PROFIT *hunters*

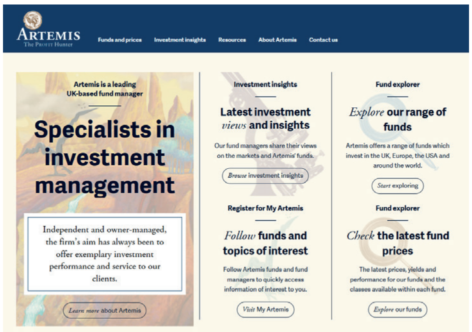
ARTEMIS Monthly Distribution *Fund*

Manager's Report
and Financial Statements
for the year ended 31 December 2018

ARTEMIS
The PROFIT Hunter

Keep up to date ...

... with the performance of this and other Artemis funds throughout the year on Artemis' website



- Monthly fund commentaries and factsheets
- Artemis *Filmclub* videos by our fund managers
- Market and fund insights
- Fund briefings and research articles
- *The Hunters' Tails*, our weekly market newsletter
- Daily fund prices
- Fund literature

artemisfunds.com

General information

Company profile

Artemis is a leading UK-based fund manager, offering a range of funds which invest in the UK, Europe, the US and around the world.

As a dedicated, active investment house, we specialise in investment management for both retail and institutional investors across Europe.

Independent and owner-managed, Artemis opened for business in 1997. Its aim was, and still is, exemplary investment performance and client service. All Artemis' staff share these two precepts – and the same flair and enthusiasm for fund management.

The firm now manages some £27.5 billion* across a range of funds, two investment trusts, a venture capital trust and both pooled and segregated institutional portfolios.

Our managers invest in their own and their colleagues' funds. This has been a basic tenet of the Artemis approach since the firm started. It means that interests of our fund managers are directly aligned with those of our investors.

* Source: Artemis as at 31 January 2019.

Fund status

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

Investment objective

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

Investment policy

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

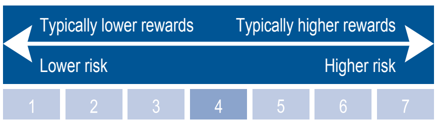
The fund will actively allocate between gilts, corporate bonds and high yield bonds, and within equities between sector and geographies.

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

Buying and selling

Units may be bought and sold by contacting the manager by telephone, at the address on page 3 or via the website artemisfunds.com. Valuation of the fund takes place each business day at 12 noon on a forward pricing basis. Investors are reminded that past performance is not a guarantee of performance in the future and that the price of units and the revenue from them can fall as well as rise.

Risk and reward profile



- The fund is in the risk category shown due to its historic volatility (how much and how quickly the value of units in the fund have risen and fallen in the past). It may not be a reliable indication of the future risk profile of the fund.
- The risk category shown is not guaranteed and may change over time.
- A risk indicator of "1" does not mean that the investment is "risk free".

The risk indicator may not fully take into account the following risks:

- The price of units, and the income from them, can fall and rise because of stock market and currency movements.
- Stock market prices, currencies and interest rates can move irrationally and can be affected unpredictably by diverse factors, including political and economic events.
- A portion of the fund's assets may be invested in a currency other than the fund's accounting currency (sterling). The value of these assets, and the income from them, may decrease if the currency falls in relation to sterling, in which the fund is valued and priced.
- The fund may hold derivatives with the aim of profiting from falling prices. If the related assets rise in value the fund will lose money.
- A portion of the fund's assets may be invested in new, emerging markets. Investment in emerging markets can involve greater risk than that usually associated with more established markets. This means that above-average rises and falls in unit prices can be expected.
- Investments in fixed interest securities are subject to market and credit risk and will be impacted by movements in interest rates. Interest rate movements are determined by a number of economic factors, in particular market expectations of future inflation.
- The fund can invest in higher-yielding bonds, which may increase the risk to your capital due to a higher likelihood of the company issuing the bonds failing to pay returns on investments. Changes to market conditions and interest rates can have a larger effect on the values of higher-yielding bonds than other bonds.
- The fund holds bonds which could prove difficult to sell. As a result, the fund may have to lower the selling price, sell other investments or forego more appealing investment opportunities.
- There was no change to the indicator in the period.

Prospectus

Copies of the most recent Prospectus are available free of charge from the manager at the address on page 3.

General information (continued)

Change of Trustee and Depositary

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

Removal of initial charge

The fund's prospectus includes the ability for Artemis to apply an initial charge on investments into the fund. The prospectus also sets out the maximum amount of this charge for different unit classes in the fund, although in almost all cases the initial charge has been waived in its entirety for a number of years. The prospectus was updated on 6 June 2018 to make it clear that no initial charge will be levied in respect of the existing unit classes. For further information please contact our client services team on 0800 092 2051.

Changes to Artemis' funds from February 2019

With effect from 1 February 2019, Artemis made changes to how its funds operate:

- the way in which fund charges are calculated, moving from variable expenses to an administration fee with a discount applied based on fund size.
- how our unit trust funds are priced, changing from 'bid price' and 'offer price' to a 'single price'.

The prospectus was updated on 4 February 2019 as a result of the changes.

Remuneration

Following an amendment to the UCITS Directive in the UK on 18 March 2016, all UCITS schemes are required to comply with the UCITS Remuneration Code. This includes a requirement to disclose, in the annual report of each scheme, details of the total amount of remuneration paid by the manager to its partners and staff for its financial year.

As the Artemis Monthly Distribution Fund (the 'fund') is a UCITS scheme, Artemis Fund Managers Limited ('AFML') as manager is required to make these disclosures. Artemis operates its remuneration policies and practices at a group level, which includes both Artemis Investment Management LLP and its subsidiary AFML. Details of the group remuneration policies are available on Artemis' website **artemisfunds.com**. Remuneration levels are set to attract, retain and motivate talented partners and staff and align long-term interests of partners and staff with those of our clients.

The remuneration policies which apply to all partners and staff across the group are overseen by the Remuneration Committee. The members of the Remuneration Committee are all non-executive officers. The Remuneration Committee is responsible for setting and overseeing the implementation of Artemis' remuneration policy, including approving the remuneration of partners and other senior staff. The Remuneration Committee will regularly review the remuneration policy to ensure it remains appropriate. The Remuneration Committee considers inputs from Artemis' Compliance and Risk functions when reviewing remuneration issues, including any risk adjustments or controls considered necessary. The Artemis remuneration period runs from 1 January to 31 December, therefore, the first full performance period subject to the UCITS Remuneration Code started on 1 January 2017 and ended on 31 December 2017. As a consequence, for certain partners and staff who are classified as 'Identified Staff' as their professional activities have a material impact on the risk profile of the firm, the payment of some of the variable remuneration (which may include profit share for partners) is deferred. Further, Artemis has the ability to reduce all or part of deferred variable remuneration that has been previously allocated to Identified Staff, before the end of the vesting period.

No staff are employed by AFML directly but are employed and paid by other entities of Artemis. Artemis has apportioned the total amount of remuneration paid to all 171 Artemis partners and staff in respect of AFML's duties performed for the UCITS schemes based on the number of funds. It has estimated that the total amount of remuneration paid in respect of duties for the fund for the year ended 31 December 2017 is £1,254,507, of which £327,834 is fixed remuneration and £926,673 is variable remuneration. No amount of remuneration, including any performance fees, was paid directly by the fund.

The aggregate amount of remuneration paid to UCITS Remuneration Code and Identified Staff that is attributable to duties for the fund for the year ended 31 December 2017 is £307,248. AFML Remuneration Code and Identified Staff are those senior individuals whose managerial responsibilities or professional activities could influence, and have a material impact on, the overall risk profile of each regulated entity and the funds it manages. For the purposes of UCITS Remuneration Code the AFML Remuneration Code staff are the members of Artemis' Management and Executive Committees, certain fund managers, the General Counsel, the Head of Compliance and the Head of Risk. This includes certain individuals who are partners in Artemis Investment Management LLP.

Tax information reporting

UK tax legislation requires fund managers to provide information to HM Revenue & Customs ('HMRC') on certain investors who purchase units in unit trusts. Accordingly, the fund may have to provide information annually to HMRC on the tax residencies of those unitholders that are tax resident out with the UK, in those countries that have signed up to the OECD's ('Organisation for Economic Co-operation and Development') Common Reporting Standard for Automatic Exchange of Financial Account Information (the 'Common Reporting Standard'), or the United States (under the Foreign Account Tax Compliance Act, 'FATCA').

All new unitholders that invest in the fund must complete a certification form as part of the application form. Existing unitholders may also be contacted by the Registrar should any extra information be needed to correctly determine their tax residence. Failure to provide this information may result in the account being reported to HMRC.

For further information, please see HMRC's Quick Guide: Automatic Exchange of Information – information for account holders: gov.uk/government/publications/exchange-of-information-account-holders.

Manager

Artemis Fund Managers Limited *
Cassini House
57 St James's Street
London SW1A 1LD

Dealing information:
Artemis Fund Managers Limited
PO Box 9688
Chelmsford CM99 2AE
Telephone: 0800 092 2051
Website: artemisfunds.com

Investment adviser

Artemis Investment Management LLP *
Cassini House
57 St James's Street
London SW1A 1LD

Trustee and Depositary

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

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

Registrar

DST Financial Services International Limited *
DST House
St Nicholas Lane
Basildon
Essex SS15 5FS

Auditor

Ernst & Young LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

* Authorised and regulated by the FCA, 12 Endeavour Square, London E20 1JN.

† Authorised by the Prudential Regulation Authority ('PRA'), 20 Moorgate, London EC2R 6DA and regulated by the PRA and the FCA.

Statement of the trustee's responsibilities for the period from 1 January 2018 to 15 January 2018

The trustee must ensure that Artemis Monthly Distribution Fund ('the scheme') is managed in accordance with COLL, the Financial Services and Markets Act 2000, as amended, (together 'the Regulations'), the Trust Deed and Prospectus (together 'the scheme documents') as detailed below.

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

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

The trustee must ensure that:

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

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

Report of the trustee to the unitholders of Artemis Monthly Distribution Fund for the period from 1 January 2018 to 15 January 2018

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

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

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

National Westminster Bank Plc
Trustee & Depositary Services
Edinburgh
15 January 2018

General information (continued)

Statement of the trustee's responsibilities in respect of the scheme and report of the trustee to the unitholders of Artemis Monthly Distribution Fund ('the Trust') for the period from 15 January 2018 to 31 December 2018

The trustee of Artemis Monthly Distribution Fund must ensure that the Trust is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Financial Services and Markets Act 2000, as amended, (together 'the Regulations'), the Trust Deed and Prospectus (together 'the scheme documents') as detailed below.

The trustee must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Trust and its investors. The trustee is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Trust in accordance with the Regulations.

The trustee must ensure that:

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

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

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

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

(ii) has observed the investment and borrowing powers and restrictions applicable to the Trust in accordance with the Regulations and the Scheme documents of the Trust.

J.P. Morgan Europe Limited
London
25 February 2019

Statement of the manager's responsibilities

COLL requires the manager to prepare financial statements for each annual accounting period which give a true and fair view of the financial affairs of the fund and of its revenue and expenditure for the year.

