial instruments together with the ACD's policy for managing these risks are disclosed in the notes on pages 9 to 13.

As an international equity fund the Fund is exposed to market price risk, currency risk, liquidity risk and counterparty risk. The Fund does not invest in debt securities and therefore has no material exposure to interest rate risk or credit risk.

As at 31 December 2018, if the price of investments held by the Fund increased or decreased by 1%, the resulting change in net assets attributable to shareholders would have been an increase or decrease of approximately 1%; which for this Fund would equate to £50,630 (2017: £69,082).

As at 31 December 2018, if the value of sterling increased or decreased by 1% against all currencies, the resulting change in the net assets attributable to shareholders of the Fund would have been an increase or decrease of approximately £52,523 (2017: £52,329).

Numerical disclosures relating to the Fund are as follows:

#### Foreign currency risk

The table below shows the foreign currency risk profile at the balance sheet date:

Currency	Net foreign currency assets	
	31 December 2018	31 December 2017
	Total £000	Total £000
Canadian dollar	188	—
Euro	165	3
Hong Kong dollar	173	—
Japanese yen	392	607
New Zealand dollar	401	—
Swiss franc	2	2
US dollar	3,932	4,621
Total	<u>5,253</u>	<u>5,233</u>

#### Counterparty risk

The table below shows the counterparty risk as at the balance sheet date:

	Counterparty	Derivative exposure £000	Collateral posted £000	Collateral received £000	Collateral asset class
2018	—	—	—	—	—
2017	RBC Europe	12	—	—	Cash

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

### 15 Portfolio transaction costs

Analysis of total trade costs

	Purchases		Sales	
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	£000	£000	£000	£000
Equities	10,591	5,190	11,969	5,934
Trades in the year before transaction costs	10,591	5,190	11,969	5,934
Commissions				
Equities	4	5	(5)	(4)
Total commissions	4	5	(5)	(4)
Taxes				
Equities	7	10	—	—
Total taxes	7	10	—	—
Total costs	11	15	(5)	(4)
Total net trades in the year after transaction costs	10,602	5,205	11,964	5,930

In the case of shares, commissions and taxes are paid by the Fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments and derivatives) have no separately identifiable transaction costs: these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the dealing spread was 0.21% (2017: 0.05%).

Total transaction cost expressed as a percentage of asset class:

	Purchases		Sales	
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	%	%	%	%
Commissions				
Equities	0.04	0.09	(0.04)	(0.07)
Taxes				
Equities	0.07	0.20	—	—

Total transaction cost expressed as a percentage of average NAV:

For the year ended

	31 December	31 December
	2018	2017
	%	%
Commissions	0.14	0.13
Taxes	0.11	0.15
Total	0.25	0.28

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

### 16 Post balance sheet events

There were no post balance sheet events.

### 17 Share reconciliation

Reconciliation of the share movements in the year

		31 December 2018		
	C Income	C Accumulation	F Income	F Accumulation
Opening shares in issue	870,031	705,813	1,981,190	1,349,954
Creations during the year	77,525	174,320	76,423	137,283
Cancellations during the year	(201,912)	(110,805)	(958,545)	(625,878)
Closing shares in issue	<u>745,644</u>	<u>769,328</u>	<u>1,099,068</u>	<u>861,359</u>

### 18 Fair value hierarchy

Valuation technique

	Assets	Liabilities	Assets	Liabilities
	31 December	31 December	31 December	31 December
	2018	2018	2017	2017
	£000	£000	£000	£000
Level 1	<u>5,063</u>	<u>—</u>	<u>6,920</u>	<u>—</u>
	<u>5,063</u>	<u>—</u>	<u>6,920</u>	<u>—</u>

The Fund has no Level 2 or Level 3 financial instruments.

## Distribution table

for the period ended 31 December 2018 – in pence per share

### 1st Quarter

Group 1-Shares purchased prior to 1 January 2018

Group 2-Shares purchased on or after 1 January 2018 to 31 March 2018

	Net revenue	Equalisation	Paid 31 May 2018	Paid 31 May 2017
<b>C Income shares</b>				
Group 1	0.7740	—	0.7740	1.0375
Group 2	0.2777	0.4963	0.7740	1.0375
<b>C Accumulation shares</b>				
Group 1	0.9129	—	0.9129	1.1877
Group 2	0.7759	0.1370	0.9129	1.1877
<b>F Income shares</b>				
Group 1	0.7946	—	0.7946	1.0534
Group 2	0.5826	0.2120	0.7946	1.0534
<b>F Accumulation shares</b>				
Group 1	0.9313	—	0.9313	1.1976
Group 2	0.5215	0.4098	0.9313	1.1976

### Interim

Group 1-Shares purchased prior to 1 April 2018

Group 2-Shares purchased on or after 1 April 2018 to 30 June 2018

	Net revenue	Equalisation	Paid 31 August 2018	Paid 31 August 2017
<b>C Income shares</b>				
Group 1	0.7629	—	0.7629	1.0651
Group 2	0.1724	0.5905	0.7629	1.0651
<b>C Accumulation shares</b>				
Group 1	—	—	—	1.2325
Group 2	—	—	—	1.2325
<b>F Income shares</b>				
Group 1	0.7722	—	0.7722	1.0845
Group 2	0.6151	0.1571	0.7722	1.0845
<b>F Accumulation shares</b>				
Group 1	—	—	—	1.2429
Group 2	—	—	—	1.2429

## Distribution table

for the period ended 31 December 2018 (continued) – in pence per share

### 3rd Quarter

Group 1-Shares purchased prior to 1 July 2018

Group 2-Shares purchased on or after 1 July 2018 to 30 September 2018

	Net revenue	Equalisation	Paid 30 November 2018	Paid 30 November 2017
<b>C Income shares</b>				
Group 1	0.8300	—	0.8300	0.9960
Group 2	0.4505	0.3795	0.8300	0.9960
<b>C Accumulation shares</b>				
Group 1	—	—	—	1.1590
Group 2	—	—	—	1.1590
<b>F Income shares</b>				
Group 1	0.8537	—	0.8537	1.0167
Group 2	0.4891	0.3646	0.8537	1.0167
<b>F Accumulation shares</b>				
Group 1	—	—	—	1.1751
Group 2	—	—	—	1.1751

### Final

Group 1-Shares purchased prior to 1 October 2018

Group 2-Shares purchased on or after 1 October 2018 to 31 December 2018

	Net revenue	Equalisation	Payable 28 February 2019	Paid 28 February 2018
<b>C Income shares</b>				
Group 1	0.8132	—	0.8132	0.9039
Group 2	0.3237	0.4895	0.8132	0.9039
<b>F Income shares</b>				
Group 1	0.8329	—	0.8329	0.9239
Group 2	0.4084	0.4245	0.8329	0.9239

### Final

Group 1-Shares purchased prior to 1 April 2018

Group 2-Shares purchased on or after 1 April 2018 to 31 December 2018

	Net revenue	Equalisation	Payable 28 February 2019	Paid 28 February 2018
<b>C Accumulation shares</b>				
Group 1	2.8934	—	2.8934	1.0660
Group 2	1.2130	1.6804	2.8934	1.0660
<b>F Accumulation shares</b>				
Group 1	2.9400	—	2.9400	1.0773
Group 2	1.5388	1.4012	2.9400	1.0773

The Accumulation share classes have changed distribution frequency and from 30 June 2018 will be distributing only at every year end.



## Investment objective

The investment objective of the Neptune Income Fund (the Fund) is to generate a rising level of income. Whilst income is the main objective there is also potential for capital growth, from an actively managed portfolio invested predominantly in UK securities and UK fixed interest stocks, with some overseas exposure. The Fund aims to achieve top quartile performance, in terms of total return, against the appropriate peer group.

Other eligible asset classes may include collective investment schemes, other transferable securities, cash or near cash, deposits and money market instruments.

It is anticipated that derivative instruments and forward transactions may be used by the ACD for EPM.

It is the intention to be near-fully invested at all times, however, the Fund has the facility to take tactical positions in cash or near cash should the ACD feel it appropriate.

The portfolio will be managed to ensure that the Fund is at all times eligible to be included in an ISA.

## Risk and reward profile

The risk and reward indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the risk and reward indicator.

Typically lower rewards, lower risk				Typically higher rewards, higher risk		
←				→		
1	2	3	4	5	6	7

The Fund is in Category 5 because of the high range and frequency of price movements (volatility) of the underlying investments referenced by the Fund.

The following are additional risks not covered by the risk and reward category.

- The level of income is not guaranteed.
- Investing overseas can bring additional returns and spread risk to different markets. There are risks, however, that changes in currency rates will reduce the value of your investment.
- Fixed interest stocks are the debts of governments and companies generally in the form of bonds. Bonds are affected by changes in interest rates, inflation and any decline in creditworthiness of the borrower (i.e. the bond issuer). Bonds that produce a higher level of income usually also carry greater risk as such bond issuers may have difficulty in repaying their financial obligations.
- The Investment Manager aims to remove the impact of changes in exchange rates by hedging, a currency transaction which can protect against such movements. However, if exchange rates move contrary to the Investment Manager's expectations this can have a significant negative impact on the value of your investment.
- This Fund holds a limited number of investments. If one of these investments falls in value this can have a greater impact on the Fund's value than if it held a larger number of investments.
- For a full list of the Fund's risks, please see the Prospectus.

## Investment Manager's report

for the year ended 31 December 2018

The Neptune Income Fund returned –3.4% in 2018, ahead of the FTSE All-Share Index's –9.5% loss and the IA UK Equity Income sector average loss of –10.5%.\* This performance saw the Fund rank in the top quartile of its IA peer group for the year.

After a strong 2017, the UK stockmarket started the New Year on less certain footing. Investors witnessed a return of volatility that had virtually disappeared last year. Sterling, however, continued its form from 2017, unabated and strengthened once again by almost 4% against the dollar. This helped mid and small-caps to outperform their larger-cap brethren. The second quarter of 2018 saw a return to relatively calm equity markets, but not quite to the level we experienced last year where volatility, measured for example by the Volatility (VIX) Index, had virtually disappeared. However, fears around increased protectionism and potential trade wars persisted, and at times escalated as Donald Trump continues to push his agenda on NATO and tariffs. The FTSE All-share Index took this in its stride, but to a large extent the bounce back from a weak first quarter was driven by a stronger US dollar.

Despite strong returns from global equity markets, the FTSE All-Share Index witnessed a higher degree of volatility and ended the third quarter with a negative return of –0.8%. There were three major themes for UK investors to grapple with over the quarter: the uncertainty surrounding the potential for a no-deal Brexit, the fallout of the escalating trade war between the US and China and the Bank of England's decision to raise interest rates to the highest level since 2009 thanks to an improvement in UK growth. The concerns surrounding Brexit negotiations weighed on sterling, which combined with further evidence of a deteriorating outlook for the UK consumer, meant the more domestically-focused FTSE 250 Index struggled over the quarter.

It was a painful fourth quarter for equities, with a variety of macroeconomic headwinds hurting investor sentiment and contributing to the UK market's worst annual performance since 2008. These included higher interest rates in the US, slowing global economic growth, a fall in the oil price, continued tensions between the US and China over trade, the government shut down in the US and, of

course, Brexit-related uncertainty. Over the period, the FTSE All Share Index posted a loss of –10.3% in total return terms – its second worst quarterly performance in over a decade.

There were numerous drivers behind the Fund's strong relative returns. First and foremost, the Fund's large-cap bias was additive. However, a significant contributor to the Fund's returns was its exchange traded options. We added this exposure to the portfolio in 2017 in order to achieve our objective of delivering attractive income but also protecting capital during periods of volatility. Other positive contributors included CME Group, the futures exchange and one of our overseas holdings, which benefited from the more volatile conditions in the final quarter of the year.

While Brexit uncertainty will continue to be a source of volatility, our concerns surrounding the UK primarily stem from more structural issues facing the economy. As such, we continue to have an overseas bias, both in terms of direct holdings (we maintain our 20% weighting to the US) and our focus on international-earners within the UK market – just 11% of the underlying revenue within the portfolio derives from the UK.

*\*Source: Morningstar, C Accumulation share class performance, in sterling with no initial charges, net revenue reinvested to 31 December 2018. The performance of other share classes may differ. Past performance is not a guide for future performance. The value of an investment and any revenue from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the original amount invested. References to specific securities and sectors are for illustration purposes only and should not be taken as a recommendation to buy or sell these securities. Neptune Funds are not tied to replicating a benchmark and holdings can therefore vary from those in the index quoted. For this reason the comparison index should be used for reference only. Forecasts are not a reliable indicator of future performance. Any views expressed are those of Neptune as at the date of issue and we do not undertake to advise you as to any changes in our views. Please refer to the Prospectus for further details.*

# Neptune Income Fund

## Investment Manager's report

for the year ended 31 December 2018 (continued)

The Portfolio statement as at 31 December 2018 is as follows:

Holding	Portfolio of investments	Market value £000	Total net assets %
	<b>United Kingdom 65.59% (2017 - 71.69%)</b>		
	<b>Basic Materials 14.45% (2017 - 12.37%)</b>		
	<b>Chemicals 8.39%</b>		
126,000	Croda International	5,916	3.07
210,000	Johnson Matthey	5,849	3.03
195,000	Victrex	4,415	2.29
	<b>Mining 6.06%</b>		
338,000	Anglo American	5,906	3.06
154,000	Rio Tinto	5,797	3.00
	<b>Consumer Goods 8.77% (2017 - 11.57%)</b>		
	<b>Beverages 3.05%</b>		
210,000	Diageo	5,878	3.05
	<b>Household Goods &amp; Home Construction 2.86%</b>		
92,000	Reckitt Benckiser	5,517	2.86
	<b>Personal Goods 2.86%</b>		
134,000	Unilever	5,522	2.86
	<b>Consumer Services 5.47% (2017 - 8.86%)</b>		
	<b>General Retailers 2.43%</b>		
4,550,000	Saga	4,687	2.43
	<b>Travel &amp; Leisure 3.04%</b>		
358,000	Compass	5,871	3.04
	<b>Financials 17.50% (2017 - 15.21%)</b>		
	<b>Banks 2.97%</b>		
890,000	HSBC	5,741	2.97
	<b>Financial Services 6.10%</b>		
760,000	3i	5,899	3.06
627,000	Intermediate Capital	5,866	3.04
	<b>Life Insurance 8.43%</b>		
230,000	Aviva	863	0.45
2,350,000	Legal & General	5,454	2.83
900,000	Phoenix	5,060	2.62
349,000	Prudential	4,893	2.53
	<b>Health Care 2.97% (2017 - 2.98%)</b>		
	<b>Pharmaceuticals &amp; Biotechnology 2.97%</b>		
385,000	GlaxoSmithKline	5,737	2.97
	<b>Industrials 7.78% (2017 - 8.72%)</b>		
	<b>Aerospace &amp; Defence 2.55%</b>		
1,070,000	BAE Systems	4,926	2.55
	<b>Electronic &amp; Electrical Equipment 3.23%</b>		
460,000	Halma	6,233	3.23
	<b>General Industrials 2.00%</b>		
1,300,000	DS Smith	3,865	2.00
	<b>Oil &amp; Gas 2.88% (2017 - 3.06%)</b>		
	<b>Oil &amp; Gas Producers 2.88%</b>		
1,115,000	BP	5,559	2.88
	<b>Technology 5.77% (2017 - 5.94%)</b>		
	<b>Software &amp; Computer Services 5.77%</b>		
395,000	Micro Focus International	5,447	2.82
950,000	Sage	5,681	2.95

# Neptune Income Fund

## Investment Manager's report

for the year ended 31 December 2018 (continued)

The Portfolio statement as at 31 December 2018 (continued)

Holding	Portfolio of investments	Market value £000	Total net assets %
	<b>Telecommunications 0.00% (2017 - 2.98%)</b>		
	<b>Chile 2.91% (2017 - 0.00%)</b>		
718,000	Antofagasta	5,623	2.91
	<b>Jersey 0.00% (2017 - 3.03%)</b>		
	<b>Netherlands 2.96% (2017 - 3.17%)</b>		
	248,000 Royal Dutch Shell 'A'	5,715	2.96
	<b>Switzerland 3.06% (2017 - 3.21%)</b>		
2,015,000	Glencore	5,907	3.06
	<b>United States 17.09% (2017 - 18.75%)</b>		
40,000	Apple	4,894	2.54
44,000	CME	6,413	3.32
74,300	Microsoft	5,842	3.03
57,500	Motorola Solutions	5,054	2.62
124,000	SunTrust Banks	4,833	2.50
58,000	Visa 'A'	5,947	3.08
	<b>Derivatives 8.70% (2017 - 0.42%)</b>		
	<b>Options 8.70% (2017 - 0.42%)</b>		
1,140	FTSE 100 Index 7300 Put 15/03/2019	7,399	3.83
906	FTSE 100 Index 7200 Put 21/06/2019	6,333	3.28
183	NASDAQ 100 E-Mini 6950 Put 15/03/2019	1,909	0.99
182	S+P500 E Mini Futures 2625 Put 15/03/2019	1,156	0.60
	Portfolio of investments	193,607	100.31
	Net other liabilities	(605)	(0.31)
	Net assets	193,002	100.00

All holdings are ordinary shares or stock units unless otherwise stated.

The top five purchases and sales for the year are as follows:

Purchases	Cost £000
Antofagasta	8,070
Anglo American	7,585
3i	7,487
Victrex	6,659
Motorola Solutions	6,433
Sales	Proceeds £000
UBM	7,282
BHP Billiton	7,069
JPMorgan Chase	6,517
Vodafone	6,218
Honeywell International	6,185

## Fund information

### Performance record

#### A Income

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 1.84%			
<b>Change in net asset per share</b>			
Opening net asset value per share	182.64	171.70	158.34
Return before operating charges	(4.81)	21.09	24.67
Operating charges	(3.01)	(3.02)	(2.69)
Return after operating charges	(7.82)	18.07	21.98
Distributions	(6.66)	(7.13)	(8.62)
Closing net asset value per share	168.16	182.64	171.70
After direct transaction costs of:	0.43	0.41	0.25
<b>Performance</b>			
Return after operating charges	(4.28)%	10.53%	13.88%
	£000	£000	£000
<b>Other information</b>			
Closing net asset value	19,352	23,106	25,521
Closing number of shares	11,507,641	12,651,658	14,863,144
Operating Charge Figure	1.67%	1.69%	1.68%
Direct transaction costs	0.24%	0.23%	0.16%
OCF/TER cap	1.81%	1.80%	1.80%
Research fee	0.02%	—	—
Research fee rebate	(0.05)%	—	—
<b>Prices</b>			
Highest share price	192.80p	185.80p	176.90p
Lowest share price	170.00p	170.10p	141.00p

#### A Accumulation

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 1.84%			
<b>Change in net asset per share</b>			
Opening net asset value per share	377.96	341.58	299.10
Return before operating charges	(10.32)	42.44	47.64
Operating charges	(6.29)	(6.06)	(5.16)
Return after operating charges	(16.61)	36.38	42.48
Distributions	(13.90)	(14.33)	(16.52)
Retained distributions on accumulation shares	13.90	14.33	16.52
Closing net asset value per share	361.35	377.96	341.58
After direct transaction costs of:	0.90	0.81	0.48
<b>Performance</b>			
Return after operating charges	(4.39)%	10.65%	14.20%
	£000	£000	£000
<b>Other information</b>			
Closing net asset value	26,712	30,436	31,463
Closing number of shares	7,392,375	8,052,948	9,210,957
Operating Charge Figure	1.67%	1.69%	1.68%
Direct transaction costs	0.24%	0.23%	0.16%
OCF/TER cap	1.81%	1.80%	1.80%
Research fee	0.02%	—	—
Research fee rebate	(0.05)%	—	—
<b>Prices</b>			
Highest share price	399.00p	378.10p	349.60p
Lowest share price	352.00p	338.30p	266.50p

## Fund information (continued)

### Performance record (continued)

#### B Income

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 1.34%			
<b>Change in net asset per share</b>			
Opening net asset value per share	193.54	181.05	166.15
Return before operating charges	(5.12)	22.28	25.93
Operating charges	(2.23)	(2.25)	(1.99)
Return after operating charges	(7.35)	20.03	23.94
Distributions	(7.08)	(7.54)	(9.04)
Closing net asset value per share	179.11	193.54	181.05
After direct transaction costs of:	0.46	0.43	0.26
<b>Performance</b>			
Return after operating charges	(3.80)%	11.06%	14.41%
	£000	£000	£000
<b>Other information</b>			
Closing net asset value	17,399	19,569	19,198
Closing number of shares	9,713,611	10,110,745	10,603,560
Operating Charge Figure	1.17%	1.19%	1.18%
Direct transaction costs	0.24%	0.23%	0.16%
OCF/TER cap	1.31%	1.30%	1.30%
Research fee	0.02%	—	—
Research fee rebate	(0.05)%	—	—
<b>Prices</b>			
Highest share price	204.80p	196.90p	186.50p
Lowest share price	180.60p	179.40p	148.00p

#### C Income

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 0.97%			
<b>Change in net asset per share</b>			
Opening net asset value per share	129.56	120.77	110.45
Return before operating charges	(3.44)	14.89	17.31
Operating charges	(1.04)	(1.06)	(0.94)
Return after operating charges	(4.48)	13.83	16.37
Distributions	(4.75)	(5.04)	(6.05)
Closing net asset value per share	120.33	129.56	120.77
After direct transaction costs of:	0.31	0.29	0.18
<b>Performance</b>			
Return after operating charges	(3.46)%	11.45%	14.82%
	£000	£000	£000
<b>Other information</b>			
Closing net asset value	58,409	72,938	69,023
Closing number of shares	48,541,508	56,296,166	57,153,017
Operating Charge Figure	0.81%	0.84%	0.83%
Direct transaction costs	0.24%	0.23%	0.16%
OCF/TER cap	0.96%	0.90%	0.90%
Research fee	0.02%	—	—
Research fee rebate	(0.05)%	—	—
<b>Prices</b>			
Highest share price	137.30p	131.80p	124.50p
Lowest share price	121.00p	119.70p	98.41p

# Neptune Income Fund

## Fund information (continued)

### Performance record (continued)

#### C Accumulation

OCF cap from 1 January 2019: 0.97%	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
<b>Change in net asset per share</b>			
Opening net asset value per share	163.19	146.26	126.98
Return before operating charges	(4.49)	18.23	20.37
Operating charges	(1.33)	(1.30)	(1.09)
Return after operating charges	(5.82)	16.93	19.28
Distributions	(6.04)	(6.16)	(7.05)
Retained distributions on accumulation shares	6.04	6.16	7.05
Closing net asset value per share	157.37	163.19	146.26
After direct transaction costs of:	0.39	0.35	0.20
<b>Performance</b>			
Return after operating charges	(3.57)%	11.58%	15.18%
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Other information</b>			
Closing net asset value	71,130	59,068	55,789
Closing number of shares	45,200,832	36,195,103	38,144,803
Operating Charge Figure	0.81%	0.84%	0.83%
Direct transaction costs	0.24%	0.23%	0.16%
OCF/TER cap	0.96%	0.90%	0.90%
Research fee	0.02%	—	—
Research fee rebate	(0.05)%	—	—
<b>Prices</b>			
Highest share price	173.00p	163.20p	149.80p
Lowest share price	152.30p	145.00p	113.30p

Research costs are defined in the Notes on page 110 and for the period 1 January 2018 to 31 December 2018 the research cost was £45,039. Additionally in the period, a rebate of research costs of £109,529 was credited to the Fund. This represented unused research costs accrued for in 2017.

#### Fund performance

The performance of the Fund is shown in the Investment Manager's report on page 102.

Details of the distributions per share for the year are shown in the distribution tables on page 115.

#### Status

Neptune Income Fund is a sub-fund of Neptune Investment Funds which is a UCITS scheme.

#### Risk warning

Please remember that past performance should not be seen as a guide to future performance and that the value of an investment in an OEIC and the income from it can fall as well as rise and may be affected by exchange rate variations.

## Financial Statements

### Statement of total return

for the year ended 31 December 2018

	Note	31 December 2018		31 December 2017	
		£000	£000	£000	£000
Income					
Net capital (losses)/gains	2		(13,053)		15,538
Revenue	3	7,781		8,363	
Expenses	4	(2,168)		(2,249)	
Interest payable and similar charges		(1)		(1)	
Net revenue before taxation		5,612		6,113	
Taxation	5	(181)		(177)	
Net revenue after taxation			5,431		5,936
Total return before distributions			(7,622)		21,474
Distributions	6		(7,599)		(8,185)
Change in net assets attributable to shareholders from investment activities			(15,221)		13,289

### Statement of change in net assets attributable to shareholders

for the year ended 31 December 2018

	31 December 2018		31 December 2017	
	£000	£000	£000	£000
Opening net assets attributable to shareholders		205,117		201,220
Amounts received on issue of shares	23,682		19,150	
Amounts paid on cancellation of shares	(24,337)		(32,065)	
		(655)		(12,915)
Dilution adjustment charged		—		2
Change in net assets attributable to shareholders from investment activities		(15,221)		13,289
Retained distribution on accumulation shares		3,758		3,513
Unclaimed distributions		3		8
Closing net assets attributable to shareholders		193,002		205,117



## Financial Statements (continued)

### Balance sheet

as at 31 December 2018

	Note	31 December 2018		31 December 2017	
		£000	£000	£000	£000
<b>Assets</b>					
Fixed assets					
Investments			193,607		205,645
Current assets					
Debtors	7	1,563		937	
Cash and bank balances	8	—		885	
Total current assets			1,563		1,822
Total assets			195,170		207,467
<b>Liabilities</b>					
Creditors					
Bank overdrafts	8	(111)		—	
Distribution payable		(1,513)		(1,958)	
Other creditors	9	(544)		(392)	
Total liabilities			(2,168)		(2,350)
Net assets attributable to shareholders			193,002		205,117

The accompanying notes are an integral part of these financial statements.

## Notes to the Financial Statements

for the year ended 31 December 2018

### 1 Accounting policies

For accounting policies relating to this Fund please refer to the notes on pages 9 to 13.

2 Net capital (losses)/gains	31 December 2018 £000	31 December 2017 £000
Non-derivative securities	(23,042)	19,535
Derivative contracts	10,019	(4,008)
Currency (losses)/gains	(25)	14
Transaction charges	(5)	(3)
Net capital (losses)/gains	<u>(13,053)</u>	<u>15,538</u>

3 Revenue	31 December 2018 £000	31 December 2017 £000
UK dividends	5,937	6,195
Overseas dividends	1,844	2,168
Total revenue	<u>7,781</u>	<u>8,363</u>

4 Expenses	31 December 2018 £000	31 December 2017 £000
<i>Payable to the ACD, associates of the ACD and agents of either of them:</i>		
ACD's periodic charge	2,051	2,062
Distribution fees	23	31
Printing costs	5	8
Registration fees	21	19
Transfer agent fees	34	27
	<u>2,134</u>	<u>2,147</u>
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	55	63
Safe custody fees	16	16
	<u>71</u>	<u>79</u>
<i>Other expenses:</i>		
Audit fee	10	10
Legal and professional fees	11	9
Publication costs	6	4
Research fees	(64)	—
	<u>(37)</u>	<u>23</u>
Total expenses	<u>2,168</u>	<u>2,249</u>

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

### 5 Taxation

	31 December 2018 £000	31 December 2017 £000
(a) Analysis of charge in the year:		
Overseas withholding tax	181	177
Total taxation for the year	<u>181</u>	<u>177</u>

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

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an authorised OEIC (20%).

The differences are explained below:

	31 December 2018 £000	31 December 2017 £000
Net revenue before taxation	5,612	6,113
Corporation tax at 20% (2017: 20%)	1,122	1,223
Effects of:		
Movement in excess management expenses	434	450
Overseas withholding tax	181	177
Revenue not subject to taxation	(1,556)	(1,673)
Current tax charge for the year	<u>181</u>	<u>177</u>

#### (c) Deferred tax

At the year end, there is a potential deferred tax asset of £16,216,784 (2017: £15,783,266) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore, no deferred tax assets have been recognised in the current or prior year.

### 6 Distributions

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

	31 December 2018 £000	31 December 2017 £000
Interim	2,475	4,580
Final	5,271	3,449
Add: Amounts deducted on cancellation of shares	313	323
Deduct: Amounts received on issue of shares	(460)	(167)
Net distribution for the year	<u>7,599</u>	<u>8,185</u>
Reconciliation of net revenue after taxation to distributions		
Net revenue after taxation	5,431	5,936
Expenses charged to capital	2,168	2,249
Net distribution for the year	<u>7,599</u>	<u>8,185</u>

Details of the distribution per share are set out in the distribution tables on page 115.

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

7 Debtors	31 December 2018	31 December 2017
	£000	£000
Accrued revenue	403	392
Amounts receivable for issue of shares	647	96
Overseas tax recoverable	302	281
Sales awaiting settlement	211	168
Total debtors	<u>1,563</u>	<u>937</u>

8 Cash and bank balances	31 December 2018	31 December 2017
	£000	£000
Cash and bank balances	—	885
Bank overdrafts	(111)	—
	<u>(111)</u>	<u>885</u>

9 Creditors	31 December 2018	31 December 2017
	£000	£000
ACD's periodic charge	165	163
Accrued expenses	59	81
Amounts payable on cancellation of shares	320	148
Total creditors	<u>544</u>	<u>392</u>

## 10 Related party transactions

General details on related parties are shown in the notes on pages 9 to 13.

Amounts paid to/from the ACD and Depositary are shown in note 4 on page 110. The balances due at the year end are shown in notes 7 and 9.

## 11 Shareholder funds

Details relating to the Fund are shown in the notes on pages 9 to 13.

## 12 Contingent liabilities, contingent assets and commitments

There were no contingent liabilities, contingent assets or outstanding commitments at the balance sheet date (2017: nil).

## 13 Swing pricing

The ACD's swing pricing policy is disclosed in the notes on pages 9 to 13.

## 14 Derivatives and other financial instruments

The main risk from the Fund's holdings of financial instruments together with the ACD's policy for managing these risks are disclosed in the notes on pages 9 to 13.

As an international equity fund the Fund is exposed to market price risk, currency risk, liquidity risk and counterparty risk. The Fund does not invest in debt securities and therefore has no material exposure to interest rate risk or credit risk.

As at 31 December 2018, if the price of investments held by the Fund increased or decreased by 1%, the resulting change in net assets attributable to shareholders would have been an increase or decrease of approximately 1%; which for this Fund would equate to £1,768,102 (2017: £2,056,454).

As at 31 December 2018, if the value of sterling increased or decreased by 1% against all currencies, the resulting change in the net assets attributable to shareholders of the Fund would have been an increase or decrease of approximately £363,970 (2017: £391,243).

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

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

Numerical disclosures relating to the Fund are as follows:

#### Foreign currency risk

The table below shows the foreign currency risk profile at the balance sheet date:

Currency	Net foreign currency assets	
	31 December 2018	31 December 2017
	Total £000	Total £000
Euro	274	373
US dollar	36,123	38,751
Total	<u>36,397</u>	<u>39,124</u>

#### Counterparty risk

The table below shows the counterparty risk as at the balance sheet date:

	Counterparty	Derivative exposure £000	Collateral posted £000	Collateral received £000	Collateral asset class
2018	RBC Europe	16,797	—	—	Cash
2017	RBC Europe	854	—	—	Cash

### 15 Portfolio transaction costs

Analysis of total trade costs

	Purchases		Sales	
	31 December 2018 £000	31 December 2017 £000	31 December 2018 £000	31 December 2017 £000
Equities	93,710	82,995	99,103	100,711
Options	—	—	—	—
Trades in the year before transaction costs	<u>93,710</u>	<u>82,995</u>	<u>99,103</u>	<u>100,711</u>
Commissions				
Equities	44	70	(46)	(81)
Options	15	22	(16)	(14)
Total commissions	<u>59</u>	<u>92</u>	<u>(62)</u>	<u>(95)</u>
Taxes				
Equities	371	276	(1)	(1)
Options	—	—	—	—
Total taxes	<u>371</u>	<u>276</u>	<u>(1)</u>	<u>(1)</u>
Total costs	<u>430</u>	<u>368</u>	<u>(63)</u>	<u>(96)</u>
Total net trades in the year after transaction costs	<u>94,140</u>	<u>83,363</u>	<u>99,040</u>	<u>100,615</u>

In the case of shares, commissions and taxes are paid by the Fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments and derivatives) have no separately identifiable transaction costs: these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the dealing spread was 0.41% (2017: 0.06%).

