

Kames Capital ICVC Annual Report and Financial Statements for the year ended 31 July 2019

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Kames Capital ICVC

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*Collectively these pages together with the investment reports of the individual sub-funds comprise the Authorised Corporate Directors' Report. Information specific to each sub-fund is detailed within its respective section.

Kames Capital ICVC

Company Information

Authorised Corporate Director (ACD), Investment Manager

Kames Capital plc*
Kames House
3 Lochside Crescent
Edinburgh Park
Edinburgh
EH12 9SA

Directors of the ACD

Arnab Banerji (non-executive director)
Martin Davis^{††}
Stephen Jones
Sarah Russell (non-executive director)^{†††}
David Watson (non-executive director)

Secretary of the ACD

Alison Talbot

Research Provider

EIRIS Services Limited***
8th Floor
The Tower Building
11 York Road
London
SE1 7NX

Depository

National Westminster Bank plc**
Trustee & Depositary Services
Second Floor
Drummond House
1 Redheughs Avenue
Edinburgh
EH12 9RH

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

Custodian

Citibank N.A. London Branch*
Citigroup Centre
Canada Square
Canary Wharf
London
E14 5LB

Independent Auditor

PricewaterhouseCoopers LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

Registrar

Northern Trust Global Services SE, UK Branch*
50 Bank Street
London
E14 5NT

*Authorised and regulated by the Financial Conduct Authority.

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

***EIRIS Services Limited provides research on investments for the Kames Ethical Corporate Bond Fund, the Kames Ethical Cautious Managed Fund and the Kames Ethical Equity Fund.

[†]With effective date 1 November 2018, the Depository of the Kames Capital ICVC was changed from National Westminster Bank plc to Citibank Europe plc.

^{††}Martin Davis resigned as a Director of Kames Capital plc on 23 September 2019.

^{†††}Sarah Russell resigned as a Director of Kames Capital plc on 26 September 2019.

Kames Capital ICVC

Report of the Authorised Corporate Director

The Company

Kames Capital ICVC ("the Company") is an Open-Ended Investment Company (OEIC) with variable capital, incorporated in Scotland on 27 April 1999. It is governed by the OEIC Regulations, the Collective Investment Schemes sourcebook (COLL) and its Instrument of Incorporation. The registered number of the Company is SI000009.

The Company is authorised by the Financial Conduct Authority (FCA) as complying with the conditions necessary for it to enjoy rights conferred by the EU Directive on Undertakings for Collective Investment in Transferable Securities (UCITS).

The objective of the Company is to invest the Scheme Property in transferable securities, money market instruments, derivative instruments and forward transactions, deposits, units and shares in collective investment schemes, cash and near cash in accordance with COLL applicable to the Company and each sub-fund according to the types of authorisation of the Company with the aim of spreading investment risk and giving its Shareholders the benefit of the results of the management of that property.

The shareholders have no interest in the Scheme Property, and are not liable for the debts of the Company.

The Company is an umbrella company with 15 sub-funds trading as at 31 July 2019. The number of sub-funds may be increased or decreased in the future.

Authorised Status

Kames Capital ICVC is a Company with variable capital under regulation 12 (Authorisation) of the OEIC regulations 2001, incorporated in Scotland, a UCITS scheme and authorised by the FCA on 14 April 1999.

The Financial Statements

We are pleased to present the annual financial statements for the year ended 31 July 2019.

As required by the OEIC Regulations, information for each of the sub-funds has been included in these financial statements. For each sub-fund we have provided a detailed description of the strategy that was adopted during the year under review. A summary of global market trends covering the year ended 31 July 2019 can be found within the market review on page 5.

Sub-fund cross holdings

At the year end none of the shares in the sub-funds of the Company were held by any of the sub-funds of the Company.

Changes to the Prospectus

With effect from 8 October 2018, due to a corporate restructure, the name and designation of the appointed Transfer Agent and Registrar for the Company changed from "Northern Trust Global Services plc" to "Northern Trust Global Services SE, UK Branch".

With effect from 1 November 2018, National Westminster Bank Plc as Depositary for the Company was replaced by a new Depositary, Citibank Europe Plc, UK branch (the "New Depositary"). The new Depositary is a branch of Citibank Europe Plc, a public limited company that is domiciled in Ireland. It is authorised to carry on Depositary business by the Central Bank of Ireland and, in respect of its UK branch, the Prudential Regulation Authority.

On 7 August 2019, there were a number of amendments in relation to Fund Benchmarks and Fund Objectives made as a result of the FCA's Asset Management Market Study and final recommendations issued on 4 February 2019. All updates are provided within the Kames Capital ICVC Prospectus which is available on our website at www.kamescapital.com.

Kames Capital ICVC

Report of the Authorised Corporate Director (continued)

Investment Approach

Kames Capital plc (the Authorised Corporate Director “the ACD”) combines the role of fund manager and analyst. No one in our investment team makes decisions in isolation; therefore all sector and stock ratings are challenged and debated as a group. Each analyst is also responsible for managing portfolios, but ultimately the team is responsible for the performance of all sub-funds. Our approach ensures that the focus is on overall performance, and not simply that of an individual sector.

The team's detailed analysis of economies, industries and companies enables the fund managers to make independent, informed decisions. By conducting thorough fundamental analysis backed by sophisticated quantitative tools, the team can identify companies whose prospects are not reflected in their current share price.

The ACD is committed to maintaining a highly professional investment team. We avoid over-reliance on individuals, and promote the development and strengthening of specialist teams. This leads to co-operation between team members, encouraging them to share their best ideas, and this ensures that investors benefit in the form of consistent returns.

The fund management team aims to add value by adopting a detailed and rigorous approach to investment research, in particular by developing local market expertise. In addition, team members are able to draw on the investment expertise of other AEGON Group units outside the UK.

Synthetic Risk and Reward Indicator

1	2	3	4	5	6	7
Lower risk/ potentially					Higher risk/potentially	
lower rewards					higher rewards	

Sterling Corporate Bond Fund			X				
UK Equity Fund					X		
UK Equity Income Fund					X		
UK Equity Absolute Return Fund			X				
UK Smaller Companies Fund					X		
UK Opportunities Fund					X		
Strategic Bond Fund			X				
Global Equity Fund					X		
High Yield Bond Fund			X				
Investment Grade Bond Fund			X				
Ethical Corporate Bond Fund			X				
Ethical Equity Fund					X		
Ethical Cautious Managed Fund				X			
Diversified Growth Fund				X			
Diversified Monthly Income Fund				X			

The Synthetic Risk and Reward Indicator (SRRI) shows the risk of investing in a sub-fund, based on the rate at which its value has changed in the past. The sub-fund's category is not guaranteed and may change over time. It is calculated using historical data, which may not be a reliable indication for the future. Category 1 does not mean 'risk free'. Full details of risks are disclosed in the section 'Risk Factors' in the Prospectus. For more information on the sub-funds risk and reward profiles please refer to the Key Investor Information Document (KIID) for the relevant share class. These are available from www.kamescapital.com or by contacting us. All share classes of each sub-fund produce the same risk rating.

Kames Capital ICVC

Market Review for the year ended 31 July 2019

Both global equities and fixed income markets delivered positive returns over the 12 months to 31 July 2019, although it was very turbulent period. The return for global equities was strong in sterling terms it was far weaker in dollar terms, highlighting the movements within currency markets during the period. The FTSE All-Share was up a relatively weak 1.27%. Government and corporate bond markets performed well with both benefiting from more accommodative central bank policy.

Global equity markets came under significant pressure over the period but produced double-digit gains in sterling (returns were much weaker in dollar terms). Initially, volatility levels were elevated, due mainly to the potential escalation of the US-China trade war, Brexit negotiations and Italy's budget plans. At the same time, the US Federal Reserve's monetary tightening policy began to have an impact in cooling a very strong US economy. Many of the more defensive sectors performed well over the first half of the period while cyclical and growth sectors underperformed. Government bonds, in contrast, benefited from the subsequent risk-off sentiment.

While the market fell heavily towards the end of 2018 it subsequently recovered as we moved into 2019 and continued to do well up to the end of the period. The main catalyst for the improved backdrop was the monetary policy easing activity by central banks. Both equity and corporate bond markets took comfort from the change of interest rate rhetoric by the US Federal Reserve as well as policy easing by China and the ECB. Sentiment also turned more positive on the political concerns of the moment. There was more optimism over the outcome of US/China trade talks and, in the UK, less pessimism around the likelihood of a 'no deal' hard Brexit scenario.

While the more risky areas of the market led the rally in the first half of 2019, it should be noted that investor flows into risky assets were somewhat muted. Similarly, sovereign yields remained close to their depressed levels from the 'flight-to-quality' during 2018's sell-off. Evidently, the memory of 2018, mixed with the uncertainty of some of the world's major political landscapes has led to a degree of caution in markets.

Brexit update

At the time of writing this note, we are still over two weeks away from the UK's deadline of 31 October 2019 to leave the EU. I recognise, however, that by the time you read this update, that deadline will have passed.

With this in mind, I want to reassure you that, regardless of the outcome of the October deadline, Kames Capital is fully prepared for Brexit.

We have been monitoring developments in the Brexit negotiations since 2016, and we have taken a number of proactive steps to ensure our company is prepared for a potential 'hard' Brexit (ie, one in which the UK leaves the EU with no deal).

We have created a dedicate page on our website which has a useful Q&A document to explain the steps we have taken to plan for a no-deal outcome.

You can access this document at https://www.kamescapital.com/Brexit_Update.aspx.

I hope you find the information in this document useful and reassuring.

Thank you for continuing to invest with Kames Capital.

Stephen Jones
Chief Investment Officer
Kames Capital
15 October 2019

Kames Capital ICVC

Statements of Responsibility

Statement of Authorised Corporate Director's Responsibilities

The Rules of the Financial Conduct Authority's Collective Investment Schemes Sourcebook require the Authorised Corporate Director (ACD) to prepare financial statements for each annual accounting year which give a true and fair view of the financial affairs of the company and of its net revenue and the net capital gains/(losses) for the year.

In preparing the financial statements the Authorised Corporate Director is required to:

- comply with the Prospectus and applicable accounting standards, subject to any material departures which are required to be disclosed and explained in the financial statements;
- comply with the Statement of Recommended Practice relating to Financial Statements of UK Authorised Funds issued by the Investment Management Association in May 2014 and amended in June 2017;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in operation for the foreseeable future; and
- take reasonable steps for the prevention and detection of fraud, error and non-compliance with law or regulations.

The ACD is required to keep proper accounting records and to manage the Company in accordance with the Regulations and the Instrument of Incorporation.

The report has been prepared in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook and in accordance with the Instrument of Incorporation and the Prospectus.

Kames Capital ICVC

Authorised Corporate Director's Statement

In accordance with the requirements of the Financial Conduct Authority's Collective Investment Schemes sourcebook, we hereby certify the report on behalf of the Board of Kames Capital plc.

A handwritten signature in dark ink, appearing to be 'SJT' followed by a long horizontal stroke.

Stephen Jones

Edinburgh
6 November 2019

Kames Capital ICVC

Depository's Report

To the shareholders of Kames Capital ICVC (the "Company") for the year ended 31 July 2019.

The Depositary is responsible for the safekeeping of all the property of the Company which is entrusted to it and ensuring proper registration of tangible moveable property, and for the collection of income arising from all such scheme property.

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

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

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

Citibank Europe plc, UK Branch
London

6 November 2019

Kames Capital ICVC

Independent auditors' report to the Shareholders of Kames Capital ICVC

Report on the audit of the financial statements

Opinion

In our opinion, the financial statements of Kames Capital ICVC (the "Company"):

- give a true and fair view of the financial position of the Company and each of the sub-funds as at 31 July 2019 and of the net revenue/expenses and the net capital gains/losses on the scheme property of the Company and each of the sub-funds for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law), the Statement of Recommended Practice for UK Authorised Funds, the Collective Investment Schemes sourcebook and the Instrument of Incorporation.

Kames Capital ICVC is an Open Ended Investment Company ('OEIC') with 15 sub-funds. The financial statements of the Company comprise the financial statements of each of the sub-funds. We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheets as at 31 July 2019; the statements of total return and the statements of changes in net assets attributable to shareholders for the year then ended; the distribution tables; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the Authorised Corporate Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Authorised Corporate Director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's or any of the sub-funds' 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's or any of the sub-funds' ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, are not clear, and it is difficult to evaluate all of the potential implications on the Company and sub-funds' business and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Authorised Corporate Director is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Authorised Corporate Director's Report

In our opinion, the information given in the Authorised Corporate Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Kames Capital ICVC

Independent auditors' report to the Shareholders of Kames Capital ICVC (continued)

Responsibilities for the financial statements and the audit

Responsibilities of the Authorised Corporate Director for the financial statements

As explained more fully in the Statement of Authorised Corporate Director's Responsibilities set out on page 6, the Authorised Corporate Director is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Authorised Corporate Director is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Authorised Corporate Director is responsible for assessing the Company's and each of the sub-funds' ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Authorised Corporate Director either intends to wind up or terminate the Company or individual sub-fund, or has no realistic alternative but to do so.

Auditors' 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 auditors' 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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's shareholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook as required by paragraph 67(2) of the Open-Ended Investment Companies Regulations 2001 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Opinion on matter required by the Collective Investment Schemes sourcebook

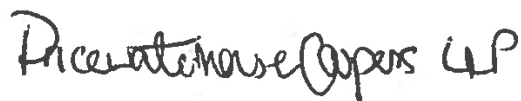
In our opinion, we have obtained all the information and explanations we consider necessary for the purposes of the audit.

Collective Investment Schemes sourcebook exception reporting

Under the Collective Investment Schemes sourcebook we are also required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh

6 November 2019

Kames Capital ICVC

Notes to the Annual Financial Statements

1 Accounting Policies

a) Basis of preparation

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Management Association in May 2014 (SORP 2014), in compliance with the Instruments of Incorporation and the Prospectus, the FCA's COLL, and in accordance with United Kingdom Generally Accepted Accounting Practice as defined within FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The base currency of the Company and sub-funds is Sterling.

All of the sub-funds continue to adopt the going concern basis in preparing the financial statements.

b) Investments

The quoted investments have been valued at fair value, which are the bid market prices at close of business on the last business day of the accounting year, which is 31 July 2019. These bid values are sourced from independent pricing sources. Any unquoted or suspended securities have been valued at a price which in the opinion of the ACD represents the likely realisable value of the security.

Contracts for Difference (CFDs) are valued at their fair value on the last business day of the accounting year. For long positions held this is based on the quoted bid price of the underlying security or index and for short positions held the quoted offer price of the underlying security or index.

The unrealised asset or liability position of each forward foreign exchange contract held at the year-end is determined with reference to the spot currency and the expected interest rate return over the currency contract to the settlement date.

The fair value of over the counter derivatives is determined using valuation pricing models, which take into account relevant market inputs as well as time values, liquidity and volatility factors underlying the positions.

c) Revenue

Dividends on equity investments are recognised gross of withholding tax when the security is quoted ex-dividend. Dividend equivalent values on long CFDs are recognised when the securities are quoted ex-dividend. Ordinary stock dividends are recognised wholly as revenue and are based on the market value of the shares on the date they are quoted ex dividend. Where an enhancement is offered, the amount by which the market value exceeds the cash dividend on the ex-dividend date is taken to capital.

All dividends and interest from underlying funds declared ex-dividend during the year ended 31 July 2019 are included in revenue. Any reported revenue from an offshore fund in excess of any distributions is recognised as revenue after the end of the reporting period, not later than the date when the reporting fund makes this information available.

Property income distributions ("PID") accrued in the year from UK Real Estate Investment Trusts ("REITs") is disclosed in the Revenue note under Property income from REITs. Any non-PID income accrued is disclosed in the Revenue note within UK dividends.

Dividends from US REITs are initially recognised as 70% revenue and 30% capital when the security goes ex-dividend. US REIT companies issue information on the revenue/capital split of these dividends on an annual basis based on the calendar year. When this information is received, the relevant portion is then reallocated to capital.

Interest on debt securities and bank and short term deposits is recognised on an accruals basis. In the case of debt securities an effective yield approach is taken, which takes account of the amortisation of any discounts or premiums arising on the purchase price, compared to the final maturity value, over the remaining life of the security. An adjustment is made to revenue to reflect the impact of interest which is included in the transaction price of bonds purchased and sold.

Information relating to revenue recognition on Derivative contracts can be found in section K of the Accounting policies. .

d) Exchange rates

Overseas securities and assets and liabilities in currency other than sterling have been translated at the rate of exchange at close of business on the last business day of the accounting year. Transactions denominated in foreign currencies have been translated into sterling at the rates of exchange ruling at the time of the transaction.

e) Expenses

All expenses relating to the purchase and sale of investments are deemed to be a capital expense and as such are included in the cost of purchase or net proceeds from the sale of investments.

The ACD's periodic charge and other expenses are initially charged to the revenue property of the respective sub-funds, and are accounted for on an accruals basis.

The Kames High Yield Bond Fund, UK Equity Income Fund and Diversified Monthly Income Fund deduct the ACD's periodic charge and all other expenses from capital for the purpose of calculating any distribution as detailed in the distribution policies.

f) Allocation of revenue and expenses to multiple share classes

With the exception of the ACD's periodic charge which is directly attributable to individual share classes, all revenue and expenses are allocated to share classes pro-rata to the value of the net assets of the relevant share classes on the day that the revenue or expense is incurred. Taxation is computed by reference to the net revenue after expenses attributable to each share class. Revenue equalisation and annual management charge are specific to each share class.

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Notes to the Annual Financial Statements

1 Accounting Policies (continued)

g) Taxation

Corporation tax relief is applicable only where the transfer of the benefit is between the revenue and capital property of at least two different share classes of a sub-fund. Previously, corporation tax relief could apply between the revenue and capital property of the same share class of a sub-fund. Please note that marginal relief is not applied for the following funds that take expenses to capital, Kames Diversified Monthly Income Fund, Kames High Yield Bond Fund and Kames UK Equity Income Fund.

Provision for Corporation Tax is based at the current rate, as appropriate, on the excess of taxable revenue over allowable expenses.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay less or receive more tax. Deferred tax assets are recognised only to the extent that the manager considers that it will be more likely than not that there will be taxable profits from which underlying timing differences can be deducted.

h) Special dividends

Special dividends are examined on a case by case basis to determine whether they should be treated as capital or revenue. Amounts recognised as revenue will form part of the sub-funds distributions. Any tax treatment thereon will follow the accounting treatment of the principal amount.

i) Underwriting commission

Underwriting commission is accounted for when the issue underwritten takes place. Where the sub-fund is required to take up all of the shares underwritten, the commission received is treated as a deduction from the cost of the shares taken up. Where the sub-fund is required to take up a proportion of the shares underwritten, the same proportion of the commission received is treated as a deduction from the cost of the shares taken up and the balance is taken to revenue.

j) Cash flow statement

The sub-funds are not required to produce a cash flow statement as it meets the exemption criteria set out in the FRS102.7.IA.

k) Derivatives

Where appropriate, certain permitted financial instruments such as derivatives or forward currency contracts are used.

Both the motive and circumstances are used to determine whether the derivative returns should be treated as capital or revenue. Where positions are undertaken to protect or enhance capital, and the circumstances support this, the returns are recognised in net capital gains; similarly where the motives and circumstances are to generate or protect revenue, and the circumstances support this, the returns are recognised as revenue. Where positions generate total returns it will generally be appropriate to apportion such returns between capital and revenue to properly reflect the nature of the transaction.

Any capital gains/(losses) are included within Net capital gains/(losses) and any revenue or expenses are included within revenue or finance costs respectively in the statement of total return.

Derivative revenue or expenses are netted off for the purpose of disclosure. The net balance is disclosed within either the revenue or finance cost note depending on whether the balance is a net revenue or expenses position respectively.

Forwards

Forward foreign currency contracts are used to manage currency risk arising from holdings of overseas securities. In these circumstances, all gains and losses are taken to capital. Where forward foreign currency contracts are used to generate revenue, and the circumstances support this, the interest on the difference between spot and forward rates on the trade date is split out and amortised over the life of the contract as revenue. Subsequent changes to the exchange rates during the life of the currency forward contract and on closure would be recognised as a capital gain/loss.

Futures

A future is a financial contract obligating the buyer to purchase or sell an asset, at a predetermined future date and price. The holder of a futures contract is obligated to fulfil the terms of his/her contract. Futures are held within the sub-funds for Efficient Portfolio Management (EPM) purposes.

Where futures contracts form a more significant element of the sub-fund strategy, for instance as part of a strategy to reduce risk while taking advantage of the relative performance of markets, the returns are bifurcated based on the underlying yield of the reference asset as adjusted for the implied cost of borrowing. The calculated income element is taken to revenue while the remaining element is taken to capital.

Interest rate swaps

Interest rate swaps are currently used to exchange interest rate streams to/from fixed rates from/to floating rates. Following the accounting for the underlying interest streams any gain/(loss) suffered from a mismatch in the fixed and floating interest rates should therefore be treated as revenue.

The price of these instruments also have a capital value since they are susceptible to changes in perceptions of credit risk, risk free interest rates and credit spreads. While these positions are open or traded on a secondary market, the mark to market return is taken to capital.

Contracts for difference

A CFD is a type of derivative instrument that generally provides an efficient way of securing exposure to underlying securities. CFDs allow investors to participate in the price movement of a stock without the need for ownership of the stock. The performance effect of owning a CFD is similar to holding the stock directly. Short and long positions can be held with CFDs.

The nature and intended use of these derivatives is to synthetically allow the sub-fund to go long and short on an underlying asset without the need to trade the physical securities – there are therefore revenue and capital returns to be derived from these instruments. By using a true look-through into the underlying position with the prime broker, it is possible to see the borrowing for long positions (or deposit for short positions). The mark to market gain/loss is also evident at each reset such that the total returns at these reset points can be allocated into each component part.

Dividends payable on CFD short positions held are included within Interest payable and similar charges on an accruals basis. The synthetic dividends generated by these holdings are similar to the underlying dividends produced by the equivalent equity holding however unlike true dividends these are not franked investment income and as such they are not included in the dividend exemption and are taxable and should be included in the corporation tax computation for the sub-fund.

Kames Capital ICVC

Notes to the Annual Financial Statements

1 Accounting Policies (continued)

Options

An option is a contract between two parties for a future transaction on a reference entity at a reference price (known as a strike or exercise price), that can be exercised at expiry date (European Option) or up to and including expiry date (American Option). The price of an option derives from the difference between the reference price and the value of the underlying asset, plus a premium based on the time remaining until the expiration of the option. There are 4 possible option types:

Call buyer – pays premium, obtains right, no obligation to buy underlyer at exercise date.

Call writer – receives premium, takes obligation to deliver underlyer if buyer exercises.

Put buyer – pays premium, obtains right, no obligation to sell underlyer at exercise price.

Put writer – receives premium, takes obligation to take delivery of underlyer and pay exercise price if call holder decides to exercise.

When an individual option is written “out of the money” the premium received for the option contract will be amortised to revenue on a straight line basis throughout the life of the option. Should an option be exercised any remaining premium will be retained in capital along with any loss suffered. The option treatment is decided at the inception of the contract at which point the motive and circumstance of the trade will be clear, this treatment will then be used throughout the life of that contract.

The ACD will only write call options where we hold the underlying position equity directly.

Credit default swaps

Credit default swaps are used to manage credit risk and protect the capital value of the sub-fund. This can be achieved using two different methods, either by protecting a specific holding which is also held in the sub-fund or by covering a basket of bonds or index which is not necessarily held but will provide a general hedge against a large credit event.

The motive of a credit default swap is to protect the capital value of the sub-fund however the risk of a credit event is reflected in a discount applied to the price of a bond and therefore recognised in revenue on an accruals basis. In order to match the premium paid with the discount we split the revenue received from the asset to provide greater protection in the event of a credit event. This creates a “risk free” rate of return.

The spread paid by the credit default swap is accounted for as revenue and forms part of distributable income and any mark to market movement is accounted for as capital.

2 Distribution Policies

a) Distribution policy

If at the end of the accounting year, revenue exceeds expenses and tax, the net revenue of the sub-fund is available to be distributed to shareholders. Should expenses and taxation exceed revenue, there will be no distribution and a transfer from capital will be made to cover the shortfall.

In satisfying the requirements of SI 2006/964 by holding 60% or greater of qualifying investments throughout the distribution period, the Kames Sterling Corporate Bond, Strategic Bond, Investment Grade Bond and Ethical Corporate Bond sub-funds will distribute interest quarterly. The High Yield Bond Fund will distribute interest monthly. All other sub-funds of the Company will make quarterly or annual dividend distributions with the exception of the Kames Diversified Monthly Income Fund which will distribute dividends monthly.

Income earned in an interim accounting period need not be distributed immediately and may instead be retained and used to ensure that distributions paid throughout the year are broadly similar. Any residual income will be distributed at the sub-fund's annual income allocation date. This policy is known as “smoothing”. The ACD intends to operate a smoothing policy in respect of Kames Diversified Monthly Income Fund.

b) Stock dividends

Ordinary stock dividends are recognised wholly as revenue and are based on the market value of the shares on the date they are quoted ex dividend. Where an enhancement is offered, the amount by which the market value exceeds the cash dividend on the ex-dividend date is taken to capital. The ordinary element of the stock dividend is treated as revenue and forms part of the distribution.

c) Indexation

Indexation from index linked bonds has been included within the distribution.

d) Expenses

The Kames High Yield Bond Fund, UK Equity Income Fund and Diversified Monthly Income Fund deduct the ACD's periodic charge and all other expenses from capital for the purpose of calculating any distribution. This may constrain capital growth.

e) Equalisation

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

Kames Capital ICVC

Notes to the Annual Financial Statements

3 Dilution Adjustment

The Company may suffer dilution (reduction in the value of the Scheme Property as a result of the costs incurred in dealing in its underlying investments and of any spread between the buying and the selling prices of such investments which is not reflected in the issue or redemption price paid by or to the Shareholder). With a view to countering this (which, if it is significant, disadvantages existing or continuing Shareholders), the ACD reserves the right to make a dilution adjustment to the price of a Share in the following circumstances:

1. to reflect the expanding or contracting trend of a sub-fund.
2. in any other case where the ACD is of the opinion that the interests of the shareholders require the imposition of a dilution adjustment.

Where a dilution adjustment is applied the value of the dilution adjustment will be paid forthwith by the ACD to the Depositary and will become part of the property attributed to the relevant sub-fund.

As dilution is directly related to the inflows and outflows of monies from the scheme it is not possible to accurately predict whether dilution will occur at any future point in time. Consequently it is also not possible to accurately predict how frequently the ACD will need to make such a dilution adjustment.

The ACD reserves the right to apply a higher dilution adjustment to the figures quoted and will monitor the circumstances of each sub-fund on an ongoing basis. Where we suspect that market timing may be taking place, we reserve the right to take whatever action is required in order to act in the best interests of the shareholders. On the occasions when the dilution adjustment is not applied there may be an adverse impact on the total assets of the relevant sub-fund.

4 Risks

Financial Instruments

In pursuing their investment objectives, some of the sub-funds may hold a number of financial instruments. These financial instruments, other than derivatives, comprise securities and other investments, cash balances, debtors and creditors that arise directly from the sub-funds' operations.

The main risks arising from financial instruments and the ACD's policies for managing these risks are stated below. These policies have been applied throughout the year (2018: same policies).

Market price risk

The main risk arising from each sub-fund's financial instruments is market price. Market price risk is the risk that the value of the sub-funds' investments will fluctuate as a result of changes in market price caused by factors other than interest rate or foreign currency movements. For example, changes in credit spreads, price levels or volatility.

Market price risk arises mainly from uncertainty about future prices of financial instruments that the sub-fund might hold. It represents the potential loss the sub-funds might suffer through holding market positions in the face of price movements. The sub-funds' investment portfolios are exposed to market price fluctuations, which are monitored by the ACD in pursuance of their investment objectives, and policies are set out in the prospectus. The sub-funds seek to manage these risks by holding diversified portfolios of investments in line with the sub-funds' objectives.

Adherence to the investment guidelines and to investment and borrowing powers set out in the instrument of incorporation, the prospectus and the rules of the Financial Conduct Authority's Collective Investment Schemes Sourcebook mitigates the risk of excessive exposure to any particular type of security or issuer.

Foreign currency risk

Foreign currency risk is the risk that the value of the sub-funds' investments will fluctuate as a result of changes in foreign currency exchange rates.

For the sub-funds where an element of the investment portfolio is invested in overseas securities the balance sheet can be affected by movements in exchange rates. The ACD may seek to manage exposure to currency movements by using forward foreign currency contracts or by hedging the sterling value of investments that are priced in other currencies. Revenue received in other currencies is converted to sterling on or near the date of receipt. The foreign currency exposure for the relevant sub-funds is shown in the notes to the financial statements.

Interest rate risk

Interest rate risk is the risk that the value of sub-funds' investments will fluctuate as a result of changes in interest rates.

Some of the sub-funds invest in fixed interest securities. The revenue from these sub-funds may be affected by changes to interest rates relevant to particular securities or as a result of the ACD being unable to secure similar returns on the expiry of contracts or sale of securities. The value of fixed interest securities may be affected by such movements in the future. Interest receivable on bank deposits and payable on bank overdrafts will be affected by fluctuations in interest rates.

The sub-funds will adjust their exposure to interest risk according to their views on how rates will move in the future. This may mean that at times the sub-funds may take on more or less risk depending on the view of the Investment Manager.

The interest rate profile for the relevant sub-funds is shown in the notes to the financial statements.

Liquidity risk

Liquidity risk is the risk that low market liquidity through reduced trading volumes may affect the ability of the sub-fund to trade financial instruments at levels previously indicated by financial brokers.

The assets of the sub-funds are generally liquid and considered to be readily realisable, however liquidity conditions can be affected by economic events.

Kames Capital ICVC

Notes to the Annual Financial Statements

4 Risks (continued)

Liquidity risk (continued)

The sub-funds may also invest in debt and money market instruments that may be less liquid.

The sub-funds are exposed to liquidity risk, in our view a subset of market risk, arising from lack of a secondary market for the debt instruments that it holds.

The fund managers, as part of the wider fixed income team at Kames Capital, monitor daily any distressed bonds held. The fund manager will use his/her expert judgement as to the liquidity risks of the individual securities held by each of the sub-funds, and on an aggregate basis.

The sub-funds main commitments are to pay expenses, which are regular and predictable, and to meet any cancellation of shares that the investor wishes to sell. Assets from a sub-fund may need to be sold if insufficient cash is available to finance such cancellations.

Credit risk

Certain transactions in securities that the sub-fund enters into expose them to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the sub-fund has fulfilled its responsibility. The sub-funds only buy and sell investments through brokers, which have been approved by the ACD as an acceptable counterparty. In addition, limits are set to the exposure to any individual broker that may exist at any time and changes to brokers' financial ratings are reviewed.

Counterparty risk is also a feature of transactions in Over the Counter (OTC) derivatives, so all derivative counterparties are also pre-approved. Futures are subject to daily variation margin payments which reduces the credit risk to one day's movement in index value. Forwards and swaps are transacted with a limited number of counterparties to reflect the increased credit risk involved in OTC derivatives. All forwards with the exception of FX forwards are covered by ISDA agreements.

Cash may only be deposited with banks that have a minimum credit rating of A and have been approved by Kames as cash counterparties. According to UCITS rules no more than 20% of the NAV of the sub-fund may be exposed to a single counterparty but cash deposits are managed to an internal limit of 10% of NAV.

For asset backed investments (including FRNs) there is the possibility of default of the issuer and default in the underlying assets meaning that the sub-fund may not receive back the full principal originally invested.

Derivative risk

The derivative contracts that the sub-funds have entered into are futures (ETD), forward currency contracts (OTC), interest rate Swaps (OTC), credit default swaps (OTC), contracts for difference (OTC) and written options (ETD or OTC). Some of the sub-funds may use derivatives for Efficient Portfolio Management (EPM), including for hedging purposes, and for investment purposes. The way in which derivatives will be used in each context may raise the risk profile of the sub-fund.

Permitted EPM transactions are transactions in futures, options, swaps, contracts for difference or forward currency transactions. There is no limit on the amount which may be used for EPM but the transactions must satisfy the following broadly-based requirements:

- (i) Reduction of risk
- (ii) Reduction of cost
- (iii) The generation of additional capital or revenue for the sub-fund with no, or an acceptably low level of risk.

Each EPM transaction must be covered to meet the sub-funds total exposure, taking into account the value of the underlying assets, any reasonably foreseeable market movements, counterparty risk and the time available to liquidate any positions.

Subject to their investment objectives and policies, each sub-fund may also use derivatives for investment purposes (i) as a substitute for taking a position in an underlying asset, (ii) to tailor the sub-fund's interest rate exposure to the ACD's outlook for interest rates, and/or (iii) to gain an exposure to the composition and performance of a particular index (including a financial index). Derivatives may also be used in order to take tactical decisions. Swaps may be used to gain or reduce the sub-fund's exposure to credit spreads on a particular security or market for periods of time to be determined by the ACD, either in advance of a longer term allocation or reappraisal of the sub-fund's commitment to the asset or market in question, or purely on a temporary basis where it is more efficient to use derivatives for this purpose. The ACD may use futures, forwards or swaps (including credit default swaps) and contracts for difference to increase or reduce the beta (the measurement of volatility/risk of a security or portfolio in comparison to the market as a whole), interest rate duration or spread duration of all or part of the sub-fund's portfolio to take account of changing levels of volatility in the market while at the same time maintaining exposure to the market. Transactions in OTC derivatives will be undertaken with an approved counterparty.

5 Fair value of financial assets and financial liabilities

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

6 Related Parties

The ACD, Kames Capital plc, is regarded as a related party under Financial Reporting Standard 102. The aggregate monies received through issues and cancellation of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders, and the amounts due to, and from, the ACD in respect of share transactions at the year-end are shown in each sub-fund's notes to the financial statements.

Details of the amounts paid to the ACD in respect of Fund management services and shares in issue held by Kames Capital companies are disclosed in each sub-fund's notes to the financial statements.

AEGON UK is a related party of the ACD. Both parties share an ultimate controlling party, AEGON NV, a Dutch listed company and the parent company of the AEGON Group. Transactions with the AEGON UK companies are shown in the notes to each sub-fund's financial statements.

Kames Sterling Corporate Bond Fund

Fund objective*

The primary investment objective is to maximise total return (income plus capital) by investing mainly in sterling-denominated bonds, encompassing investment grade corporate bonds, government bonds and cash. Up to 10% of the Fund may be invested in high yield bonds. The sub-fund may also invest in deposits, money market instruments, derivative instruments and forward transactions.

Risk profile

The sub-fund is designed for retail and institutional investors seeking pooled exposure to the sterling corporate bond market and who are comfortable with a medium level of investment risk. In most cases, we expect the sub-fund to be held as part of a diversified portfolio, which may include other assets such as bonds, equities, property and cash. While investors will normally be able to liquidate their holdings on a daily basis, unit prices will fluctuate and may fall significantly in value. Consequently, it is important to understand that the sub-fund should be viewed as a longer term investment.

The sub-fund is actively managed and exposed to a range of risks, which are listed and defined in the Kames Capital ICVC Prospectus. The most material risks from this list also appear in our Key Investor Information documents (KIID) where they are summarised in an easy-to-read format. You can find both of these documents on our website at www.kamescapital.com.

Performance**

The Kames Sterling Corporate Bond Fund returned 7.49% compared to the peer group median return of 7.40%. The peer group is the Investment Association Sterling Corporate Bond sector.

Strategy review***

Through late 2018, the sub-fund retained a marginally short position in terms of interest rate risk, with headline duration moving in a range of approximately 6.9 to 7.3 years through a volatile period. As strong risk-off sentiment drove government yields downwards during the final quarter of 2018, this detracted from relative performance.