In preparing the financial statements the manager is required to:

(i) select suitable accounting policies and then apply them consistently;

(ii) comply with the disclosure requirements of the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association in May 2014 ('SORP');

(iii) follow applicable accounting standards;

(iv) keep proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements;

(v) make judgements and estimates that are reasonable and prudent; and

(vi) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the fund will continue in operation.

The manager is responsible for the management of the fund in accordance with its Trust Deed, Prospectus and COLL.

The manager is also responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the manager

We hereby approve the Manager's Report and Financial Statements of the Artemis Monthly Distribution Fund for the year ended 31 December 2018 on behalf of Artemis Fund Managers Limited in accordance with the requirements of COLL as issued and amended by the FCA.

M J Murray — Director
J L Berens — Director
Artemis Fund Managers Limited
London
25 February 2019

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

Opinion

We have audited the financial statements of the Artemis Monthly Distribution Fund ('the Fund') for the year ended 31 December 2018 which comprise the statement of total return, statement of change in net assets attributable to unitholders, balance sheet, distribution tables and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

In our opinion, the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

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

In our opinion:

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

Matters on which we are required to report by exception

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

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

Responsibilities of the manager

As explained more fully in the manager's responsibilities statement set out on page 4, the manager is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Ernst & Young LLP
Statutory Auditor
Edinburgh
25 February 2019

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

- The fund fell by 7.8%* versus a decline of 5.1%* in the peer group.
- Longer-term performance remains excellent.
- We believe the fund's yield – of over 4% – remains attractive.

Performance – A disappointing end to the year …

A weak fourth quarter dragged down the fund's performance for the year: over 2018 as a whole, it fell by 7.8%, while the average fund in its peer group (the IA's Mixed Investment 20%-60% shares sector) was down 5.1%. Despite this, our performance over five years is still very strong and we are ranked in the top decile of our peer group. The fund remains the best performer in its peer group since its launch back in 2012.

Although our record over the longer term remains good, we are disappointed by our performance in the last 12 months. As we explain in more detail below, a number of factors worked against us. In essence, the problem was that we retained too many cyclical equities and some of the defensive equities we bought proved not to be as defensive as we thought. Further, although we did reduce the fund's weighting in high-yield bonds and financial bonds during the summer, we still held too many when the fourth-quarter correction came.

One compensation is that our primary focus is on delivering a good level of income. And in this we succeeded: the fund's yield is over 4%. The price of maintaining this yield, however, has been some volatility in the fund's capital performance. In previous reports, we have highlighted that we are obliged to walk a tightrope, always seeking to find a balance between having too high a yield (which might endanger unitholders' capital by taking on additional levels of capital risk and volatility) and having too low a yield (by buying very safe assets and so not meeting unitholders' need for income). In retrospect, we erred towards taking too much risk last year. But although we wobbled a little on the tightrope, we didn't fall off.

Review – Politics again …

Electorates around the world seem keen to vote for populist politicians. For financial markets this makes for a bumpier ride: populist politicians undertake unconventional policies which sometimes spook markets. In the early part of 2018, for example, markets rallied sharply on the back of President Trump's tax cuts. But they turned much weaker amid his perceived meddling with the independence of the Federal Reserve and the trade war with China. Trump's claims that a trade war would be "easy to win" are foundering amid disappointing results from companies with significant exposure to China (particularly Apple).

Italians have also voted for a populist coalition government. The country's excessive government debt remains an issue. The coalition's desire to spend more is hampered by EU rules (the same rules that France ignores). The excess debt is not a problem in the short term but one day it could become a major one (at the time of writing, Italy has technically fallen back into recession). Either Germany or the EU will mutualise its debt in some form – or Italy will default. It is impossible to know when the markets will decide to focus on this problem. The budgetary debate was a running sore all summer but a conclusion, of sorts, was reached just after Christmas. This will not be the end of it. A debt-to-GDP ratio of 130% is far too high (the normal maximum is around 100%). The only reason it has been sustainable for so long is because of quantitative easing.

Brexit, meanwhile, is reaching its dénouement. Sterling assets remained under pressure all year as investors worried about the myriad of outcomes. The pound has been weak as a result. With 40% of the fund invested in overseas equities, this weakness has been beneficial.

Turning to returns by asset class, yields on government bonds rose (meaning their prices fell) in the early part of the year. We were short of them at that time so this positioning was helpful. We closed the positions out once the markets became more difficult in the autumn and government bonds then performed strongly into the year-end. Overall, our positioning here neither added nor detracted much from returns over the year.

Investment-grade bonds performed poorly for most of 2018 and struggled particularly badly in the final few months of the year. The main concern was the end of quantitative easing. With the US reversing its bond purchases and with the European Central Bank ('ECB') no longer buying, markets took fright. Some company-specific stories added to what became a rout. Fears grew about General Electric's bonds (which we don't own). The company's market capitalisation fell to about $80 billion, with $100 billion of debt outstanding and nearly $20 billion of bonds coming up for redemption in 2020. The price of the bonds collapsed, as the market worried they may not be able to fund themselves. Subsequently the company has announced the sale of some of its more attractive assets to raise funds and so these fears are beginning to abate.

We were very aware of the risks in the investment-grade sector and so allocated to financial bonds instead, which were not involved in quantitative easing. Yet they also weakened with the rest of the sector. While we wouldn't expect them to be immune to a broader sell-off, we anticipated they would be more insulated than they were. It is frustrating to see their recent volatility but given their history perhaps we shouldn't be so surprised.

Our high-yield bonds were also a great disappointment. Fears about a

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

Investment review (continued)

slowing economy, or even recession, triggered a sharp correction in the asset class, particularly at the end of the year. They had performed very strongly in the first six months of the year but gave back all this performance and more. The markedly weaker oil price did not help. Many oil-related issuers, (some of which we hold) came under pressure as a result.

Although our holdings in high-yield bonds hurt returns in the final quarter of 2018, the impact from our equities, which are the riskiest part of the asset spectrum that we invest in, was greater. In broad terms, our equity portfolio proved insufficiently defensive for the savage sell off that took hold towards the end of the year. While growth in the global economy was slowing through the summer – and seemed likely to slow further – we thought an outright recession in 2019 was unlikely (we still think it is) and hence didn't jump ship but maintained a portfolio with exposure to the broader economy. We held onto cyclical value stocks along with some exposure to real estate and infrastructure stocks that could provide a buffer. But our notion that value stocks (cyclical or not) would withstand the withdrawal of liquidity from the global financial system proved incorrect. As markets plunged we simply didn't have enough invested in the most defensive areas of the market.

On a stock level, Israeli telecom Bezeq was the biggest detractor from returns. This has been a painful investment for us as the share price has been hit by self-made problems as well as by external pressures. We have long been critical of the way the majority owner was running the company and of their somewhat murky approach to corporate governance. This has cast a shadow over the stock. Hence we were pleased when the controlling (26%) stake in the company was put up for sale by its owner. In the short term, however, this created an overhang and continued uncertainty about the ownership of the company has hit the share price. Although there is identifiable value in the shares we are currently considering what to do with the holding. That new owners could have a different approach to the dividend is creating more uncertainty.

Bayer, meanwhile, fell in response to unquantifiable litigation risk as its glyphosate-based pesticides (Roundup) were implicated in causing cancer. Bayer is tackling its problems – disposing of assets to reduce debt and cutting costs. But with the size of the damages it might be instructed to pay still unknown, investors are understandably nervous.

On the positive side, our holding in El Towers, an Italian operator of broadcast and telecom towers, received a bid. On top of the capital gain that resulted, we also had a special dividend of 10% (in addition to the attractive ordinary dividend while we held it). Given the political uncertainty we are pleased to have made money in an Italian stock...

Outlook – Our caution continues …

We commented in our mid-year report that we hoped President Trump would not raise the temperature in the tariff war with China. We were wrong. Given the yardstick that Trump uses to measure his performance seems to be the stockmarket, we still think the rhetoric will change. Both sides are eager for a deal to be concluded. Now the mid-term elections are out of the way, one of the political restraints has been removed. This is important for confidence.

Moreover, the reaction of the markets at the end of 2018 will inevitably slow growth as financing costs increase and the cost of capital rises. In December, the Federal Reserve ('Fed') softened its language somewhat. This may well delay the rate increases currently envisaged which is likely to extend the economic cycle further.

In the long run, monetary policy may well be too slack. Wage inflation is creeping higher as unemployment falls. There is a danger this gets embedded and we start to see inflation gradually rising.

The Brexit debate remains as fraught as ever. We feel the conclusion is likely to be a closer relationship with Europe than many hard-line Brexiters want. At the time of writing, parliament is tearing itself apart so comprehensively it is currently difficult to see any comfortable solution. An election seems unlikely due to the Fixed Term Parliament Act. If, however, one is called this would probably be the worst-case scenario with the distinct chance of a left-wing radical being able to form a government. More likely we feel is a chance of another referendum.

Investment expenditure by companies in the UK is likely to increase once any deal is concluded as companies have been hoarding cash given the uncertainty. This should be good for economic growth, though we may see the Bank of England react by raising interest rates – possibly later in the year.

Perhaps as important, the structural difficulties within Europe remain. They are being well managed by the ECB, for now. Though, as they look to reduce QE, dangers will be ever present. Italy is one concern for now, although their debt is so large it is no longer Italy's problem, but rather the rest of the world's. Similarly France has ridden roughshod over the rules to appease the 'gilets jaunes' which may well cause some confrontation with the EU next year.

Our views on government bonds remain quite cautious. While interest rates are still on the rise and debt is at extraordinarily high levels, buying longer-dated government bonds seems fraught with risk. It certainly doesn't achieve our primary aim of generating a good income.

The investment-grade market is particularly difficult. New issues have been repricing the existing market as premiums on new issues have been high and liquidity poor – although it is improving at the time of writing. The fundamental concern has been that leverage has been rising too much. We commented in last year's report how concerned we were by this. Our views haven't changed. We are generally avoiding many of the cyclical industrial sectors which have been enjoying the 'drug' of quantitative easing. As a result, we have been focusing more towards the less cyclical areas. Sterling markets are also coming back into favour, as they have been ignored throughout the Brexit negotiations.

We have favoured bonds issued by the financial sector for a long time. We are comfortable that most financials are in a better position than before, having spent huge amounts on risk and compliance departments. Having twice (if not three times) as much capital as before the financial crisis, banks are fundamentally a safer investment. We believe they are becoming much more like utilities. It is disappointing that this area was so volatile in the final months of the year but we envisage it will recover as banks' profits (although weaker) do not collapse. To be fair, with equities' valuations so low, we will be more cautious with our exposures to junior bonds, as they look relatively cheap to issue compared to equity.

The high-yield markets are offering far better value. As we discuss above, the economic cycle is likely to be extended because of more accommodative monetary policy. This is supportive of high-yield bonds, which struggle the most during recessions (or in the run-up to them) when defaults increase. While the outlook remains benign, we are more comfortable with the high-yield market rather than many other areas of the market. The oil sector is also a big part of the high-yield market and we think this will recover.