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

### 15 Portfolio transaction costs (continued)

Total transaction cost expressed as a percentage of asset class:

	Purchases		Sales	
	31 December 2018 %	31 December 2017 %	31 December 2018 %	31 December 2017 %
Commissions				
Equities	0.05	0.08	(0.05)	(0.08)
Options	—	—	—	—
Taxes				
Equities	0.40	0.33	—	—
Options	—	—	—	—

Total transaction cost expressed as a percentage of average NAV:

	31 December 2018 %	31 December 2017 %
Commissions	0.06	0.09
Taxes	0.18	0.14
Total	<u>0.24</u>	<u>0.23</u>

### 16 Post balance sheet events

On 1 April 2019 the Neptune Quarterly Income Fund will merge into the Neptune Income Fund.

### 17 Share reconciliation

Reconciliation of the share movements in the year

	31 December 2018			
	A Income	A Accumulation	B Income	C Income
Opening shares in issue	12,651,658	8,052,948	10,110,745	56,296,166
Creations during the year	300,979	265,015	12,227	4,208,627
Cancellations during the year	(1,382,841)	(898,535)	(405,171)	(12,056,945)
Share converted during the year	(62,155)	(27,053)	(4,190)	93,660
Closing shares in issue	<u>11,507,641</u>	<u>7,392,375</u>	<u>9,713,611</u>	<u>48,541,508</u>
	C Accumulation			
Opening shares in issue	36,195,103			
Creations during the year	10,607,914			
Cancellations during the year	(1,664,677)			
Shares converted during the year	62,492			
Closing shares in issue	<u>45,200,832</u>			

### 18 Fair value hierarchy

Valuation technique

	Assets 31 December 2018 £000	Liabilities 31 December 2018 £000	Assets 31 December 2017 £000	Liabilities 31 December 2017 £000
Level 1	193,607	—	205,645	—
	<u>193,607</u>	<u>—</u>	<u>205,645</u>	<u>—</u>

The Fund has no Level 2 or Level 3 financial instruments.

# Neptune Income Fund

## Distribution table

for the year ended 31 December 2018 – in pence per share

### Interim

Group 1-Shares purchased prior to 1 January 2018

Group 2-Shares purchased on or after 1 January 2018 to 30 June 2018

	Net revenue	Equalisation	Paid 31 August 2018	Paid 31 August 2017
<b>A Income shares</b>				
Group 1	3.9799	—	3.9799	4.0352
Group 2	1.5769	2.4030	3.9799	4.0352
<b>A Accumulation shares</b>				
Group 1	—	—	—	8.0286
Group 2	—	—	—	8.0286
<b>B Income shares</b>				
Group 1	4.2286	—	4.2286	4.2601
Group 2	1.4288	2.7998	4.2286	4.2601
<b>C Income shares</b>				
Group 1	2.8344	—	2.8344	2.8447
Group 2	1.5634	1.2710	2.8344	2.8447
<b>C Accumulation shares</b>				
Group 1	—	—	—	3.4444
Group 2	—	—	—	3.4444

### Final

Group 1-Shares purchased prior to 1 July 2018

Group 2-Shares purchased on or after 1 July 2018 to 31 December 2018

	Net revenue	Equalisation	Payable 28 February 2019	Paid 28 February 2018
<b>A Income shares</b>				
Group 1	2.6782	—	2.6782	3.0985
Group 2	0.7787	1.8995	2.6782	3.0985
<b>B Income shares</b>				
Group 1	2.8485	—	2.8485	3.2792
Group 2	1.5632	1.2853	2.8485	3.2792
<b>C Income shares</b>				
Group 1	1.9118	—	1.9118	2.1929
Group 2	0.8632	1.0486	1.9118	2.1929

### Final

Group 1-Shares purchased prior to 1 January 2018

Group 2-Shares purchased on or after 1 January 2018 to 31 December 2018

	Net revenue	Equalisation	Payable 28 February 2019	Paid 28 February 2018
<b>A Accumulation shares</b>				
Group 1	13.9039	—	13.9039	6.3050
Group 2	7.3498	6.5541	13.9039	6.3050
<b>C Accumulation shares</b>				
Group 1	6.0403	—	6.0403	2.7165
Group 2	2.4755	3.5648	6.0403	2.7165

The Accumulation share classes have changed distribution frequency and from 30 June 2018 will be distributing only at every year end.

Investment objective

The investment objective of the Neptune India Fund (the Fund) is to generate capital growth from investment predominantly in Indian securities, or securities issued by companies transacting a significant proportion of their business in India.

Other eligible asset classes may include collective investment schemes, other transferable securities, cash or near cash, deposits and money market instruments.

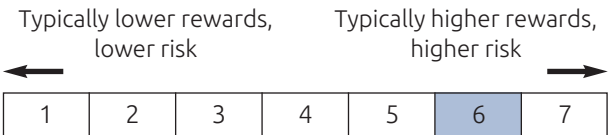
It is anticipated that derivative instruments and forward transactions may be used by the ACD for EPM.

It is the intention to be near-fully invested at all times, however, the Fund has the facility to take tactical positions in cash or near cash should the ACD feel it appropriate.

The portfolio will be managed to ensure that the Fund is at all times eligible to be included in an ISA.

Risk and reward profile

The risk and reward indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the risk and reward indicator.



The Fund is in Category 6 because of the high range and frequency of price movements (volatility) of the underlying investments referenced by the Fund.

The following are additional risks not covered by the risk and reward category.

- Investing overseas can bring additional returns and spread risk to different markets. There are risks, however, that changes in currency rates will reduce the value of your investment.
- Emerging markets or less developed countries may face more political, economic or structural challenges than developed countries. This means your money may be at greater risk.
- This Fund holds a limited number of investments. If one of these investments falls in value this can have a greater impact on the Fund's value than if it held a larger number of investments.
- For a full list of the Fund's risks, please see the Prospectus.



## Investment Manager's report

for the year ended 31 December 2018

The Neptune India Fund returned –13.1% in 2018, versus the MSCI India Index's return of –1.5%.\*

India struggled to shake off global market weakness in the first quarter of 2018, with the MSCI India Index falling –10.3%. India's initial underperformance stems from a cyclical pick up in global growth expectations alongside a resurgent oil price, which favoured more economically-sensitive areas in the emerging world. India's current account deficit expanded, whilst bond yields marched up from 6.5% in August 2017 to 7.5% at the end of the quarter. Growth is yet to catch alight as the hangover from demonetisation and the introduction of the Goods and Services Tax (GST) proves harder to shift. This has had a dampening effect on valuations and stock price performance.

The second and third quarters of 2018 were tricky for emerging markets, as tighter financial conditions in the US pressured EM FX and the escalation of the global trade war raised questions over the outlook for the global economy. Against this backdrop, India outperformed broader emerging markets in the second quarter of the year, before giving back this performance with a poor third quarter. This was due to concerns over rising inflation and a widening trade deficit mounted given the continued strength in the oil price. Market sentiment was also severely dented by concerns over credit and liquidity issues in the non-banking financial company (NBFC) segment following the default of IL&FS.

Against an extremely challenging backdrop of sharply falling global markets, Indian equities bucked the trend and registered significant outperformance in the fourth quarter, returning 5.0%. India has been under pressure this year from a number of external as well as domestic factors. In particular, the rise in crude oil prices through September had weighed on sentiment – as an oil importing nation, India suffers a macro vulnerability to higher energy prices – driving the rupee lower, inflation higher as well as weighing on economic growth. Having endured these headwinds throughout the year, India therefore enjoyed something of a relief rally as oil prices sharply dropped during the final quarter.

The stabilisation in the rupee drove a degree of sector rotation where US dollar earners such as the healthcare and technology sectors underperformed in the final quarter, at the expense of a resurgence

from sectors more closely tied to the domestic economy such as industrials and financials.

Furthermore, the Fund's underweight in consumer staples was a slight detractor to performance, which enjoyed a very strong fourth quarter led by index-heavyweight Hindustan Unilever.

At a stock level, strong relative performers for the Fund in 2018 came from our holdings in Infosys Technologies, the multinational that provides business consulting, IT and outsourced services, which returned 26.1%, and Reliance Industries, which returned 16.3%. However, the underperformance of the Fund came from holdings in the industrials and consumer discretionary sectors, which contributed significant negative returns for the year.

The Neptune India Fund remains positioned for long-term growth in the domestic economy, led by mid-cap, domestically facing companies, especially along the theme of growing financial inclusion. The Fund's overweight positions are therefore in the financials, healthcare, industrials and real estate sectors, whilst being underweight consumer staples, which we feel are expensive, as well as technology, which we believe to be more linked to external growth drivers.

*\*Source: Morningstar, C Accumulation share class performance, in sterling with no initial charges, net revenue reinvested to 31 December 2018. The performance of other share classes may differ. Past performance is not a guide for future performance. Investments in emerging markets may be higher risk and potentially more volatile than those in developed markets. The value of an investment and any revenue from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the original amount invested. References to specific securities and sectors are for illustration purposes only and should not be taken as a recommendation to buy or sell these securities. Neptune Funds are not tied to replicating a benchmark and holdings can therefore vary from those in the index quoted. For this reason the comparison index should be used for reference only. Forecasts are not a reliable indicator of future performance. Any views expressed are those of Neptune as at the date of issue and we do not undertake to advise you as to any changes in our views. Please refer to the Prospectus for further details.*

## Investment Manager's report

for the year ended 31 December 2018 (continued)

The Portfolio statement as at 31 December 2018 is as follows:

Holding	Portfolio of investments	Market value £000	Total net assets %
	<b>India 99.58% (2017 - 98.02%)</b>		
	<b>Basic Materials 6.34% (2017 - 7.93%)</b>		
	<b>Chemicals 3.00%</b>		
389,100	Deepak Nitrite	962	1.14
98,100	Finolex Industries	599	0.71
505,529	SH Kelkar	971	1.15
	<b>Industrial Metals &amp; Mining 3.34%</b>		
600,000	Hindalco Industries	1,518	1.80
571,600	Vedanta	1,296	1.54
	<b>Consumer Goods 8.52% (2017 - 9.81%)</b>		
	<b>Automobiles &amp; Parts 5.04%</b>		
30,000	Maruti Suzuki India	2,508	2.98
930,000	Motherson Sumi Systems	1,740	2.06
	<b>Personal Goods 3.48%</b>		
322,500	Godrej Consumer Products	2,934	3.48
	<b>Consumer Services 4.05% (2017 - 2.80%)</b>		
	<b>General Retailers 1.86%</b>		
845,000	Indian Energy Exchange	1,567	1.86
	<b>Media 2.19%</b>		
346,000	Zee Entertainment Enterprises	1,848	2.19
	<b>Financials 30.27% (2017 - 29.59%)</b>		
	<b>Banks 18.16%</b>		
800,000	Bank of Baroda	1,064	1.26
25,000	HDFC Bank ADR	2,019	2.39
1,000,000	ICICI Bank	4,042	4.79
100,000	IndusInd Bank	1,795	2.13
100,000	Kotak Mahindra Bank	1,406	1.67
520,000	State Bank of India	1,725	2.05
1,600,000	Yes Bank	3,265	3.87
	<b>Financial Services 10.21%</b>		
700,000	Edelweiss Financial Services	1,431	1.70
1,370,000	Equitas	1,917	2.27
130,000	Housing Development Finance	2,866	3.40
250,000	Indiabulls Housing Finance	2,392	2.84
	<b>Real Estate Investment &amp; Services 1.90%</b>		
650,000	Prestige Estates Projects	1,598	1.90
	<b>Health Care 9.09% (2017 - 8.12%)</b>		
	<b>Health Care Equipment &amp; Services 1.84%</b>		
703,832	Healthcare Global Enterprise	1,547	1.84
	<b>Pharmaceuticals &amp; Biotechnology 7.25%</b>		
302,200	Biocon	2,132	2.53
310,000	Sun Pharmaceutical Industries	1,496	1.77
125,000	Torrent Pharmaceuticals	2,484	2.95

## Investment Manager's report

for the year ended 31 December 2018 (continued)

The Portfolio statement as at 31 December 2018 (continued)

Holding	Portfolio of investments	Market value £000	Total net assets %
	<b>Industrials 19.95% (2017 - 20.13%)</b>		
	<b>Construction &amp; Materials 13.55%</b>		
1,320,000	Ashoka Buildcon	1,830	2.17
375,000	Blue Star	2,608	3.09
350,000	Capacit'e Infraprojects	968	1.15
140,000	Larsen & Toubro	2,262	2.68
255,000	Ramco Cements	1,817	2.16
10,000	Shree Cement	1,937	2.30
	<b>Industrial Engineering 6.40%</b>		
326,842	Bharat Forge	1,864	2.21
308,000	Mahindra & Mahindra	2,781	3.30
2,677,200	Sintex Plastics Technology	751	0.89
	<b>Oil &amp; Gas 7.02% (2017 - 5.07%)</b>		
	<b>Oil &amp; Gas Producers 7.02%</b>		
640,000	Hindustan Petroleum	1,817	2.15
325,000	Reliance Industries	4,102	4.87
	<b>Technology 14.34% (2017 - 9.10%)</b>		
	<b>Software &amp; Computer Services 14.34%</b>		
310,000	Cyient	2,152	2.55
190,000	HCL Technologies	2,055	2.44
800,000	Infosys	5,919	7.02
280,000	Persistent Systems	1,959	2.33
	<b>Telecommunications 0.00% (2017 - 1.25%)</b>		
	<b>Utilities 0.00% (2017 - 4.22%)</b>		
	<b>United States 0.00% (2017 - 2.12%)</b>		
	Portfolio of investments	83,944	99.58
	Net other assets	353	0.42
	Net assets	84,297	100.00

All holdings are ordinary shares or stock units unless otherwise stated.

Stocks shown as ADRs represent American Depositary Receipts.

### Investment Manager's report

for the year ended 31 December 2018 (continued)

The top five purchases and sales for the year are as follows:

Purchases	Cost £000
Infosys	4,295
Reliance Industries	3,773
Biocon	2,385
Ashoka Buildcon	2,286
Vedanta	2,146

Sales	Proceeds £000
Reliance Industries	3,633
Tata Chemicals	2,674
Infosys	2,564
Cognizant Technology Solutions	2,516
Petronet LNG	2,495

## Fund information

### Performance record

#### C Accumulation

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 1.47%			
<b>Change in net asset per share</b>			
Opening net asset value per share	259.77	207.94	167.92
Return before operating charges	(31.00)	54.64	42.26
Operating charges	(3.10)	(2.81)	(2.24)
Return after operating charges	(34.10)	51.83	40.02
Distributions	—	(0.03)	(0.19)
Retained distributions on accumulation shares	—	0.03	0.19
Closing net asset value per share	225.67	259.77	207.94
After direct transaction costs of:	0.44	0.58	0.25
<b>Performance</b>			
Return after operating charges	(13.13)%	24.93%	23.83%
	£000	£000	£000
<b>Other information</b>			
Closing net asset value	84,252	110,755	105,372
Closing number of shares	37,334,591	42,636,177	50,674,601
Operating Charge Figure	1.31%	1.16%	1.18%
Direct transaction costs	0.19%	0.24%	0.13%
OCF/TER cap	1.34%	1.30%	1.20%
Research fee	0.10%	—	—
Research fee rebate	(0.01)%	—	—
<b>Prices</b>			
Highest share price	265.60p	259.90p	234.10p
Lowest share price	198.00p	208.80p	146.50p

#### A Accumulation USD (Launched 1 November 2017)

	31 December 2018 (p)	31 December 2017 (p)
OCF cap from 1 January 2019: 2.47%		
<b>Change in net asset per share</b>		
Opening net asset value per share	76.48	75.20
Return before operating charges	(9.17)	1.28
Operating charges	—	—
Return after operating charges	(9.17)	1.28
Distributions	(0.90)	(0.01)
Retained distributions on accumulation shares	0.90	0.01
Closing net asset value per share	67.31	76.48
After direct transaction costs of:	0.13	0.18
<b>Performance</b>		
Return after operating charges	(11.99)%	1.70%
	£000	£000
<b>Other information</b>		
Closing net asset value	1	1
Closing number of shares	1,000	1,000
Operating Charge Figure	2.29%	2.20%
Direct transaction costs	0.19%	0.24%
OCF/TER cap	2.34%	2.20%
Research fee	0.10%	—
Research fee rebate	(0.01)%	—
<b>Prices</b>		
Highest share price	107.40¢	103.40¢*
Lowest share price	75.34¢	95.90¢*

\*From 1 November 2017 to 31 December 2017.

## Fund information (continued)

### Performance record (continued)

#### C Accumulation USD

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 1.47%			
<b>Change in net asset per share</b>			
Opening net asset value per share	96.39	77.18	61.70
Return before operating charges	(11.43)	20.27	16.18
Operating charges	(1.20)	(1.06)	(0.70)
Return after operating charges	(12.63)	19.21	15.48
Distributions	—	(0.01)	(0.66)
Retained distributions on accumulation shares	—	0.01	0.66
Closing net asset value per share	83.76	96.39	77.18
After direct transaction costs of:	0.18	0.22	0.48
<b>Performance</b>			
Return after operating charges	(13.10)%	24.89%	25.09%
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Other information</b>			
Closing net asset value	44	629	13
Closing number of shares	52,827	652,827	17,491
Operating Charge Figure	1.28%	1.17%	1.20%
Direct transaction costs	0.19%	0.24%	0.13%
OCF/TER cap	1.34%	1.30%	1.20%
Research fee	0.10%	—	—
Research fee rebate	(0.01)%	—	—
<b>Prices</b>			
Highest share price	135.20¢	130.40¢	107.20¢
Lowest share price	94.00¢	95.23¢	77.76¢

Research costs are defined in the Notes on page 125 and for the period 1 January 2018 to 31 December 2018 the research cost was £103,292. Additionally in the period, a rebate of research costs of £10,840 was credited to the Fund. This represented unused research costs accrued for in 2017.

### Fund performance

The performance of the Fund is shown in the Investment Manager's report on page 117.

Details of the distributions per share for the year are shown in the distribution tables on page 130.

### Status

Neptune India Fund is a sub-fund of Neptune Investment Funds which is a UCITS scheme.

### Risk warning

Please remember that past performance should not be seen as a guide to future performance and that the value of an investment in an OEIC and the income from it can fall as well as rise and may be affected by exchange rate variations.

## Financial Statements

### Statement of total return

for the year ended 31 December 2018

	Note	31 December 2018		31 December 2017	
		£000	£000	£000	£000
Income					
Net capital (losses)/gains	2		(15,014)		21,968
Revenue	3	1,284		1,194	
Expenses	4	(1,274)		(1,193)	
Interest payable and similar charges		(9)		(3)	
Net revenue/(expense) before taxation		1		(2)	
Taxation	5	(3)		(2)	
Net expense after taxation			(2)		(4)
Total return before distributions			(15,016)		21,964
Distributions	6		(8)		4
Change in net assets attributable to shareholders from investment activities			(15,024)		21,968

### Statement of change in net assets attributable to shareholders

for the year ended 31 December 2018

	31 December 2018		31 December 2017	
	£000	£000	£000	£000
Opening net assets attributable to shareholders		111,385		105,386
Amounts received on issue of shares	20,880		35,347	
Amounts paid on cancellation of shares	(32,964)		(51,413)	
		(12,084)		(16,066)
Dilution adjustment charged		20		82
Change in net assets attributable to shareholders from investment activities		(15,024)		21,968
Retained distribution on accumulation shares		—		15
Closing net assets attributable to shareholders		84,297		111,385

## Financial Statements (continued)

### Balance sheet

as at 31 December 2018

		31 December 2018		31 December 2017	
	Note	£000	£000	£000	£000
<b>Assets</b>					
Fixed assets					
Investments			83,944		111,546
Current assets					
Debtors	7	212		205	
Cash and bank balances	8	337		504	
Total current assets			549		709
Total assets			84,493		112,255
<b>Liabilities</b>					
Creditors					
Bank overdrafts	8	—		(26)	
Other creditors	9	(196)		(844)	
Total liabilities			(196)		(870)
Net assets attributable to shareholders			84,297		111,385

The accompanying notes are an integral part of these financial statements.



## Notes to the Financial Statements

for the year ended 31 December 2018

### 1 Accounting policies

For accounting policies relating to this Fund please refer to the notes on pages 9 to 13.

2 Net capital (losses)/gains	31 December 2018	31 December 2017
	£000	£000
Non-derivative securities	(14,808)	22,360
Forward currency contracts	(3)	—
Currency losses	(188)	(370)
Transaction charges	(15)	(22)
Net capital (losses)/gains	<u>(15,014)</u>	<u>21,968</u>

3 Revenue	31 December 2018	31 December 2017
	£000	£000
Bank interest	2	1
Overseas dividends	1,282	1,193
Total revenue	<u>1,284</u>	<u>1,194</u>

4 Expenses	31 December 2018	31 December 2017
	£000	£000
<i>Payable to the ACD, associates of the ACD and agents of either of them:</i>		
ACD's periodic charge	740	783
Distribution fees	8	12
Printing costs	—	5
Registration fees	6	5
Transfer agent fees	16	14
	<u>770</u>	<u>819</u>
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	29	37
Safe custody fees	308	293
	<u>337</u>	<u>330</u>
<i>Other expenses:</i>		
Audit fee	7	7
Legal and professional fees	63	34
Publication costs	4	3
Research fees	93	—
	<u>167</u>	<u>44</u>
Total expenses	<u>1,274</u>	<u>1,193</u>

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

### 5 Taxation

	31 December 2018 £000	31 December 2017 £000
(a) Analysis of charge in the year:		
Overseas withholding tax	3	2
Total taxation for the year	<u>3</u>	<u>2</u>

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

The tax assessed for the year is higher than the standard rate of corporation tax in the UK for an authorised OEIC (20%).

The differences are explained below:

	31 December 2018 £000	31 December 2017 £000
Net revenue/(expense) before taxation	1	(2)
Corporation tax at 20% (2017: 20%)	—	—
Effects of:		
Movement in excess management expenses	256	239
Non-taxable overseas dividends	(256)	(239)
Overseas withholding tax	3	2
Current tax charge for the year	<u>3</u>	<u>2</u>

#### (c) Deferred tax

At the year end, there is a potential deferred tax asset of £1,839,026 (2017: £1,582,878) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore, no deferred tax assets have been recognised in the current or prior year.

### 6 Distributions

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

	31 December 2018 £000	31 December 2017 £000
Interim	—	2
Final	—	13
Add: Amounts deducted on cancellation of shares	(11)	(4)
Deduct: Amounts received on issue of shares	19	(15)
Net distribution for the year	<u>8</u>	<u>(4)</u>
Reconciliation of net expense after taxation to distributions		
Net expense after taxation	(2)	(4)
Revenue deficit	10	—
Net distribution for the year	<u>8</u>	<u>(4)</u>

Details of the distribution per share are set out in the distribution tables on page 130.

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

<b>7 Debtors</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>£000</b>	<b>£000</b>
Rebate borne by ACD	2	2
Amounts receivable for issue of shares	210	203
Total debtors	<u>212</u>	<u>205</u>
<b>8 Cash and bank balances</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>£000</b>	<b>£000</b>
Cash and bank balances	337	504
Bank overdrafts	—	(26)
	<u>337</u>	<u>478</u>
<b>9 Creditors</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>£000</b>	<b>£000</b>
ACD's periodic charge	53	65
Accrued expenses	140	171
Amounts payable on cancellation of shares	3	608
Total creditors	<u>196</u>	<u>844</u>

### 10 Related party transactions

General details on related parties are shown in the notes on pages 9 to 13.

Amounts paid to/from the ACD and Depositary are shown in note 4 on page 125. The balances due at the year end are shown in notes 7 and 9.

### 11 Shareholder funds

Details relating to the Fund are shown in the notes on pages 9 to 13.

### 12 Contingent liabilities, contingent assets and commitments

There were no contingent liabilities, contingent assets or outstanding commitments at the balance sheet date (2017: nil).

### 13 Swing pricing

The ACD's swing pricing policy is disclosed in the notes on pages 9 to 13.

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

### 14 Derivatives and other financial instruments

The main risk from the Fund's holdings of financial instruments together with the ACD's policy for managing these risks are disclosed in the notes on pages 9 to 13.

As an international equity fund the Fund is exposed to market price risk, currency risk, liquidity risk and counterparty risk. The Fund does not invest in debt securities and therefore has no material exposure to interest rate risk or credit risk.

As at 31 December 2018, if the price of investments held by the Fund increased or decreased by 1%, the resulting change in net assets attributable to shareholders would have been an increase or decrease of approximately 1%; which for this Fund would equate to £839,445 (2017: £1,115,459).

As at 31 December 2018, if the value of sterling increased or decreased by 1% against all currencies, the resulting change in the net assets attributable to shareholders of the Fund would have been an increase or decrease of approximately £842,809 (2017: £1,114,410).

Numerical disclosures relating to the Fund are as follows:

#### Foreign currency risk

The table below shows the foreign currency risk profile at the balance sheet date:

Currency	Net foreign currency assets	
	31 December 2018	31 December 2017
	Total £000	Total £000
Indian rupee	81,925	107,596
Swiss franc	—	2
US dollar	2,356	3,843
Total	<u>84,281</u>	<u>111,441</u>

### 15 Portfolio transaction costs

Analysis of total trade costs

	Purchases		Sales	
	31 December 2018 £000	31 December 2017 £000	31 December 2018 £000	31 December 2017 £000
Equities	<u>36,578</u>	<u>26,371</u>	<u>49,551</u>	<u>40,579</u>
Trades in the year before transaction costs	<u>36,578</u>	<u>26,371</u>	<u>49,551</u>	<u>40,579</u>
Commissions				
Equities	<u>37</u>	<u>68</u>	<u>(49)</u>	<u>(95)</u>
Total commissions	<u>37</u>	<u>68</u>	<u>(49)</u>	<u>(95)</u>
Taxes				
Equities	<u>42</u>	<u>36</u>	<u>(55)</u>	<u>(52)</u>
Total taxes	<u>42</u>	<u>36</u>	<u>(55)</u>	<u>(52)</u>
Total costs	<u>79</u>	<u>104</u>	<u>(104)</u>	<u>(147)</u>
Total net trades in the year after transaction costs	<u>36,657</u>	<u>26,475</u>	<u>49,447</u>	<u>40,432</u>

In the case of shares, commissions and taxes are paid by the Fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments and derivatives) have no separately identifiable transaction costs: these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the dealing spread was 0.15% (2017: 0.10%).

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

### 15 Portfolio transaction costs (continued)

Total transaction cost expressed as a percentage of asset class:

	Purchases		Sales	
	31 December 2018 %	31 December 2017 %	31 December 2018 %	31 December 2017 %
Commissions Equities	0.10	0.26	(0.10)	(0.23)
Taxes Equities	0.11	0.14	(0.11)	(0.13)

Total transaction cost expressed as a percentage of average NAV:

	31 December 2018 %	31 December 2017 %
Commissions	0.09	0.16
Taxes	0.10	0.08
Total	<u>0.19</u>	<u>0.24</u>

### 16 Post balance sheet events

There were no post balance sheet events.

### 17 Share reconciliation

Reconciliation of the share movements in the year

	C Accumulation	31 December 2018 A Accumulation USD	C Accumulation USD
Opening shares in issue	42,636,177	1,000	652,827
Creations during the year	8,750,507	—	—
Cancellations during the year	(14,052,093)	—	(600,000)
Closing shares in issue	<u>37,334,591</u>	<u>1,000</u>	<u>52,827</u>

### 18 Fair value hierarchy

Valuation technique

	Assets 31 December 2018 £000	Liabilities 31 December 2018 £000	Assets 31 December 2017 £000	Liabilities 31 December 2017 £000
Level 1	83,944	—	111,546	—
	<u>83,944</u>	<u>—</u>	<u>111,546</u>	<u>—</u>

The Fund has no Level 2 or Level 3 financial instruments.

## Distribution table

for the year ended 31 December 2018 – in pence/cents per share

### Interim

Group 1-Shares purchased prior to 1 January 2018

Group 2-Shares purchased on or after 1 January 2018 to 30 June 2018

	Net revenue	Equalisation	Paid 31 August 2018	Paid 31 August 2017
<b>C Accumulation shares (p)</b>				
Group 1	—	—	—	0.0055
Group 2	—	—	—	0.0055
<b>A Accumulation USD shares (¢)</b>				
Group 1	—	—	—	—
Group 2	—	—	—	—
<b>C Accumulation USD shares (¢)</b>				
Group 1	—	—	—	0.0067
Group 2	—	—	—	0.0067

### Final

Group 1-Shares purchased prior to 1 January 2018

Group 2-Shares purchased on or after 1 January 2018 to 31 December 2018

	Net revenue	Equalisation	Payable 28 February 2019	Paid 28 February 2018
<b>C Accumulation shares (p)</b>				
Group 1	—	—	—	0.0292
Group 2	—	—	—	0.0292
<b>A Accumulation USD shares (¢)</b>				
Group 1	1.1500	—	1.1500	0.0200
Group 2	1.1500	—	1.1500	0.0200
<b>C Accumulation USD shares (¢)</b>				
Group 1	—	—	—	0.0137
Group 2	—	—	—	0.0137

The Accumulation share classes have changed distribution frequency and from 30 June 2018 will be distributing only at every year end.

## Investment objective

The investment objective of the Neptune Japan Opportunities Fund (the Fund) is to generate consistent capital growth by investing predominantly in a concentrated portfolio of Japanese securities with a view to attaining top quartile performance within the appropriate peer group.

Other eligible asset classes may include collective investment schemes, other transferable securities, cash or near cash, deposits and money market instruments.

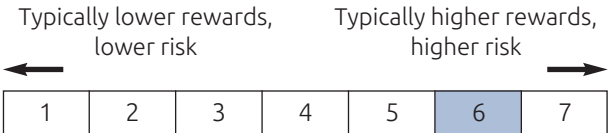
It is anticipated that derivative instruments and forward transactions may be used by the ACD for EPM.

It is the intention to be near-fully invested at all times, however, the Fund has the facility to take tactical positions in cash or near cash should the ACD feel it appropriate.

The portfolio will be managed to ensure that the Fund is at all times eligible to be included in an ISA.

## Risk and reward profile

The risk and reward indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the risk and reward indicator.



The Fund is in Category 6 because of the high range and frequency of price movements (volatility) of the underlying investments referenced by the Fund.

The following are additional risks not covered by the risk and reward category.

- Investing overseas can bring additional returns and spread risk to different markets. There are risks, however, that changes in currency rates will reduce the value of your investment.
- The Investment Manager aims to remove the impact of changes in exchange rates between the yen and pounds sterling by hedging, a currency transaction which can protect against such movements. However, if exchange rates move contrary to the Investment Manager's expectations this can have a significant negative impact on the value of your investment.
- This Fund holds a limited number of investments. If one of these investments falls in value this can have a greater impact on the Fund's value than if it held a larger number of investments.
- For a full list of the Fund's risks, please see the Prospectus.

## Investment Manager's report

for the year ended 31 December 2018

The Neptune Japan Opportunities Fund's unhedged sterling share class returned -24.11% in 2018, against the TOPIX Index's loss of -8.4%.\*

The Fund's underperformance came principally from its equity holdings, largely due to not being invested in the healthcare, telecoms and energy sectors, which all did better than the overall market. By contrast, the Fund was overweight in the industrials, materials and IT sectors which did relatively badly. A strong yen meant that the Fund's hedge was also a significant contributor to the negative performance of the Fund in 2018.