APT Pipelines, Heathrow Airport and Verizon Communications all added to performance in August 2018. September was more challenging, but October saw bonds from Tesco, Trafford Centre, and Center Parcs all add value in an otherwise very difficult environment for credit. Subordinated bonds from Sumitomo Mitsui Financial Group rallied strongly following the news it intended to redeem earlier than anticipated and at a premium. December was another challenging month for bond markets, and holdings in Rabobank, Esure, Intu Metrocentre, and Tesco Property all detracted.

In January, markets abruptly reversed course and began to rally. The sub-fund's relatively cautious positioning therefore hurt relative performance. The sub-fund benefitted from a number of its subordinated insurance positions including bonds from Prudential, Aviva, and Legal & General. However, most of this was offset by a small number of underperformers, particularly subordinated bonds from Metro Bank, whose price fell after they issued a profit warning.

A holding in insurer Esure was a detractor in February. Its price fell following a weak set of results, highlighted by a decline in its capital ratio. It subsequently rallied in April.

The sub-fund profited from its exposure to global payment processing company Vantiv after it agreed to be taken over by competitor Fidelity National Information Services in March. Other strongly performing positions included Virgin Money and Intu Metrocentre.

In March the sub-fund took new positions in European infrastructure specialist Vinci, housing association Incommunities, as well as global restaurant group McDonald's. To fund these new holdings we sold or reduced positions from Prudential, Investec, and Intu Metrocentre. The sub-fund's somewhat cautious stance was retained through the final months of the period, which was generally detractive to relative performance as credit markets continued to rally, though less consistently than in early 2019.

In April we increased the sub-fund's interest rate risk to around 7.6 years as gilt yields moved to more attractive levels. This long duration position was beneficial to performance, and was subsequently reduced, ending the period at around 6.5 years.

In May, highlights from a stock selection perspective included Prudential (who announced a re-organisation of its debt at favourable terms to bondholders) and FIS (a global payments services business) whose new issue was very well received by the market.

In June, the sub-fund benefitted from the strong performance of Tesco Property bonds, following the upgrading of Tesco's rating to investment grade. However, a number of positions failed to keep pace with the broader market, including bonds from the RAC and GLH Hotels.

In July, the sub-fund benefitted from the strong performance of recent additions Fiserv and Fidelity National, both transaction processing businesses.

*Please note that the sub-fund's objective has been updated effective 7 August 2019. The latest update can found in the fund's prospectus at www.kamescapital.com.

**Source: Lipper, % growth, income re-invested at pay date, NAV-NAV, GBP, net of Basic Rate Tax. Index returns are gross of Basic Rate Tax. Investors are invited to compare the sub-fund's performance against the performance of other funds within the Investment Association Sterling Corporate Bond Sector. Comparison of the sub-fund against this Sector will give investors an indication of how the sub-fund is performing compared with funds investing in a similar but not identical investment universe. This comparison should be performed over at least a 7 year period to provide the most useful long term comparison.

***General references to markets and indices are to be considered as general market commentary only and (i) are not to be considered as a comparison of sub-fund performance against a benchmark (unless otherwise disclosed as such); and (ii) the index or indices do not operate as a performance target and the sub-fund's portfolio is not constrained by the index or indices.

Kames Sterling Corporate Bond Fund

Comparative Tables

A Accumulation shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	76.56	76.44	74.54
Return before operating charges*	6.17	0.92	2.87
Operating charges	(0.81)	(0.80)	(0.79)
Return after operating charges*	5.36	0.12	2.08
Distributions	(1.92)	(1.90)	(1.79)
Retained distributions on accumulation shares	1.92	1.90	1.61
Closing net asset value per share	81.92	76.56	76.44
 *after direct transaction costs of	-	-	-
Performance			
Return after charges	7.00%	0.15%	2.80%
Other information			
Closing net asset value (£'000)	56,714	72,909	84,927
Closing number of shares	69,228,057	95,236,464	111,098,895
Operating charges	1.05%	1.04%	1.04%
Direct transaction costs	-	-	-
Prices			
Highest share price	81.95	78.33	77.22
Lowest share price	75.54	76.11	73.17

A Income shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	31.92	32.67	32.55
Return before operating charges*	2.54	0.40	1.24
Operating charges	(0.34)	(0.34)	(0.34)
Return after operating charges*	2.20	0.06	0.90
Distributions	(0.79)	(0.81)	(0.78)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	33.33	31.92	32.67
 *after direct transaction costs of	-	-	-
Performance			
Return after charges	6.89%	0.18%	2.76%
Other information			
Closing net asset value (£'000)	5,319	5,925	8,368
Closing number of shares	15,959,604	18,561,961	25,615,972
Operating charges	1.05%	1.04%	1.04%
Direct transaction costs	-	-	-
Prices			
Highest share price	33.54	33.29	33.72
Lowest share price	31.29	31.94	31.79

Highest and Lowest share prices are based on official published daily NAVs priced at 12 noon on the last business day of the year. The closing net asset value per share is at close of business.

Kames Sterling Corporate Bond Fund

Comparative Tables (continued)

B Accumulation shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	82.05	81.52	79.14
Return before operating charges*	6.66	0.97	3.05
Operating charges	(0.46)	(0.44)	(0.44)
Return after operating charges*	6.20	0.53	2.61
Distributions	(2.48)	(2.45)	(2.30)
Retained distributions on accumulation shares	2.48	2.45	2.07
Closing net asset value per share	88.25	82.05	81.52
 *after direct transaction costs of	-	-	-
Performance			
Return after charges	7.56%	0.66%	3.30%
Other information			
Closing net asset value (£'000)	119,049	129,692	193,325
Closing number of shares	134,905,376	158,060,223	237,142,229
Operating charges	0.55%	0.54%	0.54%
Direct transaction costs	-	-	-
Prices			
Highest share price	88.27	83.72	82.22
Lowest share price	81.04	81.31	77.80

B Income shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	32.48	33.25	33.13
Return before operating charges*	2.59	0.40	1.25
Operating charges	(0.18)	(0.18)	(0.18)
Return after operating charges*	2.41	0.22	1.07
Distributions	(0.97)	(0.99)	(0.95)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	33.92	32.48	33.25
 *after direct transaction costs of	-	-	-
Performance			
Return after charges	7.42%	0.66%	3.23%
Other information			
Closing net asset value (£'000)	99,466	127,339	378,486
Closing number of shares	293,205,614	391,995,939	1,138,160,470
Operating charges	0.55%	0.54%	0.54%
Direct transaction costs	-	-	-
Prices			
Highest share price	34.18	33.90	34.33
Lowest share price	31.87	32.51	32.38

Highest and Lowest share prices are based on official published daily NAVs priced at 12 noon on the last business day of the year. The closing net asset value per share is at close of business.

Kames Sterling Corporate Bond Fund

Comparative Tables (continued)

D Accumulation shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	126.24	125.74	122.34
Return before operating charges*	10.21	1.50	4.70
Operating charges	(1.02)	(1.00)	(0.98)
Return after operating charges*	9.19	0.50	3.72
Distributions	(3.49)	(3.45)	(3.24)
Retained distributions on accumulation shares	3.49	3.45	2.92
Closing net asset value per share	135.43	126.24	125.74
 *after direct transaction costs of	-	-	-
Performance			
Return after charges	7.28%	0.40%	3.04%
Other information			
Closing net asset value (£'000)	1,183	1,359	1,642
Closing number of shares	873,790	1,076,831	1,305,956
Operating charges	0.80%	0.79%	0.79%
Direct transaction costs	-	-	-
Prices			
Highest share price	135.47	128.98	126.85
Lowest share price	124.62	125.36	120.18

D Income shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	108.44	110.99	110.58
Return before operating charges*	8.65	1.33	4.20
Operating charges	(0.87)	(0.87)	(0.88)
Return after operating charges*	7.78	0.46	3.32
Distributions	(2.98)	(3.01)	(2.91)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	113.24	108.44	110.99
 *after direct transaction costs of	-	-	-
Performance			
Return after charges	7.17%	0.41%	3.00%
Other information			
Closing net asset value (£'000)	646	2,437	3,164
Closing number of shares	570,306	2,247,579	2,850,310
Operating charges	0.80%	0.79%	0.79%
Direct transaction costs	-	-	-
Prices			
Highest share price	114.03	113.12	114.57
Lowest share price	106.35	108.52	108.04

Highest and Lowest share prices are based on official published daily NAVs priced at 12 noon on the last business day of the year. The closing net asset value per share is at close of business.

Kames Sterling Corporate Bond Fund

Comparative Tables (continued)

G Accumulation shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	183.90	182.72	176.86
Return before operating charges*	14.90	2.17	6.84
Operating charges	(1.02)	(0.99)	(0.98)
Return after operating charges*	13.88	1.18	5.86
Distributions	(5.57)	(5.48)	(5.15)
Retained distributions on accumulation shares	5.57	5.48	5.15
Closing net asset value per share	197.78	183.90	182.72
 *after direct transaction costs of	-	-	-
Performance			
Return after charges	7.55%	0.65%	3.31%
Other information			
Closing net asset value (£'000)	2,149	2,613	3,218
Closing number of shares	1,086,428	1,420,791	1,761,089
Operating charges	0.55%	0.54%	0.54%
Direct transaction costs	-	-	-
Prices			
Highest share price	197.84	187.63	184.28
Lowest share price	181.64	182.25	174.25

S Accumulation shares**	2019	2018
	(p/share)	(p/share)
Change in net assets per share		
Opening net asset value per share	98.43	100.00
Return before operating charges*	7.99	(1.28)
Operating charges	(0.40)	(0.29)
Return after operating charges*	7.59	(1.57)
Distributions	(3.13)	(1.82)
Retained distributions on accumulation shares	3.13	1.82
Closing net asset value per share	106.02	98.43
 *after direct transaction costs of	-	-
Performance		
Return after charges	7.71%	(1.57)%
Other information		
Closing net asset value (£'000)	2,358	3,499
Closing number of shares	2,224,194	3,554,686
Operating charges	0.40%	0.39%
Direct transaction costs	-	-
Prices		
Highest share price	106.05	100.39
Lowest share price	97.24	97.65

Highest and Lowest share prices are based on official published daily NAVs priced at 12 noon on the last business day of the year. The closing net asset value per share is at close of business.

**Share class launched on 19 December 2017.

Kames Sterling Corporate Bond Fund

Comparative Tables (continued)

S Income shares**	2019	2018
	(p/share)	(p/share)
Change in net assets per share		
Opening net asset value per share	96.63	100.00
Return before operating charges*	7.71	(1.28)
Operating charges	(0.38)	(0.28)
Return after operating charges*	7.33	(1.56)
Distributions	(3.04)	(1.81)
Retained distributions on accumulation shares	-	-
Closing net asset value per share	100.92	96.63
 *after direct transaction costs of	-	-
Performance		
Return after charges	7.59%	(1.56)%
Other information		
Closing net asset value (£'000)	80,130	142,517
Closing number of shares	79,403,060	147,480,015
Operating charges	0.40%	0.39%
Direct transaction costs	-	-
Prices		
Highest share price	101.72	100.39
Lowest share price	94.81	96.72

Highest and Lowest share prices are based on official published daily NAVs priced at 12 noon on the last business day of the year. The closing net asset value per share is at close of business.

**Share class launched on 19 December 2017.

Kames Sterling Corporate Bond Fund

Portfolio Statement

The sub-fund's investments as at 31 July 2019

Holding	Investment	Market Valuation £'000	Total net assets %
	Sterling Denominated Bonds (31 July 2018 91.51%)	363,472	99.04
	Asset Backed Security (31 July 2018 12.82%)	46,937	12.79
3,500,000	Arqiva Financing 4.882% 31/12/2032	3,623	0.99
6,200,000	Canary Wharf Finance II 6.8% 22/04/2030	4,764	1.30
1,500,000	Channel Link Enterprises Finance 3.848% 30/06/2050	1,712	0.47
2,300,000	Connect M77/GSO 5.404% 31/03/2034	1,955	0.53
4,000,000	Dignity Finance 3.5456% 31/12/2034	3,538	0.96
2,000,000	Income Contingent Student Loans 2 2007-2009 2.5% 24/07/2058	1,800	0.49
3,000,000	Intu Debenture 5.562% 31/12/2027	2,539	0.69
4,735,000	Premier Transmission Financing 5.2022% 31/03/2030	3,337	0.91
1,100,000	TC Dudgeon Ofco 3.158% 12/11/2038	1,204	0.33
6,200,000	Telereal Secured Finance 4.01% 10/12/2031	5,124	1.40
4,000,000	Telereal Securitisation 4.9741% 10/09/2027	2,840	0.77
2,600,000	Telereal Securitisation 6.1645% 10/12/2031	3,008	0.82
3,300,000	Tesco Property Finance No.2 6.0517% 13/10/2039	3,687	1.00
3,900,000	THPA Finance 8.241% 15/03/2028	4,502	1.23
2,900,000	White City Property Finance 5.1202% 17/04/2035	3,304	0.90
	Corporate Bonds (31 July 2018 74.75%)	299,147	81.51
700,000	Accent Capital 2.625% 18/07/2049	712	0.19
3,800,000	American International 2.4925% FRN 15/03/2037	3,108	0.85
2,600,000	Anheuser-Busch InBev 2.25% 24/05/2029	2,686	0.73
2,100,000	APT Pipelines 3.5% 22/03/2030	2,336	0.64
1,800,000	APT Pipelines 4.25% 26/11/2024	2,040	0.56
2,600,000	Aroundtown 3.25% 18/07/2027	2,693	0.73
1,300,000	Aroundtown 3.625% 10/04/2031	1,348	0.37
1,700,000	Arqiva Financing 5.34% 30/06/2030	2,082	0.57
1,500,000	AT&T 4.375% 14/09/2029	1,778	0.48
2,100,000	Aviva 6.875% 20/05/2058	2,778	0.76
3,200,000	AXA 5.453% Perpetual	3,590	0.98
1,700,000	Bank of America 7% 31/07/2028	2,426	0.66
2,600,000	Bank of America 8.125% 02/06/2028	3,732	1.02
2,000,000	Bank of Scotland Capital Funding 7.754% Perpetual	2,196	0.60
3,200,000	Barclays 2.375% 06/10/2023	3,224	0.88
2,200,000	Barclays 7.125% Perpetual	2,323	0.63
1,100,000	Barclays 9.25% Perpetual	1,251	0.34
2,400,000	Becton Dickinson 3.02% 24/05/2025	2,546	0.69
1,700,000	Berkshire Hathaway Finance 2.375% 19/06/2039	1,781	0.49
2,900,000	BG Energy Capital 5.125% 01/12/2025	3,603	0.98
2,000,000	BMW International Investment 1.25% 11/07/2022	2,010	0.55
3,300,000	BNP Paribas 3.375% 23/01/2026	3,588	0.98
3,000,000	BPCE 5.25% 16/04/2029	3,666	1.00
3,000,000	British Land 5.264% 24/09/2035	4,084	1.11
2,500,000	BUPA Finance 6.125% Perpetual	2,610	0.71
2,100,000	Cadent Finance 2.125% 22/09/2028	2,144	0.58
3,200,000	Cadent Finance 2.625% 22/09/2038	3,288	0.90
3,300,000	Channel Link Enterprises Finance 3.043% 30/06/2050	3,445	0.94
2,100,000	Citigroup 5.15% 21/05/2026	2,566	0.70
1,600,000	Citigroup 6.8% 25/06/2038	2,658	0.72
800,000	Close Brothers 2.75% 26/04/2023	834	0.23
2,200,000	Compass 2% 05/09/2025	2,322	0.63
1,100,000	Cooperatieve Rabobank 4.625% 23/05/2029	1,301	0.35
2,407,000	Cooperatieve Rabobank 6.91% Perpetual	3,562	0.97
2,500,000	CPUK Finance 7.239% 28/02/2024	3,043	0.83
1,500,000	Credit Agricole 8.125% FRN Perpetual	1,518	0.41
4,300,000	Deutsche Bank 1.75% 16/12/2021	4,270	1.16
1,400,000	Dexia Credit 2.125% 12/02/2025	1,479	0.40
2,000,000	Diageo Finance 1.75% 12/10/2026	2,073	0.56

Kames Sterling Corporate Bond Fund

Portfolio Statement (continued)

Holding	Investment	Market Valuation £'000	Total net assets %
Corporate Bonds (continued)			
2,200,000	Drax Finco 4.25% 01/05/2022	2,235	0.61
2,400,000	DS Smith 2.875% 26/07/2029	2,477	0.67
3,400,000	E.ON International Finance 6.375% 07/06/2032	4,957	1.35
2,200,000	Electricite de France 5.875% 18/07/2031	3,102	0.85
2,200,000	Enterprise Inns 6% 06/10/2023	2,233	0.61
1,650,000	Esure 6.75% 19/12/2024	1,683	0.46
2,300,000	Fidelity National Information Services 3.36% 21/05/2031	2,529	0.69
2,000,000	Fiserv 3% 01/07/2031	2,127	0.58
1,600,000	Ford Motor Credit 4.535% 06/03/2025	1,713	0.47
2,700,000	General Electric 5.25% 07/12/2028	3,249	0.89
3,000,000	GLH Hotels 7.875% 20/06/2022	3,249	0.89
2,600,000	Goldman Sachs 6.875% 18/01/2038	3,915	1.07
3,000,000	Grainger 3.375% 24/04/2028	3,156	0.86
1,500,000	HBOS Sterling Finance Jersey 7.881% Perpetual	2,265	0.62
3,100,000	Heathrow Funding 4.625% 31/10/2046	4,282	1.17
2,700,000	HSBC 3% 22/07/2028	2,865	0.78
3,200,000	HSBC 4.75% 24/03/2046	3,938	1.07
3,100,000	HSBC Capital 5.844% Perpetual	4,082	1.11
1,200,000	Incommunities 3.25% 21/03/2049	1,353	0.37
2,500,000	ING Groep 3% 18/02/2026	2,679	0.73
2,600,000	innogy Finance 4.75% 31/01/2034	3,344	0.91
3,400,000	Intesa Sanpaolo 5.25% 28/01/2022	3,667	1.00
1,500,000	Investec 4.5% 05/05/2022	1,608	0.44
3,700,000	Juneau Investments 5.9% 22/02/2021	3,850	1.05
3,000,000	KFW 5.75% 07/06/2032	4,646	1.27
8,200,000	KFW 6% 07/12/2028	11,918	3.25
2,200,000	Legal & General 5.125% 14/11/2048	2,428	0.66
1,300,000	Legal & General 10% 23/07/2041	1,510	0.41
5,000,000	Lehman Brothers 6% 25/01/2013*	92	0.03
1,400,000	Lunar Funding I 5.494% 29/07/2020	1,449	0.39
1,800,000	McDonald's 2.95% 15/03/2034	1,964	0.53
3,200,000	National Express 2.5% 11/11/2023	3,294	0.90
1,000,000	National Grid Electricity Transmission 2.75% 06/02/2035	1,105	0.30
3,000,000	NatWest Markets 6.2% Perpetual	3,030	0.83
2,800,000	New York Life Global Funding 1.625% 15/12/2023	2,865	0.78
2,000,000	NGG Finance 5.625% 18/06/2073	2,188	0.60
3,000,000	NIE Finance 2.5% 27/10/2025	3,156	0.86
3,500,000	Northern Powergrid Yorkshire 4.375% 05/07/2032	4,455	1.21
1,500,000	Orange 3.25% 15/01/2032	1,686	0.46
1,500,000	Orange 5.75% Perpetual	1,667	0.45
800,000	Orsted 2.5% 16/05/2033	860	0.23
3,300,000	Orsted 5.75% 09/04/2040	5,168	1.41
1,700,000	Partnership Assurance 9.5% 24/03/2025	1,787	0.49
2,500,000	Pension Insurance 8% 23/11/2026	3,038	0.83
3,000,000	Phoenix 6.625% 18/12/2025	3,317	0.90
700,000	Places for People Homes 3.625% 22/11/2028	749	0.20
1,200,000	Provident Financial 7% 04/06/2023	1,212	0.33
1,800,000	Prudential 5.625% 20/10/2051	1,996	0.54
2,500,000	Prudential 5.7% 19/12/2063	2,850	0.78
1,500,000	RAC 4.87% 06/05/2026	1,481	0.40
2,300,000	Sainsbury's Bank 6% 23/11/2027	2,332	0.64
1,900,000	Santander UK 6.75% Perpetual	1,985	0.54
2,000,000	Scottish Widows 5.5% 16/06/2023	2,233	0.61
3,400,000	SP Manweb 4.875% 20/09/2027	4,232	1.15
2,800,000	SSE 3.875% Perpetual	2,832	0.77
2,700,000	Stagecoach 4% 29/09/2025	2,899	0.79
2,800,000	Thames Water Utilities Finance 2.625% 24/01/2032	2,875	0.78
1,800,000	Thames Water Utilities Finance 5.75% 13/09/2030	1,980	0.54
2,000,000	Trafford Centre Finance 4.75% 28/04/2024	2,186	0.60

Kames Sterling Corporate Bond Fund

Portfolio Statement (continued)

Holding	Investment	Market Valuation £'000	Total net assets %
	Corporate Bonds (continued)		
4,900,000	Transport for London 2.125% 24/04/2025	5,196	1.42
2,000,000	UBS Jersey 6.375% FRN 19/11/2024	2,029	0.55
2,400,000	UNITE Group 3.5% 15/10/2028	2,579	0.70
2,100,000	Vantiv / Vantiv Issuer 3.875% 15/11/2025	2,198	0.60
1,500,000	Verizon Communications 2.5% 08/04/2031	1,575	0.43
1,300,000	Vinci 2.75% 15/09/2034	1,442	0.39
1,800,000	Volkswagen International Finance 4.125% 17/11/2031	2,045	0.56
600,000	Wellcome Trust 2.517% 07/02/2118	650	0.18
2,400,000	Wells Fargo 3.5% 12/09/2029	2,738	0.75
1,700,000	Western Power Distribution 3.5% 16/10/2026	1,811	0.49
2,200,000	Western Power Distribution 3.625% 06/11/2023	2,355	0.64
1,500,000	Western Power Distribution West Midlands 5.75% 16/04/2032	2,093	0.57
1,500,000	Westfield Stratford City Finance No. 2 1.642% 04/08/2026	1,522	0.41
3,100,000	Yorkshire Building Society 3.5% 21/04/2026	3,335	0.91
2,500,000	Yorkshire Water Finance 3.75% 22/03/2046	2,615	0.71
2,000,000	Zurich Finance (UK) 6.625% Perpetual	2,247	0.61
	Government Bonds (31 July 2018 3.94%)	17,388	4.74
5,200,000	European Investment Bank 1% 21/09/2026	5,253	1.43
3,400,000	European Investment Bank 6% 07/12/2028	4,920	1.34
4,300,000	United Kingdom Gilt 1.5% 22/07/2047	4,477	1.22
2,500,000	United Kingdom Gilt 1.75% 07/09/2037	2,738	0.75
	Derivatives and Futures Contracts (31 July 2018 0.03%)	(611)	(0.17)
	Futures Contracts (31 July 2018 0.03%)	(611)	(0.17)
(186)	Long Gilt Future Contract September 2019	(611)	(0.17)
	Portfolio of investments**	362,861	98.87
	Net other assets	4,153	1.13
	Total net assets attributable to shareholders	367,014	100.00

Analysis of investments by asset class

	Market Value £'000	Value of investments %
Bonds	363,472	99.04
Derivatives	(611)	(0.17)
Portfolio of investments**	362,861	98.87
Net other assets	4,153	1.13
Total net assets attributable to shareholders	367,014	100.00

The comparative percentage figures in brackets are at 31 July 2018.

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

*Unlisted, suspended and delisted securities within the meaning of the FCA's COLL.

**Includes investment liabilities.

Kames Sterling Corporate Bond Fund

Statement of Total Return for the year ended 31 July 2019

			2019		2018
	Note	£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	2		14,825		(12,519)
Revenue	3	14,706		20,494	
Expenses	4	(2,468)		(3,494)	
Interest payable and similar charges	6	-		(343)	
Net revenue before taxation		12,238		16,657	
Taxation	5	-		-	
Net revenue after taxation			12,238		16,657
Total return before distributions			27,063		4,138
Distributions	6		(12,237)		(16,667)
Change in net assets attributable to shareholders from investment activities			14,826		(12,529)

Statement of Change in Net Assets Attributable to Shareholders for the year ended 31 July 2019

		2019		2018
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		488,290		673,130
Amounts receivable on creation of shares	38,304		61,986	
Amounts payable on cancellation of shares	(180,163)		(241,164)	
		(141,859)		(179,178)
Dilution adjustment		549		454
Change in net assets attributable to shareholders from investment activities		14,826		(12,529)
Retained distribution on accumulation shares		5,203		6,408
Unclaimed distributions		5		5
Closing net assets attributable to shareholders		367,014		488,290

Kames Sterling Corporate Bond Fund

Balance Sheet as at 31 July 2019

			2019		2018
	Note	£'000	£'000	£'000	£'000
Assets					
Fixed assets:					
Investments			363,472		446,960
Current assets:					
Debtors	7	6,015		17,163	
Cash and bank balances	8	<u>2,235</u>		<u>31,548</u>	
			<u>8,250</u>		<u>48,711</u>
Total assets			371,722		495,671
Liabilities					
Investment liabilities			611		-
Creditors					
Bank overdrafts	9	-		5	
Distributions payable		1,380		2,157	
Other creditors	10	<u>2,717</u>		<u>5,219</u>	
Total liabilities			<u>4,708</u>		<u>7,381</u>
Net assets attributable to shareholders			367,014		488,290

Kames Sterling Corporate Bond Fund

Notes to the Financial Statements

1 Accounting policies

The sub-fund's financial statements have been prepared on the basis disclosed on pages 11 to 13.

2 Net capital gains/(losses)

Net capital gains/(losses) comprise:

	2019	2018
	£'000	£'000
Gains/(losses) on non-derivative securities	14,291	(13,237)
Currency exchange gains	7	6
Gains on derivative securities	529	714
Transaction charges	(2)	(2)
Net capital gains/(losses)	14,825	(12,519)

3 Revenue

	2019	2018
	£'000	£'000
Interest on debt securities	14,449	20,462
Derivative revenue	162	-
Bank interest	95	32
Total revenue	14,706	20,494

4 Expenses*

	2019	2018
	£'000	£'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	2,279	3,270
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fee	91	121
Other expenses:		
Audit fee**	11	11
FT publishing fee	4	3
KIID fee	1	3
PRIIPs fees	4	-
Registrar's fee	54	52
Safe custody charge	24	34
	98	103
Total expenses	2,468	3,494

*All expenditure stated above is inclusive of irrecoverable VAT where applicable.

**The audit fee (excluding VAT) incurred during the year was £8,915 (2018: £8,655).

5 Taxation

Corporation tax has not been provided for as expenses and interest distributions payable by the sub-fund exceed the revenue liable to corporation tax.

Factors affecting tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax for Open Ended Investment Companies 'OEICs' (20%).

The differences are explained below:

	2019	2018
	£'000	£'000
Net revenue before taxation	12,238	16,657
Corporation tax 20% (2018: 20%)	2,447	3,331
Effects of:		
Tax deductible interest distributions	(2,447)	(3,333)
Equalisation on conversion	-	2
Total tax charge for the year	-	-

Open Ended Investment Companies are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliations.

Kames Sterling Corporate Bond Fund

Notes to the Financial Statements (continued)

6 Interest and distributions

a) Interest payable and similar charges

	2019	2018
	£'000	£'000
Interest	-	1
Futures expense	-	342
Interest payable and similar charges	-	343

b) Distributions

The distributions take account of amounts receivable on the issue of shares and amounts deductible on the cancellation of shares, and comprise:

	2019	2018
	£'000	£'000
Interim distributions	9,071	12,337
Final distribution	2,628	3,665
	11,699	16,002
Add: amounts deductible on cancellation of shares	690	894
Less: amounts receivable on creation of shares	(152)	(229)
Distributions	12,237	16,667

Details of the distributions are set out in the tables on pages 34 to 36.

c) Movement between net revenue and distribution

	2019	2018
	£'000	£'000
Net revenue after taxation	12,238	16,657
Equalisation on conversions	-	9
Undistributed revenue brought forward	-	1
Undistributed revenue carried forward	(1)	-
Distributions	12,237	16,667

7 Debtors

	2019	2018
	£'000	£'000
Accrued revenue	5,290	6,764
Amounts receivable for the issue of shares	725	235
Sales awaiting settlement	-	10,164
Debtors	6,015	17,163

8 Cash and bank balances

	2019	2018
	£'000	£'000
Amounts held at futures clearing houses and brokers	916	344
Cash and bank balances	99	55
Money market deposits	1,220	31,149
Cash and bank balances	2,235	31,548

9 Bank overdrafts

	2019	2018
	£'000	£'000
Bank overdrafts	-	5
Bank overdrafts	-	5

Kames Sterling Corporate Bond Fund

Notes to the Financial Statements (continued)

10 Other creditors

	2019	2018
	£'000	£'000
Accrued expenses*	218	260
Amounts payable for cancellation of shares	2,499	1,192
Purchases awaiting settlement	-	3,767
Other creditors	2,717	5,219

*Includes accrued ACD's periodic charge of £174,000 (2018: £226,000).

11 Related parties

The ACD's periodic charge paid to Kames Capital plc, (the ACD) are shown in Note 4 and details of amounts received and paid on shares issued and cancelled are shown in the Statement of Change in Net Assets Attributable to Shareholders. The balance due to the ACD in respect of these transactions as at 31 July 2019 is £1,948,000 (2018: £1,183,000 due to the ACD), a breakdown can be found in Notes 7 and 10. At the year-end 7.63% (2018: 5.56%) of the shares in issue were owned by AEGON Group or AEGON UK companies.

12 Contingent assets, liabilities and commitments

There were no contingent assets, liabilities or commitments present in the sub-fund as at 31 July 2019 (2018: Nil).

13 Financial instruments and risk

The risks associated with the sub-fund are market, concentration, valuation, yield, liquidity, counterparty, and interest rate risk. Narrative disclosures are on pages 14 and 15.

Analysis of investments by credit ratings

	2019		2018	
	Market value	Value of investments	Market value	Value of investments
	£'000	%	£'000	%
Rated bonds at investment grade	306,429	83.48	348,625	71.40
Rated bonds below investment grade	27,905	7.61	43,757	8.96
Unrated bonds	29,138	7.95	54,443	11.15
Derivatives	(611)	(0.17)	135	0.03
Portfolio of investments	362,861	98.87	446,960	91.54
Net other assets	4,153	1.13	41,330	8.46
Total net assets attributable to shareholders	367,014	100.00	488,290	100.00

Note - Investment grade bonds are defined as bonds with a Standard & Poor's, Moody's or Fitch's rating of BBB-, Baa3 and BBB- or above respectively.

Currency exposure

The revenue and capital value of the sub-fund's investments can be affected by foreign currency translation movements as a proportion of the sub-fund's assets and revenue are denominated in currencies other than sterling.

An analysis of assets and liabilities is detailed below in the currency exposure table:

As at 31 July 2019

Currency	Total
	£'000
Euro	2
Sterling	366,920
United States Dollar	92
	367,014

As at 31 July 2018

Currency	Total
	£'000
Euro	2
Sterling	488,235
United States Dollar	53
	488,290

Kames Sterling Corporate Bond Fund

Notes to the Financial Statements (continued)

13 Financial instruments and risk (continued)

Interest rate risk

The interest rate profile of the sub-fund's interest bearing assets and liabilities at 31 July 2019 was:

Currency	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	6,655	356,817	6,015	369,487
Cash at bank				
Euro	2	-	-	2
Sterling	5	-	-	5
United States Dollar	92	-	-	92
Cash at brokers				
Sterling	916	-	-	916
Cash on deposit				
Sterling	1,220	-	-	1,220
	8,890	356,817	6,015	371,722

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	-	-	(4,708)	(4,708)
	-	-	(4,708)	(4,708)

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

Currency	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	8,401	438,424	17,298	464,123
Cash at bank				
Euro	2	-	-	2
United States Dollar	53	-	-	53
Cash at brokers				
Sterling	344	-	-	344
Cash on deposit				
Sterling	31,149	-	-	31,149
	39,949	438,424	17,298	495,671

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	-	-	(7,376)	(7,376)
Cash at bank				
Sterling	(5)	-	-	(5)
	(5)	-	(7,376)	(7,381)

Floating rate financial assets and financial liabilities, sterling denominated bank balances and bank overdrafts bear interest at rates based on SONIA.

Foreign currency bank balances bear interest at rates based on LIBOR or its international equivalent. Euro denominated floating rate notes bear interest at rates based on EURIBOR.

Kames Sterling Corporate Bond Fund

Notes to the Financial Statements (continued)

13 Financial instruments and risk (continued)

Derivative risk

The sub-fund invests in derivatives, consistent with the investment objective of the sub-fund, as outlined in the derivative risks section on page 15.

VaR Disclosure

The Manager assesses the market risk of the sub-fund's investments, including any derivative exposure, using a value at risk methodology. This process provides the Manager with an estimate of the maximum potential loss that could be expected to occur as a result of changes in market prices over a given period of time in all but a given percentage of circumstances. The value at risk is calculated on a 95.00% (2018: 95.00%) confidence interval with a one month time horizon and a five year history, using the Historical model. The sub-fund has an absolute VaR limit of 14.10% (2018: 14.10%). As at the balance sheet date, the sub-fund's value at risk is 2.01% (2018: 2.05%).

The following table details the lowest, highest and average utilisation of the VaR limit:

	Lowest Utilisation (%)	Highest Utilisation (%)	Average Utilisation (%)
31 July 2019	1.80	2.13	1.98
31 July 2018	1.98	2.57	2.26

Leverage

Average leverage is calculated as the sum of the net asset value and the incremental exposure generated through the use of derivatives (calculated in accordance with the commitment approach (CESR/10-788)) divided by the net asset value. As at 31 July 2019 the average leverage was 5.16% (2018: 5.94%).

Counterparty risk

The risk of entering an arrangement with a counterparty, which is itself subject to financial risks which may affect its ability to trade as a going concern.

The ACD maintains a list of approved counterparties. This list is regularly monitored and revised for changes based on the counterparty's credit-worthiness, market reputation and expectations of future financial performance. Transactions will only be opened with financial intermediaries on the approved counterparties list.

The sub-fund's use of exchange traded derivatives are considered to be free of counterparty risk if the derivative is traded on an exchange where the clearing house is backed by an appropriate performance guarantee and it is characterised by a daily mark-to-market valuation of the derivative position and at least daily margining.

At 31 July 2019, the market value of the exchange traded derivatives held by the sub-fund was £(611,000) (2018: £135,000).

The following details exposure to counterparties obtained through the use of derivatives:

As at 31 July 2019

Counterparty	Futures Exposure £'000	Collateral Pledge £'000
UBS	-	-

As at 31 July 2018

Counterparty	Futures Exposure £'000	Collateral Pledge £'000
UBS	135	-

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

Kames Sterling Corporate Bond Fund

Notes to the Financial Statements (continued)

14 Portfolio transaction costs

Purchases

31 July 2019	Value £'000	Commissions £'000	Other Costs* %	£'000	%
Bonds	159,605	-	-	-	-
Total	159,605	-		-	
Total purchases including transaction costs	159,605				
31 July 2018					
Bonds	279,289	-	-	-	-
Total	279,289	-		-	
Total purchases including transaction costs	279,289				

Sales

31 July 2019	Value £'000	Commissions £'000	Other Costs* %	£'000	%
Bonds	253,693	-	-	-	-
Total	253,693	-		-	
Total sales net of transaction costs	253,693				
31 July 2018					
Bonds	476,954	-	-	-	-
Total	476,954	-		-	
Total sales net of transaction costs	476,954				

Derivatives

31 July 2019	Commissions £'000
Futures	5
31 July 2018	
Futures	11

*Other Costs includes taxes and any other costs other than commissions incurred by the sub-fund when buying and selling an underlying investment.