In equities, valuations in some areas fell to interesting lows towards the end of 2018 (US cyclical stocks touched their lowest valuations ever relative to the wider market). Valuation alone is not enough reason to buy (or to stick with) equities: earnings could fall and cheap stocks can always get cheaper. US banks, for instance, are cheap but a proper recession could see earnings come down 10-20% depending on the size of the slowdown. At the same time, there still seems – to us – to be a probability that recession is avoided in 2019 and that the Fed backs away from monetary tightening. In early 2019, we saw evidence that the Fed is indeed adopting a more patient stance. And there is room for good things to happen. Given the weaker economic data and the clear signals from the market, we have added to our holdings in defensives and to bond proxies. But we are conscious that we shouldn't act too dramatically. While valuations of some stocks – including many of our holdings – fell too far in late 2018 (our portfolio trades at 14x next year's earnings), there aren't necessarily buyers around to drag them back up. So for now, we are taking a balanced approach. We have reduced the cyclicality within the fund a little – but we are not buying outright defensive stocks.

In conclusion, we were disappointed with our performance in 2018 but feel the prospects for 2019 are better. Our focus is on generating income, so there will be times when we struggle against our peers, especially as we tend to have less exposure to the more growth-oriented sectors.

James Foster &
Jacob de Tusch-Lec
Fund managers

Investment information

Five largest purchases and sales for the year ended 31 December 2018

Purchases	Cost £'000	Sales	Proceeds £'000
UK Treasury 0.75% 22/07/2023	27,684	UK Treasury 1.75% 22/07/2019	28,320
Danske Bank	16,655	Fletcher Building	16,179
Bayer	16,183	Ei Towers	14,647
Arion Banki HF, SDR	14,320	Imperial Brands	12,530
Z Energy	13,550	Ping An Insurance Group Co. of China H shares	12,447

Portfolio statement as at 31 December 2018

Investment	Holding	Valuation £'000	% of net assets
Equities 45.58% (45.75%)			
Australia 0.55% (0.17%)			
Aurizon Holdings	1,539,200	3,633	0.39
Coronado Global Resources, CDI	839,875	1,421	0.16
		5,054	**0.55**
Austria 0.61% (0.00%)			
Verbund	170,387	5,654	0.61
		5,654	**0.61**
Brazil 0.20% (0.32%)			
CCR	818,665	1,845	0.20
		1,845	**0.20**
Canada 1.43% (1.15%)			
Dream Global Real Estate Investment Trust	510,681	3,468	0.38
Franco-Nevada	85,270	4,640	0.50
Nutrien	140,647	5,089	0.55
		13,197	**1.43**
China 2.57% (1.92%)			
Anhui Conch Cement H shares	1,205,645	4,581	0.50
China Conch Venture Holdings	1,496,500	3,486	0.38
China Resources Cement Holdings	4,728,000	3,333	0.36
Guangdong Investment	8,134,000	12,314	1.33
		23,714	**2.57**
Czech Republic 0.78% (0.86%)			
Moneta Money Bank	2,832,189	7,179	0.78
		7,179	**0.78**
Denmark 1.22% (0.47%)			
Danske Bank	631,839	9,759	1.06
DFDS	48,185	1,508	0.16
		11,267	**1.22**
Finland 0.97% (0.00%)			
Fortum	301,088	5,138	0.56
Nordea Bank	587,330	3,834	0.41
		8,972	**0.97**
France 0.00% (3.29%)			
Germany 2.31% (1.25%)			
Bayer	201,410	10,958	1.19
Deutsche Pfandbriefbank	217,068	1,697	0.18

Investment	Holding	Valuation £'000	% of net assets
Rheinmetall	86,330	5,998	0.65
Volkswagen Preference	21,857	2,724	0.29
		21,377	**2.31**
Guernsey 0.00% (0.47%)			
Iceland 1.23% (0.00%)			
Arion Banki HF, SDR	25,647,349	11,410	1.23
		11,410	**1.23**
India 0.12% (0.07%)			
Indiabulls Housing Finance	117,617	1,128	0.12
		1,128	**0.12**
Israel 2.73% (2.74%)			
Bank Hapoalim BM	361,417	1,785	0.19
Bezeq, The Israeli Telecommunication Company	19,004,026	14,614	1.58
Israel Chemicals	1,055,716	4,677	0.51
Shikun & Binui	3,146,311	4,185	0.45
		25,261	**2.73**
Italy 4.08% (5.08%)			
Atlantia	270,159	4,378	0.47
ENAV	2,923,441	11,123	1.20
Infrastrutture Wireless Italiane	1,299,340	6,946	0.75
Rai Way	2,671,878	10,328	1.12
Telecom Italia	13,290,091	4,949	0.54
		37,724	**4.08**
Japan 0.78% (1.64%)			
Idemitsu Kosan	118,500	3,043	0.33
Japan Hotel REIT Investment	5,000	2,789	0.30
Tokai Carbon	158,800	1,411	0.15
		7,243	**0.78**
Luxembourg 0.66% (0.47%)			
SES, FDR	61,231	914	0.10
Tenaris	612,134	5,180	0.56
		6,094	**0.66**
Mexico 0.19% (0.00%)			
Macquarie Mexico Real Estate Management, REIT	2,435,215	1,712	0.19
		1,712	**0.19**
Netherlands 0.39% (0.15%)			
BE Semiconductor Industries	218,592	3,620	0.39
		3,620	**0.39**
New Zealand 1.91% (3.11%)			
Metlifecare	1,459,614	4,136	0.45
Z Energy	4,700,486	13,543	1.46
		17,679	**1.91**
Norway 1.85% (1.42%)			
Aker BP	94,310	1,855	0.20
Ocean Yield	1,143,964	6,111	0.66
Storebrand	286,437	1,591	0.17
Yara International	251,945	7,573	0.82
		17,130	**1.85**

Investment information (continued)

Investment	Holding	Valuation £'000	% of net assets
Poland 1.38% (0.51%)			
Play Communications	2,972,412	12,715	1.38
		12,715	**1.38**
Portugal 0.40% (0.31%)			
Galp Energia	297,879	3,679	0.40
		3,679	**0.40**
Russia 0.00% (1.06%)			
Singapore 0.30% (0.67%)			
Far East Hospitality Trust, REIT	8,074,400	2,786	0.30
		2,786	**0.30**
South Africa 0.25% (0.00%)			
Anglo American	132,748	2,318	0.25
		2,318	**0.25**
Spain 0.86% (0.71%)			
Euskaltel	841,209	5,161	0.56
Repsol	141,209	1,798	0.19
Repsol Rights 09/01/2019	141,209	51	0.01
Telefonica	139,624	920	0.10
		7,930	**0.86**
Sweden 1.49% (1.71%)			
Nobina	2,633,247	13,800	1.49
		13,800	**1.49**
Switzerland 3.39% (1.36%)			
Galenica	197,399	6,795	0.73
Glencore	1,630,731	4,776	0.52
Roche Holding	24,496	4,746	0.51
SIG Combibloc Group	675,000	5,600	0.61
Swisscom	25,215	9,425	1.02
		31,342	**3.39**
Taiwan 0.41% (0.00%)			
Nanya Technology	2,709,101	3,814	0.41
		3,814	**0.41**
United Arab Emirates 0.14% (0.14%)			
Abu Dhabi National Oil Co. for Distribution	2,556,280	1,259	0.14
		1,259	**0.14**
United Kingdom 1.10% (2.84%)			
Imperial Brands	99,430	2,357	0.26
Mountview Estates	63,415	5,834	0.63
Subsea 7	255,717	1,944	0.21
		10,135	**1.10**
United States of America 11.28% (11.86%)			
AbbVie	75,967	5,422	0.59
AG Mortgage Investment Trust, REIT	91,545	1,162	0.13
AGNC Investment, REIT	477,464	6,630	0.72
Annaly Capital Management, REIT	247,966	1,915	0.21
Bank of America	223,790	4,275	0.46
Bristol-Myers Squibb	164,336	6,557	0.71

Investment	Holding or nominal value	Valuation £'000	% of net assets
Broadcom	20,100	3,992	0.43
Carlyle Group	167,982	2,123	0.23
Citigroup	71,529	2,902	0.31
Crown Castle International, REIT	67,845	5,740	0.62
General Motors	477,186	12,669	1.37
GEO Group, REIT	741,252	11,210	1.21
Hess	80,600	2,547	0.28
Huntington Ingalls Industries	10,657	1,570	0.17
Johnson & Johnson	28,684	2,858	0.31
Las Vegas Sands	72,740	2,898	0.31
Philip Morris International	12,589	663	0.07
Synchrony Financial	40,361	742	0.08
Targa Resources	344,330	9,444	1.02
Verizon Communications	270,516	11,707	1.27
Western Digital	150,857	4,338	0.47
Zions Bancorp	91,496	2,897	0.31
		104,261	**11.28**
Equities total		**421,299**	**45.58**
Government bonds 3.01% (2.16%)			
United Kingdom 3.01% (2.16%)			
UK Treasury 0.75% 22/07/2023	£28,000,000	27,794	3.01
		27,794	**3.01**
Government bonds total		**27,794**	**3.01**
Corporate bonds 50.33% (50.54%)			
Australia 1.12% (1.54%)			
Australia & New Zealand Banking Group, FRN 2.96% Perpetual	$6,060,000	3,165	0.34
BHP Billiton Finance, FRN 6.50% 22/10/2077	£2,600,000	2,858	0.31
Westpac Banking, FRN 2.74% Perpetual	$8,000,000	4,300	0.47
		10,323	**1.12**
Belgium 0.47% (0.87%)			
Ethias 5.00% 14/01/2026	€800,000	757	0.08
KBC Group, FRN 5.63% Perpetual	€4,000,000	3,570	0.39
		4,327	**0.47**
Bermuda 0.47% (0.83%)			
XLIT, FRN 3.25% 29/06/2047	€5,000,000	4,334	0.47
		4,334	**0.47**
Bulgaria 0.00% (0.04%)			
Canada 0.06% (0.08%)			
Entertainment One 6.88% 15/12/2022	£500,000	514	0.06
		514	**0.06**
Denmark 0.74% (0.32%)			
DKT Finance 7.00% 17/06/2023	€7,200,000	6,804	0.74
		6,804	**0.74**
France 2.71% (4.12%)			
Altice France 7.38% 01/05/2026	$2,500,000	1,790	0.19
Electricite de France, FRN 6.00% Perpetual	£5,500,000	5,324	0.58
Horizon Parent Holdings 8.25% 15/02/2022	€5,650,000	5,117	0.55

Investment information (continued)