In the first quarter, the market lost ground due to fears of a US/China trade war, another domestic political scandal and slowing economic momentum, particularly across the EU. Negative sentiment driven by the latter three factors increasingly weighed on the market from mid-January onwards, which hit the share prices of the larger, more global and cyclical companies hardest. This was also the case in the second quarter of the year, reflected by the relative outperformance of the smaller more domestic stocks, which dominate the TSE 2nd section, mid 400 and small-stock indices. The more speculative areas of the market did especially badly, such as the Mothers and JASDAQ markets; however the Fund had no exposure to such stocks.

The third quarter saw the comprehensive outperformance by the larger stocks for the first time in the year, despite the continuing global headwinds. Domestic consumer-oriented sectors fared best, but the ongoing rebound in capital equipment investment appears to be largely ignored by market participants. Meanwhile, it appears the small stock rally over the last few years is coming to an end. Their valuation levels are now exceeding those of the other capitalisation bands whilst their prospects are similar.

The TOPIX Index, in line with the rest of global markets, had a poor closing quarter to the year. The Index began October at its high of around 1,800 and then traded down to 1,600 by the end of the month ahead of the November US mid-term elections and fears of heavy Republican losses. Thereafter, the Index spent the next 6 weeks ranging between 1,600 and 1,700 as investors were in turn optimistic or pessimistic regarding US/China trade negotiations and tariff outcomes. A final fall was seen in the run up to Christmas with the Index hitting a low of around 1,400 before moving back up to the 1,500 level by year-end.

As in the previous quarter, the larger stocks continued their outperformance of the more speculative areas of the market, despite the global headwinds. Some of this was due to the smaller firms'

average valuation levels now exceeding those of the other capitalization bands. In the short term, we expect the market to remain volatile in the face of the continued US/China trade impasse. Some relief came from the Republicans gaining seats in the Senate. In addition, it is likely both US and Japanese Q4 earnings will not prove to be a disaster, whilst we believe fears of a global slowdown will also prove to be wide of the mark. Recent oil price weakness will begin to feed through into growth whilst in the meantime valuations have dropped sharply from their mid-January peak.

Furthermore, over the coming months and years, we still expect the yen to gradually weaken as interest rates elsewhere begin to be consistently raised, whilst those in Japan remain at current levels. Likewise, economic growth rates will show similar patterns as Japan drifts, based on the lack of sustained wage growth and the country's negative demographics. Moreover, the October 2% rise in the VAT rate to 10% will reinforce these negative trends. The impending February 2019 'shunto' wage talks will also indicate whether the middle class will see any improvement in their real take-home pay.

Given such developments are likely to trigger renewed yen weakness, the Neptune Japan Opportunities Fund's long-held strategy of hedging the yen back into sterling will remain in place as we expect this feature will help underwrite a multi-year recovery in Japanese corporate profits. As such, the Fund will remain overweight in large, well-financed, industry-dominant Japanese multinationals that are set to benefit most from the currency's likely weakening.

*\*Source: Morningstar, C Accumulation share class performance, in sterling with no initial charges, net revenue reinvested to 31 December 2018. The performance of other share classes may differ. This Fund may have a high historic volatility rating and past performance is not a guide to future performance. The value of an investment and any revenue from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the original amount invested. References to specific securities and sectors are for illustration purposes only and should not be taken as a recommendation to buy or sell these securities. Neptune Funds are not tied to replicating a benchmark and holdings can therefore vary from those in the index quoted. For this reason the comparison index should be used for reference only. Forecasts are not a reliable indicator of future performance. Any views expressed are those of Neptune as at the date of issue and we do not undertake to advise you as to any changes in our views. Please refer to the Prospectus for further details.*



# Neptune Japan Opportunities Fund

## Investment Manager's report

for the year ended 31 December 2018 (continued)

The Portfolio statement as at 31 December 2018 is as follows:

Holding	Portfolio of investments	Market value £000	Total net assets %
	<b>Basic Materials 19.83% (2017 - 19.63%)</b>		
	<b>Chemicals 18.16%</b>		
351,000	Kansai Paint	5,286	2.74
1,136,400	Mitsubishi Chemical	6,739	3.49
567,500	Mitsubishi Gas Chemical	6,691	3.47
231,300	Nippon Paint	6,187	3.21
93,600	Shin-Etsu Chemical	5,681	2.95
807,000	Toray Industries	4,434	2.30
	<b>Industrial Metals &amp; Mining 1.67%</b>		
257,900	JFE	3,224	1.67
	<b>Consumer Goods 10.49% (2017 - 8.43%)</b>		
	<b>Automobiles &amp; Parts 6.06%</b>		
211,300	NGK Spark Plug	3,297	1.71
501,000	NSK	3,383	1.76
109,600	Toyota Motor	5,001	2.59
	<b>Leisure Goods 4.43%</b>		
243,900	Bandai Namco	8,548	4.43
	<b>Financials 14.86% (2017 - 13.61%)</b>		
	<b>Banks 4.19%</b>		
161,000	Sumitomo Mitsui Financial	4,180	2.17
136,400	Sumitomo Mitsui Trust	3,904	2.02
	<b>Financial Services 4.79%</b>		
753,000	Daiwa Securities	2,981	1.55
145,200	Jafco	3,610	1.87
881,000	Nomura	2,640	1.37
	<b>Life Insurance 1.82%</b>		
287,300	Dai-ichi Life	3,508	1.82
	<b>Real Estate Investment &amp; Services 4.06%</b>		
300,000	Mitsubishi Estate	3,693	1.91
238,500	Mitsui Fudosan	4,153	2.15
	<b>Industrials 43.11% (2017 - 39.09%)</b>		
	<b>Construction &amp; Materials 14.80%</b>		
713,800	Haseko	5,863	3.04
795,000	Shimizu	5,063	2.63
1,012,000	Sumitomo Mitsui Construction	4,808	2.49
187,800	Sumitomo Osaka Cement	6,013	3.12
203,000	Taisei	6,797	3.52
	<b>Electronic &amp; Electrical Equipment 7.14%</b>		
144,600	Hitachi	3,023	1.57
27,100	Keyence	10,747	5.57
	<b>General Industrials 1.44%</b>		
126,300	Toshiba	2,785	1.44

# Neptune Japan Opportunities Fund

## Investment Manager's report

for the year ended 31 December 2018 (continued)

The Portfolio statement as at 31 December 2018 (continued)

Holding	Portfolio of investments	Market value £000	Total net assets %
	<b>Industrial Engineering 19.73%</b>		
604,100	Amada	4,248	2.20
665,000	Chiyoda	1,464	0.76
215,000	Chugai Ro	3,132	1.62
54,200	Daikin Industries	4,508	2.34
26,000	FANUC	3,078	1.60
300,000	Kimura Chemical Plants	750	0.39
231,200	Komatsu	3,893	2.02
96,800	Mitsubishi Heavy Industries	2,727	1.41
1,281,000	NTN	2,893	1.50
152,400	OKUMA	5,689	2.95
394,100	Toshiba Plant Systems & Services	5,671	2.94
	<b>Oil &amp; Gas 3.23% (2017 - 2.83%)</b>		
	<b>Oil &amp; Gas Producers 3.23%</b>		
1,518,600	JXTG	6,237	3.23
	<b>Technology 10.64% (2017 - 11.02%)</b>		
	<b>Leisure Goods 4.78%</b>		
44,200	Nintendo	9,213	4.78
	<b>Technology Hardware &amp; Equipment 5.86%</b>		
91,000	Fujitsu	4,433	2.30
280,800	Oki Electric Industry	2,597	1.35
488,600	SUMCO	4,260	2.21
	<b>Derivatives (2.47)% (2017 - 1.60%)</b>		
	<b>Forward Foreign Exchange Contracts (2.47)% (2017 - 1.60%)</b>		
	Sold JPY8,000,000,000 for GBP55,361,263 Settlement 09/01/2019	(1,632)	(0.85)
	Sold JPY8,000,000,000 for GBP55,065,640 Settlement 11/01/2019	(1,932)	(1.00)
	Sold JPY5,000,000,000 for GBP35,096,955 Settlement 15/01/2019	(532)	(0.28)
	Sold JPY7,000,000,000 for GBP49,230,161 Settlement 22/01/2019	(659)	(0.34)
	Portfolio of investments	192,277	99.69
	Net other assets	601	0.31
	Net assets	192,878	100.00

All holdings are ordinary shares or stock units unless otherwise stated.

### Investment Manager's report

for the year ended 31 December 2018 (continued)

The top five purchases and sales for the year are as follows:

Purchases	Cost £000
Keyence	8,471
Mitsubishi Gas Chemical	310
SUMCO	244
Mitsubishi Chemical	235
OKUMA	221

Sales	Proceeds £000
Keyence	10,608
Toyota Motor	2,718
Mitsubishi Gas Chemical	1,745
Nintendo	1,549
Taisei	1,509

# Neptune Japan Opportunities Fund

## Fund information

### Performance record

#### A Accumulation

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 1.89%			
<b>Change in net asset per share</b>			
Opening net asset value per share	498.67	396.16	389.63
Return before operating charges	(115.61)	109.98	12.39
Operating charges	(7.94)	(7.47)	(5.86)
Return after operating charges	(123.55)	102.51	6.53
Distributions	(1.76)	(0.79)	(1.46)
Retained distributions on accumulation shares	1.76	0.79	1.46
Closing net asset value per share	375.12	498.67	396.16
After direct transaction costs of:	0.03	0.27	0.42
<b>Performance</b>			
Return after operating charges	(24.78)%	25.88%	1.68%
	£000	£000	£000
<b>Other information</b>			
Closing net asset value	11,177	23,276	20,225
Closing number of shares	2,979,617	4,667,537	5,105,308
Operating Charge Figure	1.73%	1.71%	1.70%
Direct transaction costs	0.01%	0.06%	0.12%
OCF/TER cap	1.85%	1.80%	1.80%
Research fee	0.05%	—	—
Research fee rebate	(0.03)%	—	—
<b>Prices</b>			
Highest share price	529.50p	502.60p	411.20p
Lowest share price	370.30p	394.20p	288.70p

#### B Accumulation

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 1.39%			
<b>Change in net asset per share</b>			
Opening net asset value per share	529.25	418.36	409.42
Return before operating charges	(123.01)	116.49	13.44
Operating charges	(6.11)	(5.60)	(4.50)
Return after operating charges	(129.12)	110.89	8.94
Distributions	(4.30)	(1.48)	(2.90)
Retained distributions on accumulation shares	4.30	1.48	2.90
Closing net asset value per share	400.13	529.25	418.36
After direct transaction costs of:	0.03	0.28	0.46
<b>Performance</b>			
Return after operating charges	(24.40)%	26.51%	2.18%
	£000	£000	£000
<b>Other information</b>			
Closing net asset value	1,627	5,972	5,360
Closing number of shares	406,534	1,128,480	1,281,252
Operating Charge Figure	1.23%	1.21%	1.19%
Direct transaction costs	0.01%	0.06%	0.12%
OCF/TER cap	1.35%	1.30%	1.30%
Research fee	0.05%	—	—
Research fee rebate	(0.03)%	—	—
<b>Prices</b>			
Highest share price	562.20p	533.40p	434.10p
Lowest share price	395.00p	416.90p	303.50p

## Fund information (continued)

### Performance record (continued)

#### C Accumulation

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 1.02%			
<b>Change in net asset per share</b>			
Opening net asset value per share	244.06	192.25	187.48
Return before operating charges	(56.92)	53.65	6.19
Operating charges	(1.96)	(1.84)	(1.42)
Return after operating charges	(58.88)	51.81	4.77
Distributions	(2.79)	(1.77)	(1.92)
Retained distributions on accumulation shares	2.79	1.77	1.92
Closing net asset value per share	185.18	244.06	192.25
After direct transaction costs of:	0.02	0.13	0.20
<b>Performance</b>			
Return after operating charges	(24.13)%	26.95%	2.55%
	£000	£000	£000
<b>Other information</b>			
Closing net asset value	135,418	203,946	172,532
Closing number of shares	73,125,970	83,563,957	89,742,932
Operating Charge Figure	0.87%	0.86%	0.86%
Direct transaction costs	0.01%	0.06%	0.12%
OCF/TER cap	1.00%	1.00%	0.90%
Research fee	0.05%	—	—
Research fee rebate	(0.03)%	—	—
<b>Prices</b>			
Highest share price	259.30p	246.00p	199.40p
Lowest share price	182.80p	191.80p	139.00p

#### D Accumulation

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 0.92%			
<b>Change in net asset per share</b>			
Opening net asset value per share	144.03	113.34	110.42
Return before operating charges	(33.60)	31.65	3.65
Operating charges	(1.03)	(0.96)	(0.73)
Return after operating charges	(34.63)	30.69	2.92
Distributions	(1.78)	(1.24)	(1.23)
Retained distributions on accumulation shares	1.78	1.24	1.23
Closing net asset value per share	109.40	144.03	113.34
After direct transaction costs of:	0.01	0.08	0.12
<b>Performance</b>			
Return after operating charges	(24.04)%	27.08%	2.65%
	£000	£000	£000
<b>Other information</b>			
Closing net asset value	42,997	62,166	51,891
Closing number of shares	39,304,694	43,160,494	45,781,249
Operating Charge Figure	0.77%	0.76%	0.75%
Direct transaction costs	0.01%	0.06%	0.12%
OCF/TER cap	0.90%	0.90%	0.80%
Research fee	0.05%	—	—
Research fee rebate	(0.03)%	—	—
<b>Prices</b>			
Highest share price	153.00p	145.20p	117.60p
Lowest share price	108.00p	113.10p	81.90p

## Fund information (continued)

### Performance record (continued)

#### A Accumulation USD

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 1.89%			
<b>Change in net asset per share</b>			
Opening net asset value per share	124.07	98.56	96.93
Return before operating charges	(28.77)	27.36	3.09
Operating charges	(1.96)	(1.85)	(1.46)
Return after operating charges	(30.73)	25.51	1.63
Distributions	(0.44)	(0.51)	(0.37)
Retained distributions on accumulation shares	0.44	0.51	0.37
Closing net asset value per share	93.34	124.07	98.56
After direct transaction costs of:	0.01	0.07	0.10
<b>Performance</b>			
Return after operating charges	(24.77)%	25.88%	1.68%
	£000	£000	£000
<b>Other information</b>			
Closing net asset value	1,410	1,988	2,264
Closing number of shares	1,510,231	1,602,273	2,296,620
Operating Charge Figure	1.72%	1.71%	1.71%
Direct transaction costs	0.01%	0.06%	0.12%
OCF/TER cap	1.85%	1.80%	1.80%
Research fee	0.05%	—	—
Research fee rebate	(0.03)%	—	—
<b>Prices</b>			
Highest share price	184.80¢	167.80¢	144.50¢
Lowest share price	116.60¢	120.70¢	98.57¢

#### C Accumulation USD

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 1.02%			
<b>Change in net asset per share</b>			
Opening net asset value per share	129.82	102.26	99.92
Return before operating charges	(30.30)	28.58	3.18
Operating charges	(1.04)	(1.02)	(0.84)
Return after operating charges	(31.34)	27.56	2.34
Distributions	(1.47)	(1.00)	(0.63)
Retained distributions on accumulation shares	1.47	1.00	0.63
Closing net asset value per share	98.48	129.82	102.26
After direct transaction costs of:	0.01	0.07	0.11
<b>Performance</b>			
Return after operating charges	(24.14)%	26.95%	2.34%
	£000	£000	£000
<b>Other information</b>			
Closing net asset value	249	1,168	263
Closing number of shares	252,842	899,402	257,089
Operating Charge Figure	0.86%	0.86%	0.95%
Direct transaction costs	0.01%	0.06%	0.12%
OCF/TER cap	1.00%	1.00%	0.95%
Research fee	0.05%	—	—
Research fee rebate	(0.03)%	—	—
<b>Prices</b>			
Highest share price	193.50¢	175.60¢	140.20¢
Lowest share price	123.00¢	125.30¢	95.38¢

# Neptune Japan Opportunities Fund

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## Fund information (continued)

### Performance record (continued)

Research costs are defined in the Notes on page 142 and for the period 1 January 2018 to 31 December 2018 the research cost was £138,816. Additionally in the period, a rebate of research costs of £94,064 was credited to the Fund. This represented unused research costs accrued for in 2017.

### Fund performance

The performance of the Fund is shown in the Investment Manager's report on page 132.

Details of the distributions per share for the year are shown in the distribution tables on page 147.

### Status

Neptune Japan Opportunities Fund is a sub-fund of Neptune Investment Funds which is a UCITS scheme.

### Risk warning

Please remember that past performance should not be seen as a guide to future performance and that the value of an investment in an OEIC and the income from it can fall as well as rise and may be affected by exchange rate variations.

## Financial Statements

### Statement of total return

for the year ended 31 December 2018

	Note	31 December 2018		31 December 2017	
		£000	£000	£000	£000
Income					
Net capital (losses)/gains	2		(68,561)		58,765
Revenue	3	6,085		4,777	
Expenses	4	(2,363)		(2,315)	
Interest payable and similar charges		(16)		(2)	
Net revenue before taxation		3,706		2,460	
Taxation	5	(594)		(488)	
Net revenue after taxation			3,112		1,972
Total return before distributions			(65,449)		60,737
Distributions	6		(3,112)		(2,019)
Change in net assets attributable to shareholders from investment activities			(68,561)		58,718

### Statement of change in net assets attributable to shareholders

for the year ended 31 December 2018

	31 December 2018		31 December 2017	
	£000	£000	£000	£000
Opening net assets attributable to shareholders		298,516		252,535
Amounts received on issue of shares	36,939		73,716	
Amounts paid on cancellation of shares	(76,839)		(88,488)	
		(39,901)		(14,772)
Dilution adjustment charged		1		—
Change in net assets attributable to shareholders from investment activities		(68,561)		58,718
Retained distribution on accumulation shares		2,823		2,035
Closing net assets attributable to shareholders		192,878		298,516



## Financial Statements (continued)

### Balance sheet

as at 31 December 2018

		31 December 2018		31 December 2017	
	Note	£000	£000	£000	£000
<b>Assets</b>					
Fixed assets					
Investments			197,031		287,200
Current assets					
Debtors	7	493		704	
Cash and bank balances	8	2,195		10,928	
Total current assets			2,688		11,632
Total assets			199,719		298,832
<b>Liabilities</b>					
Investment liabilities			(4,754)		—
Creditors					
Other creditors	9	(2,087)		(316)	
Total other liabilities			(2,087)		(316)
Total liabilities			(6,841)		(316)
Net assets attributable to shareholders			192,878		298,516

The accompanying notes are an integral part of these financial statements.

## Notes to the Financial Statements

for the year ended 31 December 2018

### 1 Accounting policies

For accounting policies relating to this Fund please refer to the notes on pages 9 to 13.

2 Net capital (losses)/gains	31 December 2018 £000	31 December 2017 £000
Non-derivative securities	(49,404)	46,782
Forward currency contracts	(19,836)	20,157
Currency gains/(losses)	691	(8,165)
Transaction charges	(12)	(9)
Net capital (losses)/gains	<u>(68,561)</u>	<u>58,765</u>
3 Revenue	31 December 2018 £000	31 December 2017 £000
Bank interest	1	1
Overseas dividends	6,084	4,776
Total revenue	<u>6,085</u>	<u>4,777</u>
4 Expenses	31 December 2018 £000	31 December 2017 £000
<i>Payable to the ACD, associates of the ACD and agents of either of them:</i>		
ACD's periodic charge	2,073	2,040
Distribution fees	25	39
Printing costs	6	9
Registration fees	8	8
Transfer agent fees	43	34
	<u>2,155</u>	<u>2,130</u>
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	67	75
Safe custody fees	54	47
	<u>121</u>	<u>122</u>
<i>Other expenses:</i>		
Audit fee	13	12
Legal and professional fees	22	42
Publication costs	7	7
Organisation fees	—	2
Research fees	45	—
	<u>87</u>	<u>63</u>
Total expenses	<u>2,363</u>	<u>2,315</u>

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

### 5 Taxation

	31 December 2018 £000	31 December 2017 £000
(a) Analysis of charge in the year:		
Overseas withholding tax	594	488
Total taxation for the year	<u>594</u>	<u>488</u>

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

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an authorised OEIC (20%).

The differences are explained below:

	31 December 2018 £000	31 December 2017 £000
Net revenue before taxation	<u>3,706</u>	<u>2,460</u>
Corporation tax at 20% (2017: 20%)	741	492
Effects of:		
Movement in excess management expenses	476	463
Overseas withholding tax	594	488
Revenue not subject to taxation	(1,217)	(955)
Current tax charge for the year	<u>594</u>	<u>488</u>

#### (c) Deferred tax

At the year end, there is a potential deferred tax asset of £5,017,499 (2017: £4,542,050) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore, no deferred tax assets have been recognised in the current or prior year.

### 6 Distributions

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

	31 December 2018 £000	31 December 2017 £000
Interim	—	1,449
Final	2,823	586
Add: Amounts deducted on cancellation of shares	488	35
Deduct: Amounts received on issue of shares	(199)	(51)
Net distribution for the year	<u>3,112</u>	<u>2,019</u>
Reconciliation of net revenue after taxation to distributions		
Net revenue after taxation	3,112	1,972
Revenue deficit borne by capital	—	47
Net distribution for the year	<u>3,112</u>	<u>2,019</u>

Details of the distribution per share are set out in the distribution tables on page 147.

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

7 Debtors	31 December 2018	31 December 2017
	£000	£000
Accrued revenue	144	88
Amounts receivable for issue of shares	349	616
Total debtors	<u>493</u>	<u>704</u>

8 Cash and bank balances	31 December 2018	31 December 2017
	£000	£000
Cash and bank balances	2,195	10,928
	<u>2,195</u>	<u>10,928</u>

9 Creditors	31 December 2018	31 December 2017
	£000	£000
ACD's periodic charge	137	190
Accrued expenses	105	107
Amounts payable on cancellation of shares	1,845	19
Total creditors	<u>2,087</u>	<u>316</u>

### 10 Related party transactions

General details on related parties are shown in the notes on pages 9 to 13.

Amounts paid to/from the ACD and Depositary are shown in note 4 on page 142. The balances due at the year end are shown in notes 7 and 9.

### 11 Shareholder funds

Details relating to the Fund are shown in the notes on pages 9 to 13.

### 12 Contingent liabilities, contingent assets and commitments

There were no contingent liabilities, contingent assets or outstanding commitments at the balance sheet date (2017: nil).

### 13 Swing pricing

The ACD's swing pricing policy is disclosed in the notes on pages 9 to 13.

### 14 Derivatives and other financial instruments

The main risk from the Fund's holdings of financial instruments together with the ACD's policy for managing these risks are disclosed in the notes on pages 9 to 13.

As an international equity fund the Fund is exposed to market price risk, currency risk, liquidity risk and counterparty risk. The Fund does not invest in debt securities and therefore has no material exposure to interest rate risk or credit risk.

As at 31 December 2018, if the price of investments held by the Fund increased or decreased by 1%, the resulting change in net assets attributable to shareholders would have been an increase or decrease of approximately 1%; which for this Fund would equate to £1,970,315 (2017: £2,872,005).

As at 31 December 2018, if the value of sterling increased or decreased by 1% against all currencies, the resulting change in the net assets attributable to shareholders of the Fund would have been an increase or decrease of approximately £23,020 (2017: £127,514).

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

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

Numerical disclosures relating to the Fund are as follows:

#### Foreign currency risk

The table below shows the foreign currency risk profile at the balance sheet date:

Currency	Net foreign currency assets/(liabilities)	
	31 December 2018	31 December 2017
	Total £000	Total £000
Euro	1	—
Japanese yen	(2,332)	12,751
US dollar	29	—
Total	<u>(2,302)</u>	<u>12,751</u>

#### Counterparty risk

The table below shows the counterparty risk as at the balance sheet date:

	Counterparty	Derivative exposure £000	Collateral posted £000	Collateral received £000	Collateral asset class
2018	Barclays	—	—	—	Cash
	Natwest	—	—	—	Cash
	Royal Bank of Canada	—	—	—	Cash
2017	Brown Brothers Harriman	232	—	—	Cash
	Royal Bank of Canada	1,988	—	—	Cash
	Royal Bank of Scotland	2,056	—	—	Cash
	State Street	486	—	—	Cash

### 15 Portfolio transaction costs

Analysis of total trade costs

	Purchases		Sales	
	31 December 2018 £000	31 December 2017 £000	31 December 2018 £000	31 December 2017 £000
Equities	14,370	51,051	50,390	56,243
Trades in the year before transaction costs	<u>14,370</u>	<u>51,051</u>	<u>50,390</u>	<u>56,243</u>
Commissions				
Equities	4	115	(14)	(40)
Total commissions	<u>4</u>	<u>115</u>	<u>(14)</u>	<u>(40)</u>
Taxes				
Equities	—	—	—	—
Total costs	<u>4</u>	<u>115</u>	<u>(14)</u>	<u>(40)</u>
Total net trades in the year after transaction costs	<u>14,374</u>	<u>51,166</u>	<u>50,376</u>	<u>56,203</u>

In the case of shares, commissions and taxes are paid by the Fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments and derivatives) have no separately identifiable transaction costs: these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the dealing spread was 0.27% (2017: 0.20%).

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

### 15 Portfolio transaction costs (continued)

Total transaction cost expressed as a percentage of asset class:

	Purchases		Sales	
	31 December 2018 %	31 December 2017 %	31 December 2018 %	31 December 2017 %
Commissions Equities	0.03	0.23	(0.03)	(0.07)
Taxes Equities	—	—	—	—

Total transaction cost expressed as a percentage of average NAV:

	31 December 2018 %	31 December 2017 %
Commissions	0.01	0.06
Taxes	—	—
Total	0.01	0.06

### 16 Post balance sheet events

There were no post balance sheet events.

### 17 Share reconciliation

Reconciliation of the share movements in the year

	A Accumulation	31 December 2018 B Accumulation	C Accumulation
Opening shares in issue	4,667,537	1,128,480	83,563,957
Creations during the year	1,699,236	873,771	7,406,740
Cancellations during the year	(3,346,609)	(1,590,264)	(17,939,271)
Share converted during the year	(40,547)	(5,453)	94,544
Closing shares in issue	2,979,617	406,534	73,125,970

	D Accumulation	A Accumulation USD	C Accumulation USD
Opening shares in issue	43,160,494	1,602,273	899,402
Creations during the year	5,476,885	335,665	911,146
Cancellations during the year	(9,332,685)	(427,707)	(1,557,706)
Share converted during the year	—	—	—
Closing shares in issue	39,304,694	1,510,231	252,842

### 18 Fair value hierarchy

Valuation technique

	Assets 31 December 2018 £000	Liabilities 31 December 2018 £000	Assets 31 December 2017 £000	Liabilities 31 December 2017 £000
Level 1	197,031	—	282,438	—
Level 2	—	(4,754)	4,762	—
	197,031	(4,754)	287,200	—

The Fund has no Level 3 financial instruments.

# Neptune Japan Opportunities Fund

## Distribution table

for the year ended 31 December 2018 – in pence/cents per share

### Interim

Group 1-Shares purchased prior to 1 January 2018

Group 2-Shares purchased on or after 1 January 2018 to 30 June 2018

	Net revenue	Equalisation	Paid 31 August 2018	Paid 31 August 2017
<b>A Accumulation shares (p)</b>				
Group 1	—	—	—	0.7913
Group 2	—	—	—	0.7913
<b>B Accumulation shares (p)</b>				
Group 1	—	—	—	1.2360
Group 2	—	—	—	1.2360
<b>C Accumulation shares (p)</b>				
Group 1	—	—	—	1.2612
Group 2	—	—	—	1.2612
<b>D Accumulation shares (p)</b>				
Group 1	—	—	—	0.8700
Group 2	—	—	—	0.8700
<b>A Accumulation USD shares (¢)</b>				
Group 1	—	—	—	0.6606
Group 2	—	—	—	0.6606
<b>C Accumulation USD shares (¢)</b>				
Group 1	—	—	—	0.9456
Group 2	—	—	—	0.9456

### Final

Group 1-Shares purchased prior to 1 January 2018

Group 2-Shares purchased on or after 1 January 2018 to 31 December 2018

	Net revenue	Equalisation	Payable 28 February 2019	Paid 28 February 2018
<b>A Accumulation shares (p)</b>				
Group 1	1.7608	—	1.7608	—
Group 2	0.3282	1.4326	1.7608	—
<b>B Accumulation shares (p)</b>				
Group 1	4.2983	—	4.2983	0.2442
Group 2	2.1395	2.1588	4.2983	0.2442
<b>C Accumulation shares (p)</b>				
Group 1	2.7928	—	2.7928	0.5062
Group 2	1.3756	1.4172	2.7928	0.5062
<b>D Accumulation shares (p)</b>				
Group 1	1.7825	—	1.7825	0.3663
Group 2	0.9615	0.8210	1.7825	0.3663
<b>A Accumulation USD shares (¢)</b>				
Group 1	0.5620	—	0.5620	—
Group 2	0.0876	0.4744	0.5620	—
<b>C Accumulation USD shares (¢)</b>				
Group 1	1.8831	—	1.8831	0.3678
Group 2	1.8414	0.0417	1.8831	0.3678

The Accumulation share classes have changed distribution frequency and from 30 June 2018 will be distributing only at every year end.

Investment objective

The investment objective of the Neptune Latin America Fund (the Fund) is to generate capital growth from investment predominantly in Latin American securities, or in the securities issued by companies transacting a significant proportion of their business in Latin America.

Other eligible asset classes may include collective investment schemes, other transferable securities, cash or near cash, deposits and money market instruments.

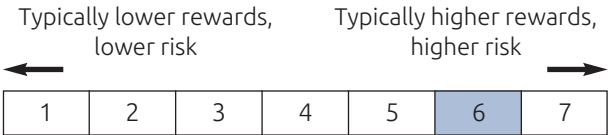
It is anticipated that derivative instruments and forward transactions may be used by the ACD for EPM.

It is the intention to be near-fully invested at all times, however, the Fund has the facility to take tactical positions in cash or near cash should the ACD feel it appropriate.

The portfolio will be managed to ensure that the Fund is at all times eligible to be included in an ISA.

Risk and reward profile

The risk and reward indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the risk and reward indicator.



The Fund is in Category 6 because of the high range and frequency of price movements (volatility) of the underlying investments referenced by the Fund.

The following are additional risks not covered by the risk and reward category.

- Investing overseas can bring additional returns and spread risk to different markets. There are risks, however, that changes in currency rates will reduce the value of your investment.
- Emerging markets or less developed countries may face more political, economic or structural challenges than developed countries. This means your money may be at greater risk.
- This Fund holds a limited number of investments. If one of these investments falls in value this can have a greater impact on the Fund's value than if it held a larger number of investments.
- For a full list of the Fund's risks, please see the Prospectus.



## Investment Manager's report

for the year ended 31 December 2018

The Neptune Latin America Fund returned 3.8% during 2018, versus the MSCI Latin America Index return of -0.4%.

Latin America outperformed both developed and emerging markets in 2018 as the global headwinds of trade wars and concerns over global growth were offset by the election of a pro-business government in Brazil led by Jair Bolsonaro. There were stark divergences in country level returns, with Peru and Brazil generating positive returns while Argentina suffered from a sharp tightening in global financial conditions which resulted in a run on the peso and a standby agreement with the IMF. Mexico had a volatile year as NAFTA was renegotiated and AMLO was elected President in July. His early comments calmed markets but two referenda in the fourth quarter and the cancelling of the new Mexico City airport raised questions over the visibility of his policymaking and weighed on business confidence. The MSCI Latin America Index returned -0.4% over the year.

Key contributors to outperformance were pulp producer Suzano, which merged with Fibria to form a global leader in the sector, and our holdings in Brazilian state owned companies where expectations for privatisation increased dramatically following the election of Bolsonaro and the naming of Paulo Guedes as Economic Minister. Highlights included Rio Grande do Sul bank Banrisul and water utilities Copasa and Sanepar.