The purchases and sales are not subject to portfolio transaction costs.

Portfolio transaction costs are incurred by the sub-fund when buying and selling underlying investments. These vary depending on the class of investment, country of exchange and method of execution. These costs can be classified as either direct or indirect transaction costs:

Direct transaction costs: Broker commissions, fees and taxes.

Indirect transaction costs: 'Dealing spread' - the difference between the buying and selling prices of the sub-fund's underlying investments.

In order to protect existing investors from the effects of dilution, portfolio transaction costs incurred as a result of investors buying and selling shares in the sub-fund are recovered from those investors through a 'dilution adjustment' to the price they pay or receive.

At the balance sheet date, the portfolio dealing spread was 0.77% (2018: 0.81%), being the difference between the respective bid and offer prices for the sub-fund's investments.

Kames Sterling Corporate Bond Fund

Notes to the Financial Statements (continued)

15 Fair value of financial assets and financial liabilities

The fair value hierarchy is intended to prioritise the inputs that are used to measure the fair value of assets and liabilities. The fair value hierarchy has the following levels:

Level 1 – Unadjusted quoted price in an active market for an identical instrument.

Level 2 – Valuation techniques using observable inputs other than quoted prices within level 1.

Level 3 – Valuation techniques using unobservable inputs.

Valuation	2019		2018	
	Assets	Liabilities	Assets	Liabilities
	£'000	£'000	£'000	£'000
1 - Quoted prices	7,215	(611)	9,689	-
2 - Observable market data	356,165	-	437,271	-
3 - Unobservable data	92	-	-	-
	363,472	(611)	446,960	-

16 Share classes

The sub-fund currently has five share classes; A (Retail), B (Institutional), D (Retail), G (Gross) and S (Institutional). The ACD's periodic charge on each share class is as follows:

A share class: 1.00%

B share class: 0.50%

D share class: 0.75%

G share class: 0.50%

S share class: 0.35%

The net asset value of each share class, the net asset value per share, and the number of shares in each class are given in the comparative tables on pages 17 to 21. The distribution per share class is given in the distribution tables on pages 34 to 36. All share classes have the same rights on winding up.

Share class movement reconciliation

31 July 2019	Opening	Creations	Cancellations	Converted	Closing
A Accumulation	95,236,464	4,282,870	(29,679,855)	(611,422)	69,228,057
A Income	18,561,961	45,814	(2,206,403)	(441,768)	15,959,604
B Accumulation	158,060,223	23,894,951	(47,728,178)	678,380	134,905,376
B Income	391,995,939	35,328,847	(134,522,605)	403,433	293,205,614
D Accumulation	1,076,831	8,185	(192,290)	(18,936)	873,790
D Income	2,247,579	14,833	(1,692,106)	-	570,306
G Accumulation	1,420,791	216,759	(520,298)	(30,824)	1,086,428
S Accumulation	3,554,686	22,960	(1,353,452)	-	2,224,194
S Income	147,480,015	3,115,630	(71,192,585)	-	79,403,060

Kames Sterling Corporate Bond Fund

Distribution Tables

Share Class A Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2017/8 Total Payable
31/10/18	31/12/18	Group 1	0.4797	N/A	0.4797	0.00%	100.00%	0.4695
		Group 2	0.2159	0.2638				
31/01/19	31/03/19	Group 1	0.4841	N/A	0.4841	0.00%	100.00%	0.4944
		Group 2	0.3112	0.1729				
30/04/19	30/06/19	Group 1	0.4640	N/A	0.4640	0.00%	100.00%	0.4517
		Group 2	0.2602	0.2038				
31/07/19	30/09/19	Group 1	0.4938	N/A	0.4938	0.00%	100.00%	0.4865
		Group 2	0.1818	0.3120				

Share Class A Income

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2017/8 Total Payable
31/10/18	31/12/18	Group 1	0.2000	N/A	0.2000	0.00%	100.00%	0.2006
		Group 2	0.0765	0.1235				
31/01/19	31/03/19	Group 1	0.2005	N/A	0.2005	0.00%	100.00%	0.2100
		Group 2	0.0575	0.1430				
30/04/19	30/06/19	Group 1	0.1911	N/A	0.1911	0.00%	100.00%	0.1907
		Group 2	0.0589	0.1322				
31/07/19	30/09/19	Group 1	0.2021	N/A	0.2021	0.00%	100.00%	0.2044
		Group 2	0.0741	0.1280				

Share Class B Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2017/8 Total Payable
31/10/18	31/12/18	Group 1	0.6181	N/A	0.6181	0.00%	100.00%	0.6045
		Group 2	0.2996	0.3185				
31/01/19	31/03/19	Group 1	0.6229	N/A	0.6229	0.00%	100.00%	0.6328
		Group 2	0.3771	0.2458				
30/04/19	30/06/19	Group 1	0.6015	N/A	0.6015	0.00%	100.00%	0.5835
		Group 2	0.2399	0.3616				
31/07/19	30/09/19	Group 1	0.6408	N/A	0.6408	0.00%	100.00%	0.6250
		Group 2	0.2444	0.3964				

Share Class B Income

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2017/8 Total Payable
31/10/18	31/12/18	Group 1	0.2447	N/A	0.2447	0.00%	100.00%	0.2466
		Group 2	0.0922	0.1525				
31/01/19	31/03/19	Group 1	0.2448	N/A	0.2448	0.00%	100.00%	0.2562
		Group 2	0.1321	0.1127				
30/04/19	30/06/19	Group 1	0.2346	N/A	0.2346	0.00%	100.00%	0.2363
		Group 2	0.0773	0.1573				
31/07/19	30/09/19	Group 1	0.2481	N/A	0.2481	0.00%	100.00%	0.2492
		Group 2	0.0917	0.1564				

All distributions above are in pence per share unless specifically stated.

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

Kames Sterling Corporate Bond Fund

Distribution Tables (continued)

Share Class D Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2017/8 Total Payable
31/10/18	31/12/18	Group 1	0.8709	N/A	0.8709	0.00%	100.00%	0.8522
		Group 2	0.4441	0.4268				
31/01/19	31/03/19	Group 1	0.8783	N/A	0.8783	0.00%	100.00%	0.8944
		Group 2	0.3822	0.4961				
30/04/19	30/06/19	Group 1	0.8451	N/A	0.8451	0.00%	100.00%	0.8214
		Group 2	0.3136	0.5315				
31/07/19	30/09/19	Group 1	0.9000	N/A	0.9000	0.00%	100.00%	0.8817
		Group 2	0.6312	0.2688				

Share Class D Income

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2017/8 Total Payable
31/10/18	31/12/18	Group 1	0.7482	N/A	0.7482	0.00%	100.00%	0.7523
		Group 2	0.2928	0.4554				
31/01/19	31/03/19	Group 1	0.7538	N/A	0.7538	0.00%	100.00%	0.7844
		Group 2	0.4474	0.3064				
30/04/19	30/06/19	Group 1	0.7161	N/A	0.7161	0.00%	100.00%	0.7154
		Group 2	0.0489	0.6672				
31/07/19	30/09/19	Group 1	0.7576	N/A	0.7576	0.00%	100.00%	0.7627
		Group 2	0.2523	0.5053				

Share Class G Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2017/8 Total Payable
31/10/18	31/12/18	Group 1	1.3853	N/A	1.3853	0.00%	100.00%	1.3549
		Group 2	0.5658	0.8195				
31/01/19	31/03/19	Group 1	1.3961	N/A	1.3961	0.00%	100.00%	1.4181
		Group 2	0.7765	0.6196				
30/04/19	30/06/19	Group 1	1.3485	N/A	1.3485	0.00%	100.00%	1.3075
		Group 2	0.4404	0.9081				
31/07/19	30/09/19	Group 1	1.4363	N/A	1.4363	0.00%	100.00%	1.4002
		Group 2	0.4543	0.9820				

Share Class S Accumulation**

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Unfranked	2017/8 Net Distribution
31/10/18	31/12/18	Group 1	0.7787	N/A	0.7787	0.00%	100.00%	N/A
		Group 2	0.4642	0.3145				
31/01/19	31/03/19	Group 1	0.7851	N/A	0.7851	0.00%	100.00%	0.3409
		Group 2	0.0082	0.7769				
30/04/19	30/06/19	Group 1	0.7592	N/A	0.7592	0.00%	100.00%	0.7059
		Group 2	0.7592	0.0000				
31/07/19	30/09/19	Group 1	0.8090	N/A	0.8090	0.00%	100.00%	0.7704
		Group 2	0.8090	0.0000				

All distributions above are in pence per share unless specifically stated.

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

**Share class launched on 19 December 2017.

Kames Sterling Corporate Bond Fund

Distribution Tables (continued)

Share Class S Income**

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Unfranked	2017/8 Net Distribution
31/10/18	31/12/18	Group 1	0.7645	N/A	0.7645	0.00%	100.00%	N/A
		Group 2	0.4663	0.2982				
31/01/19	31/03/19	Group 1	0.7648	N/A	0.7648	0.00%	100.00%	0.3411
		Group 2	0.5288	0.2360				
30/04/19	30/06/19	Group 1	0.7340	N/A	0.7340	0.00%	100.00%	0.7060
		Group 2	0.2388	0.4952				
31/07/19	30/09/19	Group 1	0.7761	N/A	0.7761	0.00%	100.00%	0.7628
		Group 2	0.4306	0.3455				

All distributions above are in pence per share unless specifically stated.

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

**Share class launched on 19 December 2017.

Kames UK Equity Fund

Fund objective*

The primary investment objective is to maximise total return from capital and net income combined. Investment will principally be in equities and equity type securities in companies based in the UK, principally conducting business in the UK or listed on the UK stock market.

Risk profile

The sub-fund is designed for retail and institutional investors seeking pooled exposure to the UK equity market and who are comfortable with a higher level of investment risk. In most cases, we expect the sub-fund to be held as part of a diversified portfolio which may include other assets such as bonds, equities, property and cash. While investors will normally be able to liquidate their holdings on a daily basis, unit prices will fluctuate and may fall significantly in value. Consequently, it is important to understand that the sub-fund should be viewed as a longer term investment.

The sub-fund is actively managed and exposed to a range of risks, which are listed and defined in the Kames Capital ICVC Prospectus. The most material risks from this list also appear in our Key Investor Information documents (KIID) where they are summarised in an easy-to-read format. You can find both of these documents on our website at www.kamescapital.com.

Performance**

The Kames UK Equity Fund returned (3.31)% compared to the peer group median return of (0.20)%. The peer group is the IA UK All Companies sector.

Strategy review***

UK equities were very volatile over the year, with the market coming under severe pressure in the second half of 2018 before recovering in the first half of 2019. The market fell heavily towards the end of 2018 as investors began to question the strength of the global economy and the potential for a policy error from central banks. Defensive sectors and larger companies performed relatively at this point while cyclical and growth sectors underperformed.

As we moved into 2019, the backdrop improved and the market subsequently rallied. The main catalyst for the strong rally was the monetary policy easing activity by central banks. Markets took comfort from the change of interest rate rhetoric by the US Federal Reserve as well as policy easing by China and the ECB.

However sentiment remained fragile and subject to the vagaries of news flow concerning US/China trade and Brexit. The ebb and flow of optimism about these geopolitical issues were key drivers of UK equities and the changing leadership within the market during the year. Over the whole 12-month period though there was a clear cautious pattern of performance. Large cap defensive stocks such as those in the healthcare sector were up strongly whilst smaller, mid-sized companies and industrials were down.

As the economic backdrop deteriorated we tempered the cyclical nature of the sub-fund but overall it retained an overweight exposure to mid-cap names, growth companies and industrials. Sub-fund performance therefore came under pressure in the final months of 2018 when the market sold-off significantly. The sub-fund recovered strongly in 2019 but it was not enough to offset the previous weakness. In sector terms, our overweight in technology, both software and hardware, added value with our exposure to the software sector the largest positive contributor overall. The underweight positions in the banks, tobacco and mobile telecommunications sectors also added value.

In explaining the underperformance compared to the median, a number of individual stock positions in which we still have confidence deserve a comment. The largest detractor was speciality chemicals producer Synthomer, which de-rated along with the unloved European chemicals sector as industrial demand softened. We continue to see long-term value in the stock and believe that management are well placed to navigate choppy macroeconomic waters. Insurance provider Just fell heavily after it announced the issuance of both debt and equity to bolster its capital position. Whilst a capital raise was unsurprising, we were disappointed that it included an equity component. We continue to hold our position and believe that management are pursuing all options to realise the significant shareholder value that is under-priced by the market. Elsewhere, food retailer Wm Morrison Supermarket's share price struggled due to weaker short-term industry sales trends but the attractive distributions to shareholders remain on track. Balfour Beatty shares reacted to competitor warnings in UK contracting – this was despite a high proportion of the valuation being accounted for by the investment portfolio, its strong balance sheet and overseas construction exposure.

On the positive side, Aveva, the global leader in industrial software, performed well. The company is helping its customers to gain efficiencies through the digitisation of industry - a long-term trend that in many sectors is only in its infancy. The valuation of RELX expanded in recognition of its highly reliable and cash generative steady growth. Stock selection within defensive sectors was positive, particularly in the first half of the period, and highlighted the importance of focusing on fundamentals. The holdings in AstraZeneca and Diageo, which are both large-cap defensive names, added value. Not owning British American Tobacco and Imperial Tobacco, where potential FDA policy challenges re-emerged, was also positive.

We continue to focus on stock selection as a means of adding value to the sub-fund. Our preference remains to invest in businesses with strength in their free cash flow and balance sheet, which provides optionality for returns, M&A, and/or investment.

*Please note that the sub-fund's objective has been updated effective 7 August 2019. The latest update can be found in the fund's prospectus at www.kamescapital.com.

**Source: Lipper, % growth, income re-invested at pay date, NAV-NAV, GBP, net of Basic Rate Tax. Index returns are gross of Basic Rate Tax. Investors are invited to compare the sub-fund's performance against the performance of other funds within the Investment Association All UK Companies Sector. Comparison of the sub-fund against this Peer Group will give investors an indication of how the sub-fund is performing compared with funds investing in a similar but not identical investment universe. This comparison should be performed over at least a 7 year period to provide the most useful long term comparison.

***General references to markets and indices are to be considered as general market commentary only and (i) are not to be considered as a comparison of sub-fund performance against a benchmark (unless otherwise disclosed as such); and (ii) the index or indices do not operate as a performance target and the sub-fund's portfolio is not constrained by the index or indices.

Kames UK Equity Fund

Comparative Tables

A Accumulation shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	287.05	272.86	242.90
Return before operating charges*	(8.17)	18.50	34.03
Operating charges	(4.11)	(4.31)	(4.07)
Return after operating charges*	(12.28)	14.19	29.96
Distributions	(4.22)	(4.03)	(3.84)
Retained distributions on accumulation shares	4.22	4.03	3.84
Closing net asset value per share	274.77	287.05	272.86
 *after direct transaction costs of	 0.81	 0.99	 0.98
Performance			
Return after charges	(4.28)%	5.20%	12.33%
Other information			
Closing net asset value (£'000)	32,631	38,965	42,916
Closing number of shares	11,875,572	13,574,293	15,728,214
Operating charges	1.56%	1.55%	1.56%
Direct transaction costs	0.31%	0.36%	0.38%
Prices			
Highest share price	286.22	291.94	275.66
Lowest share price	234.39	259.58	240.04

A Income shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	157.77	152.10	137.33
Return before operating charges*	(4.49)	10.33	19.27
Operating charges	(2.26)	(2.41)	(2.33)
Return after operating charges*	(6.75)	7.92	16.94
Distributions	(2.32)	(2.25)	(2.17)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	148.70	157.77	152.10
 *after direct transaction costs of	 0.45	 0.55	 0.56
Performance			
Return after charges	(4.28)%	5.21%	12.34%
Other information			
Closing net asset value (£'000)	522	554	540
Closing number of shares	351,249	351,210	355,104
Operating charges	1.56%	1.55%	1.56%
Direct transaction costs	0.31%	0.36%	0.38%
Prices			
Highest share price	157.32	162.74	155.86
Lowest share price	128.83	144.70	135.70

Highest and Lowest share prices are based on official published daily NAVs priced at 12 noon on the last business day of the year. The closing net asset value per share is at close of business.

Kames UK Equity Fund

Comparative Tables (continued)

B Accumulation shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	325.73	306.86	270.72
Return before operating charges*	(9.14)	20.92	38.07
Operating charges	(1.98)	(2.05)	(1.93)
Return after operating charges*	(11.12)	18.87	36.14
Distributions	(7.51)	(7.38)	(6.91)
Retained distributions on accumulation shares	7.51	7.38	6.91
Closing net asset value per share	314.61	325.73	306.86
 *after direct transaction costs of	 0.92	 1.12	 1.10
Performance			
Return after charges	(3.41)%	6.15%	13.35%
Other information			
Closing net asset value (£'000)	162,778	188,638	189,976
Closing number of shares	51,738,979	57,912,670	61,910,184
Operating charges	0.66%	0.65%	0.66%
Direct transaction costs	0.31%	0.36%	0.38%
Prices			
Highest share price	324.87	330.71	309.55
Lowest share price	266.95	293.62	267.55

B Income shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	1,503.16	1,448.84	1,307.68
Return before operating charges*	(42.08)	98.82	183.88
Operating charges	(9.15)	(9.67)	(9.33)
Return after operating charges*	(51.23)	89.15	174.55
Distributions	(34.67)	(34.83)	(33.39)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	1,417.26	1,503.16	1,448.84
 *after direct transaction costs of	 4.26	 5.26	 5.31
Performance			
Return after charges	(3.41)%	6.15%	13.35%
Other information			
Closing net asset value (£'000)	1,166	1,516	2,094
Closing number of shares	82,298	100,857	144,515
Operating charges	0.66%	0.65%	0.66%
Direct transaction costs	0.31%	0.36%	0.38%
Prices			
Highest share price	1,499.18	1,561.46	1,495.26
Lowest share price	1,231.94	1,386.35	1,292.32

Highest and Lowest share prices are based on official published daily NAVs priced at 12 noon on the last business day of the year. The closing net asset value per share is at close of business.

Kames UK Equity Fund

Comparative Tables (continued)

D Accumulation shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	165.86	156.88	138.96
Return before operating charges*	(4.68)	10.66	19.50
Operating charges	(1.62)	(1.68)	(1.58)
Return after operating charges*	(6.30)	8.98	17.92
Distributions	(3.21)	(3.12)	(2.95)
Retained distributions on accumulation shares	3.21	3.12	2.95
Closing net asset value per share	159.56	165.86	156.88
 *after direct transaction costs of	 0.47	 0.57	 0.56
Performance			
Return after charges	(3.80)%	5.72%	12.90%
Other information			
Closing net asset value (£'000)	101	192	247
Closing number of shares	63,037	115,382	157,235
Operating charges	1.06%	1.05%	1.06%
Direct transaction costs	0.31%	0.36%	0.38%
Prices			
Highest share price	165.41	168.53	158.36
Lowest share price	135.71	149.73	137.33

D Income shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	148.37	143.02	129.10
Return before operating charges*	(4.18)	9.74	18.10
Operating charges	(1.45)	(1.54)	(1.44)
Return after operating charges*	(5.63)	8.20	16.66
Distributions	(2.87)	(2.85)	(2.74)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	139.87	148.37	143.02
 *after direct transaction costs of	 0.42	 0.52	 0.51
Performance			
Return after charges	(3.79)%	5.73%	12.90%
Other information			
Closing net asset value (£'000)	15	15	14
Closing number of shares	10,502	10,278	10,087
Operating charges	1.06%	1.05%	1.06%
Direct transaction costs	0.31%	0.36%	0.38%
Prices			
Highest share price	147.96	153.64	147.14
Lowest share price	121.40	136.50	127.58

Highest and Lowest share prices are based on official published daily NAVs priced at 12 noon on the last business day of the year. The closing net asset value per share is at close of business.

Kames UK Equity Fund

Comparative Tables (continued)

E Accumulation shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	170.99	162.53	144.70
Return before operating charges*	(4.86)	11.03	20.25
Operating charges	(2.45)	(2.57)	(2.42)
Return after operating charges*	(7.31)	8.46	17.83
Distributions	(2.52)	(2.41)	(2.29)
Retained distributions on accumulation shares	2.52	2.41	2.29
Closing net asset value per share	163.68	170.99	162.53
 *after direct transaction costs of	 0.48	 0.59	 0.59
Performance			
Return after charges	(4.28)%	5.21%	12.32%
Other information			
Closing net asset value (£'000)	48	50	48
Closing number of shares	29,438	29,438	29,438
Operating charges	1.56%	1.55%	1.56%
Direct transaction costs	0.31%	0.36%	0.38%
Prices (Euros)	(c/share)	(c/share)	(c/share)
Highest share price	189.88	198.62	190.57
Lowest share price	154.82	173.87	161.98

Highest and Lowest share prices are based on official published daily NAVs priced at 12 noon on the last business day of the year. The closing net asset value per share is at close of business.

Kames UK Equity Fund

Portfolio Statement

The sub-fund's investments as at 31 July 2019

Holding	Investment	Market valuation £'000	Total net assets %
	Equities (31 July 2018 98.30%)	194,853	98.78
	Basic Materials (31 July 2018 11.25%)	18,181	9.22
255,405	Antofagasta	2,398	1.22
1,625,568	Glencore	4,330	2.19
159,804	Rio Tinto	7,507	3.81
1,303,935	Synthomer	3,946	2.00
	Consumer Goods (31 July 2018 8.58%)	31,775	16.11
252,047	Britvic	2,310	1.17
102,046	Burberry	2,304	1.17
1,305,479	Cairn Homes	1,261	0.64
84,609	Coca-Cola	2,399	1.22
376,761	Diageo	12,972	6.58
273,061	Hilton Food	2,553	1.29
441,857	Tate & Lyle	3,337	1.69
93,619	Unilever	4,639	2.35
	Consumer Services (31 July 2018 15.94%)	21,992	11.15
365,507	Ascential	1,455	0.74
844,173	Entertainment One	3,721	1.89
347,463	Informa	3,036	1.54
294,989	Just Eat	2,245	1.14
316,676	RELX	6,185	3.13
1,505,243	S4 Capital	2,333	1.18
1,550,450	Wm Morrison Supermarkets	3,017	1.53
	Electronic & Electrical Equipment (31 July 2018 0.88%)	-	-
	Financials (31 July 2018 19.22%)	32,481	16.46
983,039	Barclays	1,514	0.77
909,778	HSBC	5,974	3.03
3,199,827	Just	1,508	0.76
60,111	London Stock Exchange	3,982	2.02
612,850	Phoenix	4,262	2.16
456,774	Prudential	7,754	3.93
1,054,232	Secure Income REIT	4,407	2.23
231,479	Standard Chartered	1,566	0.79
1,506,618	Triam Investors 1	1,514	0.77
	Health Care (31 July 2018 11.08%)	23,019	11.67
169,498	AstraZeneca	11,966	6.07
85,287	Dechra Pharmaceuticals	2,511	1.27
371,171	GlaxoSmithKline	6,319	3.20
120,800	HIKMA Pharmaceutical	2,223	1.13
	Industrials (31 July 2018 13.53%)	28,661	14.53
160,456	Ashtead	3,646	1.85
553,879	BAE Systems	3,037	1.54
1,585,932	Balfour Beatty	3,264	1.65
291,690	Bodycote	2,147	1.09
75,854	Clarkson	1,949	0.99
53,444	Ferguson	3,293	1.67
414,948	Forterra	1,158	0.59
110,240	Hill & Smith	1,243	0.63
367,267	Inergizer	856	0.43
137,598	Keywords Studios	2,287	1.16
319,423	Meggitt	1,905	0.96
343,100	Rentokil Initial	1,492	0.76

Kames UK Equity Fund

Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
	Industrials (continued)		
1,157,463	Strix	2,012	1.02
634,447	TMO Fund Raising*	-	-
33,232	Vitec	372	0.19
	Oil & Gas (31 July 2018 10.30%)	22,602	11.46
1,463,273	BP	7,984	4.05
716,207	Cairn Energy	1,134	0.57
1,005,404	Diversified Gas & Oil	1,066	0.54
308,256	Great Eastern Energy GDR	135	0.07
133,235	Indus Gas	345	0.18
184,878	Royal Dutch Shell 'A'	4,795	2.43
274,522	Royal Dutch Shell 'B'	7,143	3.62
	Technology (31 July 2018 7.52%)	13,594	6.89
170,879	Aveva	6,818	3.46
67,223	Blue Prism Group	956	0.48
971,605	GB Group	5,820	2.95
	Telecommunications (31 July 2018 0.00%)	2,548	1.29
1,698,100	Vodafone	2,548	1.29
	Derivatives and Futures Contracts (31 July 2018 0.00%)	11	-
	Futures Contracts (31 July 2018 0.00%)	11	-
33	FTSE 100 Future Contract September 2019	11	-
	Portfolio of investments	194,864	98.78
	Net other assets	2,397	1.22
	Total net assets attributable to shareholders	197,261	100.00

Analysis of investments by asset class

	Market Value £'000	Value of investments %
Equities	194,853	98.78
Derivatives	11	-
Portfolio of investments	194,864	98.78
Net other assets	2,397	1.22
Total net assets attributable to shareholders	197,261	100.00

The comparative percentage figures in brackets are at 31 July 2018.

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

As all holdings are equity shares there is no analysis of the portfolio by asset class.

*Unlisted, suspended and delisted securities within the meaning of the FCA's COLL.

Kames UK Equity Fund

Statement of Total Return for the year ended 31 July 2019

			2019		2018
	Note	£'000	£'000	£'000	£'000
Income					
Net capital (losses)/gains	2		(13,878)		8,286
Revenue	3	6,435		7,050	
Expenses	4	(1,643)		(1,888)	
Interest payable and similar charges	6	<u>(2)</u>		<u>(1)</u>	
Net revenue before taxation		4,790		5,161	
Taxation	5	<u>(34)</u>		<u>(29)</u>	
Net revenue after taxation			<u>4,756</u>		<u>5,132</u>
Total return before distributions			(9,122)		13,418
Distributions	6		<u>(4,757)</u>		<u>(5,132)</u>
Change in net assets attributable to shareholders from investment activities			(13,879)		8,286

Statement of Change in Net Assets Attributable to Shareholders for the year ended 31 July 2019

		2019		2018
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		229,930		235,835
Amounts receivable on creation of shares	3,423		10,066	
Amounts payable on cancellation of shares	<u>(26,675)</u>		<u>(29,145)</u>	
		(23,252)		(19,079)
Dilution adjustment		70		64
Change in net assets attributable to shareholders from investment activities		(13,879)		8,286
Retained distribution on accumulation shares		<u>4,392</u>		<u>4,824</u>
Closing net assets attributable to shareholders		197,261		229,930

Kames UK Equity Fund

Balance Sheet as at 31 July 2019

			2019		2018
	Note	£'000	£'000	£'000	£'000
Assets					
Fixed assets:					
Investments			194,864		226,024
Current assets:					
Debtors	7	1,394		847	
Cash and bank balances	8	<u>1,612</u>		<u>3,920</u>	
			<u>3,006</u>		<u>4,767</u>
Total assets			197,870		230,791
Liabilities					
Creditors					
Distributions payable		37		43	
Other creditors	9	<u>572</u>		<u>818</u>	
Total liabilities			<u>609</u>		<u>861</u>
Net assets attributable to shareholders			197,261		229,930

Kames UK Equity Fund

Notes to the Financial Statements

1 Accounting policies

The sub-fund's financial statements have been prepared on the basis disclosed on pages 11 to 13.

2 Net capital (losses)/gains

Net capital (losses)/gains comprise:

	2019	2018
	£'000	£'000
(Losses)/gains on non-derivative securities	(13,794)	8,146
Currency exchange gains	1	5
(Losses)/gains on derivative securities	(82)	138
Transaction charges	(3)	(3)
Net capital (losses)/gains	(13,878)	8,286

3 Revenue

	2019	2018
	£'000	£'000
UK dividends	6,167	6,813
Overseas dividends	97	181
Property income from REITs	159	46
Bank interest	12	10
Total revenue	6,435	7,050

4 Expenses*

	2019	2018
	£'000	£'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	1,524	1,765
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fee	49	58
Other expenses:		
Audit fee**	9	9
FT publishing fee	4	2
KIID Fee	-	2
PRIIPs fees	4	-
Registrar's fee	45	42
Safe custody charge	8	10
	70	65
Total expenses	1,643	1,888

*All expenditure stated above is inclusive of irrecoverable VAT where applicable.

**The audit fee (excluding VAT) incurred during the year was £7,715 (2018: £7,490).

5 Taxation

a) Analysis of charge in the year

	2019	2018
	£'000	£'000
Current tax:		
Overseas tax suffered	34	29
Total tax charge for the year (see note 5 (b))	34	29

Kames UK Equity Fund

Notes to the Financial Statements (continued)

5 Taxation (continued)

b) Factors affecting tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax for Open Ended Investment Companies 'OEICs' (20%).

The differences are explained below:

	2019	2018
	£'000	£'000
Net revenue before taxation	4,790	5,161
Corporation tax 20% (2018: 20%)	958	1,032
Effects of:		
Movement in excess expenses	295	368
Overseas tax suffered	34	29
Revenue not subject to taxation	(1,253)	(1,400)
Total tax charge for the year (see note 5 (a))	34	29

c) Factors that may affect future tax charges

After claiming relief against accrued revenue taxable on receipt, the sub-fund has unrelieved excess expenses of £63,676,000 (2018: £62,201,000). It is unlikely that the sub-fund will generate sufficient taxable profits in the future to utilise these expenses and therefore a deferred tax asset of £12,735,000 (2018: £12,440,000) has not been recognised.

6 Interest and distributions

a) Interest payable and similar charges

	2019	2018
	£'000	£'000
Interest	2	1
Interest payable and similar charges	2	1

b) Distributions

The distributions take account of amounts receivable on the issue of shares and amounts deductible on the cancellation of shares, and comprise:

	2019	2018
	£'000	£'000
Final distribution	4,429	4,867
	4,429	4,867
Add: amounts deductible on cancellation of shares	369	348
Less: amounts receivable on creation of shares	(41)	(83)
Distributions	4,757	5,132

Details of the distributions are set out in the tables on page 52.

c) Movement between net revenue and distribution

	2019	2018
	£'000	£'000
Net revenue after taxation	4,756	5,132
Equalisation on conversions	1	-
Distributions	4,757	5,132

7 Debtors

	2019	2018
	£'000	£'000
Accrued revenue	162	192
Amounts receivable for the issue of shares	216	18
Sales awaiting settlement	1,009	634
Reclaimable overseas tax	7	3
Debtors	1,394	847

Kames UK Equity Fund

Notes to the Financial Statements (continued)

8 Cash and bank balances

	2019	2018
	£'000	£'000
Cash and bank balances	206	222
Amounts held at futures clearing houses and brokers	69	-
Money market deposits	1,337	3,698
Cash and bank balances	1,612	3,920

9 Other creditors

	2019	2018
	£'000	£'000
Accrued expenses*	163	176
Amounts payable for cancellation of shares	409	642
Other creditors	572	818

*Includes accrued ACD's periodic charge of £126,000 (2018: £147,000).

10 Related parties

The ACD's periodic charge paid to Kames Capital plc, (the ACD) are shown in Note 4 and details of amounts received and paid on shares issued and cancelled are shown in the Statement of Change in Net Assets Attributable to Shareholders. The balance due to the ACD in respect of these transactions as at 31 July 2019 is £319,000 (2018: £771,000 due to the ACD), a breakdown can be found in Notes 7 and 9. At the year-end 77.05% (2018: 75.44%) of the shares in issue were owned by AEGON Group or AEGON UK companies.

11 Contingent assets, liabilities and commitments

There were no contingent assets, liabilities or commitments present in the sub-fund as at 31 July 2019 (2018: Nil).

12 Financial instruments and risk

The risks associated with the sub-fund are market, concentration, valuation, yield, liquidity, counterparty, and interest rate risk. Narrative disclosures are on pages 14 and 15.

Currency exposure

The revenue and capital value of the sub-fund's investments can be affected by foreign currency translation movements as a proportion of the sub-fund's assets and revenue are denominated in currencies other than sterling.

An analysis of assets and liabilities is detailed below in the currency exposure table:

As at 31 July 2019

Currency	Total
	£'000
Euro	1,305
Sterling	195,951
US Dollar	5
	197,261

As at 31 July 2018

Currency	Total
	£'000
Euro	4,746
Sterling	225,184
	229,930

Interest rate risk

At the year-end date, 0.82% (2018: 1.70%) of the sub-fund's net assets by value were interest bearing. This is not deemed significant to the sub-fund and so no numerical tables have been deemed necessary.

Kames UK Equity Fund

Notes to the Financial Statements (continued)

12 Financial instruments and risk (continued)

VaR Disclosure

The Manager assesses the market risk of the sub-fund's investments, including any derivative exposure, using a value at risk methodology. This process provides the Manager with an estimate of the maximum potential loss that could be expected to occur as a result of changes in market prices over a given period of time in all but a given percentage of circumstances. The value at risk is calculated on a 95.00% (2018: 95.00%) confidence interval with a one month time horizon and a five year history, using the Historical model. The sub-fund has an absolute VaR limit of 14.10% (2018: 14.10%). As at the balance sheet date, the sub-fund's value at risk is 5.59% (2018: 4.69%).

The following table details the lowest, highest and average utilisation of the VaR limit:

	Lowest Utilisation (%)	Highest Utilisation (%)	Average Utilisation (%)
31 July 2019	4.59	5.85	5.42
31 July 2018	4.11	5.56	5.06

Counterparty risk

The risk of entering an arrangement with a counterparty, which is itself subject to financial risks which may affect its ability to trade as a going concern.

The ACD maintains a list of approved counterparties. This list is regularly monitored and revised for changes based on the counterparty's credit-worthiness, market reputation and expectations of future financial performance. Transactions will only be opened with financial intermediaries on the approved counterparties list.

The sub-fund's use of exchange traded derivatives are considered to be free of counterparty risk if the derivative is traded on an exchange where the clearing house is backed by an appropriate performance guarantee and it is characterised by a daily mark-to-market valuation of the derivative position and at least daily margining.

At 31 July 2019, the market value of the exchange traded derivatives held by the sub-fund was £11,000 (2018: £Nil).

The following details exposure to counterparties obtained through the use of derivatives:

As at 31 July 2019

Counterparty	Futures Exposure £'000	Collateral Pledge £'000
UBS	11	-

As at 31 July 2018

Counterparty	Futures Exposure £'000	Collateral Pledge £'000
UBS	-	-

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

Kames UK Equity Fund

Notes to the Financial Statements (continued)

13 Portfolio transaction costs

Purchases

31 July 2019	Value £'000	Commissions £'000	Other Costs* %	£'000	%
Equities	108,028	68	0.06	464	0.43
Total	108,028	68		464	
Total purchases including transaction costs	108,560				

31 July 2018	Value £'000	Commissions £'000	Other Costs* %	£'000	%
Equities	142,879	115	0.08	589	0.41
Total	142,879	115		589	
Total purchases including transaction costs	143,583				

Sales

31 July 2019	Value £'000	Commissions £'000	Other Costs* %	£'000	%
Equities	126,021	(86)	0.07	(1)	-
Total	126,021	(86)		(1)	
Total sales net of transaction costs	125,934				

31 July 2018	Value £'000	Commissions £'000	Other Costs* %	£'000	%
Equities	157,644	(122)	0.08	-	-
Total	157,644	(122)		-	
Total sales net of transaction costs	157,522				

Derivatives

31 July 2019	Commissions £'000
Futures	1

31 July 2018	Commissions £'000
Futures	1

*Other Costs includes taxes and any other costs other than commissions incurred by the sub-fund when buying and selling an underlying investment.