Investment	Nominal value	Valuation £'000	% of net assets
Orange, FRN 5.87% Perpetual	£2,700,000	2,834	0.31
Societe Generale, FRN 7.37% Perpetual	$4,500,000	3,448	0.37
Total, FRN 3.88% Perpetual	€2,000,000	1,901	0.21
Vallourec 6.63% 15/10/2022	€6,750,000	4,618	0.50
		25,032	**2.71**
Germany 2.83% (3.11%)			
Bayer, FRN 2.38% 02/04/2075	€5,500,000	4,671	0.51
Deutsche Pfandbriefbank, FRN 5.75% Perpetual	€3,600,000	3,013	0.33
EnBW Energie Baden-Wuerttemberg, FRN 5.12% 05/04/2077	$3,000,000	2,308	0.25
Kirk Beauty One 8.75% 15/07/2023	€5,600,000	2,443	0.26
Raffinerie Heide 6.38% 01/12/2022	€5,600,000	4,274	0.46
RWE, FRN 7.00% Perpetual	£3,300,000	3,313	0.36
Tele Columbus 3.88% 02/05/2025	€7,600,000	6,148	0.66
		26,170	**2.83**
Ghana 0.82% (0.00%)			
Tullow Oil 7.00% 01/03/2025	$10,517,000	7,627	0.82
		7,627	**0.82**
Ireland 1.09% (1.48%)			
Allied Irish Banks, FRN 7.38% Perpetual	€1,453,000	1,355	0.15
Bank of Ireland Group, FRN 4.12% 19/09/2027	$5,000,000	3,571	0.39
eircom Finance DAC 4.50% 31/05/2022	€2,500,000	2,270	0.24
Lambay Capital Securities 6.25% Perpetual §	£3,250,000	–	–
National Asset Management Services DAC 5.26% 01/03/2020	€3,000,000	2,858	0.31
		10,054	**1.09**
Italy 1.06% (2.46%)			
Assicurazioni Generali, FRN 6.42% Perpetual	£2,700,000	2,625	0.28
Enel, FRN 6.62% 15/09/2076	£2,550,000	2,661	0.29
Intesa Sanpaolo, FRN 7.00% Perpetual	€2,000,000	1,813	0.20
Telecom Italia 3.63% 25/05/2026	€3,000,000	2,682	0.29
		9,781	**1.06**
Jersey 0.49% (0.42%)			
LHC3 4.12% 15/08/2024	€5,300,000	4,527	0.49
		4,527	**0.49**
Luxembourg 2.11% (1.18%)			
Altice Luxembourg 7.75% 15/05/2022	$3,700,000	2,631	0.29
ARD Finance 6.63% 15/09/2023	€6,500,000	5,549	0.60
DEA Finance 7.50% 15/10/2022	€1,800,000	1,685	0.18
Eurofins Scientific, FRN 3.25% Perpetual	€7,000,000	5,367	0.58
Safari Verwaltungs 5.38% 30/11/2022	€5,300,000	4,287	0.46
		19,519	**2.11**
Mexico 0.10% (0.14%)			
America Movil, FRN 6.37% 06/09/2073	£900,000	936	0.10
		936	**0.10**
Netherlands 2.11% (2.88%)			
Cooperatieve Rabobank 4.63% 23/05/2029	£3,150,000	3,377	0.37
ING Groep, FRN 6.87% Perpetual	$3,250,000	2,529	0.27
Koninklijke KPN, FRN 7.00% 28/03/2073	$4,800,000	3,836	0.41

Investment	Nominal value	Valuation £'000	% of net assets
NN Group, FRN 4.37% Perpetual	€4,000,000	3,604	0.39
Vivat, FRN 6.25% Perpetual	$8,200,000	6,198	0.67
		19,544	**2.11**
Norway 0.38% (0.00%)			
Petroleum Geo-Services 7.38% 15/12/2020	$5,100,000	3,475	0.38
		3,475	**0.38**
Portugal 0.41% (0.32%)			
EDP - Energias de Portugal, FRN 5.38% 16/09/2075	€4,000,000	3,756	0.41
GNB - Cia de Seguros de Vida, FRN 3.19% Perpetual	€75,000	49	–
		3,805	**0.41**
Russia 0.43% (0.58%)			
Gazprom 4.25% 06/04/2024	£4,000,000	4,003	0.43
		4,003	**0.43**
South Africa 0.18% (0.26%)			
Investec, FRN 6.75% Perpetual	£1,800,000	1,647	0.18
		1,647	**0.18**
Spain 1.67% (2.35%)			
Banco Santander, FRN 6.25% Perpetual	€3,500,000	3,075	0.33
eDreams ODIGEO 5.50% 01/09/2023	€6,000,000	5,022	0.54
Lecta 6.50% 01/08/2023	€4,400,000	3,633	0.39
Naturgy Finance, FRN 4.13% Perpetual	€4,100,000	3,754	0.41
		15,484	**1.67**
Sweden 0.54% (0.31%)			
Svenska Handelsbanken, FRN 5.25% Perpetual	$4,000,000	3,011	0.32
Vattenfall, FRN 3.04% 19/03/2077	€2,400,000	2,032	0.22
		5,043	**0.54**
Switzerland 1.88% (1.35%)			
Credit Suisse Group, FRN 6.25% Perpetual	$7,800,000	5,770	0.63
Kongsberg Actuation Systems 5.00% 15/07/2025	€5,100,000	4,285	0.46
Swiss Re, FRN 5.75% 15/08/2050	$5,500,000	4,172	0.45
Zurich Insurance, FRN 4.25% 01/10/2045	$4,400,000	3,146	0.34
		17,373	**1.88**
United Arab Emirates 0.90% (0.54%)			
Shelf Drilling Holdings 8.25% 15/02/2025	$6,628,000	4,438	0.48
Topaz Marine 9.13% 26/07/2022	$5,000,000	3,924	0.42
		8,362	**0.90**
United Kingdom 20.58% (21.51%)			
Anglian Water Osprey Financing 5.00% 30/04/2023	£1,675,000	1,640	0.18
Arqiva Broadcast Finance 6.75% 30/09/2023	£4,750,000	4,753	0.51
Assura Financing, REIT 3.00% 19/07/2028	£4,500,000	4,449	0.48
Aviva, FRN 3.38% 04/12/2045	€3,500,000	3,029	0.33
Bupa Finance 5.00% 08/12/2026	£3,550,000	3,715	0.40
Cabot Financial Luxembourg 7.50% 01/10/2023	£5,500,000	4,994	0.54
Centrica, FRN 5.25% 10/04/2075	£1,200,000	1,174	0.13
Co-operative Group Holdings 2011, STEP 6.88% 08/07/2020	£1,200,000	1,245	0.13
CPUK Finance 4.25% 28/02/2047	£4,300,000	4,085	0.44
Direct Line Insurance Group, FRN 4.75% Perpetual	£5,700,000	4,600	0.50

Investment information (continued)

Investment	Nominal value	Valuation £'000	% of net assets
Drax Finco 4.25% 01/05/2022	£4,300,000	4,214	0.46
EnQuest, FRN 7.00% 15/10/2023	$7,241,000	3,813	0.41
Fidelity International 7.13% 13/02/2024	£1,500,000	1,750	0.19
Grainger 3.38% 24/04/2028	£5,200,000	5,110	0.55
HBOS Sterling Finance Jersey, FRN 7.88% Perpetual	£1,800,000	2,435	0.26
Heathrow Finance 3.88% 01/03/2027	£4,000,000	3,603	0.39
Hiscox, FRN 6.12% 24/11/2045	£3,000,000	3,075	0.33
HSBC Bank, FRN 3.12% Perpetual	$4,000,000	2,124	0.23
HSBC Holdings, FRN 6.87% Perpetual	$2,100,000	1,686	0.18
Iceland Bondco 6.75% 15/07/2024	£4,890,000	4,653	0.50
InterContinental Hotels Group 3.75% 14/08/2025	£3,800,000	3,945	0.43
Intermediate Capital Group 5.00% 24/03/2023	£2,599,000	2,655	0.29
Investec Bank, FRN 4.25% 24/07/2028	£3,000,000	2,909	0.31
Just Group 9.00% 26/10/2026	£3,150,000	3,599	0.39
KCA Deutag UK Finance 9.88% 01/04/2022	$8,600,000	5,354	0.58
Kelda Finance No. 3 5.75% 17/02/2020	£2,700,000	2,701	0.29
Legal & General Group, FRN 5.38% 27/10/2045	£4,000,000	4,114	0.44
Liverpool Victoria Friendly Society, FRN 6.50% 22/05/2043	£1,000,000	1,049	0.11
Matalan Finance 6.75% 31/01/2023	£4,186,000	3,582	0.39
Miller Homes Group Holdings, FRN 6.06% 15/10/2023	£4,300,000	4,048	0.44
Mizzen Bondco 7.00% 01/05/2021	£2,178,100	2,156	0.23
Neptune Energy Bondco 6.63% 15/05/2025	$8,000,000	5,802	0.63
NGG Finance, FRN 5.63% 18/06/2073	£4,900,000	5,156	0.56
NWEN Finance 5.88% 21/06/2021	£1,800,000	1,827	0.20
Pennon Group, FRN 2.87% Perpetual	£4,667,000	4,632	0.50
Phoenix Group Holdings 4.13% 20/07/2022	£4,500,000	4,450	0.48
Provident Financial 7.00% 04/06/2023	£4,700,000	4,724	0.51
Prudential, FRN 6.50% 20/10/2048	$7,000,000	5,358	0.58
Punch Taverns Finance B 7.75% 30/12/2025	£2,250,000	2,199	0.24
Quilter, FRN 4.48% 28/02/2028	£5,000,000	4,873	0.53
Rothesay Life 8.00% 30/10/2025	£2,915,000	3,301	0.36
Royal Bank of Scotland Group, FRN 7.65% Perpetual	$2,511,000	2,411	0.26
RSA Insurance Group, FRN 5.13% 10/10/2045	£3,300,000	3,392	0.37
Society of Lloyd's 4.75% 30/10/2024	£2,000,000	2,083	0.22
Stonegate Pub Co. Financing 4.88% 15/03/2022	£2,700,000	2,592	0.28
TalkTalk Telecom Group 5.38% 15/01/2022	£5,000,000	4,868	0.53
Tesco 6.15% 15/11/2037	$915,000	742	0.08
Thomas Cook Group 6.25% 15/06/2022	€2,250,000	1,544	0.17
Virgin Media Secured Finance 5.13% 15/01/2025	£5,850,000	5,783	0.63
Viridian Group FinanceCo 4.75% 15/09/2024	£4,150,000	3,803	0.41
Vodafone Group, FRN 6.25% 03/10/2078	$4,000,000	2,902	0.31
Voyage Care BondCo 5.88% 01/05/2023	£4,800,000	4,139	0.45
Western Power Distribution 3.50% 16/10/2026	£4,800,000	4,806	0.52
Whitbread Group 3.38% 16/10/2025	£5,000,000	5,064	0.55
William Hill 4.88% 07/09/2023	£1,550,000	1,533	0.17
		190,243	**20.58**