Looking across emerging markets, investors are crying out for reformist governments. In Asia we have seen this with India, and in Latin America Argentina, Peru, Chile and now Brazil have elected strong pro-market governments. The populist tide has finally reversed as governments focus on structural reforms to raise productivity and economic growth.

*\*Source: Morningstar, C Accumulation share class performance, in sterling with no initial charges, net revenue reinvested to 31 December 2018. The performance of other share classes may differ. This Fund may have a high historic volatility rating and past performance is not a guide to future performance. Investments in emerging markets may be higher risk and potentially more volatile than those in developed markets. The value of an investment and any revenue from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the original amount invested. References to specific securities and sectors are for illustration purposes only and should not be taken as a recommendation to buy or sell these securities. Neptune Funds are not tied to replicating a benchmark and holdings can therefore vary from those in the index quoted. For this reason the comparison index should be used for reference only. Forecasts are not a reliable indicator of future performance. Any views expressed are those of Neptune as at the date of issue and we do not undertake to advise you as to any changes in our views. Please refer to the Prospectus for further details.*

# Neptune Latin America Fund

## Investment Manager's report

for the year ended 31 December 2018 (continued)

The Portfolio statement as at 31 December 2018 is as follows:

Holding	Portfolio of investments	Market value £000	Total net assets %
	<b>Argentina 4.99% (2017 - 5.51%)</b>		
75,000	Adecoagro	399	1.23
14,000	Banco Macro ADR	467	1.45
1,700	MercadoLibre	389	1.20
15,000	Pampa Energia ADR	357	1.11
	<b>Brazil 61.57% (2017 - 56.56%)</b>		
95,000	B3 - Brasil, Bolsa, Balcão	515	1.59
110,000	Banco Bradesco	752	2.33
120,000	Banco Bradesco Preference Shares	937	2.90
160,000	Banco BTG Pactual	761	2.36
126,000	Banco do Brasil	1,173	3.63
182,000	Banco do Estado do Rio Grande do Sul Preference Shares	803	2.49
65,000	Cia de Saneamento de Minas Gerais-COPASA	808	2.50
69,000	Cia de Saneamento do Parana	858	2.66
84,000	Construtora Tenda	545	1.69
540,000	Direcional Engenharia	818	2.53
99,750	Energisa	746	2.31
51,558	Gafisa	176	0.54
193,000	Gerdau ADR	564	1.75
113,100	lochpe Maxion	540	1.67
52,500	Itau Unibanco ADR	372	1.15
234	Itausa - Investimentos Itau	1	—
520,001	Itausa - Investimentos Itau Preference Shares	1,268	3.93
220,000	Light	734	2.27
107	Lupatech 6.5% 15/04/2018†	—	—
11,500	Magazine Luiza	419	1.30
14,500	Pagseguro Digital	208	0.64
80,000	Petrobras Distribuidora	415	1.28
314,200	Petroleo Brasileiro Preference Shares	1,440	4.46
1,653	Refinaria Petroleo Preference Shares 0%*	—	—
310,000	Rumo	1,056	3.27
200,000	Ser Educacional	628	1.94
64,000	Suzano Papel e Celulose	491	1.52
200,000	T4F Entretenimento	296	0.92
210,000	Vale ADR	2,140	6.62
480,000	Via Varejo	425	1.32
	<b>Canada 2.76% (2017 - 3.16%)</b>		
105,000	Hudbay Minerals	386	1.19
2,200,000	Trevali Mining	506	1.57
	<b>Chile 3.51% (2017 - 7.80%)</b>		
2,600,000	Banco de Chile	290	0.90
6,459	Banco de Credito e Inversiones	328	1.01
90,500	SACI Falabella	516	1.60
	<b>Colombia 0.14% (2017 - 0.38%)</b>		
537,439	Constructora Concreto	45	0.14
	<b>Luxembourg 1.10% (2017 - 1.07%)</b>		
8,000	Globant	356	1.10

# Neptune Latin America Fund

## Investment Manager's report

for the year ended 31 December 2018 (continued)

The Portfolio statement as at 31 December 2018 (continued)

Holding	Portfolio of investments	Market value £000	Total net assets %
	<b>Mexico 21.92% (2017 - 22.39%)</b>		
677,000	Alfa	617	1.91
256,800	Alsea	528	1.63
367,200	Banco del Bajio	561	1.74
133,000	Banco Santander Mexico ADR	631	1.95
115,000	Cemex ADR	431	1.33
960,000	Credito Real	658	2.04
775,000	Genomma Lab Internacional	362	1.12
1,180,000	Genera	680	2.11
219,900	Infraestructura Energetica Nova	624	1.93
680,000	Inmobiliaria Vesta	714	2.21
265,400	Mexichem	527	1.63
100,000	Promotora y Operadora de Infraestructura	749	2.32
	<b>Norway 0.16% (2017 - 0.08%)</b>		
189,700	Agrinos	51	0.16
	<b>Peru 2.63% (2017 - 2.31%)</b>		
4,900	Credicorp	851	2.63
	<b>Spain 0.29% (2017 - 0.62%)</b>		
29,500	Atento	92	0.29
	Portfolio of investments	32,004	99.07
	Net other assets	301	0.93
	Net assets	32,305	100.00

All holdings are ordinary shares or stock units unless otherwise stated.

\*Delisted security.

†Convertible Bond in default.

Stocks shown as ADRs represent American Depositary Receipts.

The top five purchases and sales for the year are as follows:

Purchases	Cost £000
Credito Real	1,256
Banco Santander Mexico ADR	869
Banco BTG Pactual	850
Vale ADR	774
Trevali Mining	562
Sales	Proceeds £000
Petroleo Brasileiro Preference Shares	1,099
Vale ADR	1,012
Itau Unibanco ADR	834
Grupo Financiero Banorte	834
Suzano Papel e Celulose	771

Stocks shown as ADRs represent American Depositary Receipts.

## Fund information

### Performance record

#### C Accumulation

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 1.21%			
<b>Change in net asset per share</b>			
Opening net asset value per share	106.22	89.55	59.51
Return before operating charges	5.17	17.74	31.02
Operating charges	(1.18)	(1.07)	(0.98)
Return after operating charges	3.99	16.67	30.04
Distributions	(1.98)	(1.18)	(0.88)
Retained distributions on accumulation shares	1.98	1.18	0.88
Closing net asset value per share	110.21	106.22	89.55
After direct transaction costs of:	0.09	0.27	0.39
<b>Performance</b>			
Return after operating charges	3.76%	18.62%	50.48%
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Other information</b>			
Closing net asset value	32,305	34,847	19,621
Closing number of shares	29,312,141	32,806,501	21,911,071
Operating Charge Figure	1.08%	1.03%	1.22%
Direct transaction costs	0.08%	0.26%	0.49%
OCF/TER cap	1.18%	1.30%	1.30%
Research fee	0.09%	—	—
Research fee rebate	(0.00)%	—	—
<b>Prices</b>			
Highest share price	117.60p	116.90p	101.10p
Lowest share price	96.71p	89.20p	55.71p

Research costs are defined in the Notes on page 155 and for the period 1 January 2018 to 31 December 2018 the research cost was £32,116. Additionally in the period, a rebate of research costs of £2,184 was credited to the Fund. This represented unused research costs accrued for in 2017.

### Fund performance

The performance of the Fund is shown in the Investment Manager's report on page 149.

Details of the distributions per share for the year are shown in the distribution tables on page 160.

### Status

Neptune Latin America Fund is a sub-fund of Neptune Investment Funds which is a UCITS scheme.

### Risk warning

Please remember that past performance should not be seen as a guide to future performance and that the value of an investment in an OEIC and the income from it can fall as well as rise and may be affected by exchange rate variations.

## Financial Statements

### Statement of total return

for the year ended 31 December 2018

	Note	31 December 2018		31 December 2017	
		£000	£000	£000	£000
Income					
Net capital (losses)/ gains	2		(206)		3,157
Revenue	3	1,085		710	
Expenses	4	(365)		(292)	
Interest payable and similar charges		(1)		(1)	
Net revenue before taxation		719		417	
Taxation	5	(87)		(61)	
Net revenue after taxation			632		356
Total return before distributions			426		3,513
Distributions	6		(632)		(356)
Change in net assets attributable to shareholders from investment activities			(206)		3,157

### Statement of change in net assets attributable to shareholders

for the year ended 31 December 2018

	31 December 2018		31 December 2017	
	£000	£000	£000	£000
Opening net assets attributable to shareholders		34,847		19,621
Amounts received on issue of shares	12,848		21,487	
Amounts paid on cancellation of shares	(15,777)		(9,774)	
		(2,929)		11,713
Dilution adjustment charged		14		16
Change in net assets attributable to shareholders from investment activities		(206)		3,157
Retained distribution on accumulation shares		579		340
Closing net assets attributable to shareholders		32,305		34,847

## Financial Statements (continued)

### Balance sheet

as at 31 December 2018

	Note	31 December 2018		31 December 2017	
		£000	£000	£000	£000
<b>Assets</b>					
Fixed assets					
Investments			32,004		34,805
Current assets					
Debtors	7	281		117	
Cash and bank balances	8	78		173	
Total current assets			359		290
Total assets			32,363		35,095
<b>Liabilities</b>					
Creditors					
Other creditors	9	(58)		(248)	
Total liabilities			(58)		(248)
Net assets attributable to shareholders			32,305		34,847

The accompanying notes are an integral part of these financial statements.

## Notes to the Financial Statements

for the year ended 31 December 2018

### 1 Accounting policies

For accounting policies relating to this Fund please refer to the notes on pages 9 to 13.

2 Net capital (losses)/gains	31 December 2018 £000	31 December 2017 £000
Non-derivative securities	(230)	3,191
Currency gains/(losses)	46	(11)
Transaction charges	(12)	(19)
Issuance fee	(10)	(4)
Net capital (losses)/gains	(206)	3,157
3 Revenue	31 December 2018 £000	31 December 2017 £000
Overseas dividends	1,085	710
Total revenue	1,085	710
4 Expenses	31 December 2018 £000	31 December 2017 £000
<i>Payable to the ACD, associates of the ACD and agents of either of them:</i>		
ACD's periodic charge	263	227
Distribution fees	4	6
Printing costs	(2)	3
Registration fees	4	3
Transfer agent fees	6	4
	275	243
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	11	10
Safe custody fees	42	34
	53	44
<i>Other expenses:</i>		
Audit fee	5	5
Research fees	30	—
Legal and professional fees	1	—
Publication costs	1	—
	37	5
Total expenses	365	292

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

### 5 Taxation

	31 December 2018 £000	31 December 2017 £000
(a) Analysis of charge in the year:		
Overseas withholding tax	87	61
Total taxation for the year	<u>87</u>	<u>61</u>

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

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an authorised OEIC (20%).

The differences are explained below:

	31 December 2018 £000	31 December 2017 £000
Net revenue before taxation	719	417
Corporation tax at 20% (2017: 20%)	144	83
Effects of:		
Movement in excess management expenses	(15)	5
Overseas tax expensed	(15)	(10)
Overseas withholding tax	87	61
Revenue not subject to taxation	(114)	(78)
Current tax charge for the year	<u>87</u>	<u>61</u>

#### (c) Deferred tax

At the year end, there is a potential deferred tax asset of £528,122 (2017: £542,754) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore, no deferred tax assets have been recognised in the current or prior year.

### 6 Distributions

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

	31 December 2018 £000	31 December 2017 £000
Interim	—	215
Final	580	125
Add: Amounts deducted on cancellation of shares	159	29
Deduct: Amounts received on issue of shares	(107)	(13)
Net distribution for the year	<u>632</u>	<u>356</u>
Reconciliation of net revenue after taxation to distributions		
Net revenue after taxation	632	356
Net distribution for the year	<u>632</u>	<u>356</u>

Details of the distribution per share are set out in the distribution tables on page 160.



## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

<b>7 Debtors</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>£000</b>	<b>£000</b>
Accrued revenue	141	109
Amounts receivable for issue of shares	140	8
Total debtors	<u>281</u>	<u>117</u>
<b>8 Cash and bank balances</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>£000</b>	<b>£000</b>
Cash and bank balances	78	173
	<u>78</u>	<u>173</u>
<b>9 Creditors</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>£000</b>	<b>£000</b>
ACD's periodic charge	20	20
Rebate borne by ACD	2	2
Accrued expenses	36	42
Amounts payable on cancellation of shares	—	184
Total creditors	<u>58</u>	<u>248</u>

### 10 Related party transactions

General details on related parties are shown in the notes on pages 9 to 13.

Amounts paid to/from the ACD and Depositary are shown in note 4 on page 155. The balances due at the year end are shown in notes 7 and 9.

### 11 Shareholder funds

Details relating to the Fund are shown in the notes on pages 9 to 13.

### 12 Contingent liabilities, contingent assets and commitments

There were no contingent liabilities, contingent assets or outstanding commitments at the balance sheet date (2017: nil).

### 13 Swing pricing

The ACD's swing pricing policy is disclosed in the notes on pages 9 to 13.

### 14 Derivatives and other financial instruments

The main risk from the Fund's holdings of financial instruments together with the ACD's policy for managing these risks are disclosed in the notes on pages 9 to 13.

As an international equity fund the Fund is exposed to market price risk, currency risk, liquidity risk and counterparty risk. The Fund does not invest in debt securities and therefore has no material exposure to interest rate risk or credit risk.

As at 31 December 2018, if the price of investments held by the Fund increased or decreased by 1%, the resulting change in net assets attributable to shareholders would have been an increase or decrease of approximately 1%; which for this Fund would equate to £320,043 (2017: £348,053).

As at 31 December 2018, if the value of sterling increased or decreased by 1% against all currencies, the resulting change in the net assets attributable to shareholders of the Fund would have been an increase or decrease of approximately £322,227 (2017: £350,868).

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

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

Numerical disclosures relating to the Fund are as follows:

#### Foreign currency risk

The table below shows the foreign currency risk profile at the balance sheet date:

Currency	Net foreign currency assets	
	31 December 2018	31 December 2017
	Total £000	Total £000
Brazilian real	16,739	15,976
Canadian dollar	892	1,100
Chilean peso	1,135	2,719
Columbian peso	45	132
Mexican peso	6,019	7,129
Norwegian krone	51	28
US dollar	7,341	8,003
Total	<u>32,222</u>	<u>35,087</u>

### 15 Portfolio transaction costs

Analysis of total trade costs

	Purchases		Sales	
	31 December 2018 £000	31 December 2017 £000	31 December 2018 £000	31 December 2017 £000
Equities	<u>12,779</u>	<u>25,911</u>	<u>15,326</u>	<u>13,832</u>
Trades in the year before transaction costs	<u>12,779</u>	<u>25,911</u>	<u>15,326</u>	<u>13,832</u>
Commissions				
Equities	<u>10</u>	<u>50</u>	<u>(14)</u>	<u>(23)</u>
Total commissions	<u>10</u>	<u>50</u>	<u>(14)</u>	<u>(23)</u>
Taxes				
Equities	<u>2</u>	<u>3</u>	<u>(2)</u>	<u>(2)</u>
Total taxes	<u>2</u>	<u>3</u>	<u>(2)</u>	<u>(2)</u>
Total costs	<u>12</u>	<u>53</u>	<u>(16)</u>	<u>(25)</u>
Total net trades in the year after transaction costs	<u>12,791</u>	<u>25,964</u>	<u>15,310</u>	<u>13,807</u>

In the case of shares, commissions and taxes are paid by the Fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments and derivatives) have no separately identifiable transaction costs: these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the dealing spread was 0.37% (2017: 0.25%).

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

### 15 Portfolio transaction costs (continued)

Total transaction cost expressed as a percentage of asset class:

	Purchases		Sales	
	31 December 2018 %	31 December 2017 %	31 December 2018 %	31 December 2017 %
Commissions				
Equities	0.08	0.19	(0.09)	(0.17)
Taxes				
Equities	0.02	0.01	(0.01)	(0.01)

Total transaction cost expressed as a percentage of average NAV:

	31 December 2018 %	31 December 2017 %
Commissions	0.07	0.24
Taxes	0.01	0.02
Total	<u>0.08</u>	<u>0.26</u>

### 16 Post balance sheet events

There were no post balance sheet events.

### 17 Share reconciliation

Reconciliation of the share movements in the year

	31 December 2018 C Accumulation
Opening shares in issue	32,806,501
Creations during the year	11,666,621
Cancellations during the year	(15,160,981)
Closing shares in issue	<u>29,312,141</u>

### 18 Fair value hierarchy

Valuation technique	Assets 31 December 2018 £000	Liabilities 31 December 2018 £000	Assets 31 December 2017 £000	Liabilities 31 December 2017 £000
Level 1	32,004	—	34,777	—
Level 3	—	—	28	—
	<u>32,004</u>	<u>—</u>	<u>34,805</u>	<u>—</u>

The Fund has no Level 2 or Level 3 financial instruments.

# Neptune Latin America Fund

## Distribution table

for the year ended 31 December 2018 – in pence per share

### Interim

Group 1-Shares purchased prior to 1 January 2018

Group 2-Shares purchased on or after 1 January 2018 to 30 June 2018

	Net revenue	Equalisation	Paid 31 August 2018	Paid 31 August 2017
<b>C Accumulation shares</b>				
Group 1	—	—	—	0.8028
Group 2	—	—	—	0.8028

### Final

Group 1-Shares purchased prior to 1 January 2018

Group 2-Shares purchased on or after 1 January 2018 to 31 December 2018

	Net revenue	Equalisation	Payable 28 February 2019	Paid 28 February 2018
<b>C Accumulation shares</b>				
Group 1	1.9769	—	1.9769	0.3818
Group 2	1.0827	0.8942	1.9769	0.3818

The Accumulation share classes have changed distribution frequency and from 30 June 2018 will be distributing only at every year end.

# Neptune Russia and Greater Russia Fund

## Investment objective

The investment objective of the Neptune Russia and Greater Russia Fund (the Fund) is to generate capital growth from investment predominantly in Russian and Greater Russian securities or securities issued by companies transacting a significant proportion of their business in Russia and Greater Russia.

Other eligible asset classes may include collective investment schemes, other transferable securities, cash or near cash, deposits and money market instruments.

It is anticipated that derivative instruments and forward transactions may be used by the ACD for EPM.

It is the intention to be near-fully invested at all times, however, the Fund has the facility to take tactical positions in cash or near cash should the ACD feel it appropriate.

The portfolio will be managed to ensure that the Fund is at all times eligible to be included in an ISA.

## Risk and reward profile

The risk and reward indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the risk and reward indicator.

Typically lower rewards, lower risk			Typically higher rewards, higher risk			
←			→			
1	2	3	4	5	6	7

The Fund is in Category 7 because of the high range and frequency of price movements (volatility) of the underlying investments referenced by the Fund.

The following are additional risks not covered by the risk and reward category.

- Investing overseas can bring additional returns and spread risk to different markets. There are risks, however, that changes in currency rates will reduce the value of your investment.
- Emerging markets or less developed countries may face more political, economic or structural challenges than developed countries. This means your money may be at greater risk.
- This Fund holds a limited number of investments. If one of these investments falls in value this can have a greater impact on the Fund's value than if it held a larger number of investments.
- For a full list of the Fund's risks, please see the Prospectus.

## Investment Manager's report

for the year ended 31 December 2018

The Neptune Russia and Greater Russia Fund returned 6.2% over the year, slightly behind the MSCI Russia Large Cap Index's 6.9% gain. Since launch, the Fund has returned 273.3%, ahead of the Index's return of 184.0%.

The Russian market outperformed both developed and emerging markets in 2018 as global markets faced the headwinds of a trade war and concerns over economic growth. Russia's current account and budget surpluses isolated it to some degree from the tightening in global financial conditions. The ongoing decoupling from the oil price, following the introduction of the fiscal law, was clear to see as, despite the oil price declining by nearly 20% over the year, Russian markets were able to return 6.9%.

The Russian economy continued its gradual recovery, with growth accelerating from 1.5% in 2017 to 1.8% in 2018. Inflation finally began to pick up in the latter stages of the year, marking an end to the easing cycle, and prompting the CBR to raise rates twice towards the end of the year.

Positive performance over the year can be attributed to strong contributions from a number of stocks, such as Novatek, Norilsk Nickel and Ros Agro. This strong performance from these stocks were slightly offset by weakness from X5 and Aeroflot.

The Russian benchmarks continue to be heavily weighted in the energy sector, with many sectors of the Russian economy underrepresented or not represented at all. The Neptune Russia and Greater

Russia Fund continues to offer diversified exposure in sectors that aren't present in the benchmark, such as the IT and industrials sectors.

Despite the recent outperformance of the Russian market against broader emerging markets, Russia is still trading at a 48% discount to emerging markets, near the lowest levels seen in the past ten years and only marginally higher than at the peak of the crisis in late 2014.

*\*Source: Morningstar, C Accumulation share class performance, in sterling with no initial charges, net revenue reinvested to 31 December 2018. The performance of other share classes may differ. Past performance is not a guide for future performance. The value of an investment and any revenue from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the original amount invested. Investments in emerging markets are higher risk and potentially more volatile than those in established markets. References to specific sectors and securities are for illustration purposes only and should not be taken as a recommendation to buy or sell them. Neptune funds are not tied to replicating a benchmark and holdings can therefore vary from those in the index quoted. For this reason the comparison index should be used for reference only. Forecasts are not a reliable indicator of future performance. Any views expressed are those of Neptune as at the date of issue and we do not undertake to advise you as to any changes in our views. Please refer to the Prospectus for further details.*

# Neptune Russia and Greater Russia Fund

## Investment Manager's report

for the year ended 31 December 2018 (continued)

The Portfolio statement as at 31 December 2018 is as follows:

Holding	Portfolio of investments	Market value £000	Total net assets %
	<b>Russia 72.02% (2017 - 82.01%)</b>		
	<b>Basic Materials 18.45% (2017 - 17.52%)</b>		
	<b>Industrial Metals &amp; Mining 18.45%</b>		
7,300,000	ALROSA	8,087	4.65
1,114,000	MMC Norilsk Nickel ADR	16,355	9.41
29,000	MMC Norilsk Nickel ADR (US Listing)	426	0.25
668,000	Severstal GDR	7,183	4.13
2,000	Severstal GDR (US Listing)	21	0.01
	<b>Consumer Services 2.89% (2017 - 10.94%)</b>		
	<b>Food &amp; Drug Retailers 0.34%</b>		
15,000	Magnit	592	0.34
	<b>Travel &amp; Leisure 2.55%</b>		
3,900,000	Aeroflot - Russian Airlines	4,437	2.55
	<b>Financials 13.45% (2017 - 15.16%)</b>		
	<b>Banks 9.71%</b>		
1,921,000	Sberbank of Russia ADR	16,392	9.43
58,000	Sberbank of Russia ADR (US Listing)	495	0.28
	<b>Financial Services 3.13%</b>		
5,970,000	Moscow Exchange	5,444	3.13
	<b>Real Estate Investment &amp; Services 0.61%</b>		
250,000	PIK	1,052	0.61
	<b>Industrials 1.34% (2017 - 1.95%)</b>		
	<b>Industrial Transportation 1.34%</b>		
450,000	Novorossiysk Commercial Sea Port GDR	2,326	1.34
	<b>Oil &amp; Gas 29.79% (2017 - 28.29%)</b>		
	<b>Oil &amp; Gas 29.79%</b>		
290,000	Gazprom Neft ADR	5,621	3.23
80,000	Gazprom Neft ADR (US Listing)	1,526	0.88
292,000	LUKOIL ADR	16,224	9.34
8,000	LUKOIL ADR (UK Listing)	444	0.26
128,000	Novatek GDR	17,103	9.84
1,000,000	Surgutneftegas ADR	2,972	1.71
159,000	Tatneft ADR	7,880	4.53
	<b>Technology 4.38% (2017 - 4.81%)</b>		
	<b>Software &amp; Computer Services 4.38%</b>		
429,000	Mail.Ru GDR	7,607	4.38
	<b>Telecommunications 1.72% (2017 - 3.34%)</b>		
	<b>Mobile Telecommunications 1.72%</b>		
500,000	Mobile TeleSystems	1,337	0.77
100,000	Mobile TeleSystems ADR	549	0.31
4,000,000	Sistema	358	0.21
420,000	Sistema GDR	748	0.43

# Neptune Russia and Greater Russia Fund

## Investment Manager's report

for the year ended 31 December 2018 (continued)

The Portfolio statement as at 31 December 2018 (continued)

Holding	Portfolio of investments	Market value £000	Total net assets %
	<b>Cyprus 8.87% (2017 - 9.24%)</b>		
	<b>Consumer Goods 4.72% (2017 - 4.28%)</b>		
	<b>Food Producers 4.72%</b>		
913,000	Ros Agro GDR	8,195	4.72
	<b>Industrials 4.15% (2017 - 4.96%)</b>		
	<b>Industrial Transportation 4.15%</b>		
200,000	Global Ports Investments GDR	351	0.20
977,000	Globaltrans Investment GDR	6,856	3.95
	<b>Netherlands 7.45% (2017 - 4.79%)</b>		
	<b>Consumer Services 2.80% (2017 - 0.00%)</b>		
	<b>Food &amp; Drug Retailers 2.80%</b>		
250,000	X5 Retail GDR	4,864	2.80
	<b>Technology 4.65% (2017 - 4.79%)</b>		
	<b>Software &amp; Computer Services 4.65%</b>		
370,000	Yandex	8,088	4.65
	<b>United Kingdom 2.95% (2017 - 1.99%)</b>		
	<b>Basic Materials 2.95% (2017 - 1.99%)</b>		
	<b>Industrial Metals &amp; Mining 2.95%</b>		
1,070,000	Evraz	5,120	2.95
	<b>United States 4.32% (2017 - 0.00%)</b>		
	<b>Technology 4.32% (2017 - 0.00%)</b>		
	<b>Software &amp; Computer Services 4.32%</b>		
84,000	EPAM Systems	7,503	4.32
	Portfolio of investments	166,156	95.61
	Net other assets	7,626	4.39
	Net assets	173,782	100.00

All holdings are ordinary shares or stock units unless otherwise stated.

Stocks shown as ADRs represent American Depositary Receipts.

Stocks shown as GDRs represent Global Depositary Receipts.



## Investment Manager's report

for the year ended 31 December 2018 (continued)

The top five purchases and sales for the year are as follows:

Purchases	Cost £000
Sberbank of Russia ADR (US Listing)	15,349
MMC Norilsk Nickel ADR (US Listing)	9,630
EPAM Systems	8,275
Novatek GDR	8,204
LUKOIL ADR (UK Listing)	6,842

Purchases	Cost £000
Novatek GDR	13,381
LUKOIL ADR	11,815
MMC Norilsk Nickel ADR	9,741
Sberbank of Russia ADR	7,228
Sberbank of Russia ADR (US Listing)	6,496

# Neptune Russia and Greater Russia Fund

## Fund information

### Performance record

#### A Accumulation

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 2.13%			
<b>Change in net asset per share</b>			
Opening net asset value per share	335.15	321.33	188.78
Return before operating charges	23.05	20.20	137.34
Operating charges	(7.14)	(6.38)	(4.79)
Return after operating charges	15.91	13.82	132.55
Distributions	(13.42)	(11.20)	(2.33)
Retained distributions on accumulation shares	13.42	11.20	2.33
Closing net asset value per share	351.06	335.15	321.33
After direct transaction costs of:	0.19	0.50	0.40
<b>Performance</b>			
Return after operating charges	4.75%	4.30%	70.22%
	£000	£000	£000
<b>Other information</b>			
Closing net asset value	48,027	55,608	71,486
Closing number of shares	13,680,626	16,592,068	22,247,695
Operating Charge Figure	2.01%	1.97%	2.05%
Direct transaction costs	0.05%	0.15%	0.17%
OCF/TER cap	2.14%	2.20%	2.10%
Research fee	0.07%	—	—
Research fee rebate	(0.01)%	—	—
<b>Prices</b>			
Highest share price	375.90p	353.90p	321.50p
Lowest share price	304.40p	289.70p	161.70p

#### C Accumulation

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 1.16%			
<b>Change in net asset per share</b>			
Opening net asset value per share	117.27	111.37	64.81
Return before operating charges	8.07	7.05	47.46
Operating charges	(1.32)	(1.15)	(0.90)
Return after operating charges	6.75	5.90	46.56
Distributions	(5.92)	(4.97)	(1.58)
Retained distributions on accumulation shares	5.92	4.97	1.58
Closing net asset value per share	124.02	117.27	111.37
After direct transaction costs of:	0.07	0.17	0.14
<b>Performance</b>			
Return after operating charges	5.76%	5.30%	71.84%
	£000	£000	£000
<b>Other information</b>			
Closing net asset value	119,687	122,085	145,571
Closing number of shares	96,509,095	104,106,970	130,708,419
Operating Charge Figure	1.05%	1.02%	1.10%
Direct transaction costs	0.05%	0.15%	0.17%
OCF/TER cap	1.19%	1.20%	1.20%
Research fee	0.07%	—	—
Research fee rebate	(0.01)%	—	—
<b>Prices</b>			
Highest share price	132.50p	123.50p	111.40p
Lowest share price	106.80p	100.90p	55.55p

# Neptune Russia and Greater Russia Fund

## Fund information (continued)

### Performance record (continued)

#### A Accumulation EUR

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 2.13%			
<b>Change in net asset per share</b>			
Opening net asset value per share	125.61	120.42	70.73
Return before operating charges	8.65	7.58	51.48
Operating charges	(2.67)	(2.39)	(1.79)
Return after operating charges	5.98	5.19	49.69
Distributions	(5.04)	(4.42)	(0.88)
Retained distributions on accumulation shares	5.04	4.42	0.88
Closing net asset value per share	131.59	125.61	120.42
After direct transaction costs of:	0.07	0.19	0.15
<b>Performance</b>			
Return after operating charges	4.76%	4.31%	70.25%
	£000	£000	£000
<b>Other information</b>			
Closing net asset value	411	376	292
Closing number of shares	312,189	299,187	242,410
Operating Charge Figure	2.01%	1.98%	2.04%
Direct transaction costs	0.05%	0.15%	0.17%
OCF/TER cap	2.14%	2.20%	2.10%
Research fee	0.07%	—	—
Research fee rebate	(0.01)%	—	—
<b>Prices</b>			
Highest share price	158.50¢	149.60¢	142.30¢
Lowest share price	131.10¢	123.50¢	78.37¢

#### C Accumulation EUR

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 1.16%			
<b>Change in net asset per share</b>			
Opening net asset value per share	132.14	125.48	73.20
Return before operating charges	9.07	7.95	53.49
Operating charges	(1.47)	(1.29)	(1.21)
Return after operating charges	7.60	6.66	52.28
Distributions	(6.69)	(5.93)	(1.60)
Retained distributions on accumulation shares	6.69	5.93	1.60
Closing net asset value per share	139.74	132.14	125.48
After direct transaction costs of:	0.08	0.20	0.16
<b>Performance</b>			
Return after operating charges	5.75%	5.31%	71.42%
	£000	£000	£000
<b>Other information</b>			
Closing net asset value	999	20	19
Closing number of shares	714,860	14,860	14,860
Operating Charge Figure	1.03%	1.02%	1.31%
Direct transaction costs	0.05%	0.15%	0.17%
OCF/TER cap	1.19%	1.20%	1.55%
Research fee	0.09%	—	—
Research fee rebate	(0.01)%	—	—
<b>Prices</b>			
Highest share price	167.70¢	157.10¢	148.30¢
Lowest share price	138.30¢	129.20¢	81.11¢

# Neptune Russia and Greater Russia Fund

## Fund information (continued)

### Performance record (continued)

#### A Accumulation USD

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 2.13%			
<b>Change in net asset per share</b>			
Opening net asset value per share	88.60	83.55	49.90
Return before operating charges	6.09	6.74	34.93
Operating charges	(1.89)	(1.69)	(1.28)
Return after operating charges	4.20	5.05	33.65
Distributions	(3.55)	(3.29)	(0.62)
Retained distributions on accumulation shares	3.55	3.29	0.62
Closing net asset value per share	92.80	88.60	83.55
After direct transaction costs of:	0.05	0.13	0.11
<b>Performance</b>			
Return after operating charges	4.74%	6.04%	67.43%
	£000	£000	£000
<b>Other information</b>			
Closing net asset value	4,196	4,875	5,461
Closing number of shares	4,521,123	5,502,638	6,536,394
Operating Charge Figure	2.01%	1.97%	2.04%
Direct transaction costs	0.05%	0.15%	0.17%
OCF/TER cap	2.14%	2.20%	2.10%
Research fee	0.07%	—	—
Research fee rebate	(0.01)%	—	—
<b>Prices</b>			
Highest share price	137.90¢	122.70¢	104.60¢
Lowest share price	113.90¢	97.12¢	60.32¢

#### C Accumulation USD

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 1.16%			
<b>Change in net asset per share</b>			
Opening net asset value per share	90.62	86.06	50.21
Return before operating charges	6.22	5.45	36.64
Operating charges	(1.01)	(0.89)	(0.79)
Return after operating charges	5.21	4.56	35.85
Distributions	(4.56)	(4.30)	(1.08)
Retained distributions on accumulation shares	4.56	4.30	1.08
Closing net asset value per share	95.83	90.62	86.06
After direct transaction costs of:	0.05	0.13	0.12
<b>Performance</b>			
Return after operating charges	5.75%	5.30%	71.40%
	£000	£000	£000
<b>Other information</b>			
Closing net asset value	462	3,195	2,180
Closing number of shares	482,033	3,525,697	2,533,553
Operating Charge Figure	1.05%	1.03%	1.16%
Direct transaction costs	0.05%	0.15%	0.17%
OCF/TER cap	1.19%	1.20%	1.55%
Research fee	0.07%	—	—
Research fee rebate	(0.01)%	—	—
<b>Prices</b>			
Highest share price	141.30¢	125.30¢	105.90¢
Lowest share price	116.90¢	98.84¢	60.68¢

# Neptune Russia and Greater Russia Fund

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## Fund information (continued)

### Performance record (continued)

Research costs are defined in the Notes on page 172 and for the period 1 January 2018 to 31 December 2018 the research cost was £123,778. Additionally in the period, a rebate of research costs of £16,496 was credited to the Fund. This represented unused research costs accrued for in 2017.