Portfolio transaction costs are incurred by the sub-fund when buying and selling underlying investments. These vary depending on the class of investment, country of exchange and method of execution. These costs can be classified as either direct or indirect transaction costs:

Direct transaction costs: Broker commissions, fees and taxes.

Indirect transaction costs: 'Dealing spread' - the difference between the buying and selling prices of the sub-fund's underlying investments.

In order to protect existing investors from the effects of dilution, portfolio transaction costs incurred as a result of investors buying and selling shares in the sub-fund are recovered from those investors through a 'dilution adjustment' to the price they pay or receive.

At the balance sheet date, the portfolio dealing spread was 0.13% (2018: 0.15%), being the difference between the respective bid and offer prices for the sub-fund's investments.

Kames UK Equity Fund

Notes to the Financial Statements (continued)

14 Fair value of financial assets and financial liabilities

The fair value hierarchy is intended to prioritise the inputs that are used to measure the fair value of assets and liabilities. The fair value hierarchy has the following levels:

Level 1 – Unadjusted quoted price in an active market for an identical instrument.

Level 2 – Valuation techniques using observable inputs other than quoted prices within level 1.

Level 3 – Valuation techniques using unobservable inputs.

Valuation	2019		2018	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
1 - Quoted prices	194,864	-	226,024	-
2 - Observable market data	-	-	-	-
3 - Non-observable data	-	-	-	-
	194,864	-	226,024	-

15 Share classes

The sub-fund currently has four share classes; A (Retail), B (Institutional), D (Retail) and E (Gross). The ACD's periodic charge on each share class is as follows:

A share class: 1.50%

B share class: 0.60%

D share class: 1.00%

E share class: 1.50%

The net asset value of each share class, the net asset value per share, and the number of shares in each class are given in the comparative tables on pages 38 to 41. The distribution per share class is given in the distribution tables on page 52. All share classes have the same rights on winding up.

Share class movement reconciliation

31 July 2019	Opening	Creations	Cancellations	Converted	Closing
A Accumulation	13,574,293	56,697	(1,676,751)	(78,667)	11,875,572
A Income	351,210	7,373	(7,334)	-	351,249
B Accumulation	57,912,670	1,121,235	(7,372,482)	77,556	51,738,979
B Income	100,857	11,009	(29,568)	-	82,298
D Accumulation	115,382	15	(35,360)	(17,000)	63,037
D Income	10,278	224	-	-	10,502
E Accumulation	29,438	-	-	-	29,438

Kames UK Equity Fund

Distribution Tables

Share Class A Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2018 Total Payable
31/07/19	30/11/19	Group 1	4.2235	N/A	4.2235	100.00%	0.00%	4.0330
		Group 2	2.0845	2.1390				

Share Class A Income

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2018 Total Payable
31/07/19	30/11/19	Group 1	2.3216	N/A	2.3216	100.00%	0.00%	2.2492
		Group 2	1.0254	1.2962				

Share Class B Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2018 Total Payable
31/07/19	30/11/19	Group 1	7.5137	N/A	7.5137	100.00%	0.00%	7.3761
		Group 2	3.4299	4.0838				

Share Class B Income

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2018 Total Payable
31/07/19	30/11/19	Group 1	34.6738	N/A	34.6738	100.00%	0.00%	34.8301
		Group 2	18.4678	16.2060				

Share Class D Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2018 Total Payable
31/07/19	30/11/19	Group 1	3.2088	N/A	3.2088	100.00%	0.00%	3.1235
		Group 2	2.6619	0.5469				

Share Class D Income

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2018 Total Payable
31/07/19	30/11/19	Group 1	2.8745	N/A	2.8745	100.00%	0.00%	2.8510
		Group 2	1.6792	1.1953				

Share Class E Accumulation (Euros)

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2018 Total Payable
31/07/19	30/11/19	Group 1	2.7686	N/A	2.7686	100.00%	0.00%	2.6993
		Group 2	2.7686	0.0000				

All distributions above are in pence per share unless specifically stated.

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

Kames UK Equity Income Fund

Fund objective*

The primary investment objective is to achieve an income return in excess of typical income returned from UK equity markets, by investing principally in a portfolio of equities of companies based in the UK, conducting business in the UK or listed on the UK stock market. The sub-fund may also invest, at the managers' discretion, in a selection of fixed income assets, cash and near cash and derivative instruments. In addition, the sub-fund may on occasion invest in non-UK assets. However, any such investments would not be hedged and rather the currency risk would be a specific part of the investment decision.

Risk profile

The sub-fund is designed for retail and institutional investors seeking pooled exposure to the UK equity market and who are comfortable with a higher level of investment risk. In most cases, we expect the sub-fund to be held as part of a diversified portfolio which may include other assets such as bonds, equities, property and cash. While investors will normally be able to liquidate their holdings on a daily basis, unit prices will fluctuate and may fall significantly in value. Consequently, it is important to understand that the sub-fund should be viewed as a longer term investment.

The sub-fund is actively managed and exposed to a range of risks, which are listed and defined in the Kames Capital ICVC Prospectus. The most material risks from this list also appear in our Key Investor Information documents (KIID) where they are summarised in an easy-to-read format. You can find both of these documents on our website at www.kamescapital.com.

Performance**

The Kames UK Equity Income Fund returned (0.47)% compared to the peer group median return of (1.63)%. The peer group is the Investment Association UK Equity Income sector.

Strategy review***

UK equities were very volatile over the year, with the market coming under severe pressure in the second half of 2018 before recovering in the first half of 2019. The market fell heavily towards the end of 2018 as investors began to question the strength of the global economy and the potential for a policy error from central banks. Defensive sectors subsequently performed well during the first half of the period while cyclical and growth sectors underperformed.

The main catalyst for the strong rally in 2019 was the monetary policy easing activity by central banks. Markets took comfort from the change of interest rate rhetoric by the US Federal Reserve as well as policy easing by China and the ECB. There also was more optimism over the outcome of US/China trade talks and, in the UK, less pessimism around the likelihood of a 'no deal' hard Brexit scenario. In the more positive environment, growth stocks and domestic names re-rated on stock specific earnings delivery.

Given our income strategy, we generally positioned the sub-fund overweight defensive yield areas of the UK equity market and focused on good quality companies with strong cash-generative businesses. The sub-fund was not immune to the sharp-sell off seen in the final few months of 2018 but its defensive yield strategy helped in what were very difficult trading conditions. The subsequent recovery as we moved into 2019 confirmed our belief that the market had over-reacted to fears of recession and of a potential central bank policy error.

Sector allocation was relatively flat while stock selection was volatile. Within stock selection, the sub-fund benefited from its holdings in defensive sectors; the exposure to drinks giant Britvic and pharmaceuticals giant GlaxoSmithKline were both among the best performers over the period. The strongest performer, however, was food retailer Greggs, which posted positive trading updates. Elsewhere, the exposure to BHP, Phoenix and Coca-Cola all contributed positively in the turbulent conditions.

In contrast, the sub-fund's exposure to cyclicals and some financials detracted. In particular, our exposure to industrial cyclical names DS Smith and Wood Group came under pressure, while in the financials arena Barclays and Aviva struggled. In the travel & leisure sector, the exposure to TUI also detracted.

We expect markets to remain volatile in the remainder of 2019 and particularly as the negotiations around Brexit continue. In this environment, we will continue to focus on disciplined stock picking as a means of adding value to the sub-fund.

*Please note that the sub-fund's objective has been updated effective 7 August 2019. The latest update can found in the fund's prospectus at www.kamescapital.com.

**Source: Lipper, % growth, income re-invested at pay date, NAV-NAV, GBP, net of Basic Rate Tax. Index returns are gross of Basic Rate Tax. Investors are invited to compare the sub-fund's performance against the performance of other funds within the Investment Association UK Equity Income Sector. Comparison of the sub-fund against this Peer Group will give investors an indication of how the sub-fund is performing compared with funds investing in a similar but not identical investment universe. This comparison should be performed over at least a 7 year period to provide the most useful long term comparison.

***General references to markets and indices are to be considered as general market commentary only and (i) are not to be considered as a comparison of sub-fund performance against a benchmark (unless otherwise disclosed as such); and (ii) the index or indices do not operate as a performance target and the sub-fund's portfolio is not constrained by the index or indices.

Kames UK Equity Income Fund

Comparative Tables

A Accumulation shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	254.15	243.42	218.77
Return before operating charges*	(0.03)	14.63	28.37
Operating charges	(3.82)	(3.90)	(3.72)
Return after operating charges*	(3.85)	10.73	24.65
Distributions	(11.33)	(11.47)	(10.13)
Retained distributions on accumulation shares	11.33	11.47	10.13
Closing net asset value per share	250.30	254.15	243.42
 *after direct transaction costs of	 0.36	 0.55	 0.69
Performance			
Return after charges	(1.51)%	4.41%	11.27%
Other information			
Closing net asset value (£'000)	7,221	7,364	7,529
Closing number of shares	2,884,897	2,897,452	3,093,107
Operating charges	1.59%	1.58%	1.60%
Direct transaction costs	0.15%	0.22%	0.30%
Prices			
Highest share price	255.53	260.48	249.75
Lowest share price	215.19	230.64	214.62

A Income shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	173.94	174.49	163.82
Return before operating charges*	(0.29)	10.29	20.88
Operating charges	(2.57)	(2.75)	(2.74)
Return after operating charges*	(2.86)	7.54	18.14
Distributions	(7.63)	(8.09)	(7.47)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	163.45	173.94	174.49
 *after direct transaction costs of	 0.24	 0.38	 0.51
Performance			
Return after charges	(1.64)%	4.32%	11.07%
Other information			
Closing net asset value (£'000)	4,711	5,048	5,300
Closing number of shares	2,882,403	2,902,027	3,037,268
Operating charges	1.59%	1.58%	1.60%
Direct transaction costs	0.15%	0.22%	0.30%
Prices			
Highest share price	174.88	179.91	180.33
Lowest share price	145.28	162.28	158.51

Highest and Lowest share prices are based on official published daily NAVs priced at 12 noon on the last business day of the year. The closing net asset value per share is at close of business.

Kames UK Equity Income Fund

Comparative Tables (continued)

B Accumulation shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	268.96	255.29	227.47
Return before operating charges*	0.08	15.43	29.58
Operating charges	(1.77)	(1.76)	(1.76)
Return after operating charges*	(1.69)	13.67	27.82
Distributions	(12.04)	(12.08)	(10.58)
Retained distributions on accumulation shares	12.04	12.08	10.58
Closing net asset value per share	267.27	268.96	255.29
 *after direct transaction costs of	 0.38	 0.58	 0.73
Performance			
Return after charges	(0.63)%	5.35%	12.23%
Other information			
Closing net asset value (£'000)	34,778	35,052	34,935
Closing number of shares	13,012,012	13,032,684	13,684,596
Operating charges	0.69%	0.68%	0.72%
Direct transaction costs	0.15%	0.22%	0.30%
Prices			
Highest share price	271.63	275.19	261.54
Lowest share price	228.57	243.30	223.75

B Income shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	184.09	183.01	170.34
Return before operating charges*	(0.24)	10.85	21.80
Operating charges	(1.19)	(1.25)	(1.33)
Return after operating charges*	(1.43)	9.60	20.47
Distributions	(8.11)	(8.52)	(7.80)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	174.55	184.09	183.01
 *after direct transaction costs of	 0.26	 0.41	 0.53
Performance			
Return after charges	(0.78)%	5.25%	12.02%
Other information			
Closing net asset value (£'000)	6,373	6,673	6,446
Closing number of shares	3,651,345	3,625,233	3,522,417
Operating charges	0.69%	0.68%	0.74%
Direct transaction costs	0.15%	0.22%	0.30%
Prices			
Highest share price	185.13	190.08	188.86
Lowest share price	154.33	171.20	165.26

Highest and Lowest share prices are based on official published daily NAVs priced at 12 noon on the last business day of the year. The closing net asset value per share is at close of business.

Kames UK Equity Income Fund

Portfolio Statement

The sub-fund's investments as at 31 July 2019

Holding	Investment	Market valuation £'000	Total net assets %
	Equities (31 July 2018 97.58%)	51,196	96.45
	Basic Materials (31 July 2018 5.91%)	3,625	6.83
67,132	BHP	1,332	2.51
59,651	Elementis	90	0.17
177,715	Glencore	473	0.89
35,009	Mondi	631	1.19
23,403	Rio Tinto	1,099	2.07
	Consumer Goods (31 July 2018 14.04%)	7,537	14.20
20,259	Bellway	602	1.13
29,811	British American Tobacco	880	1.66
126,845	Britvic	1,163	2.19
35,971	Coca-Cola	1,020	1.92
34,150	Diageo	1,176	2.21
16,318	Imperial Brands	342	0.65
9,720	Reckitt Benckiser	619	1.17
481,802	Taylor Wimpey	779	1.47
19,292	Unilever	956	1.80
	Consumer Services (31 July 2018 15.26%)	6,313	11.89
35,307	Compass	735	1.38
163,447	Dixons Carphone	195	0.37
134,457	Entertainment One	593	1.11
47,498	Greggs	1,061	2.00
80,717	Informa	705	1.33
140,694	Kingfisher	313	0.59
31,755	RELX	620	1.17
548,945	Tesco	1,225	2.31
35,790	TUI	293	0.55
294,512	Wm Morrison Supermarkets	573	1.08
	Financials (31 July 2018 26.40%)	14,489	27.30
321,535	Aviva	1,305	2.46
385,731	Barclays	594	1.12
113,974	Beazley	657	1.24
416,277	Direct Line Insurance	1,342	2.53
415,052	HSBC	2,725	5.13
533,011	Legal & General	1,395	2.63
1,620,319	Lloyds Banking	864	1.63
392,070	Londonmetric Property	795	1.50
260,745	Phoenix	1,813	3.42
165,533	Sabre Insurance	437	0.82
154,425	Secure Income REIT	646	1.22
56,819	St James's Place	559	1.05
155,107	Standard Life Aberdeen	463	0.87
86,733	Unite	894	1.68
	Health Care (31 July 2018 9.69%)	4,687	8.83
23,762	AstraZeneca	1,678	3.16
176,745	GlaxoSmithKline	3,009	5.67

Kames UK Equity Income Fund

Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
	Industrials (31 July 2018 9.31%)	6,177	11.63
215,836	BAE Systems	1,184	2.23
11,671	Bunzl	251	0.47
281,254	DS Smith	1,003	1.89
147,117	Essentra	627	1.18
7,197	Ferguson	443	0.84
55,069	Howden Joinery	306	0.58
49,777	IMI	520	0.98
114,000	Meggitt	680	1.28
180,535	Melrose Industries	337	0.63
217,789	Strix	379	0.71
39,915	Vitec	447	0.84
	Oil & Gas (31 July 2018 12.21%)	6,465	12.18
320,369	BP	1,748	3.29
173,050	Diversified Gas & Oil	183	0.35
70,792	Hunting	361	0.68
59,811	Royal Dutch Shell 'A'	1,551	2.92
100,752	Royal Dutch Shell 'B'	2,622	4.94
	Telecommunications (31 July 2018 1.23%)		
	Utilities (31 July 2018 3.53%)	1,903	3.59
134,655	Pennon	965	1.82
85,253	SSE	938	1.77
	Portfolio of investments	51,196	96.45
	Net other assets	1,887	3.55
	Total net assets attributable to shareholders	53,083	100.00

The comparative percentage figures in brackets are at 31 July 2018.

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

As all holdings are equity shares there is no analysis of the portfolio by asset class.

Kames UK Equity Income Fund

Statement of Total Return for the year ended 31 July 2019

			2019		2018
	Note	£'000	£'000	£'000	£'000
Income					
Net capital (losses)/gains	2		(2,429)		707
Revenue	3	2,422		2,558	
Expenses	4	<u>(458)</u>		<u>(485)</u>	
Net revenue before taxation		1,964		2,073	
Taxation	5	<u>(13)</u>		<u>(11)</u>	
Net revenue after taxation			<u>1,951</u>		<u>2,062</u>
Total return before distributions			(478)		2,769
Distributions	6		<u>(2,409)</u>		<u>(2,547)</u>
Change in net assets attributable to shareholders from investment activities			(2,887)		222

Statement of Change in Net Assets Attributable to Shareholders for the year ended 31 July 2019

		2019		2018
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		54,137		54,210
Amounts receivable on creation of shares	428		1,223	
Amounts payable on cancellation of shares	<u>(490)</u>		<u>(3,499)</u>	
		(62)		(2,276)
Dilution adjustment		-		6
Change in net assets attributable to shareholders from investment activities		(2,887)		222
Retained distribution on accumulation shares		<u>1,895</u>		<u>1,975</u>
Closing net assets attributable to shareholders		53,083		54,137

Kames UK Equity Income Fund

Balance Sheet as at 31 July 2019

			2019		2018
	Note	£'000	£'000	£'000	£'000
Assets					
Fixed assets:					
Investments			51,196		52,829
Current assets:					
Debtors	7	151		120	
Cash and bank balances	8	1,896		1,348	
			2,047		1,468
Total assets			53,243		54,297
Liabilities					
Creditors					
Distributions payable		92		108	
Other creditors	9	68		52	
Total liabilities			160		160
Net assets attributable to shareholders			53,083		54,137

Kames UK Equity Income Fund

Notes to the Financial Statements

1 Accounting policies

The sub-fund's financial statements have been prepared on the basis disclosed on pages 11 to 13.

2 Net capital (losses)/gains

Net capital (losses)/gains comprise:

	2019	2018
	£'000	£'000
(Losses)/gains on non-derivative securities	(2,429)	707
Currency exchange gains	1	1
Transaction charges	(1)	(1)
Net capital (losses)/gains	(2,429)	707

3 Revenue

	2019	2018
	£'000	£'000
UK dividends	2,223	2,387
Overseas dividends	118	117
Property income from REITs	77	52
Bank interest	4	2
Total revenue	2,422	2,558

4 Expenses*

	2019	2018
	£'000	£'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	411	440
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fee	12	14
Other expenses:		
Audit fee**	9	9
FT publishing fee	6	3
KIID fee	-	3
PRIIPs fees	4	-
Registrar's fee	14	14
Safe custody charge	2	2
	35	31
Total expenses	458	485

*All expenditure stated above is inclusive of irrecoverable VAT where applicable.

**The audit fee (excluding VAT) incurred during the year was £7,715 (2018: £7,490).

5 Taxation

a) Analysis of charge in the year

	2019	2018
	£'000	£'000
Current tax:		
Overseas tax suffered	13	11
Total tax charge for the year (see note 5 (b))	13	11

Kames UK Equity Income Fund

Notes to the Financial Statements (continued)

5 Taxation (continued)

b) Factors affecting tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax for Open Ended Investment Companies 'OEICs' (20%).

The differences are explained below:

	2019	2018
	£'000	£'000
Net revenue before taxation	1,964	2,073
Corporation tax 20% (2018: 20%)	393	415
Effects of:		
Movement in excess expenses	75	87
Overseas tax suffered	13	11
Revenue not subject to taxation	(468)	(502)
Total tax charge for the year (see note 5 (a))	13	11

c) Factors that may affect future tax charges

After claiming relief against accrued revenue taxable on receipt, the sub-fund has unrelieved excess expenses of £3,000,000 (2018: £2,623,000). It is unlikely that the sub-fund will generate sufficient taxable profits in the future to utilise these expenses and therefore a deferred tax asset of £600,000 (2018: £525,000) has not been recognised.

6 Interest and distributions

a) Distributions

The distributions take account of amounts receivable on the issue of shares and amounts deductible on the cancellation of shares, and comprise:

	2019	2018
	£'000	£'000
Interim distributions	1,971	2,037
Final distribution	438	493
	2,409	2,530
Add: amounts deductible on cancellation of shares	3	25
Less: amounts receivable on creation of shares	(3)	(8)
Distributions	2,409	2,547

Details of the distributions are set out in the tables on page 65.

b) Movement between net revenue and distribution

	2019	2018
	£'000	£'000
Net revenue after taxation	1,951	2,062
Expenses transferred to capital	458	485
Distributions	2,409	2,547

7 Debtors

	2019	2018
	£'000	£'000
Accrued revenue	114	112
Amounts receivable for the issue of shares	30	2
Reclaimable overseas tax	7	6
Debtors	151	120

Kames UK Equity Income Fund

Notes to the Financial Statements (continued)

8 Cash and bank balances

	2019	2018
	£'000	£'000
Cash and bank balances	1,896	1,348
Cash and bank balances	1,896	1,348

9 Other creditors

	2019	2018
	£'000	£'000
Accrued expenses*	54	52
Amounts payable for the cancellation of shares	14	-
Other creditors	68	52

*Includes accrued ACD's periodic charge of £36,000 (2018: £37,000).

10 Related Parties

The ACD's periodic charge paid to Kames Capital plc, (the ACD) are shown in Note 4 and details of amounts received and paid on shares issued and cancelled are shown in the Statement of Change in Net Assets Attributable to Shareholders. The balance due to the ACD in respect of these transactions as at 31 July 2019 is £20,000 (2018: £35,000 due to the ACD), a breakdown can be found in Notes 7 and 9. At the year-end 94.94% (2018: 94.73%) of the shares in issue were owned by AEGON Group or AEGON UK companies.

11 Contingent assets, liabilities and commitments

There were no contingent assets, liabilities or commitments present in the sub-fund as at 31 July 2019 (2018: Nil).

12 Financial instruments and risk

The risks associated with the sub-fund are market, concentration, valuation, yield, liquidity, counterparty, and interest rate risk. Narrative disclosures are on pages 14 and 15.

Currency exposure

The revenue and capital value of the sub-fund's investments can be affected by foreign currency translation movements as a proportion of the sub-fund's assets and revenue are denominated in currencies other than sterling.

There was no cash or investments held in foreign currency as at 31 July 2019 (2018: Nil).

An analysis of assets and liabilities is detailed below in the currency exposure table:

As at 31 July 2019

Currency	Total
	£'000
Euro	47
Sterling	53,035
US Dollar	1
	53,083

As at 31 July 2018

Currency	Total
	£'000
Euro	6
Sterling	54,131
	54,137

Interest rate risk

At the year-end date, 3.57% (2018: 2.49%) of the sub-fund's net assets by value were interest bearing. This is not deemed significant to the sub-fund and so no numerical tables have been deemed necessary.

Kames UK Equity Income Fund

Notes to the Financial Statements (continued)

12 Financial instruments and risk (continued)

VaR Disclosure

The Manager assesses the market risk of the sub-fund's investments, including any derivative exposure, using a value at risk methodology. This process provides the Manager with an estimate of the maximum potential loss that could be expected to occur as a result of changes in market prices over a given period of time in all but a given percentage of circumstances. The value at risk is calculated on a 95.00% (2018: 95.00%) confidence interval with a one month time horizon and a five year history, using the Historical model. The sub-fund has an absolute VaR limit of 14.10% (2018: 14.10%). As at the balance sheet date, the sub-fund's value at risk is 5.10% (2018: 4.69%).

The following table details the lowest, highest and average utilisation of the VaR limit:

	Lowest Utilisation (%)	Highest Utilisation (%)	Average Utilisation (%)
31 July 2019	4.55	5.60	5.08
31 July 2018	4.10	5.27	4.71

13 Portfolio transaction costs

Purchases

	Value £'000	Commissions £'000	Other Costs* %	£'000	%
31 July 2019					
Equities	14,533	6	0.04	64	0.44
Total	14,533	6		64	
Total purchases including transaction costs	14,603				
31 July 2018					
Equities	22,592	11	0.05	91	0.40
Total	22,592	11		91	
Total purchases including transaction costs	22,694				

Sales

	Value £'000	Commissions £'000	Other Costs* %	£'000	%
31 July 2019					
Equities	13,813	(6)	0.04	-	-
Total	13,813	(6)		-	
Total sales net of transaction costs	13,807				
31 July 2018					
Equities	24,837	(18)	0.07	-	-
Total	24,837	(18)		-	
Total sales net of transaction costs	24,819				

*Other Costs includes taxes and any other costs other than commissions incurred by the sub-fund when buying and selling an underlying investment.

Portfolio transaction costs are incurred by the sub-fund when buying and selling underlying investments. These vary depending on the class of investment, country of exchange and method of execution. These costs can be classified as either direct or indirect transaction costs:

Direct transaction costs: Broker commissions, fees and taxes.

Indirect transaction costs: 'Dealing spread' - the difference between the buying and selling prices of the sub-fund's underlying investments.

In order to protect existing investors from the effects of dilution, portfolio transaction costs incurred as a result of investors buying and selling shares in the sub-fund are recovered from those investors through a 'dilution adjustment' to the price they pay or receive.

At the balance sheet date, the portfolio dealing spread was 0.08% (2018: 0.08%), being the difference between the respective bid and offer prices for the sub-fund's investments.

Kames UK Equity Income Fund

Notes to the Financial Statements (continued)

14 Fair value of financial assets and financial liabilities

The fair value hierarchy is intended to prioritise the inputs that are used to measure the fair value of assets and liabilities. The fair value hierarchy has the following levels:

Level 1 – Unadjusted quoted price in an active market for an identical instrument.

Level 2 – Valuation techniques using observable inputs other than quoted prices within level 1.

Level 3 – Valuation techniques using unobservable inputs.

Valuation	2019		2018	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
1 - Quoted prices	51,196	-	52,829	-
2 - Observable market data	-	-	-	-
3 - Unobservable data	-	-	-	-
	51,196	-	52,829	-

15 Share classes

The sub-fund currently has two share classes; A (Retail), B (Institutional). The ACD's periodic charge on each share class is as follows:

A share class: 1.50%

B share class: 0.60%

The net asset value of each share class, the net asset value per share, and the number of shares in each class are given in the comparative tables on pages 54 and 55. The distribution per share class is given in the distribution tables on page 65. All share classes have the same rights on winding up.

Share class movement reconciliation

31 July 2019	Opening	Creations	Cancellations	Converted	Closing
A Accumulation	2,897,452	5,826	(18,381)	-	2,884,897
A Income	2,902,027	6,013	(25,637)	-	2,882,403
B Accumulation	13,032,684	49,657	(70,329)	-	13,012,012
B Income	3,625,233	161,634	(135,522)	-	3,651,345

Kames UK Equity Income Fund

Distribution Tables

Share Class A Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2017/8 Total Payable
31/10/18	31/12/18	Group 1	3.2125	N/A	3.2125	100.00%	0.00%	3.1625
		Group 2	0.7531	2.4594				
31/01/19	31/03/19	Group 1	1.2422	N/A	1.2422	100.00%	0.00%	1.4106
		Group 2	0.0643	1.1779				
30/04/19	30/06/19	Group 1	4.8064	N/A	4.8064	100.00%	0.00%	4.5813
		Group 2	1.5208	3.2856				
31/07/19	30/09/19	Group 1	2.0655	N/A	2.0655	100.00%	0.00%	2.3132
		Group 2	0.6242	1.4413				

Share Class A Income

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2017/8 Total Payable
31/10/18	31/12/18	Group 1	2.1986	N/A	2.1986	100.00%	0.00%	2.2670
		Group 2	0.0596	2.1390				
31/01/19	31/03/19	Group 1	0.8392	N/A	0.8392	100.00%	0.00%	0.9983
		Group 2	0.4371	0.4021				
30/04/19	30/06/19	Group 1	3.2275	N/A	3.2275	100.00%	0.00%	3.2235
		Group 2	1.5747	1.6528				
31/07/19	30/09/19	Group 1	1.3601	N/A	1.3601	100.00%	0.00%	1.5977
		Group 2	0.3772	0.9829				

Share Class B Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2017/8 Total Payable
31/10/18	31/12/18	Group 1	3.4021	N/A	3.4021	100.00%	0.00%	3.3188
		Group 2	1.2233	2.1788				
31/01/19	31/03/19	Group 1	1.3186	N/A	1.3186	100.00%	0.00%	1.4838
		Group 2	0.8414	0.4772				
30/04/19	30/06/19	Group 1	5.1161	N/A	5.1161	100.00%	0.00%	4.8327
		Group 2	1.7172	3.3989				
31/07/19	30/09/19	Group 1	2.2027	N/A	2.2027	100.00%	0.00%	2.4441
		Group 2	0.9624	1.2403				

Share Class B Income

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2017/8 Total Payable
31/10/18	31/12/18	Group 1	2.3286	N/A	2.3286	100.00%	0.00%	2.3792
		Group 2	0.8445	1.4841				
31/01/19	31/03/19	Group 1	0.8909	N/A	0.8909	100.00%	0.00%	1.0502
		Group 2	0.5373	0.3536				
30/04/19	30/06/19	Group 1	3.4359	N/A	3.4359	100.00%	0.00%	3.4006
		Group 2	1.7156	1.7203				
31/07/19	30/09/19	Group 1	1.4506	N/A	1.4506	100.00%	0.00%	1.6881
		Group 2	0.4222	1.0284				

All distributions above are in pence per share unless specifically stated.

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

Kames UK Equity Absolute Return Fund

Fund objective*

To achieve a positive absolute return over a 36 month period in all market conditions by investing principally in a portfolio of equities and equity-related securities (including Contracts for Difference and other derivatives) of companies based in the UK, principally conducting business in the UK or listed on the UK stock market. Cash and near cash will be held, and the sub-fund may also invest in other transferable securities (for example, bonds and other public and government securities), permitted money market instruments, permitted deposits and units in collective investment schemes.

Risk profile

The sub-fund is designed for retail and institutional investors seeking an absolute return through pooled exposure to the UK equity market and who are comfortable with a higher level of investment risk. In most cases, we expect the sub-fund to be held as part of a diversified portfolio which may include other assets such as bonds, equities, property and cash. While investors will normally be able to liquidate their holdings on a daily basis, unit prices will fluctuate and may fall significantly in value. Consequently, it is important to understand that the sub-fund should be viewed as a longer term investment.

The sub-fund is actively managed and exposed to a range of risks, which are listed and defined in the Kames Capital ICVC Prospectus. The most material risks from this list also appear in our Key Investor Information documents (KIID) where they are summarised in an easy-to-read format. You can find both of these documents on our website at www.kamescapital.com.

Performance**

The Kames UK Equity Absolute Return Fund returned 2.36% compared to the LIBOR GBP 1 month return of 0.73%.

Strategy review***

UK equities were very volatile over the year, with the market coming under severe pressure in the second half of 2018 before recovering in the first half of 2019. The market fell heavily towards the end of 2018 as investors began to question the strength of the global economy and the potential for a policy error from central banks. Defensive sectors subsequently performed well during the first half of the period while cyclical and growth sectors underperformed.

The main catalyst for the strong rally in 2019 was the monetary policy easing activity by central banks. Markets particularly took comfort from the change of interest rate rhetoric by the US Federal Reserve as well as policy easing by China and the ECB. Sentiment also turned more positive on the political concerns of the moment. There was more optimism over the outcome of US/China trade talks and, in the UK, less pessimism around the likelihood of a 'no deal' hard Brexit scenario. In the more positive environment, growth stocks and domestic names re-rated on stock specific earnings delivery.

The sub-fund's strong performance during a very volatile period was due mainly to Themes and Pair Trades strategies, while our Best Ideas module was broadly flat.

Initially, performance was dominated by risk-off nature of markets. In general, our short positions in UK domestics and commodity-related stocks failed to offset the negative performance we saw from our longs in industrials and mid-cap growth names. Many of these names fell towards the end of 2018 although in many instances there was a lack of any negative company news. Most of these stocks subsequently rallied as we moved into 2019.

The positive return in Themes came from a number of areas. Within Balance Sheet Risk, many of the names we targeted underperformed the market as risk aversion ensued, which was beneficial given our short positions. Our M&A theme also performed well, with long holdings in Jardine Lloyd Thompson and Entertainment One contributing positively. Our Contrarian theme also did well, with our exposure to UDG Healthcare and Ultra Electronics adding value.

Best Ideas produced a negative return on a hedge-adjusted basis. The main detractors were our growth stocks such as accesso Technology and Sanne, and industrial cyclicals (Wood Group and Synthomer) suffering in the market rotation. Cairn Homes also suffered in the turbulent conditions despite the absence of any company-specific negative news. The main positive contributors in Best Ideas came from the short book with two names issuing profit warnings due to poor trading.

*Please note that the sub-fund's objective has been updated effective 7 August 2019. The latest update can found in the fund's prospectus at www.kamescapital.com.

**Source: Lipper, % growth, income re-invested at pay date, NAV-NAV, GBP, net of Basic Rate Tax. Index returns are gross of Basic Rate Tax.

The benchmark for the fund has changed from LIBOR GBP 1 month to Sterling Over Night Index Average (SONIA) 1 month post the year end date of 31 July 2019.

Investors are invited to compare the sub-fund's performance against the Sterling Over Night Index Average (SONIA) 1 month. Comparison against this rate will allow investors to determine whether the sub-fund has delivered total returns in excess of cash. SONIA gives an indication of what a cash investment could have provided. This comparison should be performed over at least a 36 month period to provide the most appropriate comparison.

***General references to markets and indices are to be considered as general market commentary only and (i) are not to be considered as a comparison of sub-fund performance against a benchmark (unless otherwise disclosed as such); and (ii) the index or indices do not operate as a performance target and the sub-fund's portfolio is not constrained by the index or indices.

Kames UK Equity Absolute Return Fund

Comparative Tables

A Accumulation shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	106.42	111.19	114.19
Return before operating charges*	3.57	(3.03)	(1.19)
Operating charges	(1.71)	(1.74)	(1.81)
Return after operating charges*	1.86	(4.77)	(3.00)
Distributions	-	-	-
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	108.28	106.42	111.19
 *after direct transaction costs of	0.01	-	0.02
Performance			
Return after charges	1.75%	(4.29)%	(2.63)%
Other information			
Closing net asset value (£'000)	634	1,218	2,907
Closing number of shares	586,050	1,144,595	2,614,350
Operating charges	1.62%	1.59%	1.59%
Direct transaction costs	0.01%	-	0.02%
Prices			
Highest share price	107.84	111.75	115.70
Lowest share price	103.89	105.59	110.51

B Accumulation shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	113.08	117.25	119.55
Return before operating charges*	3.83	(3.19)	(1.30)
Operating charges	(0.99)	(0.98)	(1.00)
Return after operating charges*	2.84	(4.17)	(2.30)
Distributions	-	-	-
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	115.92	113.08	117.25
 *after direct transaction costs of	0.02	-	0.02
Performance			
Return after charges	2.51%	(3.56)%	(1.92)%
Other information			
Closing net asset value (£'000)	32,672	53,194	194,297
Closing number of shares	28,185,131	47,041,530	165,707,871
Operating charges	0.87%	0.84%	0.84%
Direct transaction costs	0.01%	-	0.02%
Prices			
Highest share price	115.45	117.99	121.26
Lowest share price	110.68	111.98	116.50

Highest and Lowest share prices are based on official published daily NAVs priced at 12 noon on the last business day of the year. The closing net asset value per share is at close of business.