Investment	Nominal value	Valuation £'000	% of net assets
United States of America 7.18% (3.85%)			
Alliance Data Systems 5.25% 15/11/2023	€4,100,000	3,713	0.40
AMC Entertainment Holdings 6.38% 15/11/2024	£4,750,000	4,417	0.48
Burford Capital 5.00% 01/12/2026	£4,300,000	4,265	0.46
Burford Capital Finance 6.13% 12/08/2025	$3,700,000	2,839	0.31
BWAY Holding 4.75% 15/04/2024	€7,150,000	6,271	0.68
Continental Resources 4.50% 15/04/2023	$3,850,000	2,955	0.32
Ensco 7.75% 01/02/2026	$9,000,000	4,942	0.53
Infor US 5.75% 15/05/2022	€2,450,000	2,195	0.24
Ingles Markets 5.75% 15/06/2023	$5,750,000	4,416	0.48
LKQ European Holdings 3.63% 01/04/2026	€4,800,000	4,158	0.45
Men's Wearhouse 7.00% 01/07/2022	$3,957,000	3,111	0.34
Refinitiv US Holdings 4.50% 15/05/2026	€5,250,000	4,584	0.49
Scientific Games International 5.00% 15/10/2025	$6,000,000	4,173	0.45
Seagate HDD Cayman 4.75% 01/01/2025	$2,222,000	1,558	0.17
State Street, FRN 3.18% 15/05/2028	$2,364,000	1,667	0.18
UGI International 3.25% 01/11/2025	€800,000	717	0.08
USB Realty, FRN 3.58% Perpetual	$7,600,000	5,148	0.56
Weight Watchers International 8.63% 01/12/2025	$6,500,000	5,204	0.56
		66,333	**7.18**
Corporate bonds total		**465,260**	**50.33**
Forward currency contracts (0.17)% ((0.06)%)			
Buy Sterling 139,866,237 sell Euro 156,646,000 dated 11/03/2019		(957)	(0.11)
Buy Sterling 137,744,438 sell US Dollar 176,148,000 dated 11/03/2019		248	0.03
Buy Japanese Yen 620,000,000 sell US Dollar 5,545,121 dated 11/03/2019		97	0.01
Buy US Dollar 141,720,239 sell Euro 124,101,000 dated 11/03/2019		(942)	(0.10)
Forward currency contracts total		**(1,554)**	**(0.17)**
Futures 0.00% (0.02%)			
Investment assets (including investment liabilities)		912,799	98.75
Net other assets		11,595	1.25
Net assets attributable to unitholders		924,394	100.00

The comparative percentage figures in brackets are as at 31 December 2017.

§ Security is currently in default.

Financial statements

Statement of total return for the year ended 31 December 2018

	Note	31 December 2018 £'000	31 December 2018 £'000	31 December 2017 £'000	31 December 2017 £'000
Income					
Net capital (losses)/gains	3		(106,311)		21,955
Revenue	5	41,782		24,887	
Expenses	6	(7,272)		(4,465)	
Interest payable and similar charges	7	(302)		(333)	
Net revenue before taxation		34,208		20,089	
Taxation	8	(5,142)		(2,791)	
Net revenue after taxation			29,066		17,298
Total return before distributions			**(77,245)**		**39,253**
Distributions	9		(35,698)		(21,305)
Change in net assets attributable to unitholders from investment activities			(112,943)		17,948

Statement of change in net assets attributable to unitholders for the year ended 31 December 2018

	31 December 2018 £'000	31 December 2018 £'000	31 December 2017 £'000	31 December 2017 £'000
Opening net assets attributable to unitholders		709,993		343,601
Amounts receivable on issue of units	311,681		337,467	
Amounts payable on cancellation of units	(7,269)		(2,813)	
		304,412		334,654
Change in net assets attributable to unitholders from investment activities		(112,943)		17,948
Retained distributions on accumulation units		22,932		13,790
Closing net assets attributable to unitholders		924,394		709,993

Balance sheet as at 31 December 2018

	Note	31 December 2018 £'000	31 December 2017 £'000
Assets			
Fixed assets			
Investments	10	914,698	699,889
Current assets			
Debtors	11	13,155	15,303
Cash and bank balances	12	7,383	121
Total current assets		**20,538**	**15,424**
Total assets		**935,236**	**715,313**
Liabilities			
Investment liabilities	**10**	**1,899**	**1,207**
Provisions for liabilities	13	23	15
Creditors			
Bank overdraft		-	1,156
Distribution payable		2,000	1,371
Other creditors	14	6,920	1,571
Total creditors		**8,920**	**4,098**
Total liabilities		**10,842**	**5,320**
Net assets attributable to unitholders		924,394	709,993

1. Accounting policies

(a) Basis of accounting. The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, in accordance with FRS 102 and the SORP and the Financial Conduct Authority's Collective Investment Schemes Sourcebook ('COLL'). The financial statements have been prepared on a going concern basis.

(b) Valuation of investments. All investments have been valued at 12 noon on the last working day of the accounting, net of any accrued interest in the case of debt securities, which is included in the balance sheet as a revenue related item. Listed investments are valued at fair value which is deemed to be the bid or SETS price. Unquoted investments are valued at fair value which is determined by the investment manager, with reference to the valuation guidelines issued by the International Private Equity and Venture Capital Valuation Guidelines Board. Open forward foreign exchange contracts are shown in the Portfolio Statement at market value and the net (losses)/gains are reflected within Forward currency contracts under Net capital (losses)/ gains in the Notes to the financial statements.

(c) Foreign exchange rates. Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates prevailing at 12 noon on the last working day of the accounting period. Revenue and expenditure transactions are translated at the rates of exchange ruling on the dates of the transactions. Exchange differences on such transactions follow the same treatment as the principal amounts.

(d) Derivatives. Where appropriate, certain permitted transactions such as derivatives or forward currency contracts are used for investment purposes and efficient portfolio management. Derivatives are valued at 12 noon on the last working day of the accounting period. Exchange traded derivatives are priced at fair value, which is deemed to be the bid price. Over-the-counter derivatives are priced at fair values using valuation models or data sourced from market data providers. Returns on derivative instruments are recognised as either revenue or capital depending on the nature and circumstances of each particular case. Any positions on such transactions open at the year end are reflected in the balance sheet at their marked to market value. Open forward foreign exchange contracts are shown in the Portfolio Statement at market value and the net gains/(losses) are reflected within Forward currency contracts under Net capital gains/ (losses) in the Notes to the financial statements.

(e) Revenue. Interest from debt securities is recognised on an effective interest rate basis inclusive of any expected changes to future cash flows. Dividends receivable from equity and non-equity shares, including Real Estate Investment Trusts, are credited to revenue, net of attributable tax credits, when the security is quoted ex-dividend. Dividends received as shares (scrip/ stock dividends), to the extent that the value of such dividends is equal to the cash dividends, are treated as revenue. Dividends on unquoted stocks are credited to revenue when the right to receive payment is established. Special dividends are reviewed on a case by case basis when determining if a dividend is to be treated as revenue or capital. It is likely that where a special dividend results in a significant reduction in the capital value of a holding, then the dividend will generally be treated as capital, otherwise this will be recognised as revenue. Bank interest is recognised on an accruals basis.

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

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

2. Distribution policy

The fund shall distribute all available revenue, after deduction of expenses properly chargeable against revenue. The manager and the trustee have agreed that 100% of the annual management charge is to be transferred to capital for the purpose of calculating the distribution, as permitted by COLL. The distribution currently payable reflects this treatment. The manager may from time to time, smooth the distribution payments during the accounting period with the balance of revenue (if any) being paid in respect of the final distribution. Gains and losses on investments, derivatives and currencies, whether realised or unrealised, if taken to capital are not available for distribution. The fund may be more than 60% invested in qualifying investments (as defined in section 468L, Income and Corporation Taxes Act 1988) but is not expected to be for the whole accounting period and so will pay a dividend distribution. With the exception of the manager's annual management charge, which is directly attributable to each unit class, all income and expenses are apportioned to each unit class pro-rata to the value of the net assets of the relevant unit class on the day that the income or expense is recognised.

For accumulation units this revenue is not distributed but automatically reinvested in the fund and is reflected in the value of these units.

Distributions which have remained unclaimed by unitholders for six years are credited to the capital property of the fund.

Notes to the financial statements (continued)

3. Net capital (losses)/gains

	31 December 2018 £'000	31 December 2017 £'000
Currency gains/(losses)	2,064	(941)
Derivative contracts	200	(721)
Capital transaction charges	(21)	(22)
Forward currency contracts	(7,328)	(3,191)
Non-derivative securities	(101,226)	26,830
Net capital (losses)/gains	(106,311)	21,955

4. Direct transaction costs

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

	Year ended 31 December 2018					
	Principal £'000	Commission £'000	Taxes £'000	Total after costs £'000	Commission as a percentage of principal %	Taxes as a percentage of principal %
Purchases						
Equities	547,233	158	183	547,574	0.03	0.03
Bonds	287,855	-	-	287,855	-	-
Sales						
Equities	386,702	103	51	386,548	0.03	0.01
Bonds	131,949	-	-	131,949	-	-
Total		261	234			
Percentage of fund average net assets		0.03%	0.03%			

	Year ended 31 December 2017					
	Principal £'000	Commission £'000	Taxes £'000	Total after costs £'000	Commission as a percentage of principal %	Taxes as a percentage of principal %
Purchases						
Equities	393,952	215	252	394,419	0.05	0.06
Bonds	293,888	-	-	293,888	-	-
Sales						
Equities	245,320	138	25	245,157	0.06	0.01
Bonds	104,991	-	-	104,991	-	-
Total		353	277			
Percentage of fund average net assets		0.07%	0.05%			

During the year the fund incurred £21,000 (2017: £22,000) in capital transaction charges.

Dealing spread

As at the balance sheet date the estimated portfolio dealing spread was 0.79% (2017: 0.59%). This spread represents the difference between the bid and offer prices of each underlying investment expressed as a percentage of the value determined by reference to its offer price.

5. Revenue

	31 December 2018 £'000	31 December 2017 £'000
Interest on debt securities	24,774	13,773
Overseas dividends	15,928	10,141
UK dividends	1,053	937
Bank interest	27	16
Overseas stock dividends	-	20
Total revenue	41,782	24,887

6. Expenses

	31 December 2018 £'000	31 December 2017 £'000
Payable to the manager, associates of the manager and agents of either of them:		
Annual management charge	6,627	4,003
Other expenses:		
Registration fees	210	139
Administration fees	148	122
Safe custody fees	137	73
Trustee fees	71	63
Operational fees	63	50
Auditor's remuneration: audit fee*	10	9
Capital derivative fees	5	5
Price publication fees	1	1
Total expenses	7,272	4,465

All expenditure stated above is inclusive of irrecoverable VAT where applicable.
*The amounts disclosed above include VAT at the rate of 20%. The audit fee (excluding VAT) incurred during the period was £8,450 (2017: £7,500).