### Fund performance

The performance of the Fund is shown in the Investment Manager's report on page 162.

Details of the distributions per share for the year are shown in the distribution tables on pages 177 and 178.

### Status

Neptune Russia and Greater Russia Fund is a sub-fund of Neptune Investment Funds which is a UCITS scheme.

### Risk warning

Please remember that past performance should not be seen as a guide to future performance and that the value of an investment in an OEIC and the income from it can fall as well as rise and may be affected by exchange rate variations.

## Financial Statements

### Statement of total return

for the year ended 31 December 2018

	Note	31 December 2018		31 December 2017	
		£000	£000	£000	£000
Income					
Net capital gains	2		1,009		428
Revenue	3	11,296		11,939	
Expenses	4	(2,427)		(2,619)	
Interest payable and similar charges		(1)		—	
Net revenue before taxation		8,868		9,320	
Taxation	5	(982)		(1,105)	
Net revenue after taxation			7,886		8,215
Total return before distributions			8,895		8,643
Distributions	6		(7,888)		(8,225)
Change in net assets attributable to shareholders from investment activities			1,007		418

### Statement of change in net assets attributable to shareholders

for the year ended 31 December 2018

	31 December 2018		31 December 2017	
	£000	£000	£000	£000
Opening net assets attributable to shareholders		186,159		225,009
Amounts received on issue of shares	30,963		26,782	
Amounts paid on cancellation of shares	(52,153)		(73,864)	
		(21,190)		(47,082)
Dilution adjustment charged		10		—
Change in net assets attributable to shareholders from investment activities		1,007		418
Retained distribution on accumulation shares		7,796		7,814
Closing net assets attributable to shareholders		173,782		186,159

# Neptune Russia and Greater Russia Fund

## Financial Statements (continued)

### Balance sheet

as at 31 December 2018

	Note	31 December 2018		31 December 2017	
		£000	£000	£000	£000
<b>Assets</b>					
Fixed assets					
Investments			166,156		182,495
Current assets					
Debtors	7	1,153		1,310	
Cash and bank balances	8	7,201		3,682	
Total current assets			8,354		4,992
Total assets			174,510		187,487
<b>Liabilities</b>					
Creditors					
Bank overdrafts	8	—		(369)	
Other creditors	9	(728)		(959)	
Total liabilities			(728)		(1,328)
Net assets attributable to shareholders			173,782		186,159

The accompanying notes are an integral part of these financial statements.

## Notes to the Financial Statements

for the year ended 31 December 2018

### 1 Accounting policies

For accounting policies relating to this Fund please refer to the notes on pages 9 to 13.

2 Net capital gains	31 December 2018	31 December 2017
	£000	£000
Non-derivative securities	905	1,202
Forward currency contracts	60	(202)
Currency gains/(losses)	189	(118)
Transaction charges	(75)	(153)
Issuance fee	(70)	(301)
Net capital gains	<u>1,009</u>	<u>428</u>
3 Revenue	31 December 2018	31 December 2017
	£000	£000
Bank interest	13	3
UK dividends	874	246
Overseas dividends	10,409	11,690
Total revenue	<u>11,296</u>	<u>11,939</u>
4 Expenses	31 December 2018	31 December 2017
	£000	£000
<i>Payable to the ACD, associates of the ACD and agents of either of them:</i>		
ACD's periodic charge	2,042	2,306
Distribution fees	26	37
Printing costs	3	8
Registration fees	16	15
Transfer agent fees	31	28
Organisation fees	—	2
	<u>2,118</u>	<u>2,396</u>
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	50	64
Safe custody fees	90	112
	<u>140</u>	<u>176</u>
<i>Other expenses:</i>		
Audit fee	9	11
Legal and professional fees	44	31
Publication costs	9	5
Research fees	107	—
	<u>169</u>	<u>47</u>
Total expenses	<u>2,427</u>	<u>2,619</u>



## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

### 5 Taxation

	31 December 2018 £000	31 December 2017 £000
(a) Analysis of charge in the year:		
Overseas withholding tax	982	1,105
Total taxation for the year	982	1,105

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

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an authorised OEIC (20%).

The differences are explained below:

	31 December 2018 £000	31 December 2017 £000
Net revenue before taxation	8,868	9,320
Corporation tax at 20% (2017: 20%)	1,774	1,864
Effects of:		
Movement in excess management expenses	(933)	(1,179)
Overseas tax expensed	—	(190)
Overseas withholding tax	982	1,105
Revenue not subject to taxation	(502)	(495)
Double taxation relief	(339)	—
Current tax charge for the year	982	1,105

#### (c) Deferred tax

At the year end, there is a potential deferred tax asset of £4,287,749 (2017: £5,133,194) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore, no deferred tax assets have been recognised in the current or prior year.

### 6 Distributions

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

	31 December 2018 £000	31 December 2017 £000
Interim	—	3,361
Final	7,796	4,453
Add: Amounts deducted on cancellation of shares	494	498
Deduct: Amounts received on issue of shares	(402)	(87)
Net distribution for the year	7,888	8,225
Reconciliation of net revenue after taxation to distributions		
Net revenue after taxation	7,886	8,215
Equalisation on conversion of shares	2	10
Net distribution for the year	7,888	8,225

Details of the distribution per share are set out in the distribution tables on pages 177 and 178.

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

<b>7 Debtors</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>£000</b>	<b>£000</b>
Accrued revenue	1,002	1,288
Rebate borne by ACD	1	1
Amounts receivable for issue of shares	35	21
Overseas tax recoverable	12	—
Sales awaiting settlement	103	—
Total debtors	<u>1,153</u>	<u>1,310</u>
<b>8 Cash and bank balances</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>£000</b>	<b>£000</b>
Cash and bank balances	7,201	3,682
Bank overdrafts	—	(369)
	<u>7,201</u>	<u>3,313</u>
<b>9 Creditors</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>£000</b>	<b>£000</b>
ACD's periodic charge	167	166
Accrued expenses	114	130
Amounts payable on cancellation of shares	335	663
Purchases awaiting settlement	112	—
Total creditors	<u>728</u>	<u>959</u>

## 10 Related party transactions

General details on related parties are shown in the notes on pages 9 to 13.

Amounts paid to/from the ACD and Depositary are shown in note 4 on page 172. The balances due at the year end are shown in notes 7 and 9.

## 11 Shareholder funds

Details relating to the Fund are shown in the notes on pages 9 to 13.

## 12 Contingent liabilities, contingent assets and commitments

There were no contingent liabilities, contingent assets or outstanding commitments at the balance sheet date (2017: nil).

## 13 Swing pricing

The ACD's swing pricing policy is disclosed in the notes on pages 9 to 13.

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

### 14 Derivatives and other financial instruments

The main risk from the Fund's holdings of financial instruments together with the ACD's policy for managing these risks are disclosed in the notes on pages 9 to 13.

As an international equity fund the Fund is exposed to market price risk, currency risk, liquidity risk and counterparty risk. The Fund does not invest in debt securities and therefore has no material exposure to interest rate risk or credit risk.

As at 31 December 2018, if the price of investments held by the Fund increased or decreased by 1%, the resulting change in net assets attributable to shareholders would have been an increase or decrease of approximately 1%; which for this Fund would equate to £1,661,562 (2017: £1,824,948).

As at 31 December 2018, if the value of sterling increased or decreased by 1% against all currencies, the resulting change in the net assets attributable to shareholders of the Fund would have been an increase or decrease of approximately £1,692,389 (2017: £1,833,896).

Numerical disclosures relating to the Fund are as follows:

#### Foreign currency risk

The table below shows the foreign currency risk profile at the balance sheet date:

Currency	Net foreign currency assets	
	31 December 2018	31 December 2017
	Total £000	Total £000
Euro	1,044	—
Russian ruble	4,814	7,200
Swiss franc	—	3
US dollar	163,381	176,187
Total	<u>169,239</u>	<u>183,390</u>

### 15 Portfolio transaction costs

Analysis of total trade costs

	Purchases		Sales	
	31 December 2018 £000	31 December 2017 £000	31 December 2018 £000	31 December 2017 £000
Equities	<u>77,622</u>	<u>101,373</u>	<u>94,962</u>	<u>139,892</u>
Trades in the year before transaction costs	<u>77,622</u>	<u>101,373</u>	<u>94,962</u>	<u>139,892</u>
Commissions				
Equities	<u>40</u>	<u>129</u>	<u>(53)</u>	<u>(176)</u>
Total commissions	<u>40</u>	<u>129</u>	<u>(53)</u>	<u>(176)</u>
Taxes				
Equities	<u>6</u>	<u>13</u>	<u>—</u>	<u>(3)</u>
Total taxes	<u>6</u>	<u>13</u>	<u>—</u>	<u>(3)</u>
Total costs	<u>46</u>	<u>142</u>	<u>(53)</u>	<u>(179)</u>
Total net trades in the year after transaction costs	<u>77,668</u>	<u>101,515</u>	<u>94,909</u>	<u>139,713</u>

In the case of shares, commissions and taxes are paid by the Fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments and derivatives) have no separately identifiable transaction costs: these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the dealing spread was 0.97% (2017: 0.13%).

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

### 15 Portfolio transaction costs (continued)

Total transaction cost expressed as a percentage of asset class:

	Purchases		Sales	
	31 December 2018 %	31 December 2017 %	31 December 2018 %	31 December 2017 %
Commissions				
Equities	0.05	0.13	(0.06)	(0.13)
Taxes				
Equities	0.01	0.01	—	—

Total transaction cost expressed as a percentage average of NAV:

	31 December 2018 %	31 December 2017 %
Commissions	0.05	0.15
Taxes	—	0.01
Total	0.05	0.16

### 16 Post balance sheet events

There were no post balance sheet events.

### 17 Share reconciliation

Reconciliation of the share movements in the year

	31 December 2018		
	A Accumulation	B Accumulation	C Accumulation
Opening shares in issue	16,592,068	104,106,970	299,187
Creations during the year	475,608	22,051,133	130,729
Cancellations during the year	(3,181,767)	(30,234,166)	(117,727)
Share converted during the year	(205,283)	585,158	—
Closing shares in issue	13,680,626	96,509,095	312,189
	C Accumulation EUR	A Accumulation USD	C Accumulation USD
Opening shares in issue	14,860	5,502,638	3,525,697
Creations during the year	707,000	773,041	—
Cancellations during the year	(7,000)	(1,754,556)	(3,043,664)
Shares converted during the year	—	—	—
Closing shares in issue	714,860	4,521,123	482,033

### 18 Fair value hierarchy

Valuation technique

	Assets	Liabilities	Assets	Liabilities
	31 December 2018 £000	31 December 2018 £000	31 December 2017 £000	31 December 2017 £000
Level 1	166,156	—	182,495	—
	166,156	—	182,495	—

The Fund has no Level 2 or Level 3 financial instruments.

# Neptune Russia and Greater Russia Fund

## Distribution table

for the year ended 31 December 2018 – in pence/cents per share

### Interim

Group 1-Shares purchased prior to 1 January 2018

Group 2-Shares purchased on or after 1 January 2018 to 30 June 2018

	Net revenue	Equalisation	Paid 31 August 2018	Paid 31 August 2017
<b>A Accumulation shares (p)</b>				
Group 1	—	—	—	4.2255
Group 2	—	—	—	4.2255
<b>C Accumulation shares (p)</b>				
Group 1	—	—	—	1.9907
Group 2	—	—	—	1.9907
<b>A Accumulation shares EUR (¢)</b>				
Group 1	—	—	—	1.8077
Group 2	—	—	—	1.8077
<b>C Accumulation shares EUR (¢)</b>				
Group 1	—	—	—	2.5567
Group 2	—	—	—	2.5567
<b>A Accumulation shares USD (¢)</b>				
Group 1	—	—	—	1.4505
Group 2	—	—	—	1.4505
<b>C Accumulation shares USD (¢)</b>				
Group 1	—	—	—	1.9988
Group 2	—	—	—	1.9988

## Neptune Russia and Greater Russia Fund

### Distribution table

for the year ended 31 December 2018 (continued) – in pence/cents per share

#### Final

Group 1-Shares purchased prior to 1 January 2018

Group 2-Shares purchased on or after 1 January 2018 to 31 December 2018

	Net revenue	Equalisation	Payable 28 February 2019	Paid 28 February 2018
<b>A Accumulation shares (p)</b>				
Group 1	13.4234	—	13.4234	6.9745
Group 2	9.5357	3.8877	13.4234	6.9745
<b>C Accumulation shares (p)</b>				
Group 1	5.9203	—	5.9203	2.9819
Group 2	4.3087	1.6116	5.9203	2.9819
<b>A Accumulation shares EUR (¢)</b>				
Group 1	5.6146	—	5.6146	2.9489
Group 2	4.5213	1.0933	5.6146	2.9489
<b>C Accumulation shares EUR (¢)</b>				
Group 1	7.4597	—	7.4597	3.7985
Group 2	1.6895	5.7702	7.4597	3.7985
<b>A Accumulation shares USD (¢)</b>				
Group 1	4.5310	—	4.5310	2.4919
Group 2	4.2926	0.2384	4.5310	2.4919
<b>C Accumulation shares USD (¢)</b>				
Group 1	5.8251	—	5.8251	3.1140
Group 2	5.8251	—	5.8251	3.1140

The Accumulation share classes have changed distribution frequency and from 30 June 2018 will be distributing only at every year end.

Investment objective

The investment objective of the Neptune UK Mid Cap Fund (the Fund) is to generate capital growth by investing predominantly in the companies of the FTSE Mid 250\* and in the 50 largest companies by market capitalisation listed on the FTSE Small Cap\* with a view to attaining top quartile performance within the appropriate peer group.

Other eligible asset classes may include collective investment schemes, other transferable securities (with no geographical restriction), collective investment schemes, cash or near cash, deposits and money market instruments.

It is anticipated that derivative instruments and forward transactions may be used by the ACD for EPM.

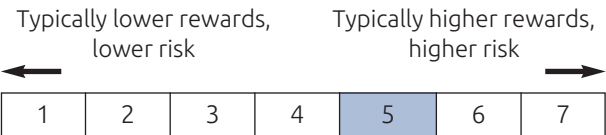
It is the intention to be near-fully invested at all times, however, the Fund has the facility to take tactical positions in cash or near cash should the ACD feel it appropriate.

The portfolio will be managed to ensure that the Fund is at all times eligible to be included in an ISA.

\*The ACD may substitute these indices at its absolute discretion where they become unavailable, cease to operate or otherwise where the ACD believes there is a more appropriate alternative.

Risk and reward profile

The risk and reward indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the risk and reward indicator.



The Fund is in Category 5 because of the high range and frequency of price movements (volatility) of the underlying investments referenced by the Fund.

The following are additional risks not covered by the risk and reward category.

- Smaller company shares may be riskier as they can be more difficult to buy and sell and their share prices may move up and down more than larger companies.
- This Fund holds a limited number of investments. If one of these investments falls in value this can have a greater impact on the Fund's value than if it held a larger number of investments.
- For a full list of the Fund's risks, please see the Prospectus.

## Investment Manager's report

for the year ended 31 December 2018

The Neptune UK Mid Cap Fund returned –18.7% in 2018, behind the FTSE 250 Index return of –13.3% and FTSE All-Share Index's –9.5% loss\*.

The broad UK market, including the FTSE 250 Index, was firmly in negative territory for the year. This poor performance was compounded, especially for international investors, by significant weakness in trade-weighted sterling. Within this, mid-caps underperformed and small-caps were in line with the broader market. The Fund underperformed its benchmark over the year. We continue to believe it is more important than ever to concentrate on economic risk (i.e. capital preservation) at this stage in the cycle, with wage pressure building and margin pressure potentially ensuing.

Notably strong relative performance over the year came from Telecom Plus, the multi-utility company, which benefited from competitor bankruptcies and from the introduction of an energy price cap. Increased regulatory scrutiny over start-up competitors looks to be a structural shift for Telecom Plus, encouragingly. Spirent Communications, the telecoms equipment company, also performed well over the year as 5G mobile networks began to be tested. Poor relative performance came from the Fund's holdings in Renewi, the waste recycling business, ITE, the global events and exhibitions business and De La Rue, the security products business. Brexit fears and Trump trade war fears contributed to weakness in Renewi and ITE. Whilst management change and the loss of the UK passport contract contributed to De La Rue's weakness. The Fund reduced its exposure to Renewi due to balance sheet concerns and regulatory uncertainty whilst maintaining exposure to De La Rue and ITE due to continued confidence in their long-term market positions and underappreciated growth drivers, combined with low valuations.

Our long-held concerns over the outlook for the UK consumer continued to be reflected in economic data and corporate updates. Whilst valuations in some domestic consumer cyclical companies are optically low, we remain underweight that area of the market. Where we do have exposure to UK-focused companies, we primarily target those with structural earnings drivers and highly visible earnings pipelines.

The Fund continues to make use of its ability to invest in large small cap companies and we see exciting opportunities to invest in undervalued companies in this part of the market. In particular, we favour companies with strong technology or intellectual property. Furthermore, companies that form a critical, yet relatively low-cost part of a supply chain, interest us. Typically, these companies trade at high valuations yet the indiscriminate sell-off in UK equities (particularly amongst mid- and small-caps) means this is often no longer the case.

We continue to focus on maximising risk-adjusted performance over the business cycle by way of our style agnostic approach, structuring the Fund around the three silos of economic recovery, structural growth and corporate turnarounds. While we are somewhat cautious of elevated valuations in the broad market we believe that the current environment creates unusually large opportunities for alpha generation. We are excited by the investment opportunities in 2019 and believe there is significant potential for long-term outperformance in the coming months and years.

*\*Source: Morningstar, C Accumulation share class performance, in sterling with no initial charges, net revenue reinvested to 31 December 2018. The performance of other share classes may differ. Past performance is not a guide for future performance. The value of an investment and any revenue from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the original amount invested. References to specific securities and sectors are for illustration purposes only and should not be taken as a recommendation to buy or sell these securities. Neptune Funds are not tied to replicating a benchmark and holdings can therefore vary from those in the index quoted. For this reason the comparison index should be used for reference only. Forecasts are not a reliable indicator of future performance. Any views expressed are those of Neptune as at the date of issue and we do not undertake to advise you as to any changes in our views. Please refer to the Prospectus for further details.*



# Neptune UK Mid Cap Fund

## Investment Manager's report

for the year ended 31 December 2018 (continued)

The Portfolio statement as at 31 December 2018 is as follows:

Holding	Portfolio of investments	Market value £000	Total net assets %
	<b>United Kingdom 95.80% (2017 - 97.54%)</b>		
	<b>Consumer Goods 16.06% (2017 - 14.76%)</b>		
	<b>Automobiles &amp; Parts 3.37%</b>		
5,901,670	TI Fluid Systems	9,868	3.37
	<b>Food Producers 9.77%</b>		
17,922,871	Devro	28,569	9.77
	<b>Personal Goods 2.92%</b>		
4,025,189	PZ Cussons	8,550	2.92
	<b>Consumer Services 8.48% (2017 - 14.62%)</b>		
	<b>Media 8.48%</b>		
1,003,455	Euromoney Institutional Investor	11,700	4.00
20,616,350	ITE	13,091	4.48
	<b>Financials 3.32% (2017 - 2.12%)</b>		
	<b>Financial Services 1.70%</b>		
4,649,354	IP	4,975	1.70
	<b>Nonlife Insurance 1.62%</b>		
780,735	Lancashire	4,743	1.62
	<b>Health Care 12.60% (2017 - 11.53%)</b>		
	<b>Health Care Equipment &amp; Services 5.19%</b>		
1,648,428	Consort Medical	15,182	5.19
	<b>Pharmaceuticals &amp; Biotechnology 7.41%</b>		
20,822,470	Circassia Pharmaceuticals	10,224	3.50
16,335,845	Vectura	11,451	3.91
	<b>Industrials 35.37% (2017 - 32.44%)</b>		
	<b>Aerospace &amp; Defence 5.85%</b>		
8,285,100	Chemring	13,289	4.54
1,232,822	Senior	2,302	0.79
116,214	Ultra Electronics	1,513	0.52
	<b>Electronic &amp; Electrical Equipment 3.66%</b>		
64,601	Bodycote	467	0.16
365,403	IMI	3,466	1.19
2,557,883	Morgan Advanced Materials	6,768	2.31
	<b>Support Services 25.86%</b>		
5,196,854	De La Rue	21,905	7.49
5,885,996	Equiniti	12,773	4.37
3,961,575	Essentra	13,588	4.65
1,620,018	PayPoint	12,976	4.44
22,495,107	Renewi	7,356	2.51
5,217,754	RPS	7,023	2.40
	<b>Technology 16.86% (2017 - 17.54%)</b>		
	<b>Software &amp; Computer Services 8.98%</b>		
14,812,660	NCC	26,263	8.98
	<b>Technology Hardware &amp; Equipment 7.88%</b>		
19,369,242	Spirent Communications	23,049	7.88

# Neptune UK Mid Cap Fund

## Investment Manager's report

for the year ended 31 December 2018 (continued)

The Portfolio statement as at 31 December 2018 (continued)

Holding	Portfolio of investments	Market value £000	Total net assets %
	<b>Telecommunications 3.11% (2017 - 4.53%)</b>		
	<b>Fixed Line Telecommunications 3.11%</b>		
635,060	Telecom Plus	9,094	3.11
	<b>Netherlands 0.83% (2017 - 0.00%)</b>		
60,955	Rhi Magnesita	2,414	0.83
	Portfolio of investments	282,599	96.63
	Net other assets	9,849	3.37
	Net assets	292,448	100.00

All holdings are ordinary shares or stock units unless otherwise stated.

The top five purchases and sales for the year are as follows:

Purchases	Cost £000
NCC	23,027
Vectura	20,082
Lancashire	20,055
Renewi	18,453
De La Rue	17,620

Sales	Proceeds £000
Laird	42,404
Saga	40,465
ITE	31,183
Ultra Electronics	29,646
Spirent Communications	29,462

## Fund information

### Performance record

#### A Accumulation

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 1.82%			
<b>Change in net asset per share</b>			
Opening net asset value per share	485.90	427.84	415.15
Return before operating charges	(87.08)	65.81	19.43
Operating charges	(7.54)	(7.75)	(6.74)
Return after operating charges	(94.62)	58.06	12.69
Distributions	(8.40)	(4.54)	(4.60)
Retained distributions on accumulation shares	8.40	4.54	4.60
Closing net asset value per share	391.28	485.90	427.84
After direct transaction costs of:	1.98	3.48	2.63
<b>Performance</b>			
Return after operating charges	(19.47)%	13.57%	3.06%
	£000	£000	£000
<b>Other information</b>			
Closing net asset value	16,915	32,449	40,966
Closing number of shares	4,322,921	6,678,065	9,574,952
Operating Charge Figure	1.65%	1.67%	1.67%
Direct transaction costs	0.43%	0.75%	0.65%
OCF/TER cap	1.78%	1.80%	1.80%
Research fee	0.01%	—	—
Research fee rebate	(0.04)%	—	—
<b>Prices</b>			
Highest share price	486.50p	501.70p	442.40p
Lowest share price	383.10p	426.00p	362.20p

#### C Income

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 0.95%			
<b>Change in net asset per share</b>			
Opening net asset value per share	115.14	103.21	102.13
Return before operating charges	(20.49)	15.80	4.66
Operating charges	(0.85)	(0.92)	(0.81)
Return after operating charges	(21.34)	14.88	3.85
Distributions	(3.74)	(2.95)	(2.77)
Closing net asset value per share	90.06	115.14	103.21
After direct transaction costs of:	0.47	0.84	0.64
<b>Performance</b>			
Return after operating charges	(18.53)%	14.42%	3.77%
	£000	£000	£000
<b>Other information</b>			
Closing net asset value	26,085	59,766	36,893
Closing number of shares	28,962,188	51,908,999	35,746,547
Operating Charge Figure	0.79%	0.82%	0.82%
Direct transaction costs	0.43%	0.75%	0.65%
OCF/TER cap	0.93%	0.90%	0.90%
Research fee	0.01%	—	—
Research fee rebate	(0.04)%	—	—
<b>Prices</b>			
Highest share price	115.40p	120.10p	107.80p
Lowest share price	90.09p	102.80p	89.18p

## Fund information (continued)

### Performance record (continued)

#### C Accumulation

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 0.95%			
<b>Change in net asset per share</b>			
Opening net asset value per share	175.36	153.10	147.30
Return before operating charges	(31.63)	23.63	6.98
Operating charges	(1.31)	(1.37)	(1.18)
Return after operating charges	(32.94)	22.26	5.80
Distributions	(4.45)	(3.05)	(2.87)
Retained distributions on accumulation shares	4.45	3.05	2.87
Closing net asset value per share	142.42	175.36	153.10
After direct transaction costs of:	0.72	1.25	0.94
<b>Performance</b>			
Return after operating charges	(18.78)%	14.54%	3.94%
	£000	£000	£000
<b>Other information</b>			
Closing net asset value	170,447	350,419	395,921
Closing number of shares	119,677,547	199,828,855	258,601,498
Operating Charge Figure	0.79%	0.82%	0.82%
Direct transaction costs	0.43%	0.75%	0.65%
OCF/TER cap	0.93%	0.90%	0.90%
Research fee	0.01%	—	—
Research fee rebate	(0.04)%	—	—
<b>Prices</b>			
Highest share price	175.70p	180.80p	158.00p
Lowest share price	139.40p	152.60p	128.60p

#### D Accumulation

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 0.85%			
<b>Change in net asset per share</b>			
Opening net asset value per share	157.67	137.52	132.18
Return before operating charges	(28.45)	21.23	6.27
Operating charges	(1.03)	(1.08)	(0.93)
Return after operating charges	(29.48)	20.15	5.34
Distributions	(4.16)	(2.89)	(2.71)
Retained distributions on accumulation shares	4.16	2.89	2.71
Closing net asset value per share	128.19	157.67	137.52
After direct transaction costs of:	0.64	1.12	0.84
<b>Performance</b>			
Return after operating charges	(18.70)%	14.65%	4.04%
	£000	£000	£000
<b>Other information</b>			
Closing net asset value	79,001	130,295	124,202
Closing number of shares	61,629,550	82,638,625	90,316,227
Operating Charge Figure	0.69%	0.72%	0.72%
Direct transaction costs	0.43%	0.75%	0.65%
OCF/TER cap	0.83%	0.80%	0.80%
Research fee	0.01%	—	—
Research fee rebate	(0.04)%	—	—
<b>Prices</b>			
Highest share price	158.00p	162.50p	141.90p
Lowest share price	125.50p	137.00p	115.40p

### Fund information (continued)

#### Performance record (continued)

Research costs are defined in the Notes on page 188 and for the period 1 January 2018 to 31 December 2018 the research cost was £65,567. Additionally in the period, a rebate of research costs of £207,981 was credited to the Fund. This represented unused research costs accrued for in 2017.

#### Fund performance

The performance of the Fund is shown in the Investment Manager's report on page 180.

Details of the distributions per share for the year are shown in the distribution tables on page 193.

#### Status

Neptune UK Mid Cap Fund is a sub-fund of Neptune Investment Funds which is a UCITS scheme.

#### Risk warning

Please remember that past performance should not be seen as a guide to future performance and that the value of an investment in an OEIC and the income from it can fall as well as rise and may be affected by exchange rate variations.

## Financial Statements

### Statement of total return

for the year ended 31 December 2018

	Note	31 December 2018		31 December 2017	
		£000	£000	£000	£000
Income					
Net capital (losses)/gains	2		(94,319)		68,937
Revenue	3	15,788		15,507	
Expenses	4	(3,678)		(4,955)	
Interest payable and similar charges		(19)		(38)	
Net revenue before taxation		12,091		10,514	
Taxation	5	—		—	
Net revenue after taxation			12,091		10,514
Total return before distributions			(82,228)		79,451
Distributions	6		(12,465)		(10,909)
Change in net assets attributable to shareholders from investment activities			(94,693)		68,542

### Statement of change in net assets attributable to shareholders

for the year ended 31 December 2018

	31 December 2018		31 December 2017	
	£000	£000	£000	£000
Opening net assets attributable to shareholders		572,929		597,981
Amounts received on issue of shares	10,948		35,732	
Amounts paid on cancellation of shares	(204,989)		(138,656)	
		(194,041)		(102,924)
Change in net assets attributable to shareholders from investment activities		(94,693)		68,542
Retained distribution on accumulation shares		8,253		9,330
Closing net assets attributable to shareholders		292,448		572,929

## Financial Statements (continued)

### Balance sheet

as at 31 December 2018

	Note	31 December 2018		31 December 2017	
		£000	£000	£000	£000
<b>Assets</b>					
Fixed assets					
Investments			282,599		558,847
Current assets					
Debtors	7	1,862		1,498	
Cash and bank balances	8	10,027		18,606	
Total current assets			11,889		20,104
Total assets			294,488		578,951
<b>Liabilities</b>					
Creditors					
Distribution payable		(569)		(684)	
Other creditors	9	(1,471)		(5,338)	
Total liabilities			(2,040)		(6,022)
Net assets attributable to shareholders			292,448		572,929

The accompanying notes are an integral part of these financial statements.

## Notes to the Financial Statements

for the year ended 31 December 2018

### 1 Accounting policies

For accounting policies relating to this Fund please refer to the notes on pages 9 to 13.