Kames UK Equity Absolute Return Fund

Comparative Tables (continued)

D Accumulation shares	2019 (p/share)	2018 (p/share)	2017 (p/share)
Change in net assets per share			
Opening net asset value per share	101.60	105.63	107.96
Return before operating charges*	3.44	(2.90)	(1.15)
Operating charges	(1.14)	(1.13)	(1.18)
Return after operating charges*	2.30	(4.03)	(2.33)
Distributions	-	-	-
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	103.90	101.60	105.63
 *after direct transaction costs of	 0.01	 -	 0.02
Performance			
Return after charges	2.26%	(3.82)%	(2.16)%
Other information			
Closing net asset value (£'000)	282	569	954
Closing number of shares	271,374	560,115	903,630
Operating charges	1.12%	1.09%	1.09%
Direct transaction costs	0.01%	-	0.02%
Prices			
Highest share price	103.48	106.25	109.47
Lowest share price	99.36	100.69	104.97

Highest and Lowest share prices are based on official published daily NAVs priced at 12 noon on the last business day of the year. The closing net asset value per share is at close of business.

Kames UK Equity Absolute Return Fund

Portfolio Statement

The sub-fund's investments as at 31 July 2019

Holding	Investment	Market Valuation £'000	Total net assets %
	Equities (31 July 2018 4.59%)	3,090	9.21
	Basic Materials (31 July 2018 0.00%)	136	0.41
904,576	Sirius Minerals	136	0.41
	Consumer Services (31 July 2018 0.00%)	1,030	3.07
478,648	S4 Capital	742	2.21
67,382	Trainline	288	0.86
	Financials (31 July 2018 2.44%)	1,336	3.98
187,277	Secure Income REIT	783	2.33
550,000	Triam Investors 1	553	1.65
	Industrials (31 July 2018 0.87%)	588	1.75
35,232	Network International	215	0.64
214,718	Strix	373	1.11
	Technology (31 July 2018 1.28%)	-	-
	Derivatives and Futures Contracts (31 July 2018 (0.90%))	271	0.80
	Contracts for Difference (31 July 2018 (0.89%))	304	0.90
(250,843)	AA	3	0.01
(21,397)	Admiral	25	0.07
41,151	Antofagasta	-	-
(207,388)	AO World	(5)	(0.01)
(56,729)	Arrow Global	(10)	(0.03)
125,368	Ascential	28	0.08
(14,980)	ASOS	20	0.06
(29,682)	Aston Martin Lagonda Global	113	0.34
9,732	AstraZeneca	56	0.17
47,652	Auto Trader	(2)	(0.01)
93,616	Avast	(3)	(0.01)
25,945	Aveva	2	0.01
350,223	Barclays	(19)	(0.06)
28,606	Bellway	74	0.22
(72,776)	boohoo.com	(20)	(0.06)
53,186	BP	-	-
(298,371)	BT	(10)	(0.03)
(22,090)	Bunzl	(3)	(0.01)
198,560	Cairn Energy	(29)	(0.09)
(714,952)	Capital & Regional	13	0.04
(71,703)	Card Factory	7	0.02
(384,305)	Centrica	50	0.15
(326,162)	Civitas Social Housing	13	0.04
(81,420)	Clipper Logistics	16	0.05
21,727	Coca-Cola	28	0.08
(33,336)	Compass	(51)	(0.15)
6,225	Craneware	6	0.02
(15,066)	CRH	(13)	(0.04)
7,735	Croda International	(10)	(0.03)
(83,160)	Daily Mail & General Trust	(26)	(0.08)
(9,895)	DCC	(9)	(0.03)
6,442	Dechra Pharmaceuticals	1	-
(61,743)	Dignity	55	0.16
207,826	Direct Line Insurance	(10)	(0.03)
(114,950)	Domino's Pizza	17	0.05
108,637	DS Smith	(20)	(0.06)
163,448	Entertainment One	(7)	(0.02)

Kames UK Equity Absolute Return Fund

Portfolio Statement (continued)

Holding	Investment	Market Valuation £'000	Total net assets %
Contracts for Difference (continued)			
75,697	GB Group	31	0.09
66,153	Glencore	(6)	(0.02)
(8,310)	Hargreaves Lansdown	(5)	(0.01)
216,000	Hastings	(11)	(0.03)
22,937	HIKMA Pharmaceutical	9	0.03
37,492	HomeServe	1	-
(121,962)	HSBC	12	0.04
40,443	IG	(10)	(0.03)
(12,742)	Intertek	(24)	(0.07)
(128)	iShares FTSE 250	(32)	(0.10)
(235,712)	J Sainsbury	9	0.03
(72,346)	John Wood	(31)	(0.09)
19,442	Johnson Matthey	2	0.01
(53,148)	Jupiter Fund Management	8	0.02
534,845	Just	(47)	(0.14)
65,869	Just Eat	81	0.24
25,960	Keywords Studios	5	0.01
(102,430)	Kier	12	0.04
(914,652)	Lloyds Banking	31	0.09
(40,586)	Majestic Wine	8	0.02
(144,307)	Marks & Spencer	-	-
(60,746)	Marshalls	3	0.01
120,828	Meggitt	64	0.19
(20,462)	Micro Focus International	(15)	(0.04)
(32,383)	Morgan Sindall	3	0.01
(96,131)	NewRiver REIT	3	0.01
137,280	OneSavings Bank	9	0.03
(109,749)	Paragon	25	0.07
(59,197)	Pearson	(5)	(0.01)
(41,731)	Petrofac	-	-
111,923	Phoenix	(25)	(0.07)
(56,022)	Qinetiq	(4)	(0.01)
105,620	Rentokil Initial	18	0.05
20,668	Ricardo	(10)	(0.03)
(88,182)	Rightmove	7	0.02
(68,037)	Rolls-Royce	(11)	(0.03)
(125,754)	Rotork	(9)	(0.03)
(12,353)	Royal Dutch Shell 'A'	1	-
(86,712)	RSA Insurance	28	0.08
148,972	Sabre Insurance	(28)	(0.08)
(20,992)	Segro	(2)	(0.01)
65,084	Senior	(2)	(0.01)
(155,510)	SIG	(11)	(0.03)
(20,367)	Smith & Nephew	(5)	(0.01)
(19,116)	Smiths	(2)	(0.01)
(29,890)	Sophos	-	-
95,302	South32	-	-
(164,489)	Sports Direct International	3	0.01
(59,153)	SuperGroup	3	0.01
257,081	Synthomer	(83)	(0.25)
(205,301)	TalkTalk Telecom	4	0.01
82,671	Tate & Lyle	(2)	-
(23,327)	Travis Perkins	(33)	(0.10)
(299,890)	Triple Point Social Housing REIT	11	0.03
50,892	UDG Healthcare	5	0.01
25,199	Ultra Electronics	18	0.05
318,988	Vectura	(11)	(0.03)
38,690	Vitec	16	0.05
431,563	Vodafone	60	0.18
75,000	Watches of Switzerland	3	0.01
299,169	Wm Morrison Supermarkets	(40)	(0.12)
(31,000)	WPP	(5)	(0.01)

Kames UK Equity Absolute Return Fund

Portfolio Statement (continued)

Holding	Investment	Market Valuation £'000	Total net assets %
	Futures Contracts (31 July 2018 (0.01)%)	(33)	(0.10)
(17)	FTSE 100 Future Contract September 2019	(33)	(0.10)
	Portfolio of investments*	3,361	10.01
	Net other assets	30,227	89.99
	Total net assets attributable to shareholders	33,588	100.00

Analysis of investments by asset class

	Market Value £'000	Value of investments %
Equities	3,090	9.21
Derivatives	271	0.80
Portfolio of investments*	3,361	10.01
Net other assets	30,227	89.99
Total net assets attributable to shareholders	33,588	100.00

The comparative percentage figures in brackets are at 31 July 2018.

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

*Includes investment liabilities.

Kames UK Equity Absolute Return Fund

Statement of Total Return for the year ended 31 July 2019

			2019		2018
	Note	£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	2		1,134		(3,343)
Revenue	3	1,004		2,239	
Expenses	4	(409)		(980)	
Interest payable and similar charges	6	<u>(954)</u>		<u>(2,296)</u>	
Net expense before taxation		(359)		(1,037)	
Taxation	5	<u>-</u>		<u>-</u>	
Net expense after taxation			<u>(359)</u>		<u>(1,037)</u>
Total return before distributions			775		(4,380)
Distributions	6	<u>-</u>		<u>-</u>	(1)
Change in net assets attributable to shareholders from investment activities			775		(4,381)

Statement of Change in Net Assets Attributable to Shareholders for the year ended 31 July 2019

		2019		2018
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		54,981		198,158
Amounts receivable on creation of shares	16,455		25,957	
Amounts payable on cancellation of shares	<u>(38,727)</u>		<u>(165,144)</u>	
		(22,272)		(139,187)
Dilution adjustment		104		391
Change in net assets attributable to shareholders from investment activities		<u>775</u>		<u>(4,381)</u>
Closing net assets attributable to shareholders		33,588		54,981

Kames UK Equity Absolute Return Fund

Balance Sheet as at 31 July 2019

			2019		2018
	Note	£'000	£'000	£'000	£'000
Assets					
Fixed assets:					
Investments			4,110		3,068
Current assets:					
Debtors	7	175		210	
Cash and bank balances	8	34,993		56,954	
			35,168		57,164
Total assets			39,278		60,232
Liabilities					
Investment liabilities			749		1,037
Creditors					
Bank overdrafts	9	273		-	
Other creditors	10	4,668		4,214	
Total liabilities			5,690		5,251
Net assets attributable to shareholders			33,588		54,981

Kames UK Equity Absolute Return Fund

Notes to the Financial Statements

1 Accounting policies

The sub-fund's financial statements have been prepared on the basis disclosed on pages 11 to 13.

2 Net capital gains/(losses)

Net capital gains/(losses)

	2019	2018
	£'000	£'000
(Losses)/gains on non-derivative securities	(67)	392
Currency exchange losses	-	(9)
Gains/(losses) on derivative securities	1,201	(3,725)
Transaction charges	-	(1)
Net capital gains/(losses)	1,134	(3,343)

3 Revenue

	2019	2018
	£'000	£'000
UK dividends	17	-
Overseas dividends	1	16
Property income from REITs	30	10
Interest on debt securities	-	67
Bank interest	290	262
Contracts for difference	666	1,884
Total revenue	1,004	2,239

4 Expenses*

	2019	2018
	£'000	£'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	375	929
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fee	11	31
Other expenses:		
Audit fee**	11	11
FT publishing fee	4	2
KIID fee	-	2
PRIIPs fees	3	-
Registrar's fee	5	4
Safe custody charge	-	1
	23	20
Total expenses	409	980

*All expenditure stated above is inclusive of irrecoverable VAT where applicable.

**The audit fee (excluding VAT) incurred during the year was £8,915 (2018: £8,655).

5 Taxation

Corporation tax has not been provided for as expenses and interest distributions payable by the sub-fund exceed the revenue liable to corporation tax.

a) Factors affecting tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax for Open Ended Investment Companies 'OEICs' (20%).

The differences are explained below:

	2019	2018
	£'000	£'000
Net expense before taxation	(359)	(1,037)
Corporation tax 20% (2018: 20%)	(72)	(207)
Effects of:		
Movement in excess expenses	75	211
Expenses not subject to taxation	(3)	(4)
Total tax charge for the year	-	-

Kames UK Equity Absolute Return Fund

Notes to the Financial Statements (continued)

5 Taxation (continued)

b) Factors that may affect future tax charges

After claiming relief against accrued revenue taxable on receipt, the sub-fund has unrelieved excess expenses of £16,449,000 (2018: £16,073,000). It is unlikely that the sub-fund will generate sufficient taxable profits in the future to utilise these expenses and therefore a deferred tax asset of £3,290,000 (2018: £3,215,000) has not been recognised.

6 Interest and distributions

a) Interest payable and similar charges

	2019	2018
	£'000	£'000
Interest	-	4
Dividends payable on contracts for difference	661	1,950
Interest payable on contracts for difference	293	342
Interest payable and similar charges	954	2,296

b) Distributions

The distributions take account of amounts receivable on the issue of shares and amounts deductible on the cancellation of shares, and comprise:

	2019	2018
	£'000	£'000
Final distribution	-	-
	-	-
Add: amounts deductible on cancellation of shares	-	1
Less: amounts receivable on creation of shares	-	-
Distributions	-	1

Details of the distributions are set out in the tables on page 81.

c) Movement between net expense and distribution

	2019	2018
	£'000	£'000
Net expense after taxation	(359)	(1,037)
Capital reimbursement of revenue deficit	359	1,038
Distributions	-	1

7 Debtors

	2019	2018
	£'000	£'000
Accrued revenue	33	35
Amounts receivable for the issue of shares	86	175
Sales awaiting settlement	56	-
Debtors	175	210

8 Cash and bank balances

	2019	2018
	£'000	£'000
Amounts held at futures clearing houses and brokers	11	127
Cash and bank balances	6	4
Money market deposits	34,976	56,823
Cash and bank balances	34,993	56,954

9 Bank overdrafts

	2019	2018
	£'000	£'000
Amounts held at futures clearing houses and brokers	273	-
Bank overdrafts	273	-

Kames UK Equity Absolute Return Fund

Notes to the Financial Statements (continued)

10 Other creditors

	2019	2018
	£'000	£'000
Accrued expenses*	45	57
Accrued revenue	17	16
Amounts payable for cancellation of shares	4,606	4,092
Purchases awaiting settlement	-	49
Other creditors	4,668	4,214

*Includes accrued ACD's periodic charge of £27,000 (2018: £42,000).

11 Related parties

The ACD's periodic charge paid to Kames Capital plc, (the ACD) are shown in Note 4 and details of amounts received and paid on shares issued and cancelled are shown in the Statement of Change in Net Assets Attributable to Shareholders. The balance due to the ACD in respect of these transactions as at 31 July 2019 is £4,547,000 (2018: £3,959,000 due to the ACD), a breakdown can be found in Notes 7 and 10. At the year-end 31.96% (2018: 11.46%) of the shares in issue were owned by AEGON Group or AEGON UK companies.

12 Contingent assets, liabilities and commitments

There were no contingent assets, liabilities or commitments present in the sub-fund as at 31 July 2019 (2018: Nil).

13 Financial instruments and risk

The risks associated with the sub-fund are market, concentration, valuation, yield, liquidity, counterparty, and interest rate risk. Narrative disclosures are on pages 14 and 15.

Currency exposure

The revenue and capital value of the sub-fund's investments can be affected by foreign currency translation movements as a proportion of the sub-fund's assets and revenue are denominated in currencies other than sterling.

An analysis of assets and liabilities is detailed below in the currency exposure table:

As at 31 July 2019

Currency	Total £'000
Euro	11
Sterling	33,577
	33,588

As at 31 July 2018

Currency	Total £'000
Euro	(14)
Sterling	54,982
US Dollar	13
	54,981

Kames UK Equity Absolute Return Fund

Notes to the Financial Statements (continued)

13 Financial instruments and risk (continued)

Interest rate risk

The interest rate profile of the sub-fund's interest bearing assets and liabilities at 31 July 2019 was:

Currency	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	-	-	4,285	4,285
Cash at bank				
Sterling	6	-	-	6
Cash at brokers				
Euro	11	-	-	11
Cash on deposit				
Sterling	34,976	-	-	34,976
	34,993	-	4,285	39,278

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	-	-	(5,417)	(5,417)
Cash at brokers				
Sterling	(273)	-	-	(273)
	(273)	-	(5,417)	(5,690)

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

Currency	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	-	-	3,278	3,278
Cash at bank				
Sterling	4	-	-	4
Cash at brokers				
Euro	4	-	-	4
Sterling	110	-	-	110
US Dollar	13	-	-	13
Cash on deposit				
Sterling	56,823	-	-	56,823
	56,954	-	3,278	60,232

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Euro	-	-	(18)	(18)
Sterling	-	-	(5,233)	(5,233)
	-	-	(5,251)	(5,251)

Derivative risk

The sub-fund invests in derivatives, consistent with the investment objective of the sub-fund, as outlined in the derivative risks section on page 15.

VaR Disclosure

The Manager assesses the market risk of the sub-fund's investments, including any derivative exposure, using a value at risk methodology. This process provides the Manager with an estimate of the maximum potential loss that could be expected to occur as a result of changes in market prices over a given period of time in all but a given percentage of circumstances. The value at risk is calculated on a 95.00% (2018: 95.00%) confidence interval with a one month time horizon and a five year history, using the Historical model. The sub-fund has an absolute VaR limit of 3.50% (2018: 3.50%). As at the balance sheet date, the sub-fund's value at risk is 1.13% (2018: 1.00%).

Kames UK Equity Absolute Return Fund

Notes to the Financial Statements (continued)

13 Financial instruments and risk (continued)

The following table details the lowest, highest and average utilisation of the VaR limit:

	Lowest Utilisation (%)	Highest Utilisation (%)	Average Utilisation (%)
31 July 2019	0.83	1.23	1.02
31 July 2018	0.62	1.92	1.02

Leverage

Average leverage is calculated as the sum of the net asset value and the incremental exposure generated through the use of derivatives (calculated in accordance with the commitment approach (CESR/10-788)) divided by the net asset value. As at 31 July 2019 the average leverage was 100.07% (2018: 99.26%).

Counterparty risk

The risk of entering an arrangement with a counterparty, which is itself subject to financial risks which may affect its ability to trade as a going concern.

The ACD maintains a list of approved counterparties. This list is regularly monitored and revised for changes based on the counterparty's credit-worthiness, market reputation and expectations of future financial performance. Transactions will only be opened with financial intermediaries on the approved counterparties list.

The sub-fund's use of exchange traded derivatives are considered to be free of counterparty risk if the derivative is traded on an exchange where the clearing house is backed by an appropriate performance guarantee and it is characterised by a daily mark-to-market valuation of the derivative position and at least daily margining.

At 31 July 2019, the market value of the exchange traded derivatives held by the sub-fund was £Nil (2018: £7,000).

The following details exposure to counterparties obtained through the use of derivatives:

As at 31 July 2019

Counterparty	Futures Exposure £'000	Contracts for Difference Exposure £'000	Collateral Pledge £'000
Goldman Sachs	-	107	(90)
Merrill Lynch	-	225	-

As at 31 July 2018

Counterparty	Futures Exposure £'000	Contracts for Difference Exposure £'000	Collateral Pledge £'000
Goldman Sachs	-	-	210

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

Kames UK Equity Absolute Return Fund

Notes to the Financial Statements (continued)

14 Portfolio transaction costs

Purchases

31 July 2019	Value £'000	Commissions £'000	Other Costs* %	£'000	%
Equities	1,885	1	0.05	4	0.21
Total	1,885	1		4	
Total purchases including transaction costs	1,890				

31 July 2018	Value £'000	Commissions £'000	Other Costs* %	£'000	%
Bonds	188,710	-	-	-	-
Equities	2,534	1	0.04	-	-
Total	191,244	1		-	
Total purchases including transaction costs	191,245				

Sales

31 July 2019	Value £'000	Commissions £'000	Other Costs* %	£'000	%
Equities	1,259	(2)	0.16	-	-
Total	1,259	(2)		-	
Total sales net of transaction costs	1,257				

31 July 2018	Value £'000	Commissions £'000	Other Costs* %	£'000	%
Bonds	286,409	-	-	-	-
Equities	2,155	(3)	0.14	-	-
Total	288,564	(3)		-	
Total sales net of transaction costs	288,561				

Derivatives

31 July 2019	Commissions £'000
Futures	1
31 July 2018	Commissions £'000
Futures	2

*Other Costs includes taxes and any other costs other than commissions incurred by the sub-fund when buying and selling an underlying investment.

The purchases and sales are not subject to portfolio transaction costs.

Portfolio transaction costs are incurred by the sub-fund when buying and selling underlying investments. These vary depending on the class of investment, country of exchange and method of execution. These costs can be classified as either direct or indirect transaction costs:

Direct transaction costs: Broker commissions, fees and taxes.

Indirect transaction costs: 'Dealing spread' - the difference between the buying and selling prices of the sub-fund's underlying investments.

In order to protect existing investors from the effects of dilution, portfolio transaction costs incurred as a result of investors buying and selling shares in the sub-fund are recovered from those investors through a 'dilution adjustment' to the price they pay or receive.

At the balance sheet date, the portfolio dealing spread was 0.71% (2018: 0.28%), being the difference between the respective bid and offer prices for the sub-fund's investments.

Kames UK Equity Absolute Return Fund

Notes to the Financial Statements (continued)

15 Fair value of financial assets and financial liabilities

The fair value hierarchy is intended to prioritise the inputs that are used to measure the fair value of assets and liabilities. The fair value hierarchy has the following levels:

Level 1 – Unadjusted quoted price in an active market for an identical instrument.

Level 2 – Valuation techniques using observable inputs other than quoted prices within level 1.

Level 3 – Valuation techniques using unobservable inputs.

Valuation	2019		2018	
	Assets	Liabilities	Assets	Liabilities
	£'000	£'000	£'000	£'000
1 - Quoted prices	3,090	(33)	2,525	(7)
2 - Observable market data	1,020	(716)	543	(1,030)
3 - Unobservable data	-	-	-	-
	4,110	(749)	3,068	(1,037)

16 Share classes

The sub-fund currently has three share classes; A (Retail), B (Institutional) and D (Retail). The ACD's periodic charge on each share class is as follows:

A share class: 1.55%

B share class: 0.80%

D share class: 1.05%

The net asset value of each share class, the net asset value per share, and the number of shares in each class are given in the comparative tables on pages 67 and 68. The distribution per share class is given in the distribution tables on page 81. All share classes have the same rights on winding up.

Share class movement reconciliation

31 July 2019	Opening	Creations	Cancellations	Converted	Closing
A Accumulation	1,144,595	24,687	(583,232)	-	586,050
B Accumulation	47,041,530	14,545,133	(33,514,494)	112,962	28,185,131
D Accumulation	560,115	23,269	(186,058)	(125,952)	271,374

Kames UK Equity Absolute Return Fund

Distribution Tables

Share Class A Accumulation								
Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming		2018 Total Payable
						Franked	Unfranked	
31/07/19	30/11/19	Group 1	0.0000	N/A	0.0000	0.00%	0.00%	0.0000
		Group 2	0.0000	0.0000				

Share Class B Accumulation								
Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming		2018 Total Payable
						Franked	Unfranked	
31/07/19	30/11/19	Group 1	0.0000	N/A	0.0000	0.00%	0.00%	0.0000
		Group 2	0.0000	0.0000				

Share Class D Accumulation								
Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming		2018 Total Payable
						Franked	Unfranked	
31/07/19	30/11/19	Group 1	0.0000	N/A	0.0000	0.00%	0.00%	0.0000
		Group 2	0.0000	0.0000				

All distributions above are in pence per share unless specifically stated.

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

Kames UK Smaller Companies Fund

Fund objective*

The primary investment objective is to maximise total return from capital and net income combined, by investing principally in UK companies that form the bottom 10% of the UK stock market based on their market capitalisation.

Risk profile

The sub-fund is designed for retail and institutional investors seeking pooled exposure to UK smaller companies stocks and who are comfortable with a higher level of investment risk. In most cases, we expect the sub-fund to be held as part of a diversified portfolio which may include other assets such as bonds, equities, property and cash. While investors will normally be able to liquidate their holdings on a daily basis, unit prices will fluctuate and may fall significantly in value.

The sub-fund is actively managed and exposed to a range of risks, which are listed and defined in the Kames Capital ICVC Prospectus. The most material risks from this list also appear in our Key Investor Information documents (KIID) where they are summarised in an easy-to-read format. You can find both of these documents on our website at www.kamescapital.com.

Performance**

The Kames UK Smaller Companies Fund returned (7.70)% compared to the peer group median return of (6.15)%. The peer group is the Investment Association UK Smaller Companies sector.

Strategy review***

UK equities were very volatile over the year, with the market coming under severe pressure in the second half of 2018 before recovering in the first half of 2019. The market fell heavily towards the end of 2018 as investors began to question the strength of the global economy and the potential for a policy error from central banks. Defensive sectors subsequently performed well during the first half of the period while cyclical and growth sectors underperformed.

The main catalyst for the strong rally in 2019 was the monetary policy easing activity by central banks. Markets particularly took comfort from the change of interest rate rhetoric by the US Federal Reserve as well as policy easing by China and the ECB. Sentiment also turned more positive on the political concerns of the moment. There was more optimism over the outcome of US/China trade talks and, in the UK, less pessimism around the likelihood of a 'no deal' hard Brexit scenario. In the more positive environment, growth stocks and domestic names re-rated on stock specific earnings delivery.

The sub-fund was overweight growth throughout the period, which detracted from performance initially given the magnitude of the sell-off seen towards the end of 2018. At this point we reduced our holding sizes of some of the industrial cyclical names and, at the same time, increased exposure to companies with defensive or visible recurring structural growth. While this adjustment added value as we moved into 2019, it was not enough to offset the impact of the significant sell-off at the end of 2018.

The underperformance over the period as a whole was mainly due to stock specific issues. Patisserie was the largest detractor. There was a shock suspension of the shares on the 10 October as the company announced it had "been notified of significant, and potentially fraudulent, accounting irregularities and therefore a material mis-statement of the Company's financial statements". Further investigation found the situation to be worse than estimated in October and the company went into administration in January. It is rare for a business to collapse so quickly, without a deterioration in trading being reported in financial statements. The Financial Reporting Council is investigating the matter.

Other detractors included recruitment company Robert Walters, which was de-rated during the difficult market backdrop. Sanne was also de-rated on reduced margin guidance but it recovered some of its lost ground towards the end of the period due to significant business wins. CVS underperformed due to the pressure, acknowledged by the business, coming from a shortage of vets and weak post-acquisition delivery of some practices.

On the positive side, investment in Gamma Communications, which generates recurring revenue from telecommunications services, benefited from ongoing upgrade momentum. GB Group (online identity verification) confirmed strong trading following its acquisition of Vix Verify and IDology. Elsewhere, Aveva, the design and infrastructure management software company, continued to perform well on positive licence sales data.

While it was a difficult period for the UK Smaller Companies Sector and the sub-fund, our strong conviction in the investment cases of the stocks we invest in remained unchanged. The recovery seen in 2019, and the subsequent positive performance of many of our holdings, particularly the growth names, confirmed our belief that the market had over-reacted to fears of recession and of a central bank policy error.

*Please note that the sub-fund's objective has been updated effective 7 August 2019. The latest update can found in the fund's prospectus at www.kamescapital.com.

**Source: Lipper, % growth, income re-invested at pay date, NAV-NAV, GBP, net of Basic Rate Tax. Index returns are gross of Basic Rate Tax. Investors are invited to compare the sub-fund's performance against the performance of other funds within this Peer Group. Comparison of the sub-fund against this Peer Group will give investors an indication of how the sub-fund is performing compared with funds investing in a similar but not identical investment universe. This comparison should be performed over at least a 7 year period to provide the most useful long term comparison.

***General references to markets and indices are to be considered as general market commentary only and (i) are not to be considered as a comparison of sub-fund performance against a benchmark (unless otherwise disclosed as such); and (ii) the index or indices do not operate as a performance target and the sub-fund's portfolio is not constrained by the index or indices.

Kames UK Smaller Companies Fund

Comparative Tables

A Accumulation shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	380.18	332.13	262.53
Return before operating charges*	(27.44)	53.52	74.11
Operating charges	(5.29)	(5.47)	(4.51)
Return after operating charges*	(32.73)	48.05	69.60
Distributions	(2.70)	(2.59)	(3.03)
Retained distributions on accumulation shares	2.70	2.59	3.03
Closing net asset value per share	347.45	380.18	332.13
 *after direct transaction costs of	 0.70	 1.33	 1.00
Performance			
Return after charges	(8.61)%	14.47%	26.51%
Other information			
Closing net asset value (£'000)	15,973	19,508	18,172
Closing number of shares	4,597,182	5,131,193	5,471,354
Operating charges	1.54%	1.54%	1.54%
Direct transaction costs	0.20%	0.37%	0.34%
Prices			
Highest share price	380.08	385.16	329.77
Lowest share price	294.63	328.39	260.11

B Accumulation shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	409.08	354.71	278.28
Return before operating charges*	(29.48)	57.47	78.90
Operating charges	(2.93)	(3.10)	(2.47)
Return after operating charges*	(32.41)	54.37	76.43
Distributions	(5.70)	(5.64)	(5.56)
Retained distributions on accumulation shares	5.70	5.64	5.56
Closing net asset value per share	376.67	409.08	354.71
 *after direct transaction costs of	 0.76	 1.46	 1.07
Performance			
Return after charges	(7.92)%	15.33%	27.47%
Other information			
Closing net asset value (£'000)	247,666	298,245	284,768
Closing number of shares	65,750,644	72,906,431	80,282,722
Operating charges	0.79%	0.79%	0.79%
Direct transaction costs	0.20%	0.37%	0.34%
Prices			
Highest share price	409.23	414.05	351.74
Lowest share price	318.00	350.80	276.25

Highest and Lowest share prices are based on official published daily NAVs priced at 12 noon on the last business day of the year. The closing net asset value per share is at close of business.

Kames UK Smaller Companies Fund

Comparative Tables (continued)

D Accumulation shares	2019 (p/share)	2018 (p/share)	2017 (p/share)
Change in net assets per share			
Opening net asset value per share	228.77	198.87	156.40
Return before operating charges*	(16.49)	32.12	44.28
Operating charges	(2.15)	(2.22)	(1.81)
Return after operating charges*	(18.64)	29.90	42.47
Distributions	(2.67)	(2.63)	(2.69)
Retained distributions on accumulation shares	2.67	2.63	2.69
Closing net asset value per share	210.13	228.77	198.87
 *after direct transaction costs of	 0.42	 0.80	 0.60
Performance			
Return after charges	(8.15)%	15.03%	27.15%
Other information			
Closing net asset value (£'000)	38	65	53
Closing number of shares	17,981	28,618	26,375
Operating charges	1.04%	1.04%	1.04%
Direct transaction costs	0.20%	0.37%	0.34%
Prices			
Highest share price	228.81	231.63	197.29
Lowest share price	177.66	196.66	155.17

Highest and Lowest share prices are based on official published daily NAVs priced at 12 noon on the last business day of the year. The closing net asset value per share is at close of business.

Kames UK Smaller Companies Fund

Portfolio Statement

The sub-fund's investments as at 31 July 2019

Holding	Investment	Market valuation £'000	Total net assets %
	Equities (31 July 2018 101.11%)	258,410	98.00
	Basic Materials (31 July 2018 3.78%)	6,449	2.45
5,234,139	Sirius Minerals	786	0.30
945,558	Synthomer	2,861	1.09
137,499	Victrex	2,802	1.06
	Consumer Goods (31 July 2018 8.58%)	28,891	10.96
398,083	A.G. Barr	2,727	1.03
224,749	Bovis Homes	2,364	0.90
1,212,198	Cairn Homes	1,171	0.44
629,011	Countryside Properties	1,848	0.70
40,410	Cranswick	1,075	0.41
900,129	Hilton Food	8,416	3.19
1,130,088	Hotel Chocolate	4,193	1.59
435,500	IG Design	2,569	0.98
1,043,813	Springfield Properties	1,159	0.44
969,853	Sumo	1,542	0.59
685,750	Team17	1,827	0.69
	Consumer Services (31 July 2018 9.76%)	35,847	13.59
149,119	4imprint	4,145	1.57
1,286,722	City Pub	2,760	1.05
279,196	Dunelm	2,580	0.98
1,369,774	Entertainment One	6,038	2.29
248,240	Fuller Smith & Turner	2,656	1.01
265,440	Greggs	5,930	2.25
3,115,818	Huntsworth	3,100	1.18
470,000	Joules	1,213	0.46
560,890	Moneysupermarket.com	2,069	0.78
355,243	On the Beach	1,676	0.63
904,263	Patisserie*	-	-
1,499,245	S4 Capital	2,324	0.88
317,172	Trainline	1,356	0.51
	Financials (31 July 2018 21.72%)	51,646	19.59
179,561	AJ Bell	747	0.28
236,208	Aquis Exchange	1,143	0.43
2,631,255	Brewin Dolphin	8,373	3.18
518,313	Charter Court Financial Services	1,529	0.58
1,256,322	CLS	2,852	1.08
1,466,969	IntegraFin	5,640	2.14
1,230,000	John Laing	4,743	1.80
2,816,168	Just	1,327	0.50
1,731,001	LXI REIT	2,254	0.86
411,344	OneSavings Bank	1,494	0.57
448,406	Paragon	1,869	0.71
837,882	Premier Asset Management	1,479	0.56
882,707	Secure Income REIT	3,690	1.40
1,267,915	Tatton Asset Management	2,637	1.00
698,786	Unite	7,204	2.73
552,683	Workspace	4,665	1.77
	Health Care (31 July 2018 8.52%)	23,422	8.88
491,224	Abcam	6,420	2.43
631,281	Advanced Medical Solutions	1,840	0.70
424,796	Dechra Pharmaceuticals	12,506	4.74
180,918	UDG Healthcare	1,446	0.55
1,507,320	Vectura Group	1,210	0.46

Kames UK Smaller Companies Fund

Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
	Industrials (31 July 2018 28.43%)	67,156	25.47
344,097	Bodycote	2,533	0.96
1,038,690	Boku	1,267	0.48
133,837	Clarkson	3,440	1.30
150,265	Diploma	2,278	0.86
847,269	Forterra	2,364	0.90
249,927	Gordon Dadds	362	0.14
652,253	Grafton	4,739	1.80
264,708	Hill & Smith	2,986	1.13
645,026	Howden Joinery	3,579	1.36
425,450	Keystone Law	2,187	0.83
225,775	Keywords Studios	3,752	1.42
1,027,354	Knights	3,267	1.24
615,263	Marshalls	3,910	1.48
432,000	Midwich	2,324	0.88
202,965	PayPoint	1,922	0.73
491,109	Polypipe	2,005	0.76
21,638	Renishaw	833	0.32
456,776	Ricardo	3,216	1.22
1,111,930	Robert Walters	5,893	2.23
896,525	Sanne	4,922	1.87
993,870	Senior	1,994	0.76
1,406,054	Strix	2,444	0.93
65,771	TMO Fund Raising*	-	-
600,000	Trifast	1,161	0.44
89,330	Ultra Electronics	1,753	0.66
180,835	Vitec	2,025	0.77
	Oil & Gas (31 July 2018 4.51%)	9,107	3.45
1,825,115	Cairn Energy	2,889	1.09
893,686	Diversified Gas & Oil	947	0.36
313,818	Great Eastern Energy GDR	137	0.05
584,259	Hunting	2,977	1.13
89,049	Indus Gas	231	0.09
2,292,587	Premier Oil	1,926	0.73
	Technology (31 July 2018 14.47%)	28,171	10.68
100,050	Blue Prism	1,423	0.54
62,500	Craneware	1,244	0.47
2,322,661	Dotdigital	2,295	0.87
313,344	Essensys	581	0.22
764,291	FDM	6,259	2.37
2,030,857	GB Group	12,165	4.61
440,941	Softcat	4,204	1.60
	Telecommunications (31 July 2018 1.34%)	7,721	2.93
708,325	Gamma Communications	7,721	2.93
	Portfolio of investments	258,410	98.00
	Net other assets	5,267	2.00
	Total net assets attributable to shareholders	263,677	100.00

The comparative percentage figures in brackets are at 31 July 2018.

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

As all holdings are equity shares there is no analysis of the portfolio by asset class.

*Unlisted, suspended and delisted securities within the meaning of the FCA's COLL.