7. Interest payable and similar charges

	31 December 2018 £'000	31 December 2017 £'000
Interest payable on short futures	263	249
Interest payable	39	84
Total interest payable and similar charges	302	333

Notes to the financial statements (continued)

8. Taxation

	31 December 2018 £'000	31 December 2017 £'000
a) Analysis of the tax charge for the year		
UK corporation tax	4,158	2,203
Irrecoverable overseas tax	1,359	852
Prior year adjustments	39	(4)
Double taxation relief	(422)	(268)
Total taxation before deferred tax (note 8b)	**5,134**	**2,783**
Deferred tax (note 8c)	8	8
Total taxation	5,142	2,791
b) Factors affecting the tax charge for the year		
Net revenue before taxation	34,208	20,089
Corporation tax at 20% (2017: 20%)	6,842	4,018
Effects of:		
Irrecoverable overseas tax	937	584
Prior year adjustments	39	(4)
Non-taxable stock dividends	-	(4)
Income taxable in different periods	(26)	(20)
Non-taxable UK dividends	(211)	(188)
Non-taxable overseas dividends	(2,447)	(1,603)
Tax charge for the year (note 8a)	5,134	2,783
c) Provision for deferred tax		
Provision at the start of the year	15	7
Movement in deferred tax for the year (note 8a)	8	8
Provision at the end of the year	23	15

9. Distributions

	31 December 2018 £'000	31 December 2017 £'000
Interim distribution - January 2018	1,478	801
Interim distribution - February 2018	2,059	1,537
Interim distribution - March 2018	2,660	1,698
Interim distribution - April 2018	3,292	1,708
Interim distribution - May 2018	5,384	3,783
Interim distribution - June 2018	3,610	1,961
Interim distribution - July 2018	2,842	1,592
Interim distribution - August 2018	2,982	1,589
Interim distribution - September 2018	3,549	1,672
Interim distribution - October 2018	3,007	1,856
Interim distribution - November 2018	2,842	1,823
Final distribution - December 2018	2,564	1,900
	36,269	**21,920**
Add: amounts deducted on cancellation of units	11	4
Deduct: amounts added on issue of units	(582)	(619)
Distributions	35,698	21,305
Movement between net revenue and distributions		
Net revenue after taxation	29,066	17,298
Annual management charge paid from capital	6,627	4,003
Expenses paid from capital	5	5
Undistributed revenue brought forward	1	-
Undistributed revenue carried forward	(1)	(1)
	35,698	21,305

The distributions take account of amounts added on the issue of units and amounts deducted on the cancellation of units. Details of the distributions per unit are set out in the distribution tables on pages 30 to 35.

10. Fair value hierarchy

All investments are designated at fair value through profit or loss on initial recognition. The following table provides an analysis of these investments based on the fair value hierarchy in accordance with FRS 102 which reflects the reliability and significance of the information used to measure their fair value.

The disclosure is split into the following categories:

Level 1 – Investments with unadjusted quoted prices in an active market;
Level 2 – Investments whose fair value is based on inputs other than quoted prices that are either directly or indirectly observable;
Level 3 – Investments whose fair value is based on inputs that are unobservable (i.e. for which market data is unavailable).

	31 December 2018		31 December 2017	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	421,299	-	324,971	-
Level 2	490,239	1,899	374,918	1,207
Level 3	3,160	-	-	-
Total	914,698	1,899	699,889	1,207

11. Debtors

	31 December 2018 £'000	31 December 2017 £'000
Accrued revenue	8,331	5,853
Amounts receivable for issue of units	4,337	8,864
Overseas withholding tax recoverable	487	289
Sales awaiting settlement	-	297
Total debtors	13,155	15,303

12. Cash and bank balances

	31 December 2018 £'000	31 December 2017 £'000
Cash and bank balances	4,032	60
Amounts held at futures clearing houses and brokers	3,351	61
Total cash and bank balances	7,383	121

Notes to the financial statements (continued)

13. Provision for liabilities

	31 December 2018 £'000	31 December 2017 £'000
Deferred taxation	23	15
Total provisions for liabilities	23	15

14. Other creditors

	31 December 2018 £'000	31 December 2017 £'000
Purchases awaiting settlement	4,491	-
Corporation tax payable	1,622	1,034
Accrued annual management charge	590	406
Accrued other expenses	217	131
Total other creditors	6,920	1,571

15. Contingent liabilities and commitments

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

16. Reconciliation of unit movements

Class	Units in issue at 31 December 2017	Units issued	Units cancelled	Units converted	Units in issue at 31 December 2018
I distribution	335,981,828	160,661,898	(2,954,698)	4,227,978	497,917,006
I accumulation	461,531,049	198,024,627	(2,625,881)	(2,959,069)	653,970,726
R distribution	10,401,811	2,437,846	(976,031)	(29,966)	11,833,660
R accumulation	11,682,898	5,630,994	(2,259,242)	(285,224)	14,769,426

17. Risk disclosures

In pursuing their investment objectives, the fund may hold a number of financial instruments. These financial instruments comprise equities, bonds, derivatives, cash balances and liquid resources, which include debtors and creditors that arise directly from the funds' operations. The fund only executes derivative contracts where both the derivative instrument and the counter party have been approved by the manager.

The manager has a risk management policy, which is reviewed by the Trustee. The processes detailed within are designed to monitor and measure at any time the risk of the fund's positions and their contribution to the overall risk profile of the fund. In addition, our Investment Committee and Risk and Compliance Committee meet monthly and quarterly respectively, and as required to evaluate risk across each of our funds. These policies have been consistent for both the current and prior period to which these financial statements relate.

In the normal course of business, the fund's activities expose it to various types of risk which are associated with the financial instruments and markets in which it invests. These financial risks: market risk (comprising currency risk, interest rate risk, other market price risk and leverage risk), credit and counterparty risk and liquidity risk and the approach to the management of these risks, are set out below and remain unchanged from the previous accounting year. For a detailed explanation of these and further risks involved in investing in the fund, reference should be made to the Prospectus.

(a) Market risk

Market risk, which includes interest rate risk, currency risk, other price risk and leverage risk arises mainly from uncertainty about future values of financial instruments in the fund's investment portfolio. The fund, in order to meet its investment objective and policy, invests predominantly in bonds and equities and maintains an appropriate spread of investments in accordance with COLL, the Trust Deed and the Prospectus to seek to reduce the risks arising from factors specific to a particular company or sector. The manager's investment strategy is to select investments for their fundamental value. Stock selection is therefore based on disciplined accounting, market and sector analysis, with the emphasis on long-term investments. There is no material difference between the carrying values and the fair values of the financial assets and liabilities of the fund disclosed in the balance sheet.

(i) Interest rate risk

Changes in interest rates or changes in expectations of future interest rates may result in an increase or decrease in the market value of the investments held. Bond yields (and as a consequence bond prices) are determined by market perception as to the appropriate level of yields given the economic background. Key determinants include economic growth prospects, inflation, governments' fiscal positions, short-term interest rates and international market comparisons. As part of the continuing review of the portfolio, the manager monitors and reviews these factors.

Currency	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
31 December 2018				
US Dollar	17,978	117,842	112,051	247,871
Sterling	11,473	213,442	18,429	243,344
Euro	14,422	121,178	93,514	229,114
Swedish Krona	-	-	29,044	29,044
Swiss Franc	-	-	26,568	26,568
Israeli New Shekel	-	-	25,282	25,282
Hong Kong Dollar	1,203	-	22,511	23,714
Norwegian Krone	1,311	-	17,856	19,167
New Zealand Dollar	-	-	17,679	17,679
Polish Zloty	-	-	12,715	12,715
Danish Krone	-	-	11,278	11,278
Canadian Dollar	-	-	8,165	8,165
Japanese Yen	1,390	-	5,985	7,375
Czech Koruna	-	-	7,179	7,179
Australian Dollar	-	-	5,054	5,054
Taiwan Dollar	216	-	3,458	3,674
Singapore Dollar	(5)	-	2,786	2,781
Brazilian Real	(13)	-	1,858	1,845
Mexican Peso	-	-	1,712	1,712
UAE Dirham	-	-	1,259	1,259
Indian Rupee	-	-	1,128	1,128
31 December 2017				
Sterling	2,996	179,521	32,182	214,699
Euro	9,346	91,029	81,503	181,878
US Dollar	13,300	77,193	90,907	181,400
New Zealand Dollar	-	-	22,084	22,084
Israeli New Shekel	-	-	19,534	19,534
Hong Kong Dollar	-	-	13,648	13,648
Swedish Krona	-	-	12,168	12,168
Norwegian Krone	-	-	10,159	10,159
Swiss Franc	-	-	9,655	9,655
Japanese Yen	(278)	-	9,757	9,479
Canadian Dollar	(3)	-	8,161	8,158
Czech Koruna	-	-	6,076	6,076
Russian Rouble	-	-	4,841	4,841
Singapore Dollar	-	-	4,785	4,785
Polish Zloty	-	-	3,598	3,598
Danish Krone	-	-	3,317	3,317
Brazilian Real	-	-	2,307	2,307
Australian Dollar	-	-	1,178	1,178
UAE Dirham	-	-	1,004	1,004
Indian Rupee	-	-	482	482

The forward currency contracts are not included within this table. These can be found in the portfolio statement on page 17.

Notes to the financial statements (continued)

As at 31 December 2018 if there is a parallel shift in government bond yields with an increase of 1%, the fund could expect to see a 4.1% fall in the prices of the underlying bonds it holds (2017: 3.7%). A 1% fall in government bond yields would have an equal and opposite impact. This calculation has been prepared on a modified duration basis. Modified duration follows the concept that interest rates and bond prices move in opposite directions. The calculation has been used to serve as an indication of the possible impact to the fund from changes to government bond yields. This concept relies on a large number of assumptions, in particular, that all bonds are equally sensitive to government bond yields. In practice, this is not the case as many bonds with higher credit risk have lower correlation with government bond yields and in some cases even negative correlation. The fund contains a high and varying proportion of bonds with sometimes a high degree of credit risk. Furthermore, this makes the assumption of a parallel shift in yields. In practice, when interest rates change, longer dated government bond yields do not usually move in parallel with short-term interest rates. It is not unusual to see a negative correlation to short-term interest rate movements. The calculation also includes the impact of any futures positions, which are priced according to the yield of 10 year government bonds.

(ii) Currency risk

A portion of the net assets of the fund are denominated in currencies other than sterling, and therefore the balance sheet and total return can be affected by currency movements. Therefore, the manager may decide that a proportion of the investments that are not priced in sterling, may be covered by forward currency contracts, so that the fund's exposure to currency risk is reduced. The loss on forward currency contracts for the year was £7,328,000 (2017: loss of £3,191,000).

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

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

Currency	Investments £'000	Net other assets/ (liabilities) £'000	Forward currency contracts £'000	Total £'000
31 December 2018				
Sterling	237,331	6,013	277,611	520,955
US Dollar	244,894	2,977	(31,202)	216,669
Swedish Krona	29,044	-	-	29,044
Swiss Franc	26,566	2	-	26,568
Israeli New Shekel	25,261	21	-	25,282
Hong Kong Dollar	23,714	-	-	23,714
Norwegian Krone	19,074	93	-	19,167
New Zealand Dollar	17,679	-	-	17,679
Polish Zloty	12,715	-	-	12,715
Japanese Yen	7,243	132	4,425	11,800
Danish Krone	11,267	11	-	11,278
Canadian Dollar	8,108	57	-	8,165
Czech Koruna	7,179	-	-	7,179
Australian Dollar	5,054	-	-	5,054
Taiwan Dollar	3,814	(140)	-	3,674
Singapore Dollar	2,786	(5)	-	2,781
Brazilian Real	1,845	-	-	1,845
Mexican Peso	1,712	-	-	1,712
UAE Dirham	1,259	-	-	1,259
Indian Rupee	1,128	-	-	1,128
Euro	226,680	2,434	(252,388)	(23,274)

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

A five per cent increase in the value of the fund's foreign currency exposure would have the effect of increasing the return and net assets by £20,172,000 (2017: £15,749,000). A five per cent decrease would have an equal and opposite effect.