2 Net capital (losses)/gains	31 December 2018 £000	31 December 2017 £000
Non-derivative securities	(94,304)	68,987
Transaction charges	(15)	(50)
Net capital (losses)/gains	<u>(94,319)</u>	<u>68,937</u>
3 Revenue	31 December 2018 £000	31 December 2017 £000
Bank interest	2	1
Scrip dividends	—	80
UK dividends	15,303	14,949
Overseas dividends	483	477
Total revenue	<u>15,788</u>	<u>15,507</u>
4 Expenses	31 December 2018 £000	31 December 2017 £000
<i>Payable to the ACD, associates of the ACD and agents of either of them:</i>		
ACD's periodic charge	3,525	4,583
Distribution fees	8	24
Printing costs	13	19
Registration fees	10	10
Transfer agent fees	73	79
	<u>3,629</u>	<u>4,715</u>
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	106	140
Safe custody fees	37	43
	<u>143</u>	<u>183</u>
<i>Other expenses:</i>		
Audit fee	16	21
Legal and professional fees	24	36
Publication costs	8	—
Research fees	(142)	—
	<u>(94)</u>	<u>57</u>
Total expenses	<u>3,678</u>	<u>4,955</u>



## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

### 5 Taxation

	31 December 2018 £000	31 December 2017 £000
(a) Analysis of charge in the year:		
Total taxation for the year	—	—
(b) Factors affecting current tax charge for the year:		
The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an authorised OEIC (20%).		
The differences are explained below:		
	31 December 2018 £000	31 December 2017 £000
Net revenue before taxation	12,091	10,514
Corporation tax at 20% (2017: 20%)	2,418	2,103
Effects of:		
Movement in excess management expenses	739	998
Revenue not subject to taxation	(3,157)	(3,101)
Current tax charge for the year	—	—
(c) Deferred tax		
At the year end, there is a potential deferred tax asset of £4,857,438 (2017: £4,118,475) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore, no deferred tax assets have been recognised in the current or prior year.		

### 6 Distributions

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

	31 December 2018 £000	31 December 2017 £000
Interim	842	6,384
Final	8,822	4,355
Add: Amounts deducted on cancellation of shares	2,914	373
Deduct: Amounts received on issue of shares	(113)	(203)
Net distribution for the year	12,465	10,909
Reconciliation of net revenue after taxation to distributions		
Net revenue after taxation	12,091	10,514
Capital expenses	374	395
Net distribution for the year	12,465	10,909

Details of the distribution per share are set out in the distribution tables on page 193.

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

7 Debtors	31 December 2018	31 December 2017
	£000	£000
Accrued revenue	1,369	956
Amounts receivable for issue of shares	10	522
Sales awaiting settlement	483	20
Total debtors	<u>1,862</u>	<u>1,498</u>
8 Cash and bank balances	31 December 2018	31 December 2017
	£000	£000
Cash and bank balances	10,027	18,606
	<u>10,027</u>	<u>18,606</u>
9 Creditors	31 December 2018	31 December 2017
	£000	£000
ACD's periodic charge	199	350
Accrued expenses	84	157
Amounts payable on cancellation of shares	1,186	3,149
Interest payable	1	—
Purchases awaiting settlement	1	1,682
Total creditors	<u>1,471</u>	<u>5,338</u>

### 10 Related party transactions

General details on related parties are shown in the notes on pages 9 to 13.

Amounts paid to/from the ACD and Depositary are shown in note 4 on page 188. The balances due at the year end are shown in notes 7 and 9.

### 11 Shareholder funds

Details relating to the Fund are shown in the notes on pages 9 to 13.

### 12 Contingent liabilities, contingent assets and commitments

There were no contingent liabilities, contingent assets or outstanding commitments at the balance sheet date (2017: nil).

### 13 Swing pricing

The ACD's swing pricing policy is disclosed in the notes on pages 9 to 13.

### 14 Derivatives and other financial instruments

The main risk from the Fund's holdings of financial instruments together with the ACD's policy for managing these risks are disclosed in the notes on pages 9 to 13.

As an international equity fund the Fund is exposed to market price risk, currency risk, liquidity risk and counterparty risk. The Fund does not invest in debt securities and therefore has no material exposure to interest rate risk or credit risk.

As at 31 December 2018, if the price of investments held by the Fund increased or decreased by 2%, the resulting change in net assets attributable to shareholders would have been an increase or decrease of approximately 1%; which for this Fund would equate to £2,825,994 (2017: £5,588,470).

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

### 15 Portfolio transaction costs

Analysis of total trade costs

	Purchases		Sales	
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	£000	£000	£000	£000
Equities	344,283	680,356	528,409	790,540
Trades in the year before transaction costs	344,283	680,356	528,409	790,540
Commissions				
Equities	164	564	(261)	(660)
Total commissions	164	564	(261)	(660)
Taxes				
Equities	1,540	3,187	(1)	(2)
Total taxes	1,540	3,187	(1)	(2)
Total costs	1,704	3,751	(262)	(662)
Total net trades in the year after transaction costs	345,987	684,107	528,147	789,878

In the case of shares, commissions and taxes are paid by the Fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments and derivatives) have no separately identifiable transaction costs: these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the dealing spread was 0.63% (2017: 0.40%).

Total transaction cost expressed as a percentage of asset class:

	Purchases		Sales	
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	%	%	%	%
Commissions				
Equities	0.05	0.08	(0.05)	(0.08)
Taxes				
Equities	0.45	0.47	—	—

Total transaction cost expressed as a percentage of average NAV:

For the year ended

	31 December	31 December
	2018	2017
	%	%
Commissions	0.09	0.21
Taxes	0.34	0.54
Total	0.43	0.75

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

### 16 Post balance sheet events

There were no post balance sheet events.

### 17 Share reconciliation

Reconciliation of the share movements in the year

	A Accumulation	31 December 2018 C Income	C Accumulation	D Accumulation
Opening shares in issue	6,678,065	51,908,999	199,828,855	82,638,625
Creations during the year	28,578	5,243,101	97,643	3,312,958
Cancellations during the year	(2,383,722)	(28,189,912)	(80,248,951)	(24,322,033)
Closing shares in issue	<u>4,322,921</u>	<u>28,962,188</u>	<u>119,677,547</u>	<u>61,629,550</u>

### 18 Fair value hierarchy

Valuation technique

	Assets 31 December 2018 £000	Liabilities 31 December 2018 £000	Assets 31 December 2017 £000	Liabilities 31 December 2017 £000
Level 1	<u>282,599</u>	<u>—</u>	<u>558,847</u>	<u>—</u>
	<u>282,599</u>	<u>—</u>	<u>558,847</u>	<u>—</u>

The Fund has no Level 2 or Level 3 financial instruments.

## Distribution table

for the year ended 31 December 2018 – in pence per share

### Interim

Group 1-Shares purchased prior to 1 January 2018

Group 2-Shares purchased on or after 1 January 2018 to 30 June 2018

	Net revenue	Equalisation	Paid 31 August 2018	Paid 31 August 2017
<b>A Accumulation shares</b>				
Group 1	—	—	—	3.0181
Group 2	—	—	—	3.0181
<b>C Income shares</b>				
Group 1	1.7803	—	1.7803	1.6308
Group 2	1.0646	0.7157	1.7803	1.6308
<b>C Accumulation shares</b>				
Group 1	—	—	—	1.7684
Group 2	—	—	—	1.7684
<b>D Accumulation shares</b>				
Group 1	—	—	—	1.6617
Group 2	—	—	—	1.6617

### Final

Group 1-Shares purchased prior to 1 July 2018

Group 2-Shares purchased on or after 1 July 2018 to 31 December 2018

	Net revenue	Equalisation	Payable 28 February 2019	Paid 28 February 2018
<b>C Income shares</b>				
Group 1	1.9646	—	1.9646	1.3174
Group 2	0.9329	1.0317	1.9646	1.3174

### Final

Group 1-Shares purchased prior to 1 January 2018

Group 2-Shares purchased on or after 1 January 2018 to 31 December 2018

	Net revenue	Equalisation	Payable 28 February 2019	Paid 28 February 2018
<b>A Accumulation shares</b>				
Group 1	8.3961	—	8.3961	1.5185
Group 2	5.5346	2.8615	8.3961	1.5185
<b>C Accumulation shares</b>				
Group 1	4.4528	—	4.4528	1.2790
Group 2	2.7942	1.6586	4.4528	1.2790
<b>D Accumulation shares</b>				
Group 1	4.1555	—	4.1555	1.2272
Group 2	2.2852	1.8703	4.1555	1.2272

The Accumulation share classes have changed distribution frequency and from 30 June 2018 will be distributing only at every year end.

## Investment objective

The investment objective of the Neptune UK Opportunities Fund (the Fund) is to seek to achieve capital growth by exploiting special situations and investing principally in UK equities considered to be undervalued.

Other eligible asset classes may include collective investment schemes, other transferable securities, cash or near cash, deposits and money market instruments.

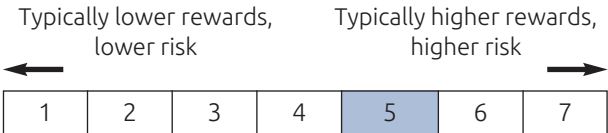
It is anticipated that derivative instruments and forward transactions may be used by the ACD for EPM.

It is the intention to be near-fully invested at all times, however, the Fund has the facility to take tactical positions in cash or near cash should the ACD feel it appropriate.

The portfolio will be managed to ensure that the Fund is at all times eligible to be included in an ISA.

## Risk and reward profile

The risk and reward indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the risk and reward indicator.



The Fund is in Category 5 because of the high range and frequency of price movements (volatility) of the underlying investments referenced by the Fund.

The following are additional risks not covered by the risk and reward category.

- This Fund holds a limited number of investments. If one of these investments falls in value this can have a greater impact on the Fund's value than if it held a larger number of investments.
- Although this Fund invests in companies of all sizes, significant investment will be made in smaller company shares. These may be riskier as they can be more difficult to buy and sell and their share prices may move up and down more than larger companies.
- For a full list of the Fund's risks, please see the Prospectus.

## Investment Manager's report

for the year ended 31 December 2018

The Neptune UK Opportunities Fund returned –17.2% in 2018, versus the FTSE All-Share Index gain of –9.5%.\*

The broad UK market was firmly in negative territory for the year as fears over Brexit, trade wars between the US and China and the prospect of rising interest rates dominated sentiment. This poor performance was compounded, especially for international investors, by significant weakness in trade-weighted sterling. Within this, mid-caps underperformed and small-caps were in line with the broad market. The Fund underperformed its benchmark, partly due to its overweight positioning in mid-cap companies. I continue to believe it is more important than ever to concentrate on economic risk (i.e. capital preservation) at this stage in the cycle, with wage pressure building and margin pressure potentially ensuing.

Notably strong performance over the year came from Spirent, the telecoms equipment company, which benefited from increasing spend by telecoms companies on the forthcoming 5G network for mobile phones and excitement around the internet of things. Rio Tinto, the metals and materials company, also performed well as the market reappraised its strong position in the iron ore market. Poor relative performance came from the Fund's holdings in Renewi, the waste recycling business, ITE, the global events and exhibitions business and De La Rue, the security products business. Brexit fears and Trump trade war fears contributed to weakness in Renewi and ITE whilst management change and the loss of the UK passport contract contributed to De La Rue's weakness. The portfolio reduced its exposure to Renewi due to balance sheet concerns and regulatory uncertainty whilst maintaining exposure to De La Rue and ITE due to continued confidence in their long-term market positions and underappreciated growth drivers, combined with low valuations.

Our long-held concerns over the outlook for the UK consumer continued to be reflected in economic data and corporate updates. Whilst valuations in some domestic consumer cyclical companies are optically low, we remain underweight that area of the market. Where

we do have exposure to UK-focused companies, we primarily target those with structural earnings drivers and highly visible earnings pipelines.

We remain confident in the prospects for the UK market on the basis of low valuations relative to global markets, especially amongst selective UK mid- and small-cap companies. Whilst the outlook is uncertain for the UK economy, this is well-known and likely to be significantly discounted already. M&A activity has continued, encouragingly, even in spite of this uncertainty.

We continue to focus on maximising risk-adjusted performance over the business cycle by way of our style agnostic approach, structuring your Fund around the three silos of economic recovery, structural growth and corporate turnarounds. While we are somewhat cautious of elevated valuations in the broad market we believe that the current environment creates unusually large opportunities for alpha generation. We are excited by the investment opportunities in 2019 and believe there is significant potential for long-term outperformance in the coming months and years.

*\*Source: Morningstar, C Accumulation share class performance, in sterling with no initial charges, net revenue reinvested to 31 December 2018. The performance of other share classes may differ. Past performance is not a guide for future performance. The value of an investment and any revenue from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the original amount invested. References to specific securities and sectors are for illustration purposes only and should not be taken as a recommendation to buy or sell these securities. Neptune Funds are not tied to replicating a benchmark and holdings can therefore vary from those in the index quoted. For this reason the comparison index should be used for reference only. Forecasts are not a reliable indicator of future performance. Any views expressed are those of Neptune as at the date of issue and we do not undertake to advise you as to any changes in our views. Please refer to the Prospectus for further details.*

# Neptune UK Opportunities Fund

## Investment Manager's report

for the year ended 31 December 2018 (continued)

The Portfolio statement as at 31 December 2018 is as follows:

Holding	Portfolio of investments	Market value £000	Total net assets %
	<b>United Kingdom 91.19% (2017 - 93.35%)</b>		
	<b>Basic Materials 4.67% (2017 - 4.02%)</b>		
	<b>Chemicals 1.30%</b>		
6,000	Johnson Matthey	167	1.30
	<b>Mining 3.37%</b>		
20,000	Antofagasta	157	1.22
7,358	Rio Tinto	277	2.15
	<b>Consumer Goods 15.00% (2017 - 14.36%)</b>		
	<b>Food Producers 9.62%</b>		
775,825	Devro	1,237	9.62
	<b>Household Goods &amp; Home Construction 1.94%</b>		
200,000	McBride	249	1.94
	<b>Personal Goods 3.44%</b>		
208,268	PZ Cussons	442	3.44
	<b>Consumer Services 4.11% (2017 - 7.68%)</b>		
	<b>Media 4.11%</b>		
833,771	ITE	529	4.11
	<b>Financials 4.45% (2017 - 4.46%)</b>		
	<b>Life Insurance 1.46%</b>		
50,000	Aviva	188	1.46
	<b>Real Estate Investment &amp; Services 2.99%</b>		
797,850	Raven Property	384	2.99
	<b>Health Care 16.08% (2017 - 5.70%)</b>		
	<b>Health Care Equipment &amp; Services 5.31%</b>		
74,082	Consort Medical	682	5.31
	<b>Pharmaceuticals &amp; Biotechnology 10.77%</b>		
684,476	Circassia Pharmaceuticals	336	2.61
1,496,510	Vectura	1,049	8.16
	<b>Industrials 32.45% (2017 - 42.60%)</b>		
	<b>Aerospace &amp; Defense 8.28%</b>		
663,651	Chemring	1,064	8.28
	<b>Electronic &amp; Electrical Equipment 2.79%</b>		
41,317	Oxford Instruments	359	2.79
	<b>General Industrials 2.20%</b>		
20,738	Smiths	283	2.20
	<b>Industrial Engineering 0.48%</b>		
8,614	Bodycote	62	0.48
	<b>Support Services 18.70%</b>		
42,695	De La Rue	180	1.40
270,261	Equiniti	586	4.56
149,062	Essentra	511	3.97
57,380	PayPoint	460	3.58
670,068	Renewi	219	1.70
332,755	RPS	448	3.49



# Neptune UK Opportunities Fund

## Investment Manager's report

for the year ended 31 December 2018 (continued)

The Portfolio statement as at 31 December 2018 (continued)

Holding	Portfolio of investments	Market value £000	Total net assets %
	<b>Oil &amp; Gas 1.54% (2017 - 2.46%)</b>		
	Oil & Gas Producers 1.54%		
8,503	Royal Dutch Shell 'B'	198	1.54
	<b>Technology 8.67% (2017 - 9.46%)</b>		
	Software & Computer Services 4.39%		
317,962	NCC	564	4.39
	Technology Hardware & Equipment 4.28%		
463,338	Spirent Communications	551	4.28
	<b>Telecommunications 4.22% (2017 - 2.92%)</b>		
	Fixed Line Telecommunications 4.22%		
37,902	Telecom Plus	543	4.22
	<b>Switzerland 1.14% (2017 - 1.61%)</b>		
50,000	Glencore	147	1.14
	<b>United States 7.01% (2017 - 3.50%)</b>		
534,637	PureTech Health	901	7.01
	Portfolio of investments	12,773	99.34
	Net other assets	85	0.66
	Net assets	12,858	100.00

All holdings are ordinary shares or stock units unless otherwise stated.

The top five purchases and sales for the year are as follows:

Purchases	Cost £000
Devro	1,591
Vectura	1,180
De La Rue	925
Equiniti	907
Renewi	828

Sales	Proceeds £000
De La Rue	1,627
PZ Cussons	1,336
PayPoint	1,034
Ultra Electronics	952
Chemring	918

## Fund information

### Performance record

#### A Accumulation

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 1.93%			
<b>Change in net asset per share</b>			
Opening net asset value per share	222.80	198.25	186.97
Return before operating charges	(36.31)	28.51	14.60
Operating charges	(3.82)	(3.96)	(3.32)
Return after operating charges	(40.13)	24.55	11.28
Distributions	(3.18)	(2.77)	(2.40)
Retained distributions on accumulation shares	3.18	2.77	2.40
Closing net asset value per share	182.67	222.80	198.25
After direct transaction costs of:	0.95	0.72	0.93
<b>Performance</b>			
Return after operating charges	(18.01)%	12.38%	6.03%
	£000	£000	£000
<b>Other information</b>			
Closing net asset value	3,065	4,709	5,405
Closing number of shares	1,677,876	2,113,536	2,726,551
Operating Charge Figure	1.80%	1.85%	1.80%
Direct transaction costs	0.44%	0.34%	0.50%
OCF/TER cap	1.96%	1.90%	1.80%
Research fee	0.01%	—	—
Research fee rebate	(0.01)%	—	—
<b>Prices</b>			
Highest share price	227.10p	225.90p	202.30p
Lowest share price	179.70p	197.30p	163.70p

#### C Income

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 1.06%			
<b>Change in net asset per share</b>			
Opening net asset value per share	107.93	98.21	94.71
Return before operating charges	(17.45)	14.07	7.28
Operating charges	(0.95)	(1.06)	(0.92)
Return after operating charges	(18.40)	13.01	6.36
Distributions	(3.34)	(3.29)	(2.86)
Closing net asset value per share	86.19	107.93	98.21
After direct transaction costs of:	0.45	0.36	0.46
<b>Performance</b>			
Return after operating charges	(17.05)%	13.25%	6.71%
	£000	£000	£000
<b>Other information</b>			
Closing net asset value	44	114	88
Closing number of shares	51,299	105,736	89,469
Operating Charge Figure	0.93%	1.01%	1.00%
Direct transaction costs	0.44%	0.34%	0.50%
OCF/TER cap	1.11%	1.10%	1.00%
Research fee	0.01%	—	—
Research fee rebate	(0.01)%	—	—
<b>Prices</b>			
Highest share price	110.20p	110.80p	101.30p
Lowest share price	86.33p	97.81p	83.01p

## Fund information (continued)

### Performance record (continued)

#### C Accumulation

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 1.06%			
<b>Change in net asset per share</b>			
Opening net asset value per share	174.53	153.98	144.02
Return before operating charges	(28.64)	22.22	11.36
Operating charges	(1.57)	(1.67)	(1.40)
Return after operating charges	(30.21)	20.55	9.96
Distributions	(3.93)	(3.57)	(3.03)
Retained distributions on accumulation shares	3.93	3.57	3.03
Closing net asset value per share	144.32	174.53	153.98
After direct transaction costs of:	0.74	0.56	0.72
<b>Performance</b>			
Return after operating charges	(17.31)%	13.35%	6.91%
	£000	£000	£000
<b>Other information</b>			
Closing net asset value	9,049	13,243	21,562
Closing number of shares	6,269,977	7,587,743	14,003,675
Operating Charge Figure	0.94%	1.00%	0.98%
Direct transaction costs	0.44%	0.34%	0.50%
OCF/TER cap	1.11%	1.10%	1.00%
Research fee	0.01%	—	—
Research fee rebate	(0.01)%	—	—
<b>Prices</b>			
Highest share price	178.20p	176.70p	156.80p
Lowest share price	141.90p	153.30p	126.20p

#### D Accumulation

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 0.96%			
<b>Change in net asset per share</b>			
Opening net asset value per share	123.06	108.46	101.35
Return before operating charges	(20.22)	15.66	8.00
Operating charges	(0.99)	(1.06)	(0.89)
Return after operating charges	(21.21)	14.60	7.11
Distributions	(2.89)	(2.63)	(2.23)
Retained distributions on accumulation shares	2.89	2.63	2.23
Closing net asset value per share	101.85	123.06	108.46
After direct transaction costs of:	0.52	0.40	0.50
<b>Performance</b>			
Return after operating charges	(17.24)%	13.46%	7.02%
	£000	£000	£000
<b>Other information</b>			
Closing net asset value	700	1,119	1,639
Closing number of shares	687,120	909,854	1,510,962
Operating Charge Figure	0.84%	0.90%	0.88%
Direct transaction costs	0.44%	0.34%	0.50%
OCF/TER cap	1.01%	1.00%	0.90%
Research fee	0.01%	—	—
Research fee rebate	(0.01)%	—	—
<b>Prices</b>			
Highest share price	125.70p	124.60p	110.40p
Lowest share price	100.20p	108.00p	88.84p

## Fund information (continued)

### Performance record (continued)

Research costs are defined in the Notes on page 203 and for the period 1 January 2018 to 31 December 2018 the research cost was £2,366. Additionally in the period, a rebate of research costs of £1,906 was credited to the Fund. This represented unused research costs accrued for in 2017.

### Fund performance

The performance of the Fund is shown in the Investment Manager's report on page 195.

Details of the distributions per share for the year are shown in the distribution tables on page 208.

### Status

Neptune UK Opportunities Fund is a sub-fund of Neptune Investment Funds which is a UCITS scheme.

### Risk warning

Please remember that past performance should not be seen as a guide to future performance and that the value of an investment in an OEIC and the income from it can fall as well as rise and may be affected by exchange rate variations.

## Financial Statements

### Statement of total return

for the year ended 31 December 2018

	Note	31 December 2018		31 December 2017	
		£000	£000	£000	£000
Income					
Net capital (losses)/gains	2		(3,258)		2,440
Revenue	3	546		685	
Expenses	4	(186)		(258)	
Interest payable and similar charges		(1)		—	
Net revenue before taxation		359		427	
Taxation	5	—		—	
Net revenue after taxation			359		427
Total return before distributions			(2,899)		2,867
Distributions	6		(360)		(428)
Change in net assets attributable to shareholders from investment activities			(3,259)		2,439

### Statement of change in net assets attributable to shareholders

for the year ended 31 December 2018

	31 December 2018		31 December 2017	
	£000	£000	£000	£000
Opening net assets attributable to shareholders		19,185		28,694
Amounts received on issue of shares	584		928	
Amounts paid on cancellation of shares	(3,972)		(13,274)	
		(3,388)		(12,346)
Dilution adjustment charged		—		5
Change in net assets attributable to shareholders from investment activities		(3,259)		2,439
Retained distribution on accumulation shares		320		393
Closing net assets attributable to shareholders		12,858		19,185

## Financial Statements (continued)

### Balance sheet

as at 31 December 2018

	Note	31 December 2018		31 December 2017	
		£000	£000	£000	£000
<b>Assets</b>					
Fixed assets					
Investments			12,773		18,891
Current assets					
Debtors	7	52		747	
Cash and bank balances	8	152		—	
Total current assets			204		747
Total assets			12,977		19,638
<b>Liabilities</b>					
Creditors					
Bank overdrafts	8	—		(370)	
Distribution payable		(1)		(2)	
Other creditors	9	(118)		(81)	
Total liabilities			(119)		(453)
Net assets attributable to shareholders			12,858		19,185

The accompanying notes are an integral part of these financial statements.

## Notes to the Financial Statements

for the year ended 31 December 2018

### 1 Accounting policies

For accounting policies relating to this Fund please refer to the notes on pages 9 to 13.

### 2 Net capital (losses)/gains

	31 December 2018	31 December 2017
	£000	£000
Non-derivative securities	(3,254)	2,446
Transaction charges	(4)	(6)
Net capital (losses)/gains	<u>(3,258)</u>	<u>2,440</u>

### 3 Revenue

	31 December 2018	31 December 2017
	£000	£000
UK dividends	536	681
Overseas dividends	10	4
Total revenue	<u>546</u>	<u>685</u>

### 4 Expenses

	31 December 2018	31 December 2017
	£000	£000
<i>Payable to the ACD, associates of the ACD and agents of either of them:</i>		
ACD's periodic charge	159	208
Distribution fees	8	24
Printing costs	(3)	3
Registration fees	4	3
Transfer agent fees	3	3
	<u>171</u>	<u>241</u>
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	5	8
Safe custody fees	1	2
	<u>6</u>	<u>10</u>
<i>Other expenses:</i>		
Audit fee	5	5
Legal and professional fees	1	1
Publication costs	3	1
	<u>9</u>	<u>7</u>
Total expenses	<u>186</u>	<u>258</u>

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

### 5 Taxation

31 December 2018  
£000

31 December 2017  
£000

(a) Analysis of charge in the year:

Total taxation for the year

—

—

(b) Factors affecting current tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an authorised OEIC (20%).

The differences are explained below:

31 December 2018  
£000

31 December 2017  
£000

Net revenue before taxation

359

427

Corporation tax at 20% (2017: 20%)

72

85

Effects of:

Movement in excess management expenses

37

52

Revenue not subject to taxation

(109)

(137)

Current tax charge for the year

—

—

(c) Deferred tax

At the year end, there is a potential deferred tax asset of £703,887 (2017: £666,488) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore, no deferred tax assets have been recognised in the current or prior year.

### 6 Distributions

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

31 December 2018  
£000

31 December 2017  
£000

Interim

2

257

Final

320

139

Add: Amounts deducted on cancellation of shares

44

36

Deduct: Amounts received on issue of shares

(6)

(4)

Net distribution for the year

360

428

Reconciliation of net revenue after taxation to distributions

Net revenue after taxation

359

427

Expenses charged to capital

1

1

Net distribution for the year

360

428

Details of the distributions per share are set out in the distribution tables on page 208.



## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

<b>7 Debtors</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>£000</b>	<b>£000</b>
Accrued revenue	32	23
Amounts receivable for issue of shares	1	9
Sales awaiting settlement	19	715
Total debtors	<u>52</u>	<u>747</u>
<b>8 Cash and bank balances</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>£000</b>	<b>£000</b>
Cash and bank balances	152	—
Bank overdrafts	—	(370)
	<u>152</u>	<u>(370)</u>
<b>9 Creditors</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>£000</b>	<b>£000</b>
ACD's periodic charge	11	14
Rebate borne by ACD	2	2
Accrued expenses	12	32
Amounts payable on cancellation of shares	93	31
Purchases awaiting settlement	—	2
Total creditors	<u>118</u>	<u>81</u>

### 10 Related party transactions

General details on related parties are shown in the notes on pages 9 to 13.

Amounts paid to/from the ACD and Depositary are shown in note 4 on page 203. The balances due at the year end are shown in notes 7 and 9.

### 11 Shareholder funds

Details relating to the Fund are shown in the notes on pages 9 to 13.

### 12 Contingent liabilities, contingent assets and commitments

There were no contingent liabilities, contingent assets or outstanding commitments at the balance sheet date (2017: nil).

### 13 Swing pricing

The ACD's swing pricing policy is disclosed in the notes on pages 9 to 13.

### 14 Derivatives and other financial instruments

The main risk from the Fund's holdings of financial instruments together with the ACD's policy for managing these risks are disclosed in the notes on pages 9 to 13.

As a UK equity fund the Fund is exposed to market price risk, currency risk, liquidity risk and counterparty risk. The Fund does not invest in debt securities and therefore has no material exposure to interest rate risk or credit risk.

As at 31 December 2018, if the price of investments held by the Fund increased or decreased by 1%, the resulting change in net assets attributable to shareholders would have been an increase or decrease of approximately 1%; which for this Fund would equate to £127,730 (2017: £188,905).

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

### 15 Portfolio transaction costs

Analysis of total trade costs

	Purchases		Sales	
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	£000	£000	£000	£000
Equities	13,160	10,937	16,117	22,491
Trades in the year before transaction costs	13,160	10,937	16,117	22,491
Commissions				
Equities	6	7	(8)	(16)
Total commissions	6	7	(8)	(16)
Taxes				
Equities	60	53	—	—
Total taxes	60	53	—	—
Total costs	66	60	(8)	(16)
Total net trades in the year after transaction costs	13,226	10,997	16,109	22,475

In the case of shares, commissions and taxes are paid by the Fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments and derivatives) have no separately identifiable transaction costs: these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the dealing spread was 0.69% (2017: 0.33%).

Total transaction cost expressed as a percentage of asset class:

	Purchases		Sales	
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	%	%	%	%
Commissions				
Equities	0.05	0.06	(0.05)	(0.07)
Taxes				
Equities	0.46	0.48	—	—

Total transaction cost expressed as a percentage of average NAV:

For the year ended

	31 December	31 December
	2018	2017
	%	%
Commissions	0.08	0.10
Taxes	0.36	0.24
Total	0.44	0.34

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

### 16 Post balance sheet events

There were no post balance sheet events.

### 17 Share reconciliation

Reconciliation of the share movements in the year

	A Accumulation	31 December 2018 C Income	C Accumulation	D Accumulation
Opening shares in issue	2,113,536	105,736	7,587,743	909,854
Creations during the year	39,417	29,362	231,555	71,655
Cancellations during the year	(472,136)	(83,799)	(1,553,068)	(294,389)
Share converted during the year	(2,941)	—	3,747	—
Closing shares in issue	<u>1,677,876</u>	<u>51,299</u>	<u>6,269,977</u>	<u>687,120</u>

### 18 Fair value hierarchy

Valuation technique

	Assets 31 December 2018 £000	Liabilities 31 December 2018 £000	Assets 31 December 2017 £000	Liabilities 31 December 2017 £000
Level 1	12,773	—	18,889	—
Level 2	<u>—</u>	<u>—</u>	<u>2</u>	<u>—</u>
	<u>12,773</u>	<u>—</u>	<u>18,891</u>	<u>—</u>

The Fund has no Level 2 or Level 3 financial instruments.

## Distribution table

for the year ended 31 December 2018 – in pence per share

### Interim

Group 1-Shares purchased prior to 1 January 2018

Group 2-Shares purchased on or after 1 January 2018 to 30 June 2018

	Net revenue	Equalisation	Paid 31 August 2018	Paid 31 August 2017
<b>A Accumulation shares</b>				
Group 1	—	—	—	1.8627
Group 2	—	—	—	1.8627
<b>C Income shares</b>				
Group 1	1.7557	—	1.7557	1.8578
Group 2	1.5306	0.2251	1.7557	1.8578
<b>C Accumulation shares</b>				
Group 1	—	—	—	2.1407
Group 2	—	—	—	2.1407
<b>D Accumulation shares</b>				
Group 1	—	—	—	1.5658
Group 2	—	—	—	1.5658

### Final

Group 1-Shares purchased prior to 1 July 2018

Group 2-Shares purchased on or after 1 July 2018 to 31 December 2018

	Net revenue	Equalisation	Payable 28 February 2019	Paid 28 February 2018
<b>C Income shares</b>				
Group 1	1.5838	—	1.5838	1.4363
Group 2	1.4393	0.1445	1.5838	1.4363

### Final

Group 1-Shares purchased prior to 1 January 2018

Group 2-Shares purchased on or after 1 January 2018 to 31 December 2018

	Net revenue	Equalisation	Payable 28 February 2019	Paid 28 February 2018
<b>A Accumulation shares</b>				
Group 1	3.1819	—	3.1819	0.9042
Group 2	1.0078	2.1741	3.1819	0.9042
<b>C Accumulation shares</b>				
Group 1	3.9274	—	3.9274	1.4295
Group 2	2.2302	1.6972	3.9274	1.4295
<b>D Accumulation shares</b>				
Group 1	2.8886	—	2.8886	1.0679
Group 2	1.8020	1.0866	2.8886	1.0679

The Accumulation share classes have changed distribution frequency and from 30 June 2018 will be distributing only at every year end.