Kames UK Smaller Companies Fund

Statement of Total Return for the year ended 31 July 2019

			2019		2018
	Note	£'000	£'000	£'000	£'000
Income					
Net capital (losses)/gains	2		(29,608)		38,325
Revenue	3	6,354		7,128	
Expenses	4	(2,279)		(2,622)	
Interest payable and similar charges	6	<u>(2)</u>		<u>(4)</u>	
Net revenue before taxation		4,073		4,502	
Taxation	5	<u>(10)</u>		<u>(5)</u>	
Net revenue after taxation			<u>4,063</u>		<u>4,497</u>
Total return before distributions			(25,545)		42,822
Distributions	6		<u>(4,063)</u>		<u>(4,497)</u>
Change in net assets attributable to shareholders from investment activities			(29,608)		38,325

Statement of Change in Net Assets Attributable to Shareholders for the year ended 31 July 2019

		2019		2018
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		317,818		302,993
Amounts receivable on creation of shares	6,172		75,312	
Amounts payable on cancellation of shares	<u>(34,767)</u>		<u>(104,310)</u>	
		(28,595)		(28,998)
Dilution adjustment		190		1,251
Change in net assets attributable to shareholders from investment activities		(29,608)		38,325
Retained distribution on accumulation shares		<u>3,872</u>		<u>4,247</u>
Closing net assets attributable to shareholders		263,677		317,818

Kames UK Smaller Companies Fund

Balance Sheet as at 31 July 2019

			2019		2018
	Note	£'000	£'000	£'000	£'000
Assets					
Fixed assets:					
Investments			258,410		321,357
Current assets:					
Debtors	7	1,080		899	
Cash and bank balances	8	<u>5,052</u>		<u>2,278</u>	
			<u>6,132</u>		<u>3,177</u>
Total assets			264,542		324,534
Liabilities					
Creditors					
Bank overdrafts	9	-		1	
Other creditors	10	<u>865</u>		<u>6,715</u>	
Total liabilities			<u>865</u>		<u>6,716</u>
Net assets attributable to shareholders			263,677		317,818

Kames UK Smaller Companies Fund

Notes to the Financial Statements

1 Accounting policies

The sub-fund's financial statements have been prepared on the basis disclosed on pages 11 to 13.

2 Net capital (losses)/gains

Net capital (losses)/gains comprise:

	2019	2018
	£'000	£'000
(Losses)/gains on non-derivative securities	(29,602)	38,313
Currency exchange (losses)/gains	(1)	17
Transaction charges	(5)	(5)
Net capital (losses)/gains	(29,608)	38,325

3 Revenue

	2019	2018
	£'000	£'000
UK dividends	5,521	6,570
Overseas dividends	265	146
Property income from REITs	545	393
Bank interest	23	19
Total revenue	6,354	7,128

4 Expenses*

	2019	2018
	£'000	£'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	2,180	2,513
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fee	66	77
Other expenses:		
Audit fee**	9	11
FT publishing fee	4	3
KIID fee	-	2
PRIIPs fees	4	-
Registrar's fee	4	3
Safe custody charge	12	13
	33	32
Total expenses	2,279	2,622

*All expenditure stated above is inclusive of irrecoverable VAT where applicable.

**The audit fee (excluding VAT) incurred during the year was £7,715 (2018: £7,490).

5 Taxation

a) Analysis of charge in the year

	2019	2018
	£'000	£'000
Current tax:		
Overseas tax suffered	10	5
Total tax charge for the year (see note 5 (b))	10	5

Kames UK Smaller Companies Fund

Notes to the Financial Statements (continued)

5 Taxation (continued)

b) Factors affecting tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax for Open Ended Investment Companies 'OEICs' (20%).

The differences are explained below:

	2019	2018
	£'000	£'000
Net revenue before taxation	4,073	4,502
Corporation tax 20% (2018: 20%)	815	900
Effects of:		
Movement in excess expenses	343	443
Overseas tax suffered	10	5
Revenue not subject to taxation	(1,158)	(1,343)
Total tax charge for the year (see note 5 (a))	10	5

c) Factors that may affect future tax charges

After claiming relief against accrued revenue taxable on receipt, the sub-fund has unrelieved excess expenses of £9,208,000 (2018: £7,495,000). It is unlikely that the sub-fund will generate sufficient taxable profits in the future to utilise these expenses and therefore a deferred tax asset of £1,842,000 (2018: £1,499,000) has not been recognised.

6 Interest and distributions

a) Interest payable and similar charges

	2019	2018
	£'000	£'000
Interest	2	4
Interest payable and similar charges	2	4

b) Distributions

The distributions take account of amounts receivable on the issue of shares and amounts deductible on the cancellation of shares, and comprise:

	2019	2018
	£'000	£'000
Final distribution	3,872	4,247
	3,872	4,247
Add: amounts deductible on cancellation of shares	231	513
Less: amounts receivable on creation of shares	(40)	(263)
Distributions	4,063	4,497

Details of the distributions are set out in the tables on page 94.

c) Movement between net revenue and distribution

	2019	2018
	£'000	£'000
Net revenue after taxation	4,063	4,497
Distributions	4,063	4,497

7 Debtors

	2019	2018
	£'000	£'000
Accrued revenue	276	441
Amounts receivable for the issue of shares	123	47
Sales awaiting settlement	672	396
Reclaimable overseas tax	7	13
UK Income tax recoverable	2	2
Debtors	1,080	899

Kames UK Smaller Companies Fund

Notes to the Financial Statements (continued)

8 Cash and bank balances

	2019	2018
	£'000	£'000
Cash and bank balances	6	-
Money market deposits	5,046	2,278
Cash and bank balances	5,052	2,278

9 Bank overdrafts

	2019	2018
	£'000	£'000
Bank overdrafts	-	1
Bank overdrafts	-	1

10 Other creditors

	2019	2018
	£'000	£'000
Accrued expenses*	209	236
Amounts payable for cancellation of shares	656	6,342
Purchases awaiting settlement	-	137
Other creditors	865	6,715

*Includes accrued ACD's periodic charge of £182,000 (2018: £221,000).

11 Related parties

The ACD's periodic charge paid to Kames Capital plc, (the ACD) are shown in Note 4 and details of amounts received and paid on shares issued and cancelled are shown in the Statement of Change in Net Assets Attributable to Shareholders. The balance due to the ACD in respect of these transactions as at 31 July 2019 is £715,000 (2018: £6,516,000 due to ACD), a breakdown can be found in Notes 7 and 10. At the year-end 96.90% (2018: 96.96%) of the shares in issue were owned by AEGON Group or AEGON UK companies.

12 Contingent assets, liabilities and commitments

There were no contingent assets, liabilities or commitments present in the sub-fund as at 31 July 2019 (2018: Nil).

13 Financial instruments and risk

The risks associated with the sub-fund are market, concentration, valuation, yield, liquidity, counterparty, and interest rate risk. Narrative disclosures are on pages 14 and 15.

Currency exposure

The revenue and capital value of the sub-fund's investments can be affected by foreign currency translation movements as a proportion of the sub-fund's assets and revenue are denominated in currencies other than sterling.

An analysis of assets and liabilities is detailed below in the currency exposure table:

As at 31 July 2019

Currency	Total
	£'000
Euro	1,171
Sterling	262,503
US Dollar	3
	263,677

As at 31 July 2018

Currency	Total
	£'000
Euro	1,990
Sterling	315,825
US Dollar	3
	317,818

Interest rate risk

At the year-end date, 1.92% (2018: 0.72%) of the sub-fund's net assets by value were interest bearing. This is not deemed significant to the sub-fund and so no numerical tables have been deemed necessary.

Kames UK Smaller Companies Fund

Notes to the Financial Statements (continued)

13 Financial instruments and risk (continued)

VaR Disclosure

The Manager assesses the market risk of the sub-fund's investments, including any derivative exposure, using a value at risk methodology. This process provides the Manager with an estimate of the maximum potential loss that could be expected to occur as a result of changes in market prices over a given period of time in all but a given percentage of circumstances. The value at risk is calculated on a 95.00% (2018: 95.00%) confidence interval with a one month time horizon and a five year history, using the Historical model. The sub-fund has an absolute VaR limit of 14.10% (2018: 14.10%). As at the balance sheet date, the sub-fund's value at risk is 6.23% (2018: 4.68%).

The following table details the lowest, highest and average utilisation of the VaR limit:

	Lowest Utilisation (%)	Highest Utilisation (%)	Average Utilisation (%)
31 July 2019	4.25	6.82	5.80
31 July 2018	3.10	5.03	4.48

14 Portfolio transaction costs

Purchases

	Value £'000	Commissions £'000	Other Costs* %	£'000	%
31 July 2019					
Equities	98,315	85	0.09	335	0.34
Total	<u>98,315</u>	<u>85</u>		<u>335</u>	
Total purchases including transaction costs	<u>98,735</u>				
31 July 2018					
Equities	149,460	197	0.13	470	0.31
Total	<u>149,460</u>	<u>197</u>		<u>470</u>	
Total purchases including transaction costs	<u>150,127</u>				

Sales

	Value £'000	Commissions £'000	Other Costs* %	£'000	%
31 July 2019					
Equities	132,212	(135)	0.10	(1)	-
Total	<u>132,212</u>	<u>(135)</u>		<u>(1)</u>	
Total sales net of transaction costs	<u>132,076</u>				
31 July 2018					
Equities	170,226	(496)	0.29	(1)	-
Total	<u>170,226</u>	<u>(496)</u>		<u>(1)</u>	
Total sales net of transaction costs	<u>169,729</u>				

*Other Costs includes taxes and any other costs other than commissions incurred by the sub-fund when buying and selling an underlying investment.

Portfolio transaction costs are incurred by the sub-fund when buying and selling underlying investments. These vary depending on the class of investment, country of exchange and method of execution. These costs can be classified as either direct or indirect transaction costs:

Direct transaction costs: Broker commissions, fees and taxes.

Indirect transaction costs: 'Dealing spread' - the difference between the buying and selling prices of the sub-fund's underlying investments.

In order to protect existing investors from the effects of dilution, portfolio transaction costs incurred as a result of investors buying and selling shares in the sub-fund are recovered from those investors through a 'dilution adjustment' to the price they pay or receive.

At the balance sheet date, the portfolio dealing spread was 0.37% (2018: 0.34%), being the difference between the respective bid and offer prices for the sub-fund's investments.

Kames UK Smaller Companies Fund

Notes to the Financial Statements (continued)

15 Fair value of financial assets and financial liabilities

The fair value hierarchy is intended to prioritise the inputs that are used to measure the fair value of assets and liabilities. The fair value hierarchy has the following levels:

Level 1 – Unadjusted quoted price in an active market for an identical instrument.

Level 2 – Valuation techniques using observable inputs other than quoted prices within level 1.

Level 3 – Valuation techniques using unobservable inputs.

Valuation	2019		2018	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
1 - Quoted prices	258,410	-	321,119	-
2 - Observable market data	-	-	238	-
3 - Unobservable data	-	-	-	-
	258,410	-	321,357	-

16 Share classes

The sub-fund currently has three share classes; A (Retail), B (Institutional) and D (Retail). The ACD's periodic charge on each share class is as follows:

A share class: 1.50%

B share class: 0.75%

D share class: 1.00%

The net asset value of each share class, the net asset value per share, and the number of shares in each class are given in the comparative tables on pages 83 and 84. The distribution per share class is given in the distribution tables on page 94. All share classes have the same rights on winding up.

Share class movement reconciliation

31 July 2019	Opening	Creations	Cancellations	Converted	Closing
A Accumulation	5,131,193	183,354	(713,768)	(3,597)	4,597,182
B Accumulation	72,906,431	1,498,507	(8,657,635)	3,341	65,750,644
D Accumulation	28,618	-	(10,637)	-	17,981

Kames UK Smaller Companies Fund

Distribution Tables

Share Class A Accumulation								
Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked Unfranked		2018 Total Payable
31/07/19	30/11/19	Group 1	2.6966	N/A	2.6966	100.00%	0.00%	2.5878
		Group 2	1.7991	0.8975				

Share Class B Accumulation								
Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked Unfranked		2018 Total Payable
31/07/19	30/11/19	Group 1	5.6996	N/A	5.6996	100.00%	0.00%	5.6419
		Group 2	2.7782	2.9214				

Share Class D Accumulation								
Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked Unfranked		2018 Total Payable
31/07/19	30/11/19	Group 1	2.6695	N/A	2.6695	100.00%	0.00%	2.6256
		Group 2	2.6695	0.0000				

All distributions above are in pence per share unless specifically stated.

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

Kames UK Opportunities Fund

Fund objective*

The investment objective is to maximise total return (income plus capital) by investing in an actively managed portfolio of equities and equity type securities in companies based in the UK, principally conducting business in the UK or listed on the UK stock market.

Risk profile

The sub-fund will target retail and institutional investors seeking pooled exposure to the UK equity market and who are comfortable with a higher level of investment risk. In most cases, we expect the sub-fund to be held as part of a diversified portfolio, which may include other assets such as bonds, equities, property and cash. While investors will normally be able to liquidate their holdings on a daily basis, unit prices will fluctuate and may fall significantly in value. Consequently, it is important to understand that the sub-fund should be viewed as a longer-term investment.

The sub-fund is actively managed and exposed to a range of risks, which are listed and defined in the Kames Capital ICVC Prospectus. The most material risks from this list also appear in our Key Investor Information documents (KIID) where they are summarised in an easy-to-read format. You can find both of these documents on our website at www.kamescapital.com.

Performance**

The Kames UK Opportunities Fund returned (4.55)% compared with the peer group median return of (0.20)%. The peer group is the Investment Association UK All Companies sector.

Strategy review***

UK equities were very volatile over the year, with the market coming under severe pressure in the second half of 2018 before recovering in the first half of 2019. The market fell heavily towards the end of 2018 as investors began to question the strength of the global economy and the potential for a policy error from central banks. Defensive sectors performed well up to this point while cyclical and growth sectors underperformed.

As we moved into 2019, the backdrop improved and the market subsequently rallied. The main catalyst for the strong rally was the monetary policy easing activity by central banks. Markets particularly took comfort from the change of interest rate rhetoric by the US Federal Reserve as well as policy easing by China and the ECB.

However sentiment remained fragile and subject to the vagaries of news flow concerning US/China trade and Brexit. The ebb and flow of optimism about these geopolitical issues were key drivers of UK equities and the changing leadership within the market during the year. Over the whole 12-month period though there was a clear cautious pattern of performance. Large-cap defensive stocks such as those in the healthcare sector were up strongly whilst smaller, mid-sized companies and industrials were down.

As the economic backdrop deteriorated we moderated the cyclicalities of the sub-fund but overall it retained an overweight exposure to growth, momentum and mid-cap stocks in addition to industrials. The sub-fund had a challenging final quarter in 2018 as the equity market de-rated with many of the cyclicals and high growth stocks lagging. And while the sub-fund recovered strongly during 2019 it was not enough to offset the previous weakness.

Sector allocation was a positive in the period with media, software & computer services and financial services being the standouts. In terms of stock selection, there were a number of pleasing performances. Aveva, the global leader in industrial software, continued to perform well on positive licence sale data. Gamma Communications benefited from a strong earnings report and positive outlook statement. HomeServe shares responded well to upgrades and a Capital Markets Day, which set new milestone targets for its US insurance partnership business and for its 'Checktrade' tradesman platform. Elsewhere, RELX performed well due to journal renewals and strong trading, but also due to macroeconomic factors which re-rated defensive growth as US bond yields continued to compress.

These contributions were offset by the poor performance of Just and IG. Insurance provider Just fell heavily after it announced the issuance of both debt and equity to bolster its capital position. Whilst a capital raise was unsurprising, we were disappointed that it included an equity component. We continue to hold our position and believe that management are pursuing all options to realise the significant shareholder value that is under-priced by the market.

In contrast, highly-rated growth play acceso Technologies struggled in the difficult conditions. We subsequently sold the position as our investment case was challenged and management had changed. Industrial cyclicals (Synthomer and DS Smith) also suffered in the volatile conditions. Speciality chemicals producer Synthomer de-rated along with the unloved European chemicals sector as industrial demand softened. We continue to see long-term value in the stock and believe that management are well placed to navigate choppy macroeconomic waters.

We continue to focus on mid-cap growth and momentum stocks as a means of adding value to the sub-fund

*Please note that the sub-fund's objective has been updated effective 7 August 2019. The latest update can be found in the fund's prospectus at www.kamescapital.com.

**Source: Lipper, % growth, income re-invested at pay date, NAV-NAV, GBP, net of Basic Rate Tax. Index returns are gross of Basic Rate Tax. Investors are invited to compare the sub-fund's performance against the performance of other funds within the Investment Association All UK Companies Sector. Comparison of the sub-fund against this Peer Group will give investors an indication of how the sub-fund is performing compared with funds investing in a similar but not identical investment universe. This comparison should be performed over at least a 7 year period to provide the most useful long term comparison.

***General references to markets and indices are to be considered as general market commentary only and (i) are not to be considered as a comparison of sub-fund performance against a benchmark (unless otherwise disclosed as such); and (ii) the index or indices do not operate as a performance target and the sub-fund's portfolio is not constrained by the index or indices.

Kames UK Opportunities Fund

Comparative Tables

A Accumulation shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	200.10	187.79	167.37
Return before operating charges*	(7.76)	15.28	23.25
Operating charges	(2.79)	(2.97)	(2.83)
Return after operating charges*	(10.55)	12.31	20.42
Distributions	(0.78)	(1.53)	(1.96)
Retained distributions on accumulation shares	0.78	1.53	1.96
Closing net asset value per share	189.55	200.10	187.79
 *after direct transaction costs of	 0.86	 1.34	 0.80
Performance			
Return after charges	(5.27)%	6.56%	12.20%
Other information			
Closing net asset value (£'000)	8,638	10,425	13,617
Closing number of shares	4,557,327	5,209,714	7,251,208
Operating charges	1.55%	1.54%	1.57%
Direct transaction costs	0.48%	0.70%	0.45%
Prices			
Highest share price	201.15	206.05	193.04
Lowest share price	158.45	180.72	165.51

B Accumulation shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	214.77	200.05	176.97
Return before operating charges*	(8.24)	16.36	24.65
Operating charges	(1.55)	(1.64)	(1.57)
Return after operating charges*	(9.79)	14.72	23.08
Distributions	(2.30)	(3.19)	(3.52)
Retained distributions on accumulation shares	2.30	3.19	3.52
Closing net asset value per share	204.98	214.77	200.05
 *after direct transaction costs of	 0.92	 1.44	 0.85
Performance			
Return after charges	(4.56)%	7.36%	13.04%
Other information			
Closing net asset value (£'000)	119,283	125,559	54,860
Closing number of shares	58,191,264	58,460,593	27,424,083
Operating charges	0.80%	0.80%	0.82%
Direct transaction costs	0.48%	0.70%	0.45%
Prices			
Highest share price	216.03	220.93	205.39
Lowest share price	170.59	193.28	175.01

Highest and Lowest share prices are based on official published daily NAVs priced at 12 noon on the last business day of the year. The closing net asset value per share is at close of business.

Kames UK Opportunities Fund

Comparative Tables (continued)

D Accumulation shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	172.51	161.08	142.86
Return before operating charges*	(6.65)	13.16	19.88
Operating charges	(1.63)	(1.73)	(1.66)
Return after operating charges*	(8.28)	11.43	18.22
Distributions	(1.45)	(2.15)	(2.45)
Retained distributions on accumulation shares	1.45	2.15	2.45
Closing net asset value per share	164.23	172.51	161.08
 *after direct transaction costs of	 0.74	 1.16	 0.69
Performance			
Return after charges	(4.80)%	7.10%	12.75%
Other information			
Closing net asset value (£'000)	179	246	232
Closing number of shares	109,097	142,819	143,983
Operating charges	1.05%	1.05%	1.07%
Direct transaction costs	0.48%	0.70%	0.45%
Prices			
Highest share price	173.48	177.51	165.46
Lowest share price	136.88	155.43	141.27

Highest and Lowest share prices are based on official published daily NAVs priced at 12 noon on the last business day of the year. The closing net asset value per share is at close of business.

Kames UK Opportunities Fund

Portfolio Statement

The sub-fund's investments as at 31 July 2019

Holding	Investment	Market valuation £'000	Total net assets %
	Equities (31 July 2018 99.26%)	126,596	98.83
	Basic Materials (31 July 2018 6.98%)	12,271	9.58
224,522	Antofagasta	2,108	1.65
56,655	Croda International	2,655	2.07
115,819	Rio Tinto	5,441	4.25
189,539	South32	332	0.26
573,376	Synthomer	1,735	1.35
	Consumer Goods (31 July 2018 12.36%)	22,478	17.55
142,233	Burberry	3,212	2.51
157,716	Coca-Cola	4,471	3.49
970,958	Countryside Properties	2,853	2.23
151,386	Diageo	5,212	4.07
283,857	Hilton Food	2,654	2.07
1,098,619	Hotel Chocolat Group	4,076	3.18
	Consumer Services (31 July 2018 19.67%)	17,490	13.66
1,003,577	Entertainment One	4,424	3.45
1,637,830	Huntsworth	1,630	1.27
396,413	Just Eat	3,018	2.36
277,091	RELX	5,412	4.23
1,064,379	S4 Capital	1,650	1.29
317,172	Trainline	1,356	1.06
	Financials (31 July 2018 19.19%)	20,626	16.10
443,000	IntegraFin	1,703	1.33
1,057,689	John Laing	4,078	3.18
2,367,620	Just	1,116	0.87
53,540	London Stock Exchange	3,547	2.77
193,364	Prudential	3,282	2.56
799,807	Secure Income REIT	3,343	2.61
525,782	Standard Chartered	3,557	2.78
	Health Care (31 July 2018 6.85%)	12,464	9.73
66,855	AstraZeneca	4,720	3.69
164,583	Dechra Pharmaceuticals	4,845	3.78
157,552	HIKMA Pharmaceutical	2,899	2.26
	Industrials (31 July 2018 17.58%)	24,245	18.93
64,374	Ashtead	1,463	1.14
130,000	Diploma	1,971	1.54
44,947	Ferguson	2,770	2.16
220,000	Grafton	1,598	1.25
356,998	HomeServe	4,070	3.18
201,461	Keywords Studios	3,348	2.62
443,063	Meggitt	2,642	2.06
931,540	Rentokil Initial	4,051	3.16
208,255	Vitec	2,332	1.82
	Oil & Gas (31 July 2018 4.30%)	4,040	3.15
1,866,496	Cairn Energy	2,955	2.30
1,023,631	Diversified Gas & Oil	1,085	0.85

Kames UK Opportunities Fund

Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
	Technology (31 July 2018 10.60%)	9,828	7.67
138,256	Aveva	5,516	4.30
719,944	GB Group	4,312	3.37
	Telecommunications (31 July 2018 1.73%)	3,154	2.46
289,343	Gamma Communications	3,154	2.46
	Portfolio of investments	126,596	98.83
	Net other assets	1,504	1.17
	Total net assets attributable to shareholders	128,100	100.00

The comparative percentage figures in brackets are at 31 July 2018.

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

As all holdings are equity shares there is no analysis of the portfolio by asset class.

Kames UK Opportunities Fund

Statement of Total Return for the year ended 31 July 2019

			2019		2018
	Note	£'000	£'000	£'000	£'000
Income					
Net capital (losses)/gains	2		(7,813)		6,612
Revenue	3	2,423		2,925	
Expenses	4	(1,039)		(1,053)	
Interest payable and similar charges	6	<u>(1)</u>		<u>(1)</u>	
Net revenue before taxation		1,383		1,871	
Taxation	5	<u>(3)</u>		<u>(3)</u>	
Net revenue after taxation			<u>1,380</u>		<u>1,868</u>
Total return before distributions			(6,433)		8,480
Distributions	6		<u>(1,380)</u>		<u>(1,868)</u>
Change in net assets attributable to shareholders from investment activities			(7,813)		6,612

Statement of Change in Net Assets Attributable to Shareholders for the year ended 31 July 2019

		2019		2018
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		136,230		68,709
Amounts transferred from Aegon Pension High Alpha UK Equity Fund	-		89,166	
Amounts receivable on creation of shares	1,774		13,736	
Amounts payable on cancellation of shares	<u>(3,465)</u>		<u>(44,057)</u>	
		(1,691)		58,845
Dilution adjustment		-		118
Change in net assets attributable to shareholders from investment activities		(7,813)		6,612
Retained distribution on accumulation shares		<u>1,374</u>		<u>1,946</u>
Closing net assets attributable to shareholders		128,100		136,230

Kames UK Opportunities Fund

Balance Sheet as at 31 July 2019

			2019		2018
	Note	£'000	£'000	£'000	£'000
Assets					
Fixed assets:					
Investments			126,596		135,218
Current assets:					
Debtors	7	3,748		576	
Cash and bank balances	8	<u>1,120</u>		<u>811</u>	
			<u>4,868</u>		<u>1,387</u>
Total assets			131,464		136,605
Liabilities					
Creditors					
Other creditors	9	<u>3,364</u>		<u>375</u>	
Total liabilities			<u>3,364</u>		<u>375</u>
Net assets attributable to shareholders			128,100		136,230

Kames UK Opportunities Fund

Notes to the Financial Statements

1 Accounting policies

The sub-fund's financial statements have been prepared on the basis disclosed on pages 11 to 13.

2 Net capital (losses)/gains

Net capital (losses)/gains comprise:

	2019	2018
	£'000	£'000
(Losses)/gains on non-derivative securities	(7,647)	6,342
(Losses)/gains on derivative securities	(166)	267
Currency exchange gains	3	6
Transaction charges	(3)	(3)
Net capital (losses)/gains	(7,813)	6,612

3 Revenue

	2019	2018
	£'000	£'000
UK dividends	2,080	2,702
Overseas dividends	208	177
Property income from REITs	120	39
Bank interest	15	7
Total revenue	2,423	2,925

4 Expenses*

	2019	2018
	£'000	£'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	984	1,001
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fee	29	30
Other expenses:		
Audit fee**	9	10
FT publishing fee	4	2
KIID fee	-	2
PRIIPs fees	4	-
Registrar's fee	4	3
Safe custody charge	5	5
	26	22
Total expenses	1,039	1,053

*All expenditure stated above is inclusive of irrecoverable VAT where applicable.

**The audit fee (excluding VAT) incurred during the year was £7,715 (2018: £7,490).

5 Taxation

a) Analysis of charge in the year

	2019	2018
	£'000	£'000
Current tax:		
Overseas tax suffered	3	3
Total tax charge for the year (see note 5 (b))	3	3

Kames UK Opportunities Fund

Notes to the Financial Statements (continued)

5 Taxation (continued)

b) Factors affecting tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax for Open Ended Investment Companies 'OEICs' (20%).

The differences are explained below:

	2019	2018
	£'000	£'000
Net revenue before taxation	1,383	1,871
Corporation tax 20% (2018: 20%)	277	374
Effects of:		
Movement in excess expenses	181	201
Overseas tax suffered	3	3
Revenue not subject to taxation	(458)	(575)
Total tax charge for the year (see note 5 (a))	3	3

c) Factors that may affect future tax charges

After claiming relief against accrued revenue taxable on receipt, the sub-fund has unrelieved excess expenses of £7,974,000 (2018: £7,069,000). It is unlikely that the sub-fund will generate sufficient taxable profits in the future to utilise these expenses and therefore a deferred tax asset of £1,595,000 (2018: £1,414,000) has not been recognised.

6 Interest and distributions

a) Interest payable and similar charges

	2019	2018
	£'000	£'000
Interest	1	1
Total interest payable and similar charges	1	1

b) Distributions

The distributions take account of amounts receivable on the issue of shares and amounts deductible on the cancellation of shares, and comprise:

	2019	2018
	£'000	£'000
Final distribution	1,374	1,946
	1,374	1,946
Add: amounts deductible on cancellation of shares	13	401
Less: amounts receivable on creation of shares	(7)	(479)
Distributions	1,380	1,868

Details of the distributions are set out in the tables on page 107.

c) Movement between net revenue and distribution

	2019	2018
	£'000	£'000
Net revenue after taxation	1,380	1,868
Distributions	1,380	1,868

7 Debtors

	2019	2018
	£'000	£'000
Accrued revenue	179	151
Amounts receivable for the issue of shares	59	71
Sales awaiting settlement	3,507	351
Reclaimable overseas tax	3	3
Debtors	3,748	576

Kames UK Opportunities Fund

Notes to the Financial Statements (continued)

8 Cash and bank balances

	2019	2018
	£'000	£'000
Cash and bank balances	1,120	811
Cash and bank balances	1,120	811

9 Other creditors

	2019	2018
	£'000	£'000
Accrued expenses*	106	109
Amounts payable for cancellation of shares	112	266
Purchases awaiting settlement	3,146	-
Other creditors	3,364	375

*Includes accrued ACD's periodic charge of £86,000 (2018: £94,000).

10 Related parties

The ACD's periodic charge paid to Kames Capital plc, (the ACD) are shown in Note 4 and details of amounts received and paid on shares issued and cancelled are shown in the Statement of Change in Net Assets Attributable to Shareholders. The balance due to the ACD in respect of these transactions as at 31 July 2019 is £139,000 (2018: £289,000 due to the ACD), a breakdown can be found in Notes 7 and 9. At the year-end 97.80% (2018: 96.42%) of the shares in issue were owned by AEGON Group or AEGON UK companies.

11 Contingent assets, liabilities and commitments

There were no contingent assets, liabilities or commitments present in the sub-fund as at 31 July 2019 (2018: Nil).

12 Financial instruments and risk

The risks associated with the sub-fund are market, concentration, valuation, yield, liquidity, counterparty, and interest rate risk. Narrative disclosures are on pages 14 and 15.

Currency exposure

The revenue and capital value of the sub-fund's investments can be affected by foreign currency translation movements as a proportion of the sub-fund's assets and revenue are denominated in currencies other than sterling.

An analysis of assets and liabilities is detailed below in the currency exposure table:

As at 31 July 2019

Currency	Total
	£'000
Euro	3
UK Sterling	128,097
	128,100

As at 31 July 2018

Currency	Total
	£'000
Euro	3,003
UK Sterling	133,227
	136,230

Interest rate risk

At the year-end date, 0.87% (2018: 0.60%) of the sub-fund's net assets by value were interest bearing. This is not deemed significant to the sub-fund and so no numerical tables have been deemed necessary.

Kames UK Opportunities Fund

Notes to the Financial Statements (continued)

12 Financial instruments and risk (continued)

VaR Disclosure

The Manager assesses the market risk of the sub-fund's investments, including any derivative exposure, using a value at risk methodology. This process provides the Manager with an estimate of the maximum potential loss that could be expected to occur as a result of changes in market prices over a given period of time in all but a given percentage of circumstances. The value at risk is calculated on a 95.00% (2018: 95.00%) confidence interval with a one month time horizon and a five year history, using the Historical model. The sub-fund has an absolute VaR limit of 14.10% (2018: 14.10%). As at the balance sheet date, the sub-fund's value at risk is 5.37% (2018: 4.97%).

The following table details the lowest, highest and average utilisation of the VaR limit:

	Lowest Utilisation (%)	Highest Utilisation (%)	Average Utilisation (%)
31 July 2019	4.61	5.92	5.36
31 July 2018	3.95	5.63	5.04

13 Portfolio transaction costs

Purchases

	Value £'000	Commissions £'000	Other Costs* %	£'000	%
31 July 2019					
Equities	99,635	66	0.07	441	0.44
Total	<u>99,635</u>	<u>66</u>		<u>441</u>	
Total purchases including transaction costs	<u>100,142</u>				
31 July 2018					
Equities	219,143	108	0.05	576	0.26
Total	<u>219,143</u>	<u>108</u>		<u>576</u>	
Total purchases including transaction costs	<u>219,827</u>				

Sales

	Value £'000	Commissions £'000	Other Costs* %	£'000	%
31 July 2019					
Equities	101,188	(73)	0.07	-	-
Total	<u>101,188</u>	<u>(73)</u>		<u>-</u>	
Total sales net of transaction costs	<u>101,115</u>				
31 July 2018					
Equities	157,783	(158)	0.10	-	-
Total	<u>157,783</u>	<u>(158)</u>		<u>-</u>	
Total sales net of transaction costs	<u>157,625</u>				

Derivatives

	Commissions £'000
31 July 2019	
Futures	<u>-</u>
31 July 2018	
Futures	<u>1</u>

*Other Costs includes taxes and any other costs other than commissions incurred by the sub-fund when buying and selling an underlying investment.

Portfolio transaction costs are incurred by the sub-fund when buying and selling underlying investments. These vary depending on the class of investment, country of exchange and method of execution. These costs can be classified as either direct or indirect transaction costs:

Direct transaction costs: Broker commissions, fees and taxes.

Indirect transaction costs: 'Dealing spread' - the difference between the buying and selling prices of the sub-fund's underlying investments.

In order to protect existing investors from the effects of dilution, portfolio transaction costs incurred as a result of investors buying and selling shares in the sub-fund are recovered from those investors through a 'dilution adjustment' to the price they pay or receive.

At the balance sheet date, the portfolio dealing spread was 0.18% (2018: 0.22%), being the difference between the respective bid and offer prices for the sub-fund's investments.

Kames UK Opportunities Fund

Notes to the Financial Statements (continued)

14 Fair value of financial assets and financial liabilities

The fair value hierarchy is intended to prioritise the inputs that are used to measure the fair value of assets and liabilities. The fair value hierarchy has the following levels:

Level 1 – Unadjusted quoted price in an active market for an identical instrument.

Level 2 – Valuation techniques using observable inputs other than quoted prices within level 1.

Level 3 – Valuation techniques using unobservable inputs.

Valuation	2019		2018	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
1 - Quoted prices	126,596	-	135,218	-
2 - Observable market data	-	-	-	-
3 - Unobservable data	-	-	-	-
	126,596	-	135,218	-

15 Share classes

The sub-fund currently has three share classes; A (Retail), B (Institutional) and D (Retail). The ACD's periodic charge on each share class is as follows:

A share class: 1.50%

B share class: 0.75%

D share class: 1.00%

The net asset value of each share class, the net asset value per share, and the number of shares in each class are given in the comparative tables on pages 96 and 97. The distribution per share class is given in the distribution tables on page 107. All share classes have the same rights on winding up.

Share class movement reconciliation

31 July 2019	Opening	Creations	Cancellations	Converted	Closing
A Accumulation	5,209,714	245,897	(884,611)	(13,673)	4,557,327
B Accumulation	58,460,593	667,945	(949,961)	12,687	58,191,264
D Accumulation	142,819	1	(33,723)	-	109,097

Kames UK Opportunities Fund

Distribution Tables

Share Class A Accumulation								
Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming		2018 Total Payable
						Franked	Unfranked	
31/07/19	30/11/19	Group 1	0.7773	N/A	0.7773	100.00%	0.00%	1.5331
		Group 2	0.5320	0.2453				

Share Class B Accumulation								
Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming		2018 Total Payable
						Franked	Unfranked	
31/07/19	30/11/19	Group 1	2.2976	N/A	2.2976	100.00%	0.00%	3.1861
		Group 2	1.0880	1.2096				

Share Class D Accumulation								
Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming		2018 Total Payable
						Franked	Unfranked	
31/07/19	30/11/19	Group 1	1.4528	N/A	1.4528	100.00%	0.00%	2.1479
		Group 2	1.0993	0.3535				

All distributions above are in pence per share unless specifically stated.

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

Kames Strategic Bond Fund

Fund objective*

The primary investment objective is to maximise total return (income plus capital) by investing in global debt instruments denominated in any currency, ranging from AAA government bonds through to high yield and emerging market corporate bonds. At least 80% of the sub-fund will be invested in sterling and other currency denominated bonds hedged back to sterling. The sub-fund may also invest in deposits, money market instruments, derivative instruments and forward transactions.

Risk profile

The sub-fund is designed for retail and institutional investors seeking pooled exposure to global bond markets and who are comfortable with a medium level of investment risk. In most cases, we expect the sub-fund to be held as part of a diversified portfolio which may include other assets such as bonds, equities, property and cash. While investors will normally be able to liquidate their holdings on a daily basis, unit prices will fluctuate and may fall significantly in value. Consequently, it is important to understand that the sub-fund should be viewed as a longer term investment.