(iii) Other price risk

Other price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices (other than those relating to interest rate risk, currency risk and credit and counterparty risk), whether caused by factors specific to an investment or wider issues affecting the market generally. The value of equities is dependent on a number of factors, arising from the performance of the company itself and matters arising in the wider market (for example the state of the underlying economy and current government policy). The portfolio is invested in securities domiciled in a number of countries as detailed in the portfolio statement and will be exposed to market movements in the relevant country arising from changes in the local economy and government decisions. As part of the continuing review of the portfolio, the manager monitors and reviews these factors. A five per cent increase in the value of the fund's portfolio would have the effect of increasing the return and net assets by £45,640,000 (2017: £34,934,000). A five per cent decrease would have an equal and opposite effect.

(iv) Leverage risk

Leverage is defined as any method by which the fund can increase its exposure by borrowing cash or securities or from leverage that is embedded in derivative positions. The manager is required to calculate and monitor the level of leverage of a fund, expressed as a percentage of the exposure of the fund and its net asset value under the 'sum of the notionals' and 'commitment' methods..

The fund can use cash borrowing and financial derivatives (subject to restrictions as set out in its Prospectus and COLL) as sources of leverage.

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

As at 31 December 2018 and 31 December 2017 the leverage ratios of the fund were:

	2018	2017
Sum of the notionals	131.65%	129.80%
Commitment	103.11%	102.90%

Notes to the financial statements (continued)

(b) Credit and counterparty risk

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

The manager is permitted to use one or more separate counterparties for derivative transactions. The fund may enter into transactions in over-the-counter ('OTC') markets that expose it to the creditworthiness of its counterparties and their ability to satisfy the terms of such contracts. Where the fund enters into derivative contracts, it will be exposed to the risk that the counterparty may default on its obligations to perform under the relevant contract. In the event of bankruptcy or insolvency of a counterparty, the fund could experience delays in liquidating the position and may incur significant losses. There may be a risk that a counterparty will be unable to meet its obligations with regard to the return of the collateral and may not meet other payments due to the fund. To minimise such risk the manager will assess the creditworthiness of any counterparty that it engages. On a daily basis the manager assesses the level of assets with each counterparty to ensure that the exposure is within the defined limits in accordance with the requirement stipulated in COLL and the Prospectus. The derivatives are disclosed in the portfolio statement and UBS A.G. ('UBS') is the counterparty for forward currency contracts and J.P. Morgan Securities Plc ('JPMorgan Securities') is the counterparty for futures contracts. Aside from the custodian, the derivative counterparties and brokers where trades are pending settlement, there were no significant concentrations of credit and counterparty risk as at 31 December 2018 or 31 December 2017.

Debt security credit analysis

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

	31 December 2018 £'000	31 December 2017 £'000
Investment grade securities	119,244	85,157
Below investment grade securities	340,988	263,545
Unrated securities	32,822	25,437
Total of debt securities	493,054	374,139

Source of credit ratings: Artemis Investment Management LLP.

Counterparty exposure

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

	Foreign currency contracts £'000	Futures £'000	Total net exposure £'000
31 December 2018			
UBS	(1,554)	-	(1,554)
31 December 2017			
JPMorgan Securities	-	181	181
UBS	(457)	-	(457)

(c) Liquidity risk

Some of the fund's financial instruments can include securities that are not listed on a recognised stock exchange and which may not always be readily realisable. However, from time to time, liquidity in any market or in a specific security can be affected by economic events. As a result, the fund may not be able to realise these investments quickly at their fair value to respond to any further liquidity requirements, or to respond to specific events such as deterioration in the creditworthiness of any particular issuer. In order to manage liquidity requirements, the fund seeks to maintain sufficient cash to pay creditors. Liquidity risk limits are set by reference to two key metrics: market liquidity and investor concentration. These measures will, in combination, identify instances where the fund may be unable to meet investor redemptions. Market liquidity considers a fund’s liquidity compared against the daily average liquidity over the previous twelve months. Investor concentration considers the proportion of the fund that is realisable within a redemption cycle measured against the largest unitholder.

18. Related party transactions

The manager is deemed to be a related party. All transactions and balances associated with the manager are disclosed within the statement of total return, statement of change in net assets attributable to unitholders and the balance sheet on page 18 and notes 6, 9,11 and 14 on pages 21 to 24 including all issues and cancellations where the manager acted as principal. The balance due from the manager as at 31 December 2018 in respect of these transactions was £3,747,000 (2017: £8,458,000).

19. Unit classes

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

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

The net asset value per unit and the number of units in each class are given in the comparative tables on page 36. The distributions per unit class are given in the distribution tables on pages 30 to 35. All classes have the same rights on winding up.

20. Post balance sheet event

There were no significant post balance sheet events subsequent to the year end.

Distribution tables

Interim dividend distribution for the month ended 31 January 2018 (paid 29 March 2018) in pence per unit.
Group 1 - Units purchased prior to 1 January 2018.
Group 2 - Units purchased from 1 January 2018 to 31 January 2018.

	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 29 March 2018	Distribution per unit (p) 31 March 2017
I distribution				
Group 1	0.1516	-	0.1516	0.1586
Group 2	0.0557	0.0959	0.1516	0.1586
I accumulation				
Group 1	0.1905	-	0.1905	0.1911
Group 2	0.0745	0.1160	0.1905	0.1911
R distribution				
Group 1	0.1528	-	0.1528	0.1601
Group 2	0.0647	0.0881	0.1528	0.1601
R accumulation				
Group 1	0.1921	-	0.1921	0.1930
Group 2	0.0754	0.1167	0.1921	0.1930

Corporate unitholders should note that:
1. 25.18% of the revenue distribution together with the tax credit is received as franked investment income.
2. 74.82% of the revenue distribution is received as an annual payment received after deduction of income tax at the lower rate and may be liable to corporation tax. It is not franked investment income.

Interim dividend distribution for the month ended 28 February 2018 (paid 30 April 2018) in pence per unit.
Group 1 - Units purchased prior to 1 February 2018.
Group 2 - Units purchased from 1 February 2018 to 28 February 2018.

	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 30 April 2018	Distribution per unit (p) 28 April 2017
I distribution				
Group 1	0.2032	-	0.2032	0.2841
Group 2	0.1102	0.0930	0.2032	0.2841
I accumulation				
Group 1	0.2557	-	0.2557	0.3430
Group 2	0.1248	0.1309	0.2557	0.3430
R distribution				
Group 1	0.2015	-	0.2015	0.2816
Group 2	0.0853	0.1162	0.2015	0.2816
R accumulation				
Group 1	0.2542	-	0.2542	0.3402
Group 2	0.1414	0.1128	0.2542	0.3402

Corporate unitholders should note that:
1. 39.06% of the revenue distribution together with the tax credit is received as franked investment income.
2. 60.94% of the revenue distribution is received as an annual payment received after deduction of income tax at the lower rate and may be liable to corporation tax. It is not franked investment income.

Distribution tables (continued)

Interim dividend distribution for the month ended 31 March 2018 (paid 31 May 2018) in pence per unit.

Group 1 - Units purchased prior to 1 March 2018.
Group 2 - Units purchased from 1 March 2018 to 31 March 2018.

	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 31 May 2018	Distribution per unit (p) 31 May 2017
I distribution				
Group 1	0.2507	-	0.2507	0.2890
Group 2	0.1166	0.1341	0.2507	0.2890
I accumulation				
Group 1	0.3163	-	0.3163	0.3504
Group 2	0.1373	0.1790	0.3163	0.3504
R distribution				
Group 1	0.2474	-	0.2474	0.2872
Group 2	0.0858	0.1616	0.2474	0.2872
R accumulation				
Group 1	0.3128	-	0.3128	0.3485
Group 2	0.1579	0.1549	0.3128	0.3485

Corporate unitholders should note that:
1. 47.34% of the revenue distribution together with the tax credit is received as franked investment income.
2. 52.66% of the revenue distribution is received as an annual payment received after deduction of income tax at the lower rate and may be liable to corporation tax. It is not franked investment income.

Interim dividend distribution for the month ended 30 April 2018 (paid 29 June 2018) in pence per unit.

Group 1 - Units purchased prior to 1 April 2018.
Group 2 - Units purchased from 1 April 2018 to 30 April 2018.

	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 29 June 2018	Distribution per unit (p) 30 June 2017
I distribution				
Group 1	0.2993	-	0.2993	0.2727
Group 2	0.1928	0.1065	0.2993	0.2727
I accumulation				
Group 1	0.3791	-	0.3791	0.3318
Group 2	0.2342	0.1449	0.3791	0.3318
R distribution				
Group 1	0.2935	-	0.2935	0.2697
Group 2	0.1769	0.1166	0.2935	0.2697
R accumulation				
Group 1	0.3725	-	0.3725	0.3285
Group 2	0.2304	0.1421	0.3725	0.3285

Corporate unitholders should note that:
1. 57.92% of the revenue distribution together with the tax credit is received as franked investment income.
2. 42.08% of the revenue distribution is received as an annual payment received after deduction of income tax at the lower rate and may be liable to corporation tax. It is not franked investment income.

Interim dividend distribution for the month ended 31 May 2018 (paid 31 July 2018) in pence per unit.

Group 1 - Units purchased prior to 1 May 2018.
Group 2 - Units purchased from 1 May 2018 to 31 May 2018.

	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 31 July 2018	Distribution per unit (p) 31 July 2017
I distribution				
Group 1	0.4725	-	0.4725	0.5695
Group 2	0.2344	0.2381	0.4725	0.5695
I accumulation				
Group 1	0.6008	-	0.6008	0.6955
Group 2	0.3002	0.3006	0.6008	0.6955
R distribution				
Group 1	0.4605	-	0.4605	0.5584
Group 2	0.2893	0.1712	0.4605	0.5584
R accumulation				
Group 1	0.5866	-	0.5866	0.6825
Group 2	0.1986	0.3880	0.5866	0.6825

Corporate unitholders should note that:
1. 64.10% of the revenue distribution together with the tax credit is received as franked investment income.
2. 35.90% of the revenue distribution is received as an annual payment received after deduction of income tax at the lower rate and may be liable to corporation tax. It is not franked investment income.

Interim dividend distribution for the month ended 30 June 2018 (paid 31 August 2018) in pence per unit.

Group 1 - Units purchased prior to 1 June 2018.
Group 2 - Units purchased from 1 June 2018 to 30 June 2018.

	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 31 August 2018	Distribution per unit (p) 31 August 2017
I distribution				
Group 1	0.3061	-	0.3061	0.2817
Group 2	0.1376	0.1685	0.3061	0.2817
I accumulation				
Group 1	0.3914	-	0.3914	0.3455
Group 2	0.1579	0.2335	0.3914	0.3455
R distribution				
Group 1	0.3002	-	0.3002	0.2795
Group 2	0.1972	0.1030	0.3002	0.2795
R accumulation				
Group 1	0.3846	-	0.3846	0.3430
Group 2	0.1518	0.2328	0.3846	0.3430

Corporate unitholders should note that:
1. 54.36% of the revenue distribution together with the tax credit is received as franked investment income.
2. 45.64% of the revenue distribution is received as an annual payment received after deduction of income tax at the lower rate and may be liable to corporation tax. It is not franked investment income.