Investment objective

The investment objective of the Neptune US Income Fund (the Fund) is to generate rising levels of income with the potential of capital growth by investing predominantly in a portfolio of North American securities, which may include Canada as well as the USA or overseas companies that derive a significant proportion of their profits or turnover from the USA and/or Canada, with a view to attaining consistent top quartile performance within the appropriate peer group.

Other eligible asset classes may include collective investment schemes, other transferable securities, cash or near cash, deposits and money market instruments.

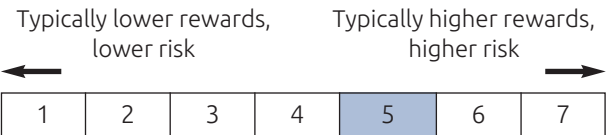
It is anticipated that derivative instruments and forward transactions may be used by the ACD for EPM.

It is the intention to be near fully invested at all times, however, the Fund has the facility to take tactical positions in cash or near cash should the ACD feel it appropriate.

The portfolio will be managed to ensure that the Fund is at all times eligible to be included in an ISA.

Risk and reward profile

The risk and reward indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the risk and reward indicator.



The Fund is in Category 5 because of the high range and frequency of price movements (volatility) of the underlying investments referenced by the Fund.

The following are additional risks not covered by the risk and reward category.

- Investing overseas can bring additional returns and spread risk to different markets. There are risks, however, that changes in currency rates will reduce the value of your investment.
- The level of income is not guaranteed.
- This Fund holds a limited number of investments. If one of these investments falls in value this can have a greater impact on the Fund's value than if it held a larger number of investments.
- For a full list of the Fund's risks, please see the Prospectus.

## Investment Manager's report

for the year ended 31 December 2018

During 2018, the Neptune US Income Fund returned –0.2% versus the S&P 500 Index return of 1.6% and the IA North America sector average return of –1.2%. The Fund ended the period with a yield of 2.26%†.

Volatility returned in 2018 after a year in which the S&P rose in a remarkably consistent and orderly fashion. US equity markets have been pushed and pulled in various directions. On the plus side, the combination of a corporate tax reform and a strong economy has supercharged earnings. In the final set of quarterly reports during 2018, earnings per share for the S&P 500 Index grew around 28% year-over-year in Q3, which even when stripping out estimates of the tax cut (c.11% of the 28%) is clearly impressive.

On the other side, the US trade war with China (which was somewhat ignored by the market until the final quarter of the year) and fears over a slowing US economy were blamed for a sharp market correction in the final three months of the year. Further fuel to the sell-off was added by concerns that the Fed was going to continue to tighten monetary policy with further regular rate hikes. This would be in addition to continued shrinking of its QE-bloated balance sheet despite growing evidence that the economy was likely to head back towards trend growth in 2019. Confusion was added by the less than crystal clear guidance from current Fed Governor, Jerome Powell. These fears culminated in the weakest Christmas Eve since the Second World War and in the market's eyes the so-called 'Trump bump' was quickly becoming a 'Trump slump'.

Sector wise there has been a very divergent market this year. The more defensive, less economically-sensitive sectors, which started the year poorly in the face of rapidly rising bond yields (10 year yields entered 2018 at 2.40% but rose to 2.86% by the end of June) significantly outperformed in the 4<sup>th</sup> quarter as would be expected in a quarter where the Index fell by c.13.5% in dollar terms. The energy sector was the weakest in 2018 thanks to the plunging oil price, which fell 38% to \$45 a barrel in the final quarter, thanks to both concerns over slowing global, and in particular Chinese, growth and news in October that both Saudi Arabia and Russia had increased production.

At the end of 2018, the Fund finished behind the S&P 500 but importantly it has outperformed our more representative US income peer group. In general, income dedicated strategies have struggled against wider more growth focused benchmarks because once again sectors and sectors, including software, which yield little to nothing have outperformed.

Our outperformance of the income peer group has been helped by healthy exposure to the technology

sector. We do not invest in software companies because we do not believe that income funds should be run on a barbell basis thereby allowing them to own non-dividend paying stocks. Instead, we choose to invest in what we think of as the plumbing of the cloud and connected economy. An example here would be the semiconductor sector where companies like Texas Instruments make chips for autos and data centres.

Strong stock selection has also helped this year. In particular this year this has come from our Consumer Staples exposure where Medifast, the weight-loss company, updated the market with confirmation that their strategic turnaround is starting to pay dividends. Lamb Weston, the French fry producer also performed strongly demonstrating growth at a time when many other consumer staples companies are struggling to do the same. In general better performing stocks had defensive characteristics and benefitted from a multiple re-rating particularly during the sell-off late in the year (Merck, Service Corp International and American Tower are good examples).

The seemingly rapidly changing global economic outlook and heightened level of geopolitical uncertainty continues, in our view, to support our strategy of not being aggressively overweight or underweight individual sectors. Instead we look to deliver outperformance by finding companies within sectors that we feel can sustainably grow dividends ahead of the market and where we feel the market underappreciates this.

*\*Source: Morningstar, C Accumulation share class performance, in sterling with no initial charges, net revenue reinvested to 31 December 2018.*

*†Yield quoted on C Income share class. The yield on other share classes may differ. The performance of other share classes may differ. This Fund may have a high historic volatility rating and past performance is not a guide to future performance. Investments in emerging markets may be higher risk and potentially more volatile than those in developed markets. The value of an investment and any revenue from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the original amount invested. References to specific securities and sectors are for illustration purposes only and should not be taken as a recommendation to buy or sell these securities. Neptune Funds are not tied to replicating a benchmark and holdings can therefore vary from those in the index quoted. For this reason the comparison index should be used for reference only. Forecasts are not a reliable indicator of future performance. Any views expressed are those of Neptune as at the date of issue and we do not undertake to advise you as to any changes in our views. Please refer to the Prospectus for further details.*

# Neptune US Income Fund

## Investment Manager's report

for the year ended 31 December 2018 (continued)

The Portfolio statement as at 31 December 2018 is as follows:

Holding	Portfolio of investments	Market value £000	Total net assets %
	<b>United States 89.60% (2017 - 94.53%)</b>		
	<b>Basic Materials 5.15% (2017 - 6.12%)</b>		
	<b>Chemicals 5.15%</b>		
11,700	DowDuPont	486	1.50
7,800	LyondellBasell Industries	503	1.55
15,000	RPM International	681	2.10
	<b>Consumer Goods 9.73% (2017 - 16.09%)</b>		
	<b>Automobiles &amp; Parts 0.02%</b>		
535	Garrett Motion	5	0.02
	<b>Beverages 2.73%</b>		
8,450	Molson Coors Brewing	370	1.14
5,990	PepsiCo	518	1.59
	<b>Food Producers 4.36%</b>		
14,800	Lamb Weston	853	2.63
5,800	Medifast	563	1.73
	<b>Household Goods &amp; Home Constructions 1.54%</b>		
5,380	Stanley Black & Decker	501	1.54
	<b>Personal Goods 1.08%</b>		
39,550	Coty	201	0.62
15,800	Hanesbrands	151	0.46
	<b>Consumer Services 8.66% (2017 - 13.24%)</b>		
	<b>General Retailers 5.63%</b>		
4,200	Home Depot	560	1.72
23,200	Service Corporation International	721	2.22
16,000	TJX	549	1.69
	<b>Media 1.72%</b>		
20,800	Comcast	560	1.72
	<b>Travel &amp; Leisure 1.31%</b>		
10,700	Las Vegas Sands	426	1.31
	<b>Financials 15.37% (2017 - 17.82%)</b>		
	<b>Banks 5.37%</b>		
24,000	Fifth Third Bancorp	439	1.35
9,150	SunTrust Banks	357	1.10
29,550	Umpqua	369	1.14
17,649	Union Bankshares	388	1.19
27,528	Valley National Bancorp	191	0.59
	<b>Financial Services 6.21%</b>		
10,000	Bank of New York Mellon	365	1.12
1,570	BlackRock	477	1.47
22,350	Blackstone	527	1.62
6,340	Visa 'A'	650	2.00
	<b>Nonlife Insurance 1.73%</b>		
9,100	Marsh & McLennan	562	1.73
	<b>Real Estate Investment Trusts 2.06%</b>		
5,386	American Tower	670	2.06

# Neptune US Income Fund

## Investment Manager's report

for the year ended 31 December 2018 (continued)

The Portfolio statement as at 31 December 2018 (continued)

Holding	Portfolio of investments	Market value £000	Total net assets %
	<b>Health Care 12.34% (2017 - 10.83%)</b>		
	<b>Health Care Equipment &amp; Services 3.28%</b>		
10,400	Medtronic	727	2.24
1,750	UnitedHealth	337	1.04
	<b>Pharmaceuticals &amp; Biotechnology 9.06%</b>		
6,400	Abbott Laboratories	356	1.10
7,950	AbbVie	567	1.75
13,300	Bristol-Myers Squibb	531	1.63
12,940	Merck & Co	764	2.35
21,550	Pfizer	725	2.23
	<b>Industrials 16.25% (2017 - 14.59%)</b>		
	<b>Aerospace &amp; Defence 1.14%</b>		
3,050	General Dynamics	371	1.14
	<b>Construction &amp; Materials 2.08%</b>		
16,070	Simpson Manufacturing	677	2.08
	<b>Electronic &amp; Electrical Equipment 1.18%</b>		
11,000	National Instruments	382	1.18
	<b>General Industrials 1.69%</b>		
5,350	Honeywell International	548	1.69
	<b>Industrial Engineering 3.51%</b>		
8,950	MSA Safety	650	2.00
4,223	Rockwell Automation	492	1.51
	<b>Support Services 6.65%</b>		
6,150	Automatic Data Processing	622	1.91
13,400	Brink's	665	2.05
6,750	Broadridge Financial Solutions	503	1.55
891	Resideo Technologies	14	0.04
32,500	Resources Connection	357	1.10
	<b>Oil &amp; Gas 2.05% (2017 - 2.34%)</b>		
	<b>Oil &amp; Gas Producers 0.34%</b>		
2,300	Occidental Petroleum	109	0.34
	<b>Oil Equipment, Services &amp; Distribution 1.71%</b>		
29,712	Enterprise Products Partners	556	1.71
	<b>Technology 16.20% (2017 - 11.67%)</b>		
	<b>Software &amp; Computer Services 6.98%</b>		
54,500	Hackett	679	2.09
14,087	Microsoft	1,108	3.41
6,187	SAP ADR	481	1.48
	<b>Technology Hardware &amp; Equipment 9.22%</b>		
6,109	Apple	747	2.30
3,150	Broadcom	626	1.93
7,150	Motorola Solutions	628	1.93
7,560	Texas Instruments	555	1.71
6,650	Xilinx	439	1.35



# Neptune US Income Fund

## Investment Manager's report

for the year ended 31 December 2018 (continued)

The Portfolio statement as at 31 December 2018 (continued)

Holding	Portfolio of investments	Market value £000	Total net assets %
	<b>Utilities 3.85% (2017 - 1.83%)</b>		
	<b>Electricity 3.85%</b>		
18,282	CMS Energy	707	2.18
4,000	NextEra Energy	541	1.67
	<b>Bermuda 3.98% (2017 - 5.36%)</b>		
21,600	Golar LNG	366	1.13
18,100	James River	510	1.57
14,500	Lazard	418	1.28
	<b>Switzerland 0.90% (2017 - 0.00%)</b>		
5,000	TE Connectivity	292	0.90
	<b>United Kingdom 1.87% (2017 - 0.00%)</b>		
45,450	Luxfer	606	1.87
	Portfolio of investments	31,299	96.35
	Net other assets	1,186	3.65
	Net assets	32,485	100.00

All holdings are ordinary shares or stock units unless otherwise stated.

Stocks shown as ADRs represent American Depositary Receipts.

The top five purchases and sales for the year are as follows:

Purchases	Cost £000
Hackett	845
Simpson Manufacturing	725
Brink's	724
Luxfer	672
MSA Safety	578

Sales	Proceeds £000
Medifast	838
ILG	713
Cinemark	567
United Parcel Service	525
Altria	524

## Fund information

### Performance record

#### C Income

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 1.11%			
<b>Change in net asset per share</b>			
Opening net asset value per share	171.64	161.96	123.75
Return before operating charges	1.40	14.97	42.99
Operating charges	(1.74)	(1.55)	(1.40)
Return after operating charges	(0.34)	13.42	41.59
Distributions	(3.81)	(3.74)	(3.38)
Closing net asset value per share	167.49	171.64	161.96
After direct transaction costs of:	0.03	0.09	0.03
<b>Performance</b>			
Return after operating charges	(0.20)%	8.29%	33.60%
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Other information</b>			
Closing net asset value	14,077	12,575	14,373
Closing number of shares	8,404,378	7,326,732	8,874,182
Operating Charge Figure	0.98%	0.93%	1.00%
Direct transaction costs	0.02%	0.05%	0.02%
OCF/TER cap	1.09%	1.10%	1.10%
Research fee	0.06%	—	—
Research fee rebate	(0.00)%	—	—
<b>Prices</b>			
Highest share price	197.00p	174.30p	165.10p
Lowest share price	157.30p	157.90p	106.40p

#### C Accumulation

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 1.11%			
<b>Change in net asset per share</b>			
Opening net asset value per share	192.83	177.91	132.83
Return before operating charges	1.49	16.64	46.60
Operating charges	(1.98)	(1.72)	(1.52)
Return after operating charges	(0.49)	14.92	45.08
Distributions	(4.31)	(4.15)	(3.67)
Retained distributions on accumulation shares	4.31	4.15	3.67
Closing net asset value per share	192.34	192.83	177.91
After direct transaction costs of:	0.04	0.10	0.03
<b>Performance</b>			
Return after operating charges	(0.25)%	8.39%	33.94%
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Other information</b>			
Closing net asset value	18,408	17,652	18,591
Closing number of shares	9,570,337	9,153,825	10,449,734
Operating Charge Figure	0.98%	0.94%	0.98%
Direct transaction costs	0.02%	0.05%	0.02%
OCF/TER cap	1.10%	1.10%	1.10%
Research fee	0.06%	—	—
Research fee rebate	(0.00)%	—	—
<b>Prices</b>			
Highest share price	223.90p	194.70p	180.30p
Lowest share price	176.80p	173.50p	112.90p

## Fund information (continued)

### Performance record (continued)

Research costs are defined in the Notes on page 218 and for the period 1 January 2018 to 31 December 2018 the research cost was £19,780. Additionally in the period, a rebate of research costs of £811 was credited to the Fund. This represented unused research costs accrued for in 2017.

### Fund performance

The performance of the Fund is shown in the Investment Manager's report on page 210.

Details of the distributions per share for the year are shown in the distribution tables on pages 223 and 224.

### Status

Neptune US Income Fund is a sub-fund of Neptune Investment Funds which is a UCITS scheme.

### Risk warning

Please remember that past performance should not be seen as a guide to future performance and that the value of an investment in an OEIC and the income from it can fall as well as rise and may be affected by exchange rate variations.

## Financial Statements

### Statement of total return

for the year ended 31 December 2018

	Note	31 December 2018		31 December 2017	
		£000	£000	£000	£000
Income					
Net capital (losses)/gains	2		(565)		2,066
Revenue	3	808		859	
Expenses	4	(315)		(298)	
Interest payable and similar charges		—		—	
Net revenue before taxation		493		561	
Taxation	5	(102)		(114)	
Net revenue after taxation			391		447
Total return before distributions			(174)		2,513
Distributions	6		(691)		(729)
Change in net assets attributable to shareholders from investment activities			(865)		1,784

### Statement of change in net assets attributable to shareholders

for the year ended 31 December 2018

	31 December 2018		31 December 2017	
	£000	£000	£000	£000
Opening net assets attributable to shareholders		30,227		32,964
Amounts received on issue of shares	7,639		4,487	
Amounts paid on cancellation of shares	(4,925)		(9,415)	
		2,714		(4,928)
Change in net assets attributable to shareholders from investment activities		(865)		1,784
Retained distribution on accumulation shares		409		407
Closing net assets attributable to shareholders		32,485		30,227

## Financial Statements (continued)

### Balance sheet

as at 31 December 2018

		31 December 2018		31 December 2017	
	Note	£000	£000	£000	£000
<b>Assets</b>					
Fixed assets					
Investments			31,299		30,194
Current assets					
Debtors	7	356		49	
Cash and bank balances	8	990		152	
Total current assets			1,346		201
Total assets			32,645		30,395
<b>Liabilities</b>					
Creditors					
Distribution payable		(78)		(68)	
Other creditors	9	(82)		(100)	
Total liabilities			(160)		(168)
Net assets attributable to shareholders			32,485		30,227

The accompanying notes are an integral part of these financial statements.

## Notes to the Financial Statements

for the year ended 31 December 2018

### 1 Accounting policies

For accounting policies relating to this Fund please refer to the notes on pages 9 to 13.

2 Net capital (losses)/gains	31 December 2018	31 December 2017
	£000	£000
Non-derivative securities	(595)	2,142
Forward currency contracts	4	—
Currency gains/(losses)	28	(72)
Transaction charges	(2)	(4)
Net capital (losses)/gains	<u>(565)</u>	<u>2,066</u>

3 Revenue	31 December 2018	31 December 2017
	£000	£000
Bank interest	1	—
UK dividends	6	—
Overseas dividends	801	859
Total revenue	<u>808</u>	<u>859</u>

4 Expenses	31 December 2018	31 December 2017
	£000	£000
<i>Payable to the ACD, associates of the ACD and agents of either of them:</i>		
ACD's periodic charge	244	241
Distribution fees	18	24
Printing costs	(3)	3
Registration fees	2	2
Transfer agent fees	6	5
	<u>267</u>	<u>275</u>
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	10	12
Safe custody fees	3	3
	<u>13</u>	<u>15</u>
<i>Other expenses:</i>		
Audit fee	5	5
Research fees	19	—
Legal and professional fees	9	3
Publication costs	2	—
	<u>35</u>	<u>8</u>
Total expenses	<u>315</u>	<u>298</u>

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

### 5 Taxation

	31 December 2018 £000	31 December 2017 £000
(a) Analysis of charge in the year:		
Overseas withholding tax	102	114
Total taxation for the year	<u>102</u>	<u>114</u>

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

The tax assessed for the year is higher than the standard rate of corporation tax in the UK for an authorised OEIC (20%).

The differences are explained below:

	31 December 2018 £000	31 December 2017 £000
Net revenue before taxation	493	561
Corporation tax at 20% (2017: 20%)	99	112
Effects of:		
Movement in excess management expenses	40	37
Overseas tax expensed	(2)	(2)
Overseas withholding tax	102	114
Revenue not subject to corporation tax	(137)	(147)
Current tax charge for the year	<u>102</u>	<u>114</u>

#### (c) Deferred tax

At the year end, there is a potential deferred tax asset of £338,530 (2017: £298,337) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore, no deferred tax assets have been recognised in the current or prior year.

### 6 Distributions

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

	31 December 2018 £000	31 December 2017 £000
1st Quarter	177	207
Interim	71	164
3rd Quarter	77	182
Final	384	162
Add: Amounts deducted on cancellation of shares	23	25
Deduct: Amounts received on issue of shares	(41)	(11)
Net distribution for the year	<u>691</u>	<u>729</u>
Reconciliation of net revenue after taxation to distributions		
Net revenue after taxation	391	447
Expenses charged to capital	315	298
Tax relief due to capital	(15)	(16)
Net distribution for the year	<u>691</u>	<u>729</u>

Details of the distributions per share are set out in the distribution tables on pages 223 and 224.

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

<b>7 Debtors</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>£000</b>	<b>£000</b>
Accrued revenue	46	35
Amounts receivable for issue of shares	310	14
Total debtors	<u>356</u>	<u>49</u>
<b>8 Cash and bank balances</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>£000</b>	<b>£000</b>
Cash and bank balances	990	152
	<u>990</u>	<u>152</u>
<b>9 Creditors</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>£000</b>	<b>£000</b>
ACD's periodic charge	22	18
Accrued expenses	23	33
Amounts payable on cancellation of shares	37	49
Total creditors	<u>82</u>	<u>100</u>

### 10 Related party transactions

General details on related parties are shown in the notes on pages 9 to 13.

Amounts paid to/from the ACD and Depositary are shown in note 4 on page 218. The balances due at the year end are shown in notes 7 and 9.

### 11 Shareholders funds

Details relating to the Fund are shown in the notes on pages 9 to 13.

### 12 Contingent liabilities, contingent assets and commitments

There were no contingent liabilities, contingent assets or outstanding commitments at the balance sheet date (2017: nil).

### 13 Swing pricing

The ACD's swing pricing policy is disclosed in the notes on pages 9 to 13.



## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

### 14 Derivatives and other financial instruments

The main risk from the Fund's holdings of financial instruments together with the ACD's policy for managing these risks are disclosed in the notes on pages 9 to 13.

As an international equity fund the Fund is exposed to market price risk, currency risk, liquidity risk and counterparty risk. The Fund does not invest in debt securities and therefore has no material exposure to interest rate risk or credit risk.

As at 31 December 2018, if the price of investments held by the Fund increased or decreased by 1%, the resulting change in net assets attributable to shareholders would have been an increase or decrease of approximately 1%; which for this Fund would equate to £312,994 (2017: £301,944).

As at 31 December 2018, if the value of sterling increased or decreased by 1% against all currencies, the resulting change in the net assets attributable to shareholders of the Fund would have been an increase or decrease of approximately £322,724 (2017: £303,814).

Numerical disclosures relating to the Fund are as follows:

#### Foreign currency risk

The table below shows the foreign currency risk profile at the balance sheet date:

Currency	Net foreign currency assets	
	31 December 2018	31 December 2017
	Total £000	Total £000
Swiss franc	—	2
US dollar	32,272	30,379
Total	<u>32,272</u>	<u>30,381</u>

### 15 Portfolio transaction costs

Analysis of total trade costs

	Purchases		Sales	
	31 December 2018 £000	31 December 2017 £000	31 December 2018 £000	31 December 2017 £000
Equities	9,379	6,356	7,679	10,027
Trades in the year before transaction costs	<u>9,379</u>	<u>6,356</u>	<u>7,679</u>	<u>10,027</u>
Commissions				
Equities	3	6	(3)	(10)
Total commissions	<u>3</u>	<u>6</u>	<u>(3)</u>	<u>(10)</u>
Taxes				
Equities	—	—	—	—
Total costs	<u>3</u>	<u>6</u>	<u>(3)</u>	<u>(10)</u>
Total net trades in the year after transaction costs	<u>9,382</u>	<u>6,362</u>	<u>7,676</u>	<u>10,017</u>

In the case of shares, commissions and taxes are paid by the Fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments and derivatives) have no separately identifiable transaction costs: these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the dealing spread was 0.04% (2017: 0.02%).

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

### 15 Portfolio transaction costs (continued)

Total transaction cost expressed as a percentage of asset class:

	Purchases		Sales	
	31 December 2018 %	31 December 2017 %	31 December 2018 %	31 December 2017 %
Commissions				
Equities	0.03	0.10	(0.04)	(0.10)
Taxes				
Equities	—	—	—	—

Total transaction cost expressed as a percentage of average NAV:

	31 December 2018 %	31 December 2017 %
Commissions	0.02	0.05
Total	0.02	0.05

### 16 Post balance sheet events

There were no post balance sheet events.

### 17 Share reconciliation

Reconciliation of the share movements in the year

	31 December 2018 C Income	31 December 2018 C Accumulation
Opening shares in issue	7,326,732	9,153,825
Creations during the year	2,608,475	1,500,148
Cancellations during the year	(1,530,829)	(1,083,636)
Share converted during the year	—	—
Closing shares in issue	8,404,378	9,570,337

### 18 Fair value hierarchy

Valuation technique	Assets 31 December 2018 £000	Liabilities 31 December 2018 £000	Assets 31 December 2017 £000	Liabilities 31 December 2017 £000
Level 1	31,299	—	30,194	—
	31,299	—	30,194	—

The Fund has no Level 2 or Level 3 financial instruments.

# Neptune US Income Fund

## Distribution table

for the year ended 31 December 2018 – in pence per share

### 1st Quarter

Group 1-Shares purchased prior to 1 January 2018

Group 2-Shares purchased on or after 1 January 2018 to 31 March 2018

	Net revenue	Equalisation	Paid 31 May 2018	Paid 31 May 2017
<b>C Income shares</b>				
Group 1	0.9938	—	0.9938	0.9886
Group 2	0.5048	0.4890	0.9938	0.9886
<b>C Accumulation shares</b>				
Group 1	1.1167	—	1.1167	1.0857
Group 2	0.6603	0.4564	1.1167	1.0857

### Interim

Group 1-Shares purchased prior to 1 April 2018

Group 2-Shares purchased on or after 1 April 2018 to 30 June 2018

	Net revenue	Equalisation	Paid 31 August 2018	Paid 31 August 2017
<b>C Income shares</b>				
Group 1	0.8922	—	0.8922	0.8636
Group 2	0.2762	0.6160	0.8922	0.8636
<b>C Accumulation shares</b>				
Group 1	—	—	—	0.9553
Group 2	—	—	—	0.9553

### 3rd Quarter

Group 1-Shares purchased prior to 1 July 2018

Group 2-Shares purchased on or after 1 July 2018 to 30 September 2018

	Net revenue	Equalisation	Paid 30 November 2018	Paid 30 November 2017
<b>C Income shares</b>				
Group 1	0.9900	—	0.9900	0.9619
Group 2	0.4839	0.5061	0.9900	0.9619
<b>C Accumulation shares</b>				
Group 1	—	—	—	1.0709
Group 2	—	—	—	1.0709

## Neptune US Income Fund

### Distribution table

for the year ended 31 December 2018 (continued) – in pence per share

#### Final

Group 1-Shares purchased prior to 1 October 2018

Group 2-Shares purchased on or after 1 October 2018 to 31 December 2018

	Net revenue	Equalisation	Paid 31 August 2018	Paid 31 August 2017
<b>C Income shares</b>				
Group 1	0.9329	—	0.9329	0.9252
Group 2	0.5417	0.3912	0.9329	0.9252

#### Final

Group 1-Shares purchased prior to 1 April 2018

Group 2-Shares purchased on or after 1 April 2018 to 31 December 2018

	Net revenue	Equalisation	Paid 31 August 2018	Paid 31 August 2017
<b>C Accumulation shares</b>				
Group 1	3.1972	—	3.1972	1.0343
Group 2	1.0842	2.1130	3.1972	1.0343

The Accumulation share classes have changed distribution frequency and from 30 June 2018 will be distributing only at every year end.

## Investment objective

The investment objective of the Neptune US Opportunities Fund (the Fund) is to generate capital growth by investing predominantly in a concentrated portfolio of Northern American securities which may include Canada as well as the US, with a view to achieving top quartile performance within the appropriate peer group.

Other eligible asset classes may include collective investment schemes, other transferable securities, cash or near cash, deposits and money market instruments.

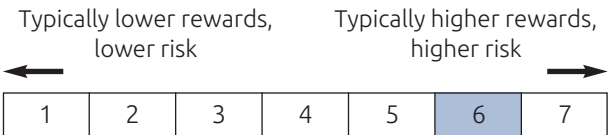
It is anticipated that derivative instruments and forward transactions may be used by the ACD for EPM.

It is the intention to be near-fully invested at all times, however, the Fund has the facility to take tactical positions in cash or near cash should the ACD feel it appropriate.

The portfolio will be managed to ensure that the Fund is at all times eligible to be included in an ISA.

## Risk and reward profile

The risk and reward indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the risk and reward indicator.



The Fund is in Category 6 because of the high range and frequency of price movements (volatility) of the underlying investments referenced by the Fund.

The following are additional risks not covered by the risk and reward category.

- Investing overseas can bring additional returns and spread risk to different markets. There are risks, however, that changes in currency rates will reduce the value of your investment.
- This Fund holds a limited number of investments. If one of these investments falls in value this can have a greater impact on the Fund's value than if it held a larger number of investments.
- For a full list of the Fund's risks, please see the Prospectus.

## Investment Manager's report

for the year ended 31 December 2018

In 2018, the Neptune US Opportunities Fund returned 1.1%, underperforming the S&P 500 Index's gain of 1.6%, but ahead of the IA North America sector average loss of -1.2%. This meant the Fund was top quartile in the IA peer group for a second consecutive year.\*

2018 was a good year for the Fund in terms of relative performance in the face of more difficult market conditions (the S&P 500 corrected sharply in the last quarter of the year falling 13.5% in dollar terms). Importantly, we have continued with the investment process that was introduced to the Fund in mid-2016 and which we believe will allow us to outperform the Index and the peer group over the long term. At the heart of this process is a willingness to screen widely for ideas and then dig deeply into them in an efficient manner. Stopping unproductive work streams early has proven as important as diving deep when we find something we might like. For every idea in the Fund, there are many more that we have discarded. The other side of the process requires a rigorous and ongoing assessment of each position's risk and opportunity – and then sizing positions accordingly.

Strong stock selection accounted for the vast majority of the Fund's outperformance particularly in the healthcare and IT sectors. These are two sectors where we believe the Fund's focus on technology disruption as a pervading theme is particularly relevant. We believe that dissecting the market into four categories, namely disruptors and the disrupted and the embracers and enablers of disruption will help to deliver outperformance. Consumer staples was our worst-performing sector with Coty, the beauty products maker, disappointing with its execution on plans to dramatically improve profitability.

The pervasive thinking in terms of the macro backdrop shifted in 2018. At the start of the year, the economy was still benefiting from fiscal stimulus and tax cuts. This helped produce a very strong year of earnings for companies in the US. However by the end of the year, fears had grown over both the effects of trade-war with China, slower global growth and perhaps most importantly, the prospect of a Fed policy mistake. 2018 finished with concerns that Fed was going to continue to tighten monetary policy with further regular rate hikes. This would be in addition to continued shrinking of its QE-bloated balance sheet despite growing evidence that the

economy was likely to head back towards trend growth in 2019. Confusion was added by the less than crystal clear guidance from current Fed Governor, Jerome Powell. These fears culminated in the weakest Christmas Eve since the Second World War and in the market's eyes the so-called 'Trump bump' was quickly becoming a 'Trump slump'.

We remain optimistic on the outlook for equities in the US. In our view, investors have repeatedly underestimated the power of network effects and the sustainability of historically 'supernormal' returns (seen mainly in the technology industry). The economy is becoming more concentrated as three-quarters of US industries have seen an increase in the concentration of wealth over the past two decades. We think this potentially offers higher sustainability of returns on capital and can underpin reasonable real returns for investors.

Our deepest-held conviction is that the US will – at some point – see a sustained and meaningful increase in productivity owing to innovation and the application of new technologies to less-productive industries. We have spent a lot of time investigating this issue as we agree with Paul Krugman that "productivity isn't everything, but in the long run it is almost everything". This ultimately underpins our optimistic outlook on the US economy long term.