The sub-fund is actively managed and exposed to a range of risks, which are listed and defined in the Kames Capital ICVC Prospectus. The most material risks from this list also appear in our Key Investor Information documents (KIID) where they are summarised in an easy-to-read format. You can find both of these documents on our website at www.kamescapital.com.

Performance**

The Kames Strategic Bond Fund returned 6.06% compared to the peer group median return of 5.53%. The peer group is the Investment Association Sterling Strategic Bond sector.

Strategy review***

We ran a short duration bias during the opening months of the year. While this was successful during August and September, where core government yields were steadily climbing, it became a relative drag on performance during the turmoil in the fourth quarter as strong risk-off moves drove yields downwards. We added duration in early 2019, increasing the sub-fund's duration from approximately 3 years at the end of 2018 to 6. We opted take our interest rate risk primarily via core rates markets, with a healthy allocation to UK and US risk. In the latter months we added more UK duration risk in anticipation of a slowdown and the need for the Bank of England to relent on its rate hiking stance. This was profitable as government yields fell throughout 2019, and central banks became significantly more dovish.

In terms of yield curve positioning, performance was mixed. In late 2018 US curve positions were generally positive, with a 7-year versus 30-year steepening trade adding to performance earlier in the period, then followed with a 5-year versus 30-year flattener in December. Both were predicated on market reaction around the Federal Reserve, perceived as overly hawkish as risk assets began to flounder in late 2018, and then surprisingly dovish around a December rate hike. Our UK flattening position was less successful, and was eventually closed in late 2018. An Italian flattening position cost performance in early 2019. A 5-year versus 30-year US steepener was a slight drag at the end of the period, but has been retained.

Within asset allocation, our cautious positioning was positive for relative performance during the final quarter of 2018, protecting the sub-fund somewhat as spreads widened markedly, though absolute performance was negative in the difficult period. In January, risk assets rebounded from the December lows. In early 2019, we found supportive central banks in combination with risk asset valuations quite compelling. As a result, our HY allocation doubled in January to c. 30%, which was very positive for fund performance. This was then moderated in the later months via protection in US CDX HY, as the rally began to lose steam and volatility returned to risk markets.

We added a long risk position in iTraxx Main versus short risk iTraxx Xover in April after the sharp compression of high yield spreads compared to those in the investment grade space – this added value to the sub-fund as spreads edged wider through the month. A subsequent dislocation between financial and non-financial in May risk left financials looking rich – we tactically reduced our exposure in late May via the 5-year iTraxx Senior Financial CDS index against a long risk position in 10-year iTraxx Main (a broad investment grade index).

Within sector and stock selection, we had a preference for financials versus non-financials in 2018. Our high yield risk was concentrated in BB and B, avoiding CCC-rated credits, which was positive during the turmoil of late 2018. Our overweight to financials was positive on a relative basis during the sell-off.

During the rally in early 2019, we held a preference for financials over non-financials at the subordinated/capital layers. We were wary of supply in the senior financials space during early 2019, driving our preference for non-financials over financials at the senior level. Our preference for financials over non financials continued to be profitable through the final months of the year. Having tactically reduced the size of this bias into the period of market weakness in May, we were able to fully benefit from the supportive comments from Draghi and Powell, with our allocation to European banks and subordinated debt seeing the greatest benefit. Our holdings in legacy tier 1 assets delivered over the latter months as they became increasingly sought after as yields continued to fall.

*Please note that the sub-fund's objective has been updated effective 7 August 2019. The latest update can found in the fund's prospectus at www.kamescapital.com.

**Source: Lipper, % growth, income re-invested at pay date, NAV-NAV, GBP, net of Basic Rate Tax. Index returns are gross of Basic Rate Tax. Investors are invited to compare the sub-fund's performance against the performance of other funds within the Investment Association Strategic Bond Sector. Comparison of the sub-fund against this Peer Group will give investors an indication of how the sub-fund is performing compared with funds investing in a similar but not identical investment universe. This comparison should be performed over at least a 7 year period to provide the most useful long term comparison.

***General references to markets and indices are to be considered as general market commentary only and (i) are not to be considered as a comparison of sub-fund performance against a benchmark (unless otherwise disclosed as such); and (ii) the index or indices do not operate as a performance target and the sub-fund's portfolio is not constrained by the index or indices.

Kames Strategic Bond Fund

Comparative Tables

A Accumulation shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	192.58	191.85	183.95
Return before operating charges*	13.76	3.24	10.75
Operating charges	(2.53)	(2.51)	(2.43)
Return after operating charges*	11.23	0.73	8.32
Distributions	(3.61)	(3.21)	(3.88)
Retained distributions on accumulation shares	3.61	3.21	3.46
Closing net asset value per share	203.81	192.58	191.85
 *after direct transaction costs of	-	-	-
Performance			
Return after charges	5.83%	0.38%	4.52%
Other information			
Closing net asset value (£'000)	50,763	57,068	78,244
Closing number of shares	24,907,532	29,632,538	40,782,996
Operating charges	1.30%	1.30%	1.29%
Direct transaction costs	-	-	-
Prices			
Highest share price	204.10	196.45	191.77
Lowest share price	189.78	191.32	183.52

A Income shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	121.37	122.93	120.05
Return before operating charges*	8.57	2.09	6.97
Operating charges	(1.58)	(1.60)	(1.57)
Return after operating charges*	6.99	0.49	5.40
Distributions	(2.26)	(2.05)	(2.52)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	126.10	121.37	122.93
 *after direct transaction costs of	-	-	-
Performance			
Return after charges	5.76%	0.40%	4.50%
Other information			
Closing net asset value (£'000)	1,404	1,828	3,271
Closing number of shares	1,113,316	1,505,822	2,660,489
Operating charges	1.30%	1.30%	1.29%
Direct transaction costs	-	-	-
Prices			
Highest share price	126.81	125.37	123.42
Lowest share price	119.09	121.22	119.26

Highest and Lowest share prices are based on official published daily NAVs priced at 12 noon on the last business day of the year. The closing net asset value per share is at close of business.

Kames Strategic Bond Fund

Comparative Tables (continued)

B Accumulation shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	122.32	121.24	115.73
Return before operating charges*	8.76	2.06	6.78
Operating charges	(0.99)	(0.98)	(0.94)
Return after operating charges*	7.77	1.08	5.84
Distributions	(2.92)	(2.64)	(3.04)
Retained distributions on accumulation shares	2.92	2.64	2.71
Closing net asset value per share	130.09	122.32	121.24
 *after direct transaction costs of	-	-	-
Performance			
Return after charges	6.35%	0.89%	5.05%
Other information			
Closing net asset value (£'000)	101,584	144,852	157,052
Closing number of shares	78,086,639	118,425,205	129,533,784
Operating charges	0.80%	0.80%	0.79%
Direct transaction costs	-	-	-
Prices			
Highest share price	130.27	124.46	121.18
Lowest share price	120.76	120.98	115.53

B Income shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	120.08	121.62	118.78
Return before operating charges*	8.49	2.06	6.89
Operating charges	(0.96)	(0.97)	(0.96)
Return after operating charges*	7.53	1.09	5.93
Distributions	(2.84)	(2.63)	(3.09)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	124.77	120.08	121.62
 *after direct transaction costs of	-	-	-
Performance			
Return after charges	6.27%	0.90%	4.99%
Other information			
Closing net asset value (£'000)	61,256	106,074	125,607
Closing number of shares	49,096,723	88,333,957	103,276,106
Operating charges	0.80%	0.80%	0.79%
Direct transaction costs	-	-	-
Prices			
Highest share price	125.62	124.19	122.26
Lowest share price	117.90	119.98	118.02

Highest and Lowest share prices are based on official published daily NAVs priced at 12 noon on the last business day of the year. The closing net asset value per share is at close of business.

Kames Strategic Bond Fund

Comparative Tables (continued)

D Accumulation shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	117.09	116.35	111.31
Return before operating charges*	8.37	1.97	6.52
Operating charges	(1.24)	(1.23)	(1.19)
Return after operating charges*	7.13	0.74	5.33
Distributions	(2.50)	(2.25)	(2.64)
Retained distributions on accumulation shares	2.50	2.25	2.35
Closing net asset value per share	124.22	117.09	116.35
 *after direct transaction costs of	-	-	-
Performance			
Return after charges	6.09%	0.64%	4.79%
Other information			
Closing net asset value (£'000)	793	1,185	3,878
Closing number of shares	638,355	1,012,072	3,333,008
Operating charges	1.05%	1.05%	1.04%
Direct transaction costs	-	-	-
Prices			
Highest share price	124.40	119.29	116.30
Lowest share price	115.49	116.07	111.12

D Income shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	104.69	106.03	103.55
Return before operating charges*	7.39	1.80	6.02
Operating charges	(1.10)	(1.11)	(1.10)
Return after operating charges*	6.29	0.69	4.92
Distributions	(2.21)	(2.03)	(2.44)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	108.77	104.69	106.03
 *after direct transaction costs of	-	-	-
Performance			
Return after charges	6.01%	0.65%	4.75%
Other information			
Closing net asset value (£'000)	402	534	1,095
Closing number of shares	369,643	510,149	1,032,875
Operating charges	1.05%	1.05%	1.04%
Direct transaction costs	-	-	-
Prices			
Highest share price	109.45	108.20	106.52
Lowest share price	102.76	104.58	102.88

Highest and Lowest share prices are based on official published daily NAVs priced at 12 noon on the last business day of the year. The closing net asset value per share is at close of business.

Kames Strategic Bond Fund

Comparative Tables (continued)

S Accumulation shares**	2019 (p/share)	2018 (p/share)
Change in net assets per share		
Opening net asset value per share	100.29	100.00
Return before operating charges*	7.21	0.40
Operating charges	(0.56)	(0.11)
Return after operating charges*	6.65	0.29
Distributions	(2.65)	(0.33)
Retained distributions on accumulation shares	2.65	0.33
Closing net asset value per share	106.94	100.29
 *after direct transaction costs of	-	-
Performance		
Return after charges	6.63%	0.29%
Other information		
Closing net asset value (£'000)	26,974	3,784
Closing number of shares	25,223,713	3,773,532
Operating charges	0.55%	0.55%
Direct transaction costs	-	-
Prices		
Highest share price	107.08	100.47
Lowest share price	99.11	99.74

S Income shares**	2019 (p/share)	2018 (p/share)
Change in net assets per share		
Opening net asset value per share	99.96	100.00
Return before operating charges*	7.07	0.39
Operating charges	(0.55)	(0.10)
Return after operating charges*	6.52	0.29
Distributions	(2.62)	(0.33)
Retained distributions on accumulation shares	-	-
Closing net asset value per share	103.86	99.96
 *after direct transaction costs of	-	-
Performance		
Return after charges	6.52%	0.29%
Other information		
Closing net asset value (£'000)	15,884	2,045
Closing number of shares	15,293,852	2,046,364
Operating charges	0.55%	0.55%
Direct transaction costs	-	-
Prices		
Highest share price	104.64	100.47
Lowest share price	98.17	99.74

Highest and Lowest share prices are based on official published daily NAVs priced at 12 noon on the last business day of the year. The closing net asset value per share is at close of business.

**Share classes launched on 22 May 2018.

Kames Strategic Bond Fund

Portfolio Statement

The sub-fund's investments as at 31 July 2019

Holding	Investment	Market valuation £'000	Total net assets %
	Euro Denominated Bonds (31 July 2018 20.09%)	76,514	29.54
	Corporate Bonds (31 July 2018 16.86%)	59,805	23.09
1,900,000	Abertis Infraestructuras 1.625% 15/07/2029	1,770	0.68
700,000	Algeco Global Finance 6.5% 15/02/2023	663	0.26
600,000	Ardagh Packaging Finance 2.125% 15/08/2026	550	0.21
2,300,000	Argentum Netherlands 3.5% 01/10/2046	2,442	0.94
2,000,000	Banco Bilbao Vizcaya Argentaria 5.875% Perpetual EUR200000 '5'	1,884	0.73
2,200,000	Banco Bilbao Vizcaya Argentaria 5.875% Perpetual EUR200000 '7'	2,082	0.80
2,200,000	Banco Santander 5.25% FRN Perpetual	2,047	0.79
2,000,000	Bayer 3.75% 01/07/2074	1,896	0.73
1,400,000	Caixa Geral de Depositos 5.75% 28/06/2028	1,422	0.55
1,200,000	CaixaBank 6.75% Perpetual	1,188	0.46
2,240,000	Catalent Pharma Solutions 4.75% 15/12/2024	2,109	0.81
1,400,000	Chubb INA 1.4% 15/06/2031	1,361	0.53
1,600,000	CPI Property 4.375% Perpetual	1,453	0.56
3,000,000	Danske Bank 2.5% 6/21/2029	2,873	1.11
2,100,000	DKT Finance 7% 17/06/2023	2,078	0.80
2,000,000	Erste 5.125% Perpetual	1,940	0.75
1,300,000	Euronext 1.125% 12/06/2029	1,242	0.48
2,400,000	Global Switch Holdings 2.25% 31/05/2027	2,395	0.92
2,200,000	innogy Finance 1.5% 31/07/2029	2,184	0.84
2,500,000	InterXion 4.75% 15/06/2025	2,473	0.95
1,600,000	Intesa Sanpaolo 6.25% Perpetual	1,511	0.58
2,600,000	LHC3 4.125% 15/08/2024	2,439	0.94
1,500,000	Logicor Financing Sarl 1.625% 15/07/2027	1,389	0.54
2,400,000	Mapfre 4.375% 31/03/2047	2,499	0.97
1,900,000	NN Group 4.5% Perpetual	1,945	0.75
1,800,000	Platin 1426 5.375% 15/06/2023	1,648	0.64
2,000,000	Swiss Re Finance Luxembourg 2.534% 30/04/2050	2,041	0.79
2,600,000	Tenneco 4.875% 15/04/2022	2,296	0.89
1,500,000	Trivium Packaging Finance 3.75% 15/08/2026	1,411	0.55
2,100,000	UniCredit 6.625% Perpetual	1,950	0.75
2,000,000	UniCredit 7.5% Perpetual	1,969	0.76
2,800,000	Volkswagen International Finance 3.875% Perpetual	2,655	1.03
	Government Bonds (31 July 2018 3.23%)	16,709	6.45
14,000,000	French Republic Government Bond OAT 0.25% 25/07/2024	14,750	5.69
1,600,000	Spain Government Bond 2.7% 31/10/2048	1,959	0.76
	Japanese Yen Denominated Bonds (31 July 2018 4.94%)	-	-
	Government Bonds (31 July 2018 4.94%)	-	-
	Sterling Denominated Bonds (31 July 2018 47.63%)	112,649	43.48
	Asset Backed Security (31 July 2018 2.66%)	9,241	3.57
1,200,000	Dignity Finance 4.6956% 31/12/2049	981	0.38
1,200,000	Income Contingent Student Loans 2 2007-2009 2.5% 24/07/2058	1,080	0.42
3,100,000	Telereal Secured Finance 4.01% 10/12/2031	2,562	0.99
1,900,000	Tesco Property Finance No.2 6.0517% 13/10/2039	2,123	0.82
3,850,000	THPA Finance 7.127% 15/03/2024	1,918	0.74
500,000	THPA Finance 8.241% 15/03/2028	577	0.22

Kames Strategic Bond Fund

Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
	Corporate Bonds (31 July 2018 24.32%)	85,754	33.10
1,400,000	Accent Capital 2.625% 18/07/2049	1,425	0.55
1,800,000	Aroundtown 3.625% 10/04/2031	1,866	0.72
1,800,000	Aroundtown 4.75% Perpetual	1,811	0.70
2,100,000	Arqiva Broadcast Finance 6.75% 30/09/2023	2,246	0.87
2,000,000	Arqiva Financing 5.34% 30/12/2037	2,450	0.95
1,500,000	AT&T 4.25% 01/06/2043	1,746	0.67
1,300,000	Aviva 6.875% 20/05/2058	1,720	0.66
1,700,000	AXA 5.453% Perpetual	1,907	0.74
1,600,000	BNP Paribas 3.375% 23/01/2026	1,740	0.67
2,100,000	BPCE 5.25% 16/04/2029	2,566	0.99
1,246,000	Channel Link Enterprises Finance 3.043% 30/06/2050	1,301	0.50
1,602,000	Cooperatieve Rabobank 6.91% Perpetual	2,371	0.91
2,000,000	CPUK Finance 4.25% 28/08/2022	2,024	0.78
1,400,000	Drax Finco 4.25% 01/05/2022	1,422	0.55
1,600,000	DS Smith 2.875% 26/07/2029	1,651	0.64
2,000,000	EI Group 7.5% 15/03/2024	2,120	0.82
1,900,000	Electricite de France 5.5% 27/03/2037	2,705	1.04
1,400,000	Electricite de France 6% Perpetual	1,527	0.59
1,300,000	Fiserv 3% 01/07/2031	1,383	0.53
1,600,000	GE Capital UK Funding Unlimited 5.875% 18/01/2033	2,033	0.78
1,650,000	Goldman Sachs 6.875% 18/01/2038	2,484	0.96
1,600,000	Grainger 3.375% 24/04/2028	1,683	0.65
2,385,000	HBOS Sterling Finance Jersey 7.881% Perpetual	3,601	1.39
1,900,000	Heathrow Funding 7.125% 14/02/2024	2,333	0.90
1,400,000	HSBC 6.25% 30/01/2041	2,010	0.78
1,400,000	HSBC Capital 5.844% Perpetual	1,844	0.71
2,100,000	Kelda Finance No.3 5.75% 17/02/2020	2,113	0.82
1,500,000	Legal & General 5.125% 14/11/2048	1,656	0.64
1,300,000	Legal & General 5.5% 27/06/2064	1,442	0.56
1,400,000	McDonald's 2.95% 15/03/2034	1,527	0.59
2,500,000	Mclaren Finance 5% 01/08/2022	2,333	0.90
2,400,000	Miller Homes 5.5% 15/10/2024	2,437	0.94
900,000	National Grid Electricity Transmission 2.75% 06/02/2035	994	0.38
2,300,000	Pinnacle Bidco 6.375% 15/02/2025	2,425	0.94
1,800,000	Prudential 5% 20/07/2055	1,944	0.75
1,000,000	Prudential 5.625% 20/10/2051	1,109	0.43
1,500,000	Sainsbury's Bank 6% 23/11/2027	1,521	0.59
1,900,000	SP Manweb 4.875% 20/09/2027	2,365	0.91
1,900,000	SSE 3.875% Perpetual	1,921	0.74
1,400,000	SSE 6.25% 27/08/2038	2,122	0.82
2,000,000	Telefonica Emisiones 5.445% 08/10/2029	2,606	1.01
1,600,000	UNITE Group 3.5% 15/10/2028	1,719	0.66
1,600,000	Wells Fargo 4.875% 29/11/2035	2,059	0.79
1,400,000	Western Power Distribution 3.5% 16/10/2026	1,492	0.58
	Government Bonds (31 July 2018 20.65%)	17,654	6.81
11,500,000	United Kingdom Gilt 1% 22/04/2024	11,829	4.56
1,600,000	United Kingdom Gilt 1.5% 22/07/2026	1,715	0.66
2,400,000	United Kingdom Gilt 1.625% 22/10/2028	2,617	1.01
500,000	United Kingdom Gilt Inflation Linked 0.125% 22/03/2068	1,493	0.58

Kames Strategic Bond Fund

Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
	United States Dollar Denominated Bonds (31 July 2018: 22.57%)	63,722	24.60
	Asset Backed Security (31 July 2018 0.36%)	-	-
	Corporate Bonds (31 July 2018 5.18%)	52,985	20.45
2,700,000	Allergan Funding 4.55% 15/03/2035	2,276	0.88
2,300,000	Barclays 8% Perpetual	1,973	0.76
2,100,000	Becton Dickinson 4.685% 15/12/2044	1,878	0.72
2,200,000	BP Capital Markets America 4.234% 06/11/2028	1,995	0.77
2,700,000	Cooperatieve Rabobank 5.25% 04/08/2045	2,661	1.03
1,900,000	Credit Suisse 7.5% Perpetual	1,649	0.64
2,400,000	Danske Bank 5.375% 12/01/2024	2,133	0.82
2,100,000	Danske Bank 7% Perpetual	1,786	0.69
1,785,000	Dresdner Funding Trust I 8.151% 30/06/2031	1,982	0.77
2,400,000	FMG Resources August 2006 4.75% 15/05/2022	2,012	0.78
2,200,000	Fresenius Medical Care US Finance III 3.75% 15/06/2029	1,786	0.69
3,315,000	JPMorgan Chase 5.73575% FRN Perpetual	2,707	1.04
2,100,000	Lloyds Banking 6.657% Perpetual	1,814	0.70
3,100,000	MGM Resorts International 4.625% 01/09/2026	2,595	1.00
1,400,000	Owens-Brockway Glass Container 5.875% 15/08/2023	1,230	0.47
1,600,000	Panther BF Aggregator 2 8.5% 15/05/2027	1,327	0.51
2,700,000	Park Aerospace Holdings 5.25% 15/08/2022	2,326	0.90
3,700,000	Royal Bank of Scotland 4.64988% FRN Perpetual	2,848	1.10
2,500,000	Royal Bank of Scotland 7.648% Perpetual	2,687	1.04
1,500,000	Takeda Pharmaceutical 5% 26/11/2028	1,407	0.54
2,600,000	Total Capital International 3.461% 12/07/2049	2,118	0.82
3,000,000	Tullow Oil 7% 01/03/2025	2,476	0.96
3,100,000	UniCredit 7.83% 04/12/2023	2,927	1.13
3,500,000	Unitymedia 6.125% 15/01/2025	2,983	1.15
1,600,000	Vinci 3.75% 10/04/2029	1,409	0.54
	Government Bonds (31 July 2018 17.03%)	10,737	4.15
6,200,000	US Treasury Bond 2.875% 15/05/2028	5,426	2.10
5,900,000	US Treasury Inflation Indexed Bond 1% 15/02/2048	5,311	2.05
	Derivatives and Futures Contracts (31 July 2018 (1.07%))	(9,530)	(3.68)
	Credit Default Swaps (31 July 2018 (0.23%))	(4,963)	(1.92)
60,000,000	Barclays Buy Protection Itraxx EUR Main S31 5-yr June 2024	(1,459)	(0.56)
15,000,000	Barclays Buy Protection Markit CDX Hy Cdsi S28 5-yr June 2024	(1,031)	(0.40)
18,000,000	BNP Paribas Buy Protection Markit CDX Hy Cdsi S28 5-yr June 2024	(1,238)	(0.48)
60,000,000	BNP Paribas Sell Protection CDX LG S32 5-yr June 2024	1,102	0.42
15,000,000	Goldman Sachs Buy Protection Markit CDX Hy Cdsi S28 5-yr June 2024	(1,031)	(0.40)
19,000,000	Goldman Sachs Buy Protection Markit CDX Hy Cdsi S32 5-yr June 2024	(1,306)	(0.50)
	Forward Foreign Exchange Contracts (31 July 2018 (0.85%))	(3,991)	(1.54)
	Bought EUR 3,500,000 Sold GBP 3,128,309	59	0.02
	Bought EUR 2,000,000 Sold GBP 1,788,920	32	0.01
	Bought EUR 2,500,000 Sold GBP 2,253,733	23	0.01
	Bought EUR 1,800,000 Sold GBP 1,627,263	12	-
	Bought EUR 800,000 Sold GBP 720,300	8	-
	Bought EUR 400,000 Sold GBP 359,332	5	-
	Bought GBP 1,259,321 Sold EUR 1,400,000	(15)	(0.01)
	Bought GBP 1,712,169 Sold EUR 1,900,000	(18)	(0.01)
	Bought GBP 3,229,030 Sold EUR 3,600,000	(49)	(0.02)
	Bought GBP 78,116,024 Sold EUR 87,450,000	(1,515)	(0.58)
	Bought GBP 880,979 Sold USD 1,100,000	(15)	(0.01)
	Bought GBP 5,936,869 Sold USD 7,500,000	(175)	(0.06)
	Bought GBP 67,580,810 Sold USD 86,200,000	(2,668)	(1.03)
	Bought USD 3,800,000 Sold GBP 3,023,351	73	0.03
	Bought USD 4,000,000 Sold GBP 3,199,225	60	0.02

Kames Strategic Bond Fund

Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
	Forward Foreign Exchange Contracts (continued)		
	Bought USD 2,500,000 Sold GBP 1,999,275	38	0.02
	Bought USD 2,600,000 Sold GBP 2,082,020	37	0.02
	Bought USD 1,500,000 Sold GBP 1,188,182	34	0.01
	Bought USD 2,000,000 Sold GBP 1,601,205	29	0.01
	Bought USD 800,000 Sold GBP 624,799	27	0.01
	Bought USD 700,000 Sold GBP 548,463	22	0.01
	Bought USD 1,250,000 Sold GBP 1,001,018	18	0.01
	Bought USD 2,500,000 Sold GBP 2,050,250	(13)	-
	Futures Contracts (31 July 2018 0.01%)	(576)	(0.22)
(130)	Australia 10 Year Bond Future Contract September 2019	(90)	(0.04)
(100)	EURO Bond Future Contract September 2019	(239)	(0.09)
(41)	EURO-BTP Bond Future Contract September 2019	(79)	(0.03)
110	Long Gilt Future Contract September 2019	41	0.02
300	US 5 Year Note Future Contract September 2019	(83)	(0.03)
250	US 10 Year Note Future Contract September 2019	9	-
(140)	US 10 Year Ultra Future Contract September 2019	(132)	(0.05)
(40)	US Ultra Bond (CBT) Future Contract September 2018	(3)	-
	Portfolio of investments*	243,355	93.94
	Net other assets	15,705	6.06
	Total net assets attributable to shareholders	259,060	100.00

Analysis of investments by asset class

	Market value £'000	Value of investments %
Bonds	252,885	97.62
Derivatives	(9,530)	(3.68)
Portfolio of investments*	243,355	93.94
Net other assets	15,705	6.06
Total net assets attributable to shareholders	259,060	100.00

The comparative percentage figures in brackets are at 31 July 2018.

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

*Includes investment liabilities.

Kames Strategic Bond Fund

Statement of Total Return for the year ended 31 July 2019

			2019		2018
	Note	£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	2		10,099		(3,510)
Revenue	3	10,216		10,638	
Expenses	4	(2,551)		(2,783)	
Interest payable and similar charges	6	<u>(864)</u>		<u>(1,633)</u>	
Net revenue before taxation		6,801		6,222	
Taxation	5	<u>(32)</u>		<u>(14)</u>	
Net revenue after taxation			<u>6,769</u>		<u>6,208</u>
Total return before distributions			16,868		2,698
Distributions	6		<u>(6,771)</u>		<u>(6,208)</u>
Change in net assets attributable to shareholders from investment activities			10,097		(3,510)

Statement of Change in Net Assets Attributable to Shareholders for the year ended 31 July 2019

		2019		2018
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		317,370		369,147
Amounts receivable on creation of shares	72,505		141,376	
Amounts payable on cancellation of shares	<u>(145,317)</u>		<u>(193,946)</u>	
		(72,812)		(52,570)
Dilution adjustment		97		332
Change in net assets attributable to shareholders from investment activities		10,097		(3,510)
Retained distribution on accumulation shares		<u>4,308</u>		<u>3,971</u>
Closing net assets attributable to shareholders		259,060		317,370

Kames Strategic Bond Fund

Balance Sheet as at 31 July 2019

			2019		2018
	Note	£'000	£'000	£'000	£'000
Assets					
Fixed assets:					
Investments			254,514		302,703
Current assets:					
Debtors	7	8,583		4,404	
Cash and bank balances	8	<u>13,876</u>		<u>16,922</u>	
			<u>22,459</u>		<u>21,326</u>
Total assets			276,973		324,029
Liabilities					
Investment liabilities			11,159		3,874
Creditors					
Bank overdrafts	9	-		25	
Distributions payable		440		475	
Other creditors	10	<u>6,314</u>		<u>2,285</u>	
Total liabilities			<u>17,913</u>		<u>6,659</u>
Net assets attributable to shareholders			259,060		317,370

Kames Strategic Bond Fund

Notes to the Financial Statements

1 Accounting policies

The sub-fund's financial statements have been prepared on the basis disclosed on pages 11 to 13.

2 Net capital gains/(losses)

Net capital gains/(losses) comprise:

	2019	2018
	£'000	£'000
Gains/(losses) on non-derivative securities	19,542	(6,964)
Losses on forward currency contracts	(6,176)	(147)
Currency exchange gains	537	362
(Losses)/gains on derivative securities	(3,800)	3,243
Transaction charges	(4)	(4)
Net capital gains/(losses)	10,099	(3,510)

3 Revenue

	2019	2018
	£'000	£'000
Interest on debt securities	10,617	10,581
Derivative revenue	(506)	-
Bank interest	105	57
Total revenue	10,216	10,638

4 Expenses*

	2019	2018
	£'000	£'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	2,412	2,647
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fee	69	71
Other expenses:		
Audit fee**	11	11
FT publishing fee	5	3
KIID fee	-	3
PRIIPs fees	4	-
Registrar's fee	34	33
Safe custody charge	16	15
	70	65
Total expenses	2,551	2,783

*All expenditure stated above is inclusive of irrecoverable VAT where applicable.

**The audit fee (excluding VAT) incurred during the year was £9,553 (2018: £9,275).

5 Taxation

a) Analysis of charge in the year

	2019	2018
	£'000	£'000
Current tax:		
Overseas tax suffered	32	14
Total tax charge for the year (see note 5 (b))	32	14

Kames Strategic Bond Fund

Notes to the Financial Statements (continued)

5 Taxation (continued)

b) Factors affecting tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax for Open Ended Investment Companies 'OEICs' (20%).

The differences are explained below:

	2019	2018
	£'000	£'000
Net revenue before taxation	6,801	6,222
Corporation tax 20% (2018: 20%)	1,360	1,244
Effects of:		
Overseas tax suffered	32	14
Relief on overseas tax suffered	(6)	(3)
Tax deductible interest distributions	(1,286)	(1,216)
UK indexation relief	(68)	(25)
Total tax charge for the year (see note 5 (a))	32	14

Open Ended Investment Companies are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliations.

6 Interest and distributions

a) Interest payable and similar charges

	2019	2018
	£'000	£'000
Interest	35	36
Futures expense	-	940
Swaps expense	829	657
Interest payable and similar charges	864	1,633

b) Distributions

The distributions take account of amounts receivable on the issue of shares and amounts deductible on the cancellation of shares, and comprise:

	2019	2018
	£'000	£'000
Interim distributions	5,177	4,655
Final distribution	1,374	1,294
	6,551	5,949
Add: amounts deductible on cancellation of shares	426	528
Less: amounts receivable on creation of shares	(206)	(269)
Distributions	6,771	6,208

Details of the distributions are set out in the tables on pages 127 and 128.

c) Movement between net revenue and distribution

	2019	2018
	£'000	£'000
Net revenue after taxation	6,769	6,208
Equalisation on conversions	2	-
Distributions	6,771	6,208

7 Debtors

	2019	2018
	£'000	£'000
Accrued revenue	2,780	2,955
Amounts receivable for the issue of shares	245	1,040
Sales awaiting settlement	5,558	409
Debtors	8,583	4,404

Kames Strategic Bond Fund

Notes to the Financial Statements (continued)

8 Cash and bank balances

	2019	2018
	£'000	£'000
Amounts held at futures clearing houses and brokers*	10,251	4,598
Cash and bank balances	3,625	805
Money market deposits	-	11,519
Cash and bank balances	13,876	16,922

*Includes cash pledged as collateral of £9,060,000 (2018: £3,130,000).

9 Bank overdrafts

	2019	2018
	£'000	£'000
Cash overdrafts at broker	-	18
Bank overdrafts	-	7
Bank overdrafts	-	25

10 Other creditors

	2019	2018
	£'000	£'000
Accrued expenses*	236	266
Amounts payable for cancellation of shares	1,543	2,019
Purchases awaiting settlement	4,535	-
Other creditors	6,314	2,285

*Includes accrued ACD's periodic charge of £182,000 (2018: £228,000).

11 Related parties

The ACD's periodic charge paid to Kames Capital plc, (the ACD) are shown in Note 4 and details of amounts received and paid on shares issued and cancelled are shown in the Statement of Change in Net Assets Attributable to Shareholders. The balance due to the ACD in respect of these transactions as at 31 July 2019 is £1,480,000 (2018: £1,207,000 due to the ACD), a breakdown can be found in Notes 7 and 10. At the year-end 7.35% (2018: 6.04%) of the shares in issue were owned by AEGON Group or AEGON UK companies.

12 Contingent assets, liabilities and commitments

There were no contingent assets, liabilities or commitments present in the sub-fund as at 31 July 2019 (2018: Nil).

13 Financial instruments and risk

The risks associated with the sub-fund are market, concentration, valuation, yield, liquidity, counterparty, and interest rate risk. Narrative disclosures are on pages 14 and 15.

Analysis of investments by credit ratings

	2019		2018	
	Market value	Value of investments	Market value	Value of investments
	£'000	%	£'000	%
Rated bonds at investment grade	167,987	64.83	200,531	63.18
Rated bonds below investment grade	83,277	32.20	59,347	18.70
Unrated bonds	1,521	0.59	42,359	13.35
Derivatives	(9,530)	(3.68)	(3,408)	(1.07)
Portfolio of investments	243,255	93.94	298,829	94.16
Net other assets	15,705	6.06	18,541	5.84
Total net assets attributable to shareholders	258,960	100.00	317,370	100.00

Note - Investment grade bonds are defined as bonds with a Standard & Poor's, Moody's or Fitch's rating of BBB-, Baa3 and BBB- or above respectively.

Currency exposure

The revenue and capital value of the sub-fund's investments can be affected by foreign currency translation movements as a proportion of the sub-fund's assets and revenue are denominated in currencies other than sterling.

Kames Strategic Bond Fund

Notes to the Financial Statements (continued)

13 Financial instruments and risk (continued)

An analysis of assets and liabilities is detailed below in the currency exposure table:

As at 31 July 2019

Currency	Total £'000
Australian Dollar	52
Canadian Dollar	2
Euro	(203)
Japanese Yen	3
Sterling	258,661
United States Dollar	545
	259,060

As at 31 July 2018

Currency	Total £'000
Australian Dollar	400
Canadian Dollar	176
Euro	1,098
Japanese Yen	2,181
Sterling	309,646
United States Dollar	3,869
	317,370

Interest rate risk

The interest rate profile of the sub-fund's interest bearing assets and liabilities at 31 July 2019 was:

Currency	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Euro	2,047	74,467	12,456	88,970
Sterling	-	112,649	164,220	276,869
United States Dollar	5,555	58,167	19,434	83,156
Cash at bank				
Australian Dollar	142	-	-	142
Canadian Dollar	2	-	-	2
Euro	464	-	-	464
Japanese Yen	3	-	-	3
Sterling	2,442	-	-	2,442
United States Dollar	572	-	-	572
Cash at brokers				
Sterling	10,251	-	-	10,251
	21,478	245,283	196,110	462,871

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Australian Dollar	-	-	(90)	(90)
Euro	-	-	(89,637)	(89,637)
Sterling	-	-	(30,901)	(30,901)
United States Dollar	-	-	(83,183)	(83,183)
	-	-	(203,811)	(203,811)

Kames Strategic Bond Fund

Notes to the Financial Statements (continued)

13 Financial instruments and risk (continued)

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

Currency	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Euro	-	63,748	972	64,720
Japanese Yen	-	15,682	1,950	17,632
Sterling	2,915	148,265	173,835	325,015
United States Dollar	2,540	69,087	23,470	95,097
Cash at bank				
Australian Dollar	400	-	-	400
Canadian Dollar	176	-	-	176
Euro	210	-	-	210
Japanese Yen	15	-	-	15
United States Dollar	4	-	-	4
Cash at brokers				
Sterling	4,598	-	-	4,598
Cash on deposit				
Sterling	7,263	-	-	7,263
United States Dollar	4,256	-	-	4,256
	22,377	296,782	200,227	519,386

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Euro	-	-	(63,814)	(63,814)
Japanese Yen	-	-	(15,466)	(15,466)
Sterling	-	-	(27,223)	(27,223)
United States Dollar	-	-	(95,488)	(95,488)
Cash at bank				
Sterling	(7)	-	-	(7)
Cash at brokers				
Euro	(18)	-	-	(18)
	(25)	-	(201,991)	(202,016)

Floating rate financial assets and financial liabilities, sterling denominated bank balances and bank overdrafts bear interest at rates based on SONIA. Foreign currency bank balances bear interest at rates based on LIBOR or its international equivalent. Euro denominated floating rate notes bear interest at rates based on EURIBOR.