Distribution tables (continued)

Interim dividend distribution for the month ended 31 July 2018 (paid 28 September 2018) in pence per unit.

Group 1 - Units purchased prior to 1 July 2018.
Group 2 - Units purchased from 1 July 2018 to 31 July 2018.

	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 28 September 2018	Distribution per unit (p) 29 September 2017
I distribution				
Group 1	0.2301	-	0.2301	0.2166
Group 2	0.0483	0.1818	0.2301	0.2166
I accumulation				
Group 1	0.2957	-	0.2957	0.2675
Group 2	0.1209	0.1748	0.2957	0.2675
R distribution				
Group 1	0.2274	-	0.2274	0.2152
Group 2	0.0734	0.1540	0.2274	0.2152
R accumulation				
Group 1	0.2928	-	0.2928	0.2664
Group 2	0.1335	0.1593	0.2928	0.2664

Corporate unitholders should note that:
1. 36.57% of the revenue distribution together with the tax credit is received as franked investment income.
2. 63.43% of the revenue distribution is received as an annual payment received after deduction of income tax at the lower rate and may be liable to corporation tax. It is not franked investment income.

Interim dividend distribution for the month ended 31 August 2018 (paid 31 October 2018) in pence per unit.

Group 1 - Units purchased prior to 1 August 2018.
Group 2 - Units purchased from 1 August 2018 to 31 August 2018.

	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 31 October 2018	Distribution per unit (p) 31 October 2017
I distribution				
Group 1	0.2352	-	0.2352	0.2075
Group 2	0.1133	0.1219	0.2352	0.2075
I accumulation				
Group 1	0.3030	-	0.3030	0.2571
Group 2	0.1520	0.1510	0.3030	0.2571
R distribution				
Group 1	0.2318	-	0.2318	0.2066
Group 2	0.1035	0.1283	0.2318	0.2066
R accumulation				
Group 1	0.2996	-	0.2996	0.2566
Group 2	0.1131	0.1865	0.2996	0.2566

Corporate unitholders should note that:
1. 42.80% of the revenue distribution together with the tax credit is received as franked investment income.
2. 57.20% of the revenue distribution is received as an annual payment received after deduction of income tax at the lower rate and may be liable to corporation tax. It is not franked investment income.

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

	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 30 November 2018	Distribution per unit (p) 30 November 2017
I distribution				
Group 1	0.2724	-	0.2724	0.2078
Group 2	0.1301	0.1423	0.2724	0.2078
I accumulation				
Group 1	0.3523	-	0.3523	0.2581
Group 2	0.1558	0.1965	0.3523	0.2581
R distribution				
Group 1	0.2675	-	0.2675	0.2072
Group 2	0.1325	0.1350	0.2675	0.2072
R accumulation				
Group 1	0.3463	-	0.3463	0.2576
Group 2	0.1281	0.2182	0.3463	0.2576

Corporate unitholders should note that:
1. 46.11% of the revenue distribution together with the tax credit is received as franked investment income.
2. 53.89% of the revenue distribution is received as an annual payment received after deduction of income tax at the lower rate and may be liable to corporation tax. It is not franked investment income.

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

	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 31 December 2018	Distribution per unit (p) 29 December 2017
I distribution				
Group 1	0.2253	-	0.2253	0.2193
Group 2	0.1307	0.0946	0.2253	0.2193
I accumulation				
Group 1	0.2924	-	0.2924	0.2731
Group 2	0.1599	0.1325	0.2924	0.2731
R distribution				
Group 1	0.2224	-	0.2224	0.2180
Group 2	0.1596	0.0628	0.2224	0.2180
R accumulation				
Group 1	0.2897	-	0.2897	0.2721
Group 2	0.1254	0.1643	0.2897	0.2721

Corporate unitholders should note that:
1. 29.96% of the revenue distribution together with the tax credit is received as franked investment income.
2. 70.04% of the revenue distribution is received as an annual payment received after deduction of income tax at the lower rate and may be liable to corporation tax. It is not franked investment income.

Distribution tables (continued)

Interim dividend distribution for the month ended 30 November 2018 (paid 31 January 2019) in pence per unit.
Group 1 - Units purchased prior to 1 November 2018.
Group 2 - Units purchased from 1 November 2018 to 30 November 2018.

	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 31 January 2019	Distribution per unit (p) 31 January 2018
I distribution				
Group 1	0.2090	-	0.2090	0.2047
Group 2	0.0995	0.1095	0.2090	0.2047
I accumulation				
Group 1	0.2722	-	0.2722	0.2558
Group 2	0.1320	0.1402	0.2722	0.2558
R distribution				
Group 1	0.2061	-	0.2061	0.2039
Group 2	0.0485	0.1576	0.2061	0.2039
R accumulation				
Group 1	0.2691	-	0.2691	0.2553
Group 2	0.1977	0.0714	0.2691	0.2553

Corporate unitholders should note that:
1. 37.40% of the revenue distribution together with the tax credit is received as franked investment income.
2. 62.60% of the revenue distribution is received as an annual payment received after deduction of income tax at the lower rate and may be liable to corporation tax. It is not franked investment income.

Final dividend distribution for the month ended 31 December 2018 (payable 28 February 2019) in pence per unit.
Group 1 - Units purchased prior to 1 December 2018.
Group 2 - Units purchased from 1 December 2018 to 31 December 2018.

	Net revenue per unit (p)	Equalisation per unit (p)	Distribution per unit (p) 28 February 2019	Distribution per unit (p) 28 February 2018
I distribution				
Group 1	0.1855	-	0.1855	0.2024
Group 2	0.1008	0.0847	0.1855	0.2024
I accumulation				
Group 1	0.2421	-	0.2421	0.2535
Group 2	0.1148	0.1273	0.2421	0.2535
R distribution				
Group 1	0.1834	-	0.1834	0.2019
Group 2	0.0995	0.0839	0.1834	0.2019
R accumulation				
Group 1	0.2394	-	0.2394	0.2521
Group 2	0.1440	0.0954	0.2394	0.2521

Corporate unitholders should note that:
1. 0.00% of the revenue distribution together with the tax credit is received as franked investment income.
2. 100.00% of the revenue distribution is received as an annual payment received after deduction of income tax at the lower rate and may be liable to corporation tax. It is not franked investment income.

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

The fund has not held more than 60% of its net assets in interest bearing securities during any of the distribution periods. Corporate unitholders should note that a holding in a fund with with more than 60% of its net assets in interest bearing assets may be required to be treated as a creditor loan relationship for corporation tax purposes.

Comparative tables

	I distribution			I accumulation		
	2018	2017	2016	2018	2017	2016
Change in net assets per unit (p)						
Opening net asset value per unit	**75.53**	**72.23**	**63.86**	**94.89**	**87.06**	**73.87**
Return before operating charges *	(5.10)	7.04	11.74	(6.65)	8.60	13.91
Operating charges	(0.61)	(0.63)	(0.61)	(0.78)	(0.77)	(0.72)
Return after operating charges	(5.71)	6.41	11.13	(7.43)	7.83	13.19
Distributions	(3.04)	(3.11)	(2.76)	(3.89)	(3.82)	(3.25)
Retained distributions on accumulation units	-	-	-	3.89	3.82	3.25
Closing net asset value per unit	**66.78**	**75.53**	**72.23**	**87.46**	**94.89**	**87.06**
* after direct transaction costs of	(0.04)	(0.06)	(0.09)	(0.05)	(0.07)	(0.11)
Performance						
Return after charges	(7.56)%	8.87%	17.43%	(7.83)%	8.99%	17.86%
Other information						
Closing net asset value (£'000)	332,490	253,768	123,662	571,957	437,952	207,224
Closing number of units	497,917,006	335,981,828	171,198,209	653,970,726	461,531,049	238,029,227
Operating charges	0.83%	0.84%	0.89%	0.83%	0.84%	0.89%
Direct transaction costs	0.05%	0.08%	0.13%	0.05%	0.08%	0.13%
Prices						
Highest offer unit price (p)	77.90	77.13	73.99	97.86	96.64	88.83
Lowest bid unit price (p)	66.97	72.51	59.54	87.47	87.38	69.04

	R distribution			R accumulation		
	2018	2017	2016	2018	2017	2016
Change in net assets per unit (p)						
Opening net asset value per unit	**72.78**	**70.13**	**62.46**	**91.61**	**84.59**	**72.24**
Return before operating charges *	(4.82)	6.89	11.50	(6.29)	8.44	13.63
Operating charges	(1.11)	(1.15)	(1.08)	(1.43)	(1.42)	(1.28)
Return after operating charges	(5.93)	5.74	10.42	(7.72)	7.02	12.35
Distributions	(2.99)	(3.09)	(2.75)	(3.84)	(3.80)	(3.25)
Retained distributions on accumulation units	-	-	-	3.84	3.80	3.25
Closing net asset value per unit	**63.86**	**72.78**	**70.13**	**83.89**	**91.61**	**84.59**
* after direct transaction costs of	(0.04)	(0.06)	(0.09)	(0.05)	(0.07)	(0.10)
Performance						
Return after charges	(8.15)%	8.18%	16.68%	(8.43)%	8.30%	17.10%
Other information						
Closing net asset value (£'000)	7,557	7,571	6,487	12,390	10,702	6,228
Closing number of units	11,833,660	10,401,811	9,249,945	14,769,426	11,682,898	7,362,194
Operating charges	1.58%	1.59%	1.64%	1.58%	1.59%	1.64%
Direct transaction costs	0.05%	0.08%	0.13%	0.05%	0.08%	0.13%
Prices						
Highest offer unit price (p)	78.21	77.62	74.97	98.43	97.22	89.94
Lowest bid unit price (p)	64.06	70.39	58.19	83.91	84.90	67.47

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

Ongoing charges

Class	31 December 2018
I distribution	0.83%
I accumulation	0.83%
R distribution	1.58%
R accumulation	1.58%

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

Class I performance

Performance	Since launch *	5 years	3 years	1 year	6 months
Artemis Monthly Distribution Fund	84.5	39.3	18.5	(7.8)	(7.1)
Sector average	41.0	19.4	12.5	(5.1)	(4.8)
Position in sector	1/94	3/112	16/134	131/142	137/146
Quartile	1	1	1	4	4

* Data from 21 May 2012. Source: Lipper Limited, class I accumulation units, bid to bid in sterling with dividends reinvested to 31 December 2018. All figures show total returns. Sector is IA Mixed Investment 20-60% shares, universe of funds is those reporting net of UK taxes.

Class R performance

Performance	Since launch *	5 years	3 years	1 year	6 months
Artemis Monthly Distribution Fund	77.0	34.9	16.2	(8.4)	(7.4)

* Data from 21 May 2012. Source: Lipper Limited, class R accumulation units, bid to bid in sterling with dividends reinvested to 31 December 2018. All figures show total returns.

ARTEMIS
The PROFIT Hunter