*\*Source: Morningstar, C Accumulation share class performance, in sterling with no initial charges, net revenue reinvested to 31 December 2018. The performance of other share classes may differ. This Fund may have a high historic volatility rating and past performance is not a guide to future performance. Investments in emerging markets may be higher risk and potentially more volatile than those in developed markets. The value of an investment and any revenue from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the original amount invested. References to specific securities and sectors are for illustration purposes only and should not be taken as a recommendation to buy or sell these securities. Neptune Funds are not tied to replicating a benchmark and holdings can therefore vary from those in the index quoted. For this reason the comparison index should be used for reference only. Forecasts are not a reliable indicator of future performance. Any views expressed are those of Neptune as at the date of issue and we do not undertake to advise you as to any changes in our views. Please refer to the Prospectus for further details.*

# Neptune US Opportunities Fund

## Investment Manager's report

for the year ended 31 December 2018 (continued)

The Portfolio statement as at 31 December 2018 is as follows:

Holding	Portfolio of investments	Market value £000	Total net assets %
	<b>United States 90.34% (2017 - 90.48%)</b>		
	<b>Basic Materials 2.64% (2017 - 1.54%)</b>		
	<b>Chemicals 2.64%</b>		
134,152	DowDuPont	5,569	2.64
	<b>Consumer Goods 3.87% (2017 - 10.58%)</b>		
	<b>Automobiles &amp; Parts 0.02%</b>		
5,425	Garrett Motion	52	0.02
	<b>Food Producers 3.12%</b>		
210,374	Mondelez International	6,573	3.12
	<b>Personal Goods 0.73%</b>		
302,947	Coty	1,538	0.73
	<b>Consumer Services 8.40% (2017 - 7.08%)</b>		
	<b>General Retailers 5.87%</b>		
7,153	Amazon.com	8,281	3.93
30,726	Home Depot	4,094	1.94
	<b>Media 2.53%</b>		
198,057	Comcast	5,328	2.53
	<b>Financials 18.49% (2017 - 17.00%)</b>		
	<b>Banks 4.83%</b>		
225,862	Citizens Financial	5,231	2.48
68,535	SunTrust Banks	2,671	1.27
15,264	SVB Financial	2,270	1.08
	<b>Financial Services 13.66%</b>		
84,217	Bank of New York Mellon	3,076	1.46
53,411	Cboe Global Markets	4,017	1.90
48,649	Equifax	3,538	1.68
90,708	Intercontinental Exchange	5,288	2.51
50,838	Mastercard	7,412	3.51
41,549	S&P Global	5,476	2.60
	<b>Health Care 16.15% (2017 - 11.30%)</b>		
	<b>Health Care Equipment &amp; Services 9.67%</b>		
84,394	Baxter International	4,308	2.04
46,862	DENTSPLY SIRONA	1,361	0.65
46,200	HCA Healthcare	4,432	2.10
53,368	UnitedHealth	10,288	4.88
	<b>Pharmaceuticals &amp; Biotechnology 6.48%</b>		
464,873	Horizon Pharma	7,067	3.35
73,977	IQVIA	6,597	3.13
	<b>Industrials 11.04% (2017 - 10.32%)</b>		
	<b>Aerospace &amp; Defense 2.01%</b>		
34,835	General Dynamics	4,236	2.01
	<b>General Industrials 5.13%</b>		
101,082	Fortive	5,279	2.50
54,252	Honeywell International	5,555	2.63
	<b>Industrial Engineering 0.01%</b>		
1,284	Altra Industrial Motion	25	0.01

# Neptune US Opportunities Fund

## Investment Manager's report

for the year ended 31 December 2018 (continued)

The Portfolio statement as at 31 December 2018 (continued)

Holding	Portfolio of investments	Market value £000	Total net assets %
	<b>Support Services 3.89%</b>		
162,068	Brink's	8,049	3.82
9,042	Resideo Technologies	142	0.07
	<b>Oil &amp; Gas 3.50% (2017 - 5.83%)</b>		
	<b>Oil Equipment, Services &amp; Distribution 3.50%</b>		
289,455	Enterprise Products Partners	5,414	2.57
94,850	Halliburton	1,966	0.93
	<b>Technology 23.22% (2017 - 22.07%)</b>		
	<b>Software &amp; Computer Services 20.47%</b>		
27,495	Adobe	4,803	2.28
12,077	Alphabet 'A'	9,902	4.69
110,670	DXC Technology	4,588	2.18
55,588	Electronic Arts	3,452	1.64
25,949	Facebook	2,707	1.28
142,013	Microsoft	11,167	5.30
71,758	Perspecta	918	0.43
83,774	Twilio	5,641	2.67
	<b>Technology Hardware &amp; Equipment 2.75%</b>		
47,383	Apple	5,797	2.75
	<b>Telecommunications 0.00% (2017 - 2.00%)</b>		
	<b>Utilities 3.03% (2017 - 2.76%)</b>		
	<b>Electricity 3.03%</b>		
47,295	NextEra Energy	6,396	3.03
	<b>Israel 0.00% (2017 - 1.15%)</b>		
	<b>United Kingdom 9.49% (2017 - 7.37%)</b>		
135,731	LivaNova	9,463	4.49
158,000	Luxfer	2,106	1.00
71,435	Willis Towers Watson	8,444	4.00
	Portfolio of investments	210,517	99.83
	Net other assets	366	0.17
	Net assets	210,883	100.00

All holdings are ordinary shares or stock units unless otherwise stated.



# Neptune US Opportunities Fund

## Investment Manager's report

for the year ended 31 December 2018 (continued)

The top five purchases and sales for the year are as follows:

Purchases	Cost £000
DowDuPont	6,820
Honeywell International	6,012
Bank of New York Mellon	5,182
Horizon Pharma	4,906
Walgreens Boots Alliance	3,748

Sales	Proceeds £000
Twilio	7,734
Mosaic	5,201
Welbilt	3,917
Walgreens Boots Alliance	3,889
AT&T	3,863

## Fund information

### Performance record

#### A Accumulation

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 1.90%			
<b>Change in net asset per share</b>			
Opening net asset value per share	451.14	387.54	330.95
Return before operating charges	9.73	70.76	62.26
Operating charges	(8.54)	(7.16)	(5.67)
Return after operating charges	1.19	63.60	56.59
Distributions	—	—	—
Retained distributions on accumulation shares	—	—	—
Closing net asset value per share	452.33	451.14	387.54
After direct transaction costs of:	0.10	0.58	0.74
<b>Performance</b>			
Return after operating charges	0.26%	16.41%	17.10%
	£000	£000	£000
<b>Other information</b>			
Closing net asset value	51,777	59,221	63,483
Closing number of shares	11,446,687	13,126,879	16,381,146
Operating Charge Figure	1.76%	1.70%	1.69%
Direct transaction costs	0.02%	0.14%	0.22%
OCF/TER cap	1.86%	1.80%	1.80%
Research fee	0.06%	—	—
Research fee rebate	(0.00)%	—	—
<b>Prices</b>			
Highest share price	546.40p	457.40p	402.20p
Lowest share price	427.30p	386.40p	275.80p

#### B Accumulation

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 1.40%			
<b>Change in net asset per share</b>			
Opening net asset value per share	483.03	412.87	350.85
Return before operating charges	10.24	75.57	66.27
Operating charges	(6.57)	(5.41)	(4.25)
Return after operating charges	3.67	70.16	62.02
Distributions	—	(0.23)	(0.64)
Retained distributions on accumulation shares	—	0.23	0.64
Closing net asset value per share	486.70	483.03	412.87
After direct transaction costs of:	0.10	0.62	0.79
<b>Performance</b>			
Return after operating charges	0.76%	16.99%	17.68%
	£000	£000	£000
<b>Other information</b>			
Closing net asset value	6,840	11,548	10,416
Closing number of shares	1,405,473	2,390,708	2,522,893
Operating Charge Figure	1.26%	1.20%	1.19%
Direct transaction costs	0.02%	0.14%	0.22%
OCF/TER cap	1.36%	1.30%	1.30%
Research fee	0.06%	—	—
Research fee rebate	(0.00)%	—	—
<b>Prices</b>			
Highest share price	587.00p	489.70p	428.50p
Lowest share price	457.80p	411.60p	292.60p

## Fund information (continued)

### Performance record (continued)

#### C Accumulation

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 1.04%			
<b>Change in net asset per share</b>			
Opening net asset value per share	210.60	179.39	151.90
Return before operating charges	4.44	32.88	28.79
Operating charges	(2.07)	(1.67)	(1.30)
Return after operating charges	2.37	31.21	27.49
Distributions	(0.38)	(0.73)	(0.82)
Retained distributions on accumulation shares	0.38	0.73	0.82
Closing net asset value per share	212.97	210.60	179.39
After direct transaction costs of:	0.04	0.27	0.34
<b>Performance</b>			
Return after operating charges	1.13%	17.40%	18.10%
	£000	£000	£000
<b>Other information</b>			
Closing net asset value	103,833	113,981	132,750
Closing number of shares	48,754,676	54,122,039	74,002,641
Operating Charge Figure	0.91%	0.85%	0.84%
Direct transaction costs	0.02%	0.14%	0.22%
OCF/TER cap	1.01%	0.90%	0.90%
Research fee	0.06%	—	—
Research fee rebate	(0.00)%	—	—
<b>Prices</b>			
Highest share price	256.60p	213.50p	186.20p
Lowest share price	199.70p	178.90p	126.70p

#### D Accumulation

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 0.94%			
<b>Change in net asset per share</b>			
Opening net asset value per share	162.87	138.59	117.23
Return before operating charges	3.42	25.42	22.25
Operating charges	(1.42)	(1.14)	(0.89)
Return after operating charges	2.00	24.28	21.36
Distributions	(0.47)	(0.71)	(0.76)
Retained distributions on accumulation shares	0.47	0.71	0.76
Closing net asset value per share	164.87	162.87	138.59
After direct transaction costs of:	0.03	0.21	0.26
<b>Performance</b>			
Return after operating charges	1.23%	17.52%	18.22%
	£000	£000	£000
<b>Other information</b>			
Closing net asset value	38,303	44,034	48,157
Closing number of shares	23,232,977	27,036,526	34,747,527
Operating Charge Figure	0.81%	0.75%	0.74%
Direct transaction costs	0.02%	0.14%	0.22%
OCF/TER cap	0.91%	0.80%	0.80%
Research fee	0.06%	—	—
Research fee rebate	(0.00)%	—	—
<b>Prices</b>			
Highest share price	198.60p	165.10p	143.90p
Lowest share price	154.40p	138.20p	97.83p

## Fund information (continued)

### Performance record (continued)

#### A Accumulation EUR

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 1.90%			
<b>Change in net asset per share</b>			
Opening net asset value per share	213.14	183.03	156.31
Return before operating charges	4.55	33.46	29.45
Operating charges	(4.03)	(3.35)	(2.73)
Return after operating charges	0.52	30.11	26.72
Distributions	—	—	—
Retained distributions on accumulation shares	—	—	—
Closing net asset value per share	213.66	213.14	183.03
After direct transaction costs of:	0.04	0.27	0.36
<b>Performance</b>			
Return after operating charges	0.24%	16.45%	17.09%
	£000	£000	£000
<b>Other information</b>			
Closing net asset value	155	184	263
Closing number of shares	72,555	86,278	143,914
Operating Charge Figure	1.77%	1.70%	1.69%
Direct transaction costs	0.02%	0.14%	0.22%
OCF/TER cap	1.86%	1.80%	1.80%
Research fee	0.06%	—	—
Research fee rebate	(0.00)%	—	—
<b>Prices</b>			
Highest share price	286.70¢	244.70¢	217.90¢
Lowest share price	228.10¢	213.30¢	167.90¢

#### B Accumulation EUR

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 1.40%			
<b>Change in net asset per share</b>			
Opening net asset value per share	232.61	198.84	168.94
Return before operating charges	4.94	36.35	31.93
Operating charges	(3.16)	(2.58)	(2.03)
Return after operating charges	1.78	33.77	29.90
Distributions	—	(0.10)	(0.31)
Retained distributions on accumulation shares	—	0.10	0.31
Closing net asset value per share	234.39	232.61	198.84
After direct transaction costs of:	0.05	0.30	0.38
<b>Performance</b>			
Return after operating charges	0.77%	16.98%	17.70%
	£000	£000	£000
<b>Other information</b>			
Closing net asset value	8,771	9,017	16,746
Closing number of shares	3,742,021	3,876,522	8,421,558
Operating Charge Figure	1.26%	1.20%	1.19%
Direct transaction costs	0.02%	0.14%	0.22%
OCF/TER cap	1.36%	1.30%	1.30%
Research fee	0.06%	—	—
Research fee rebate	(0.00)%	—	—
<b>Prices</b>			
Highest share price	313.90¢	267.00¢	236.70¢
Lowest share price	249.10¢	231.80¢	181.60¢

## Fund information (continued)

### Performance record (continued)

#### A Accumulation USD

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 1.90%			
<b>Change in net asset per share</b>			
Opening net asset value per share	163.60	140.52	119.99
Return before operating charges	3.53	25.67	22.55
Operating charges	(3.12)	(2.59)	(2.02)
Return after operating charges	0.41	23.08	20.53
Distributions	—	—	—
Retained distributions on accumulation shares	—	—	—
Closing net asset value per share	164.01	163.60	140.52
After direct transaction costs of:	0.03	0.21	0.27
<b>Performance</b>			
Return after operating charges	0.25%	16.42%	17.11%
	£000	£000	£000
<b>Other information</b>			
Closing net asset value	1,093	843	1,770
Closing number of shares	666,636	515,217	1,259,795
Operating Charge Figure	1.76%	1.70%	1.69%
Direct transaction costs	0.02%	0.14%	0.22%
OCF/TER cap	1.86%	1.80%	1.80%
Research fee	0.06%	—	—
Research fee rebate	(0.00)%	—	—
<b>Prices</b>			
Highest share price	254.90¢	221.80¢	177.20¢
Lowest share price	202.40¢	172.20¢	145.00¢

#### C Accumulation USD

	31 December 2018 (p)	31 December 2017 (p)	31 December 2016 (p)
OCF cap from 1 January 2019: 1.04%			
<b>Change in net asset per share</b>			
Opening net asset value per share	171.76	146.28	124.12
Return before operating charges	3.62	26.84	23.51
Operating charges	(1.68)	(1.36)	(1.35)
Return after operating charges	1.94	25.48	22.16
Distributions	(0.31)	(0.60)	(0.42)
Retained distributions on accumulation shares	0.31	0.60	0.42
Closing net asset value per share	173.70	171.76	146.28
After direct transaction costs of:	0.04	0.22	0.27
<b>Performance</b>			
Return after operating charges	1.13%	17.42%	17.85%
	£000	£000	£000
<b>Other information</b>			
Closing net asset value	111	122	118
Closing number of shares	63,728	71,193	80,325
Operating Charge Figure	0.91%	0.85%	0.84%
Direct transaction costs	0.02%	0.14%	0.22%
OCF/TER cap	1.01%	0.90%	0.95%
Research fee	0.06%	—	—
Research fee rebate	(0.00)%	—	—
<b>Prices</b>			
Highest share price	269.20¢	232.90¢	184.60¢
Lowest share price	214.30¢	179.20¢	150.00¢

# Neptune US Opportunities Fund

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## Fund information (continued)

### Performance record (continued)

Research costs are defined in the Notes on page 237 and for the period 1 January 2018 to 31 December 2018 the research cost was £149,072. Additionally in the period, a rebate of research costs of £11,093 was credited to the Fund. This represented unused research costs accrued for in 2017.

### Fund performance

The performance of the Fund is shown in the Investment Manager's report on page 226.

Details of the distributions per share for the year are shown in the distribution tables on pages 242 and 243.

### Status

Neptune US Opportunities Fund is a sub-fund of Neptune Investment Funds which is a UCITS scheme.

### Risk warning

Please remember that past performance should not be seen as a guide to future performance and that the value of an investment in an OEIC and the income from it can fall as well as rise and may be affected by exchange rate variations.

## Financial Statements

### Statement of total return

for the year ended 31 December 2018

	Note	31 December 2018		31 December 2017	
		£000	£000	£000	£000
Income					
Net capital gains	2		3,836		40,931
Revenue	3	3,022		3,756	
Expenses	4	(2,720)		(2,736)	
Interest payable and similar charges		—		(1)	
Net revenue before taxation		302		1,019	
Taxation	5	(459)		(621)	
Net (expense)/revenue after taxation			(157)		398
Total return before distributions			3,679		41,329
Distributions	6		(267)		(673)
Change in net assets attributable to shareholders from investment activities			3,412		40,656

### Statement of change in net assets attributable to shareholders

for the year ended 31 December 2018

	31 December 2018		31 December 2017	
	£000	£000	£000	£000
Opening net assets attributable to shareholders		238,950		273,703
Amounts received on issue of shares	42,512		35,096	
Amounts paid on cancellation of shares	(74,285)		(111,203)	
		(31,773)		(76,107)
Dilution adjustment charged		2		52
Change in net assets attributable to shareholders from investment activities		3,412		40,656
Retained distribution on accumulation shares		292		646
Closing net assets attributable to shareholders		210,883		238,950

## Financial Statements (continued)

### Balance sheet

as at 31 December 2018

		31 December 2018		31 December 2017	
	Note	£000	£000	£000	£000
<b>Assets</b>					
Fixed assets					
Investments			210,517		236,570
Current assets					
Debtors	7	2,952		181	
Cash and bank balances	8	1,009		3,083	
Total current assets			3,961		3,264
Total assets			214,478		239,834
<b>Liabilities</b>					
Creditors					
Other creditors	9	(3,595)		(884)	
Total liabilities			(3,595)		(884)
Net assets attributable to shareholders			210,883		238,950

The accompanying notes are an integral part of these financial statements.



## Notes to the Financial Statements

for the year ended 31 December 2018

### 1 Accounting policies

For accounting policies relating to this Fund please refer to the notes on pages 9 to 13.

2 Net capital gains	31 December 2018	31 December 2017
	£000	£000
Non-derivative securities	3,306	41,503
Forward currency contracts	47	—
Currency gains/(losses)	483	(565)
Transaction charges	—	(7)
Net capital gains	<u>3,836</u>	<u>40,931</u>
3 Revenue	31 December 2018	31 December 2017
	£000	£000
Bank interest	17	4
Overseas dividends	2,991	3,751
UK dividends	14	1
Total revenue	<u>3,022</u>	<u>3,756</u>
4 Expenses	31 December 2018	31 December 2017
	£000	£000
<i>Payable to the ACD, associates of the ACD and agents of either of them:</i>		
ACD's periodic charge	2,347	2,483
Distribution fees	34	49
Printing costs	3	9
Registration fees	9	9
Transfer agent fees	40	34
	<u>2,433</u>	<u>2,584</u>
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	62	76
Safe custody fees	23	25
	<u>85</u>	<u>101</u>
<i>Other expenses:</i>		
Audit fee	10	11
Legal and professional fees	17	12
Publication costs	37	26
Organisation fees	—	2
Research fees	138	—
	<u>202</u>	<u>51</u>
Total expenses	<u>2,720</u>	<u>2,736</u>

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

### 5 Taxation

	31 December 2018 £000	31 December 2017 £000
(a) Analysis of charge in the year:		
Overseas withholding tax	459	621
Total taxation for the year	<u>459</u>	<u>621</u>

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

The tax assessed for the year is higher than the standard rate of corporation tax in the UK for an authorised OEIC (20%).

The differences are explained below:

	31 December 2018 £000	31 December 2017 £000
Net revenue before taxation	302	1,019
Corporation tax at 20% (2017: 20%)	60	204
Effects of:		
Movement in excess management expenses	474	478
Overseas tax expensed	(12)	(12)
Overseas withholding tax	459	621
Revenue not subject to corporation tax	(522)	(670)
Current tax charge for the year	<u>459</u>	<u>621</u>

#### (c) Deferred tax

At the year end, there is a potential deferred tax asset of £10,032,631 (2017: £9,558,810) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore, no deferred tax assets have been recognised in the current or prior year.

### 6 Distributions

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

	31 December 2018 £000	31 December 2017 £000
Interim	—	403
Final	292	244
Add: Amounts deducted on cancellation of shares	(81)	23
Deduct: Amounts received on issue of shares	56	3
Net distribution for the year	<u>267</u>	<u>673</u>
Reconciliation of net (expense)/revenue after taxation to distributions		
Net (expense)/revenue after taxation	(157)	398
Equalisation on conversion of shares	—	2
Revenue deficit borne by capital	424	273
Net distribution for the year	<u>267</u>	<u>673</u>

Details of the distributions per share are set out in the distribution tables on pages 242 and 243.

### 7 Debtors

	31 December 2018 £000	31 December 2017 £000
Accrued revenue	127	159
Amounts receivable for issue of shares	341	22
Sales awaiting settlement	2,484	—
Total debtors	<u>2,952</u>	<u>181</u>

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

8 Cash and bank balances	31 December 2018	31 December 2017
	£000	£000
Cash and bank balances	1,009	3,083
	<u>1,009</u>	<u>3,083</u>

9 Creditors	31 December 2018	31 December 2017
	£000	£000
ACD's periodic charge	188	186
Accrued expenses	109	102
Amounts payable on cancellation of shares	3,284	596
Purchases awaiting settlement	14	—
Total creditors	<u>3,595</u>	<u>884</u>

### 10 Related party transactions

General details on related parties are shown in the notes on pages 9 to 13.

Amounts paid to/from the ACD and Depositary are shown in note 4 on page 237. The balances due at the year end are shown in notes 7 and 9.

### 11 Shareholder funds

Details relating to the Fund are shown in the notes on pages 9 to 13.

### 12 Contingent liabilities, contingent assets and commitments

There were no contingent liabilities, contingent assets or outstanding commitments at the balance sheet date (2017: nil).

### 13 Swing pricing

The ACD's swing pricing policy is disclosed in the notes on pages 9 to 13.

### 14 Derivatives and other financial instruments

The main risk from the Fund's holdings of financial instruments together with the ACD's policy for managing these risks are disclosed in the notes on pages 9 to 13.

As an international equity fund the Fund is exposed to market price risk, currency risk, liquidity risk and counterparty risk. The Fund does not invest in debt securities and therefore has no material exposure to interest rate risk or credit risk.

As at 31 December 2018, if the price of investments held by the Fund increased or decreased by 1%, the resulting change in net assets attributable to shareholders would have been an increase or decrease of approximately 1%; which for this Fund would equate to £2,105,170 (2017: £2,365,699).

As at 31 December 2018, if the value of sterling increased or decreased by 1% against all currencies, the resulting change in the net assets attributable to shareholders of the Fund would have been an increase or decrease of approximately £2,123,810 (2017: £2,396,999).

Numerical disclosures relating to the Fund are as follows:

#### Foreign currency risk

The table below shows the foreign currency risk profile at the balance sheet date:

Currency	Net foreign currency assets/(liabilities)	
	31 December 2018	31 December 2017
	Total	Total
	£000	£000
Euro	(2)	(115)
Swiss franc	—	3
US dollar	212,383	239,812
Total	<u>212,381</u>	<u>239,700</u>

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

### 15 Portfolio transaction costs

Analysis of total trade costs

	Purchases		Sales	
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	£000	£000	£000	£000
Equities	50,402	103,247	79,605	167,087
Collective investment schemes	—	2,269	—	3,151
Trades in the year before transaction costs	50,402	105,516	79,605	170,238
Commissions				
Equities	18	137	(28)	(211)
Total commissions	18	137	(28)	(211)
Taxes				
Equities	—	—	(2)	(4)
Total taxes	—	—	(2)	(4)
Total costs	18	137	(30)	(215)
Total net trades in the year after transaction costs	50,420	105,653	79,575	170,023

In the case of shares, commissions and taxes are paid by the Fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments and derivatives) have no separately identifiable transaction costs: these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the dealing spread was 0.03% (2017: 0.02%).

Total transaction cost expressed as a percentage of asset class:

	Purchases		Sales	
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	%	%	%	%
Commissions				
Equities	0.04	0.13	(0.04)	(0.13)
Taxes				
Equities	—	—	—	—

Total transaction cost expressed as a percentage of average NAV:

For the year ended	31 December	31 December
	2018	2017
	%	%
Commissions	0.02	0.14
Taxes	—	—
Total	0.02	0.14

### 16 Post balance sheet events

Please note that the Neptune US Opportunities Fund A Acc EUR changed its name to Neptune US Opportunities Fund C Acc EUR on 2 January 2019.

## Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

### 17 Share reconciliation

Reconciliation of the share movements in the year

	31 December 2018			
	A Accumulation	B Accumulation	C Accumulation	D Accumulation
Opening shares in issue	13,126,879	2,390,708	54,122,039	27,036,526
Creations during the year	679,738	3,310,845	5,340,352	717,498
Cancellations during the year	(2,322,684)	(4,296,080)	(10,787,366)	(4,521,047)
Share converted during the year	(37,246)	—	79,651	—
Closing shares in issue	<u>11,446,687</u>	<u>1,405,473</u>	<u>48,754,676</u>	<u>23,232,977</u>

	A Accumulation EUR	B Accumulation EUR	A Accumulation USD	C Accumulation USD
Opening shares in issue	86,278	3,876,522	515,217	71,193
Creations during the year	257,325	790,293	3,488,078	5,014
Cancellations during the year	(271,048)	(924,794)	(3,336,659)	(12,479)
Shares converted during the year	—	—	—	—
Closing shares in issue	<u>72,555</u>	<u>3,742,021</u>	<u>666,636</u>	<u>63,728</u>

### 18 Fair value hierarchy

Valuation technique	Assets 31 December 2018 €000	Liabilities 31 December 2018 €000	Assets 31 December 2017 €000	Liabilities 31 December 2017 €000
Level 1	<u>210,517</u>	<u>—</u>	<u>236,570</u>	<u>—</u>
	<u>210,517</u>	<u>—</u>	<u>236,570</u>	<u>—</u>

The Fund has no Level 2 or Level 3 financial instruments.

# Neptune US Opportunities Fund

## Distribution table

for the year ended 31 December 2018 – in pence/cents per share

### Interim

Group 1-Shares purchased prior to 1 January 2018

Group 2-Shares purchased on or after 1 January 2018 to 30 June 2018

	Net revenue	Equalisation	Paid 31 August 2018	Paid 31 August 2017
<b>A Accumulation shares (p)</b>				
Group 1	—	—	—	—
Group 2	—	—	—	—
<b>B Accumulation shares (p)</b>				
Group 1	—	—	—	0.2276
Group 2	—	—	—	0.2276
<b>C Accumulation shares (p)</b>				
Group 1	—	—	—	0.4318
Group 2	—	—	—	0.4318
<b>D Accumulation shares (p)</b>				
Group 1	—	—	—	0.4067
Group 2	—	—	—	0.4067
<b>A Accumulation EUR shares (¢)</b>				
Group 1	—	—	—	—
Group 2	—	—	—	—
<b>B Accumulation EUR shares (¢)</b>				
Group 1	—	—	—	0.1122
Group 2	—	—	—	0.1122
<b>A Accumulation USD shares (¢)</b>				
Group 1	—	—	—	—
Group 2	—	—	—	—
<b>C Accumulation USD shares (¢)</b>				
Group 1	—	—	—	0.4580
Group 2	—	—	—	0.4580

# Neptune US Opportunities Fund

## Distribution table

for the year ended 31 December 2018 (continued) – in pence/cents per share

### Final

Group 1-Shares purchased prior to 1 January 2018

Group 2-Shares purchased on or after 1 January 2018 to 31 December 2018

	Net revenue	Equalisation	Payable 28 February 2019	Paid 28 February 2018
<b>A Accumulation shares (p)</b>				
Group 1	—	—	—	—
Group 2	—	—	—	—
<b>B Accumulation shares (p)</b>				
Group 1	—	—	—	—
Group 2	—	—	—	—
<b>C Accumulation shares (p)</b>				
Group 1	0.3751	—	0.3751	0.2965
Group 2	0.2272	0.1479	0.3751	0.2965
<b>D Accumulation shares (p)</b>				
Group 1	0.4668	—	0.4668	0.3074
Group 2	0.2731	0.1937	0.4668	0.3074
<b>A Accumulation EUR shares (¢)</b>				
Group 1	—	—	—	—
Group 2	—	—	—	—
<b>B Accumulation EUR shares (¢)</b>				
Group 1	—	—	—	—
Group 2	—	—	—	—
<b>A Accumulation USD shares (¢)</b>				
Group 1	—	—	—	—
Group 2	—	—	—	—
<b>C Accumulation USD shares (¢)</b>				
Group 1	0.3942	—	0.3942	0.3278
Group 2	0.1416	0.2526	0.3942	0.3278

The Accumulation share classes have changed distribution frequency and from 30 June 2018 will be distributing only at every year end.

## Remuneration report

The ACD is required to establish, implement and maintain a remuneration policy (the 'remuneration policy') which is in accordance with the requirements of SYSC 19E of the FCA Handbook Regulations. It is required to be consistent with, and promote sound and effective risk management and not encourage risk-taking which is inconsistent with, the risk profiles, rules or instruments of incorporation of the relevant sub-fund. The remuneration policy is in line with the business strategy, objectives, values and interests of the ACD and the sub-funds and the investors in the sub-funds and includes measures to avoid conflicts of interest. The remuneration policy primarily applies to specific categories of staff ('code staff'), including senior management, risk takers, control functions, and any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers, whose professional activities have a material impact on the risk profile of the ACD or a sub-fund managed by the ACD.

The aggregate amount of remuneration paid by the ACD to its staff in the period was:

	£000
Fixed remuneration	7,946
Variable remuneration	481
Total	8,427
Average number of staff remunerated	65

The aggregate amount of remuneration paid by the ACD to code staff in the period was:

	£000
Senior management	1,400
Risk takers	1,745
Control functions	322
Total	3,468
Number of UCITS V code staff remunerated	12

Remuneration is made up of fixed pay (i.e. salary and benefits such as pension contributions) and variable pay (annual performance-based bonus), a significant portion of which is deferred over a period of three years. Annual incentives are designed to reward performance in line with the business strategy, objectives, values and long-term interests of the Company and the Fund. The annual incentive earned by an individual is dependent on the achievement of financial and non-financial objectives, including adherence to effective risk management practices and compliance policies and procedures.

The Remuneration Committee ('RemCo'), which reports to the Board, reviews and adopts the principles of the remuneration policy annually. The RemCo consists entirely of non-executive directors with significant experience of risk management and remuneration. Compliance with the remuneration policy, and its implementation, is also subject to internal monitoring and review by the compliance team; who make recommendations to RemCo for enhancement, as appropriate.



## General information and contacts

### Authorised Status

Neptune Investment Funds ('the Company') is an investment company with variable capital under regulation 12 (Authorisation) of the Open-Ended Investment Companies (OEIC) Regulations 2001, authorised and regulated by the FCA. It is structured as an umbrella company and comprises fifteen securities schemes Funds ('sub-funds'); further Funds may be added in the future. You, as a shareholder, are not liable for the debts of the Company. A Shareholder is not liable to make any further payment to the Company after he has paid the price on purchase of his Shares.

### Buying and Selling of Shares

The ACD will accept orders to buy or sell shares on normal business days between 9.00am and 5.00pm (UK time) and transactions will be effected at prices determined by the next following valuation. Instructions to buy or sell shares may be either in writing to:

Neptune Investment Management Limited,  
PO Box 9004,  
Chelmsford,  
Essex  
CM99 2WR

or by telephone on 0800 587 5051.

A contract note will be issued by close of business on the next business day after the dealing date to confirm the transaction.

### Distributions

Where a distribution is to be paid, it has been calculated as at 31 December 2018 and distributed to shareholders, where applicable, on 28 February 2019.

### Report and Financial Statements

This document is a full report of Neptune Investment Funds for the year ended 31 December 2018.

### Other Information

The information in this report is designed to enable you to make an informed judgement on the activities of the Fund during the period it covers and the results of those activities at the end of the period.

### Individual Savings Account (ISA) Status

During the period under review, all of the share classes of the Funds met the requirements for ISA qualification as determined by the HM Revenue & Customs ISA Regulations.

### Contacts

ACD and Investment Manager:  
Neptune Investment Management Limited  
3 Shortlands, London W6 8DA  
(Authorised and regulated by the FCA)

### Directors

Jonathan Punter  
Robin Geffen  
Alexander Catto  
Stuart Southall  
Richard Green  
James Dowey  
Robert Smith

### Depository

State Street Trustees Limited  
Quartermile 3, 10 Nightingale Way,  
Edinburgh EH3 9EG  
(Authorised and regulated by the FCA)

### Fund Accountant and Valuing Agent

State Street Bank & Trust Company Limited  
20 Churchill Place, London E14 5HJ

### Administrator and Registrar

DST Financial Services International Limited  
PO Box 9004, Chelmsford CM99 2WR  
(Authorised and regulated by the FCA)

### Independent Auditor

Ernst & Young LLP  
25 Churchill Place, Canary Wharf, London E14 5EY