Derivative risk

The sub-fund invests in derivatives, consistent with the investment objective of the sub-fund, as outlined in the derivative risks section on page 15.

VaR Disclosure

The Manager assesses the market risk of the sub-fund's investments, including any derivative exposure, using a value at risk methodology. This process provides the Manager with an estimate of the maximum potential loss that could be expected to occur as a result of changes in market prices over a given period of time in all but a given percentage of circumstances. The value at risk is calculated on a 95.00% (2018: 95.00%) confidence interval with a one month time horizon and a five year history, using the Historical model. The sub-fund has an absolute VaR limit of 14.10% (2018: 14.10%). As at the balance sheet date, the sub-fund's value at risk is 1.53% (2018: 0.91%).

The following table details the lowest, highest and average utilisation of the VaR limit:

	Lowest Utilisation (%)	Highest Utilisation (%)	Average Utilisation (%)
31 July 2019	0.67	1.61	1.15
31 July 2018	0.81	1.47	1.13

Kames Strategic Bond Fund

Notes to the Financial Statements (continued)

13 Financial instruments and risk (continued)

Leverage

Average leverage is calculated as the sum of the net asset value and the incremental exposure generated through the use of derivatives (calculated in accordance with the commitment approach (CESR/10-788)) divided by the net asset value. As at 31 July 2019 the average leverage was 133.44% (2018: 152.65%).

Counterparty risk

The risk of entering an arrangement with a counterparty, which is itself subject to financial risks which may affect its ability to trade as a going concern.

The ACD maintains a list of approved counterparties. This list is regularly monitored and revised for changes based on the counterparty's credit-worthiness, market reputation and expectations of future financial performance. Transactions will only be opened with financial intermediaries on the approved counterparties list.

The sub-fund's use of exchange traded derivatives are considered to be free of counterparty risk if the derivative is traded on an exchange where the clearing house is backed by an appropriate performance guarantee and it is characterised by a daily mark-to-market valuation of the derivative position and at least daily margining.

At 31 July 2019, the market value of the exchange traded derivatives held by the sub-fund was £(576,000) (2018: £19,000).

The following details exposure to counterparties obtained through the use of derivatives:

As at 31 July 2019

Counterparty	Futures Exposure £'000	Credit default swaps Exposure £'000	Forward Foreign Exchange Contracts Exposure £'000	Collateral Pledge £'000
Barclays	-	-	-	860
BNP Paribas	-	-	-	1,070
Citigroup	-	-	-	5,040
Goldman Sachs International	-	-	-	2,090

As at 31 July 2018

Counterparty	Futures Exposure £'000	Credit default swaps Exposure £'000	Forward Foreign Exchange Contracts Exposure £'000	Collateral Pledge £'000
Citigroup	-	-	-	2,460
Goldman Sachs International	-	-	-	670
UBS	19	-	-	-

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

14 Portfolio transaction costs

Purchases

31 July 2019	Value £'000	Commissions £'000	Other Costs* %	£'000	%
Bonds	716,077	-	-	-	-
Total	716,077	-	-	-	-
Total purchases including transaction costs	716,077				
31 July 2018					
Bonds	858,518	-	-	-	-
Total	858,518	-	-	-	-
Total purchases including transaction costs	858,518				

Kames Strategic Bond Fund

Notes to the Financial Statements (continued)

14 Portfolio transaction costs (continued)

Sales

31 July 2019	Value £'000	Commissions £'000	%	Other Costs* £'000	%
Bonds	785,385	-	-	-	-
Total	785,385	-		-	
Total sales net of transaction costs	785,385				

31 July 2018	Value £'000	Commissions £'000	%	Other Costs* £'000	%
Bonds	904,167	-	-	-	-
Total	904,167	-		-	
Total sales net of transaction costs	904,167				

Derivatives

31 July 2019	Commissions £'000
Futures	57
31 July 2018	
Futures	82

*Other Costs includes taxes and any other costs other than commissions incurred by the sub-fund when buying and selling an underlying investment.

The purchases and sales are not subject to portfolio transaction costs.

Portfolio transaction costs are incurred by the sub-fund when buying and selling underlying investments. These vary depending on the class of investment, country of exchange and method of execution. These costs can be classified as either direct or indirect transaction costs:

Direct transaction costs: Broker commissions, fees and taxes.

Indirect transaction costs: 'Dealing spread' - the difference between the buying and selling prices of the sub-fund's underlying investments.

In order to protect existing investors from the effects of dilution, portfolio transaction costs incurred as a result of investors buying and selling shares in the sub-fund are recovered from those investors through a 'dilution adjustment' to the price they pay or receive.

At the balance sheet date, the portfolio dealing spread was 0.57% (2018: 0.36%), being the difference between the respective bid and offer prices for the sub-fund's investments.

15 Fair value of financial assets and financial liabilities

The fair value hierarchy is intended to prioritise the inputs that are used to measure the fair value of assets and liabilities. The fair value hierarchy has the following levels:

Level 1 – Unadjusted quoted price in an active market for an identical instrument.

Level 2 – Valuation techniques using observable inputs other than quoted prices within level 1.

Level 3 – Valuation techniques using unobservable inputs.

Valuation	2019		2018	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
1 - Quoted prices	43,191	(626)	142,196	(392)
2 - Observable market data	211,323	(10,533)	160,507	(3,482)
3 - Unobservable data	-	-	-	-
	254,514	(11,159)	302,703	(3,874)

Kames Strategic Bond Fund

Notes to the Financial Statements (continued)

16 Share classes

The sub-fund currently has four share classes; A (Retail), B (Institutional), D (Retail) and S (Institutional). The ACD's periodic charge on each share class is as follows:

A share class: 1.25%

B share class: 0.75%

D share class: 1.00%

S share class: 0.50%

The net asset value of each share class, the net asset value per share, and the number of shares in each class are given in the comparative tables on pages 109 to 112. The distribution per share class is given in the distribution tables on pages 127 and 128. All share classes have the same rights on winding up.

Share class movement reconciliation

31 July 2019	Opening	Creations	Cancellations	Converted	Closing
A Accumulation	29,632,538	3,007,049	(7,500,470)	(231,585)	24,907,532
A Income	1,505,822	12,214	(347,672)	(57,048)	1,113,316
B Accumulation	118,425,205	15,415,810	(56,228,661)	474,285	78,086,639
B Income	88,333,957	7,309,622	(40,152,748)	(6,394,108)	49,096,723
D Accumulation	1,012,072	20,555	(417,743)	23,471	638,355
D Income	510,149	13,609	(154,115)	-	369,643
S Accumulation	3,773,532	25,820,247	(4,555,396)	185,330	25,223,713
S Income	2,046,364	13,223,066	(7,372,382)	7,396,804	15,293,852

Kames Strategic Bond Fund

Distribution Tables

Share Class A Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Streaming Unfranked	2017/8 Total Payable
31/10/18	31/12/18	Group 1	0.8220	N/A	0.8220	0.00%	100.00%	0.7784
		Group 2	0.3485	0.4735				
31/01/19	31/03/19	Group 1	0.8637	N/A	0.8637	0.00%	100.00%	0.9725
		Group 2	0.4810	0.3827				
30/04/19	30/06/19	Group 1	1.0684	N/A	1.0684	0.00%	100.00%	0.8660
		Group 2	0.5668	0.5016				
31/07/19	30/09/19	Group 1	0.8571	N/A	0.8571	0.00%	100.00%	0.5959
		Group 2	0.4803	0.3768				

Share Class A Income

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Streaming Unfranked	2017/8 Total Payable
31/10/18	31/12/18	Group 1	0.5181	N/A	0.5181	0.00%	100.00%	0.4987
		Group 2	0.3394	0.1787				
31/01/19	31/03/19	Group 1	0.5416	N/A	0.5416	0.00%	100.00%	0.6245
		Group 2	0.0000	0.5416				
30/04/19	30/06/19	Group 1	0.6685	N/A	0.6685	0.00%	100.00%	0.5501
		Group 2	0.3316	0.3369				
31/07/19	30/09/19	Group 1	0.5324	N/A	0.5324	0.00%	100.00%	0.3759
		Group 2	0.2438	0.2886				

Share Class B Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Streaming Unfranked	2017/8 Total Payable
31/10/18	31/12/18	Group 1	0.6767	N/A	0.6767	0.00%	100.00%	0.6457
		Group 2	0.3657	0.3110				
31/01/19	31/03/19	Group 1	0.7020	N/A	0.7020	0.00%	100.00%	0.7711
		Group 2	0.4393	0.2627				
30/04/19	30/06/19	Group 1	0.8360	N/A	0.8360	0.00%	100.00%	0.6991
		Group 2	0.3871	0.4489				
31/07/19	30/09/19	Group 1	0.7080	N/A	0.7080	0.00%	100.00%	0.5284
		Group 2	0.3681	0.3399				

Share Class B Income

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Streaming Unfranked	2017/8 Total Payable
31/10/18	31/12/18	Group 1	0.6644	N/A	0.6644	0.00%	100.00%	0.6477
		Group 2	0.3527	0.3117				
31/01/19	31/03/19	Group 1	0.6844	N/A	0.6844	0.00%	100.00%	0.7705
		Group 2	0.3856	0.2988				
30/04/19	30/06/19	Group 1	0.8114	N/A	0.8114	0.00%	100.00%	0.6934
		Group 2	0.3776	0.4338				
31/07/19	30/09/19	Group 1	0.6829	N/A	0.6829	0.00%	100.00%	0.5211
		Group 2	0.3906	0.2923				

All distributions above are in pence per share unless specifically stated.

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

Kames Strategic Bond Fund

Distribution Tables (continued)

Share Class D Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Streaming Unfranked	2017/8 Total Payable
31/10/18	31/12/18	Group 1	0.5737	N/A	0.5737	0.00%	100.00%	0.5459
		Group 2	0.1665	0.4072				
31/01/19	31/03/19	Group 1	0.5985	N/A	0.5985	0.00%	100.00%	0.6672
		Group 2	0.2517	0.3468				
30/04/19	30/06/19	Group 1	0.7261	N/A	0.7261	0.00%	100.00%	0.5997
		Group 2	0.2489	0.4772				
31/07/19	30/09/19	Group 1	0.5991	N/A	0.5991	0.00%	100.00%	0.4368
		Group 2	0.3613	0.2378				

Share Class D Income

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Streaming Unfranked	2017/8 Total Payable
31/10/18	31/12/18	Group 1	0.5131	N/A	0.5131	0.00%	100.00%	0.4974
		Group 2	0.3744	0.1387				
31/01/19	31/03/19	Group 1	0.5314	N/A	0.5314	0.00%	100.00%	0.6033
		Group 2	0.1813	0.3501				
30/04/19	30/06/19	Group 1	0.6414	N/A	0.6414	0.00%	100.00%	0.5399
		Group 2	0.1967	0.4447				
31/07/19	30/09/19	Group 1	0.5272	N/A	0.5272	0.00%	100.00%	0.3910
		Group 2	0.2762	0.2510				

Share Class S Accumulation**

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Streaming Unfranked	2017/8 Total Payable
31/10/18	31/12/18	Group 1	0.6184	N/A	0.6184	0.00%	100.00%	N/A
		Group 2	0.2564	0.3620				
31/01/19	31/03/19	Group 1	0.6425	N/A	0.6425	0.00%	100.00%	N/A
		Group 2	0.3497	0.2928				
30/04/19	30/06/19	Group 1	0.7419	N/A	0.7419	0.00%	100.00%	N/A
		Group 2	0.4331	0.3088				
31/07/19	30/09/19	Group 1	0.6479	N/A	0.6479	0.00%	100.00%	0.3300
		Group 2	0.3956	0.2523				

Share Class S Income**

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Streaming Unfranked	2017/8 Total Payable
31/10/18	31/12/18	Group 1	0.6163	N/A	0.6163	0.00%	100.00%	N/A
		Group 2	0.2630	0.3533				
31/01/19	31/03/19	Group 1	0.6351	N/A	0.6351	0.00%	100.00%	N/A
		Group 2	0.3812	0.2539				
30/04/19	30/06/19	Group 1	0.7323	N/A	0.7323	0.00%	100.00%	N/A
		Group 2	0.3700	0.3623				
31/07/19	30/09/19	Group 1	0.6338	N/A	0.6338	0.00%	100.00%	0.3306
		Group 2	0.4584	0.1754				

All distributions above are in pence per share unless specifically stated.

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

**Share class launched on 22 May 2018.

Kames Global Equity Fund

Fund objective*

The primary investment objective is to provide capital growth by exploiting special investment situations and opportunities throughout the world by investing globally.

Risk profile

The sub-fund is designed for retail and institutional investors seeking pooled exposure to the global equity market and who are comfortable with a higher level of investment risk. In most cases, we expect the sub-fund to be held as part of a diversified portfolio which may include other assets e.g. bonds, equities, property and cash. While investors will normally be able to liquidate their holdings on a daily basis, unit prices will fluctuate and may fall significantly in value. Consequently, it is important to understand that the sub-fund should be viewed as a longer term investment.

The sub-fund is actively managed and exposed to a range of risks, which are listed and defined in the Kames Capital ICVC Prospectus. The most material risks from this list also appear in our Key Investor Information documents (KIID) where they are summarised in an easy-to-read format. You can find both of these documents on our website at www.kamescapital.com.

Performance**

The Kames Global Equity Fund returned 0.75% compared to the peer group median return of 9.95%. The peer group is the Investment Association Global sector.

Strategy review***

Global equity markets came under significant pressure over the year. Initially, volatility levels were elevated, due mainly to the potential escalation of the US-China trade war, Brexit negotiations and Italy's budget plans. At the same time, the US Federal Reserve's monetary tightening policy began to have an impact in cooling a very strong US economy. Many of the more defensive sectors performed well over the first half of the period while cyclical and growth sectors underperformed.

While the market fell heavily towards the end of 2018 it subsequently recovered as we moved into 2019 and continued to do well up to the end of the period. The main catalyst for the improved backdrop was the monetary policy easing activity by central banks. Markets particularly took comfort from the change of interest rate rhetoric by the US Federal Reserve as well as policy easing by China and the ECB. There was also more optimism over the outcome of US/China trade talks and, in the UK, less pessimism around the likelihood of a 'no deal' hard Brexit scenario.

Stock selection accounted for the majority of the sub-fund's underperformance over the period. In keeping with markets, performance came under significant pressure towards the end of 2018 before recovering in 2019. The largest detractors came from growth stocks towards the smaller end of the market-cap spectrum. Green Dot's innovative approach to using technology in finance has enabled it to grow strongly over the past few years as an alternative to the traditional big banks in the US. Management, however, reduced its revenue and earnings guidance during the period as a result of additional investment. We saw this as a sensible move on the part of the company to invest in its brand and growth opportunities and believed the resultant decline in the share price to be an overreaction. Another growth stock to suffer was SKC Kolon, although in this case near-term challenges for the company's end-markets added to the seemingly indiscriminate market sell-off towards the end of 2018.

BRP also de-rated towards the end of 2018. Sales remained buoyant but we decided to exit our position as we judged the stock would be particularly exposed to a pronounced global growth slowdown. Boingo Wireless, a US small-cap company that is the largest operator of indoor wireless networks in the US, also lost ground although there were no developments that made us reconsider our fundamental investment thesis.

A number of stocks we held managed to navigate the volatility and make positive contributions. Burlington Stores, for example, delivered a strong numbers and raised guidance for 2019. Anta Sports Products posted results which showed solid growth in its key brands, as well as solid cash flow. Other stocks that added value included Badger Daylighting (non-destructive excavation) which has used innovation in its respective markets to gain a strong competitive advantage and build revenues and earnings. MarketAxess, an electronic bond trading platform, benefited from a favourable market backdrop, with robust trading volumes and decent market share gains.

We continue to focus on identifying quality stock opportunities as a means of adding value to the sub-fund.

*Please note that the sub-fund's objective has been updated effective 7 August 2019. The latest update can be found in the fund's prospectus at www.kamescapital.com.

**Source: Lipper, % growth, income re-invested at pay date, NAV-NAV, GBP, net of Basic Rate Tax. Index returns are gross of Basic Rate Tax. Investors are invited to compare the sub-fund's performance against the performance of other funds within the Investment Association Global Sector. Comparison of the sub-fund against this Sector will give investors an indication of how the sub-fund is performing compared with funds investing in a similar but not identical investment universe. This comparison should be performed over at least a 7 year period to provide the most useful long term comparison.

***General references to markets and indices are to be considered as general market commentary only and (i) are not to be considered as a comparison of sub-fund performance against a benchmark (unless otherwise disclosed as such); and (ii) the index or indices do not operate as a performance target and the sub-fund's portfolio is not constrained by the index or indices.

Kames Global Equity Fund

Comparative Tables

A Accumulation shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	212.71	177.98	148.66
Return before operating charges*	0.45	37.86	31.97
Operating charges	(3.11)	(3.13)	(2.65)
Return after operating charges*	(2.66)	34.73	29.32
Distributions	-	-	-
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	210.05	212.71	177.98
 *after direct transaction costs of	 0.42	 0.36	 0.47
Performance			
Return after charges	(1.25)%	19.51%	19.72%
Other information			
Closing net asset value (£'000)	6,353	7,115	6,365
Closing number of shares	3,024,530	3,344,932	3,576,479
Operating charges	1.59%	1.59%	1.61%
Direct transaction costs	0.22%	0.18%	0.29%
Prices			
Highest share price	225.79	218.90	180.42
Lowest share price	171.73	177.76	146.90

B Accumulation shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	245.34	203.71	168.87
Return before operating charges*	0.66	43.53	36.45
Operating charges	(1.90)	(1.90)	(1.61)
Return after operating charges*	(1.24)	41.63	34.84
Distributions	(0.52)	(1.67)	(0.90)
Retained distributions on accumulation shares	0.52	1.67	0.90
Closing net asset value per share	244.10	245.34	203.71
 *after direct transaction costs of	 0.49	 0.41	 0.54
Performance			
Return after charges	(0.51)%	20.44%	20.63%
Other information			
Closing net asset value (£'000)	75,821	76,379	63,628
Closing number of shares	31,061,287	31,131,443	31,234,699
Operating charges	0.84%	0.84%	0.86%
Direct transaction costs	0.22%	0.18%	0.29%
Prices			
Highest share price	260.57	252.41	206.45
Lowest share price	198.67	203.47	166.89

Highest and Lowest share prices are based on official published daily NAVs priced at 12 noon on the last business day of the year. The closing net asset value per share is at close of business.

Kames Global Equity Fund

Comparative Tables (continued)

D Accumulation shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	232.69	193.72	160.99
Return before operating charges*	0.58	41.31	34.72
Operating charges	(2.34)	(2.34)	(1.99)
Return after operating charges*	(1.76)	38.97	32.73
Distributions	-	(1.05)	(0.42)
Retained distributions on accumulation shares	-	1.05	0.42
Closing net asset value per share	230.93	232.69	193.72
 *after direct transaction costs of	 0.46	 0.39	 0.51
Performance			
Return after charges	(0.76)%	20.12%	20.33%
Other information			
Closing net asset value (£'000)	73	81	58
Closing number of shares	31,693	34,987	29,776
Operating charges	1.09%	1.08%	1.11%
Direct transaction costs	0.22%	0.18%	0.29%
Prices			
Highest share price	247.08	239.45	196.35
Lowest share price	188.23	193.49	159.09

E Accumulation shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	119.99	100.39	83.86
Return before operating charges*	0.25	21.36	18.02
Operating charges	(1.76)	(1.76)	(1.49)
Return after operating charges*	(1.51)	19.60	16.53
Distributions	-	-	-
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	118.48	119.99	100.39
 *after direct transaction costs of	 0.24	 0.20	 0.26
Performance			
Return after charges	(1.26)%	19.52%	19.71%
Other information			
Closing net asset value (£'000)	88	94	101
Closing number of shares	74,358	78,215	100,459
Operating charges	1.59%	1.58%	1.61%
Direct transaction costs	0.22%	0.18%	0.29%
Prices (Euros)	(c/share)	(c/share)	(c/share)
Highest share price	140.79	140.00	115.00
Lowest share price	107.51	111.00	97.00

Highest and Lowest share prices are based on official published daily NAVs priced at 12 noon on the last business day of the year. The closing net asset value per share is at close of business.

Kames Global Equity Fund

Comparative Tables (continued)

S Accumulation shares**	2019	2018
	(p/share)	(p/share)
Change in net assets per share		
Opening net asset value per share	107.38	100.00
Return before operating charges*	0.32	7.69
Operating charges	(0.49)	(0.31)
Return after operating charges*	(0.17)	7.38
Distributions	(0.58)	(0.76)
Retained distributions on accumulation shares	0.58	0.76
Closing net asset value per share	107.21	107.38
 *after direct transaction costs of	 0.21	 0.12
Performance		
Return after charges	(0.16)%	7.38%
Other information		
Closing net asset value (£'000)	1,589	1,635
Closing number of shares	1,481,500	1,522,500
Operating charges	0.49%	0.49%
Direct transaction costs	0.22%	0.18%
Prices		
Highest share price	114.08	110.49
Lowest share price	87.08	93.76

Highest and Lowest share prices are based on official published daily NAVs priced at 12 noon on the last business day of the year. The closing net asset value per share is at close of business.

**Share class launched on 19 December 2017.

Kames Global Equity Fund

Portfolio Statement

The sub-fund's investments as at 31 July 2019

Holding	Investment	Market valuation £'000	Total net assets %
	Equities (31 July 2018 99.69%)	81,636	97.27
	Australia (31 July 2018 0.00%)	866	1.03
229,737	Sandfire Resources	866	1.03
	Belgium (31 July 2018 1.05%)	-	-
	Canada (31 July 2018 6.45%)	2,956	3.52
100,047	Badger Daylighting	2,956	3.52
	China (31 July 2018 7.54%)	4,870	5.80
387,000	Anta Sports Products	2,366	2.82
2,578,000	Uni-President China	2,504	2.98
	Denmark (31 July 2018 0.00%)	871	1.04
14,198	Royal Unibrew	871	1.04
	Finland (31 July 2018 1.62%)	-	-
	France (31 July 2018 3.74%)	1,433	1.71
8,314	Teleperformance	1,433	1.71
	Germany (31 July 2018 0.00%)	3,452	4.11
43,148	CTS Eventim	1,780	2.12
36,053	Nemetschek	1,672	1.99
	Hong Kong (31 July 2018 0.00%)	-	-
128,000	China High Precision Automation*	-	-
	Ireland (31 July 2018 0.00%)	2,105	2.51
52,370	Kingspan	2,105	2.51
	Italy (31 July 2018 3.67%)	4,682	5.58
45,077	Amplifon	912	1.09
13,918	Diasorin	1,292	1.54
279,539	Technogym	2,478	2.95
	Japan (31 July 2018 6.61%)	9,087	10.83
48,100	Hoya	3,041	3.62
40,700	Japan Airport Terminal	1,387	1.65
17,900	Shimano	2,077	2.48
188,300	Systema	2,582	3.08
	Mexico (31 July 2018 4.19%)	1,687	2.01
1,231,071	Bolsa Mexicana de Valores	1,687	2.01
	Norway (31 July 2018 2.29%)	2,039	2.43
83,827	Tomra Systems	2,039	2.43
	South Korea (31 July 2018 4.56%)	1,026	1.22
21,567	Osstem Implant	1,026	1.22
	Spain (31 July 2018 2.88%)	-	-
	Sweden (31 July 2018 1.40%)	-	-
	Switzerland (31 July 2018 2.20%)	4,628	5.51
103,076	Coca-Cola	2,922	3.48
4,502	Geberit	1,706	2.03

Kames Global Equity Fund

Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
	Taiwan (31 July 2018 0.62%)	-	-
	Thailand (31 July 2018 2.36%)	1,474	1.76
1,174,400	PTT	1,474	1.76
	United Kingdom (31 July 2018 5.11%)	3,358	4.00
450,257	Auto Trader	2,439	2.91
303,565	Synthomer	919	1.09
68,000	TMO Renewables*	-	-
	United States (31 July 2018 43.40%)	37,102	44.21
24,987	Ansys	4,143	4.94
1,985	Atrion	1,238	1.47
112,655	Boingo Wireless	1,381	1.65
25,350	Burlington Stores	3,743	4.46
42,671	ESCO Technologies	2,912	3.47
67,308	Green Dot	2,786	3.32
30,327	Insperty	2,634	3.14
12,269	MarketAxess	3,377	4.02
75,230	Perficient	2,099	2.50
182,279	Photronics	1,434	1.71
6,946	SVB Financial	1,316	1.57
23,486	Teradyne	1,068	1.27
37,203	Tetra Tech	2,401	2.86
31,844	Vectrus	1,052	1.25
39,190	Viad	2,213	2.64
207,724	Zix	1,545	1.84
87,120	Zumiez	1,760	2.10
	Portfolio of investments	81,636	97.27
	Net other assets	2,288	2.73
	Total net assets attributable to shareholders	83,924	100.00

The comparative percentage figures in brackets are at 31 July 2018.

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

As all holdings are equity shares there is no analysis of the portfolio by asset class.

*Unlisted, suspended and delisted securities within the meaning of the FCA's COLL.

Kames Global Equity Fund

Statement of Total Return for the year ended 31 July 2019

			2019		2018
	Note	£'000	£'000	£'000	£'000
Income					
Net capital (losses)/gains	2		(670)		14,144
Revenue	3	932		1,366	
Expenses	4	(719)		(714)	
Interest payable and similar charges	6	<u>(3)</u>		<u>(3)</u>	
Net revenue before taxation		210		649	
Taxation	5	<u>(74)</u>		<u>(112)</u>	
Net revenue after taxation			<u>136</u>		<u>537</u>
Total return before distributions			(534)		14,681
Distributions	6		<u>(174)</u>		<u>(540)</u>
Change in net assets attributable to shareholders from investment activities			(708)		14,141

Statement of Change in Net Assets Attributable to Shareholders for the year ended 31 July 2019

		2019		2018
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		85,304		70,152
Amounts receivable on creation of shares	20,361		13,565	
Amounts payable on cancellation of shares	<u>(21,229)</u>		<u>(13,097)</u>	
		(868)		468
Dilution adjustment		26		11
Change in net assets attributable to shareholders from investment activities		(708)		14,141
Retained distribution on accumulation shares		<u>170</u>		<u>532</u>
Closing net assets attributable to shareholders		83,924		85,304

Kames Global Equity Fund

Balance Sheet as at 31 July 2019

			2019		2018
	Note	£'000	£'000	£'000	£'000
Assets					
Fixed assets:					
Investments			81,636		85,037
Current assets:					
Debtors	7	297		700	
Cash and bank balances	8	<u>3,760</u>		<u>449</u>	
			<u>4,057</u>		<u>1,149</u>
Total assets			85,693		86,186
Liabilities					
Creditors					
Other creditors	9	<u>1,769</u>		<u>882</u>	
Total liabilities			<u>1,769</u>		<u>882</u>
Net assets attributable to shareholders			83,924		85,304

Kames Global Equity Fund

Notes to the Financial Statements

1 Accounting policies

The sub-fund's financial statements have been prepared on the basis disclosed on pages 11 to 13.

2 Net capital (losses)/gains

Net capital (losses)/gains comprise:

	2019	2018
	£'000	£'000
(Losses)/gains on non-derivative securities	(717)	14,126
Currency exchange gains	54	24
Transaction charges	(7)	(6)
Net capital (losses)/gains	(670)	14,144

3 Revenue

	2019	2018
	£'000	£'000
UK dividends	63	51
Overseas dividends	854	1,313
Bank interest	15	2
Total revenue	932	1,366

4 Expenses*

	2019	2018
	£'000	£'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	655	651
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fee	18	17
Other expenses:		
Audit fee**	11	11
FT publishing fee	2	2
KIID fee	1	-
PRIIPs fees	4	-
Registrar's fee	20	20
Safe custody charge	8	13
	46	46
Total expenses	719	714

*All expenditure stated above is inclusive of irrecoverable VAT where applicable.

**The audit fee (excluding VAT) incurred during the year was £9,553 (2018: £9,275).

5 Taxation

a) Analysis of charge in the year

	2019	2018
	£'000	£'000
Current tax:		
Overseas tax suffered	74	112
Total tax charge for the year (see note 5 (b))	74	112

Kames Global Equity Fund

Notes to the Financial Statements (continued)

5 Taxation (continued)

b) Factors affecting tax charge for the year

The tax assessed for the year is higher (2018: lower) than the standard rate of corporation tax for Open Ended Investment Companies 'OEICs' (20%).

The differences are explained below:

	2019	2018
	£'000	£'000
Net revenue before taxation	210	649
Corporation tax 20% (2018: 20%)	42	130
Effects of:		
Movement in excess expenses	140	144
Overseas tax suffered	74	112
Revenue not subject to taxation	(182)	(274)
Total tax charge for the year (see note 5 (a))	74	112

c) Factors that may affect future tax charges

After claiming relief against accrued revenue taxable on receipt, the sub-fund has unrelieved excess expenses of £6,478,000 (2018: £5,779,000). It is unlikely that the sub-fund will generate sufficient taxable profits in the future to utilise these expenses and therefore a deferred tax asset of £1,296,000 (2018: £1,156,000) has not been recognised.

6 Interest and distributions

a) Interest payable and similar charges

	2019	2018
	£'000	£'000
Interest	3	3
Interest payable and similar charges	3	3

b) Distributions

The distributions take account of amounts receivable on the issue of shares and amounts deductible on the cancellation of shares, and comprise:

	2019	2018
	£'000	£'000
Final distribution	170	532
	170	532
Add: amounts deductible on cancellation of shares	5	39
Less: amounts receivable on creation of shares	(1)	(31)
Distributions	174	540

Details of the distributions are set out in the tables on page 142.

c) Movement between net revenue and distribution

	2019	2018
	£'000	£'000
Net revenue after taxation	136	537
Capital reimbursement of revenue deficit	38	3
Distributions	174	540

7 Debtors

	2019	2018
	£'000	£'000
Accrued revenue	25	12
Amounts receivable on issue of shares	6	87
Sales awaiting settlement	247	579
Reclaimable overseas tax	19	22
Debtors	297	700

Kames Global Equity Fund

Notes to the Financial Statements (continued)

8 Cash and bank balances

	2019	2018
	£'000	£'000
Cash and bank balances	2,539	449
Money market deposits	1,221	-
Cash and bank balances	3,760	449

9 Other creditors

	2019	2018
	£'000	£'000
Accrued expenses*	88	86
Amounts payable for cancellation of shares	653	796
Purchases awaiting settlement	1,028	-
Other creditors	1,769	882

*Includes accrued ACD's periodic charge of £57,000 (2018: £59,000).

10 Related parties

The ACD's periodic charge paid to Kames Capital plc, (the ACD) are shown in Note 4 and details of amounts received and paid on shares issued and cancelled are shown in the Statement of Change in Net Assets Attributable to Shareholders. The balance due to the ACD in respect of these transactions as at 31 July 2019 is £704,000 (2018: £768,000 due to the ACD), a breakdown can be found in Notes 7 and 9. At the year-end 81.98% (2018: 81.05%) of the shares in issue were owned by AEGON Group or AEGON UK companies.

11 Contingent assets, liabilities and commitments

There were no contingent assets, liabilities or commitments present in the sub-fund as at 31 July 2019 (2018: Nil).

12 Financial instruments and risk

The risks associated with the sub-fund are market, concentration, valuation, yield, liquidity, counterparty, and interest rate risk. Narrative disclosures are on pages 14 and 15.

Currency exposure

The revenue and capital value of the sub-fund's investments can be affected by foreign currency translation movements as a proportion of the sub-fund's assets and revenue are denominated in currencies other than sterling.

An analysis of assets and liabilities is detailed below in the currency exposure table:

As at 31 July 2019

Currency	Total
	£'000
Australian Dollar	866
Brazilian Real	3
Canadian Dollar	3,269
Danish Krone	877
Euro	10,927
Hong Kong Dollar	5,192
Japanese Yen	9,553
Mexican Peso	1,687
Norwegian Krone	2,039
South Korean Won	771
Sterling	6,822
Swiss Franc	1,712
Taiwan Dollar	876
Thai Baht	1,474
US Dollar	37,856
	83,924

Kames Global Equity Fund

Notes to the Financial Statements (continued)

12 Financial instruments and risk (continued)

As at 31 July 2018

Currency	Total £'000
Brazilian Real	3
Canadian Dollar	5,506
Euro	11,320
Hong Kong Dollar	6,433
Japanese Yen	5,640
Mexican Peso	3,570
Norwegian Krone	1,951
South Korean Won	3,888
Sterling	3,700
Swedish Krona	1,192
Swiss Franc	1,883
Taiwan Dollar	992
Thai Baht	2,017
US Dollar	37,209
	85,304

Interest rate risk

At the year-end date, 4.48% (2018: 0.53%) of the sub-fund's net assets by value were interest bearing. This is not deemed significant to the sub-fund and so no numerical tables have been deemed necessary.

VaR Disclosure

The Manager assesses the market risk of the sub-fund's investments, including any derivative exposure, using a value at risk methodology. This process provides the Manager with an estimate of the maximum potential loss that could be expected to occur as a result of changes in market prices over a given period of time in all but a given percentage of circumstances. The value at risk is calculated on a 95.00% (2018: 95.00%) confidence interval with a one month time horizon and a five year history, using Historical model. The sub-fund has an absolute VaR limit of 14.10% (2018: 14.10%). As at the balance sheet date, the sub-fund's value at risk is 3.98% (2018: 4.50%).

The following table details the lowest, highest and average utilisation of the VaR limit:

	Lowest Utilisation (%)	Highest Utilisation (%)	Average Utilisation (%)
31 July 2019	3.55	4.85	4.19
31 July 2018	3.01	5.16	4.31

13 Portfolio transaction costs

Purchases

31 July 2019	Value £'000	Commissions £'000	Other Costs* %	£'000	%
Equities	80,140	45	0.06	65	0.08
Total	80,140	45		65	
Total purchases including transaction costs	80,250				
31 July 2018					
Equities	67,353	47	0.07	33	0.05
Total	67,353	47		33	
Total purchases including transaction costs	67,433				

Sales

31 July 2019	Value £'000	Commissions £'000	Other Costs* %	£'000	%
Equities	82,997	(43)	0.05	(20)	0.02
Total	82,997	(43)		(20)	
Total sales net of transaction costs	82,934				
31 July 2018					
Equities	66,082	(44)	0.07	(19)	0.03
Total	66,082	(44)		(19)	
Total sales net of transaction costs	66,019				

*Other Costs includes taxes and any other costs other than commissions incurred by the sub-fund when buying and selling an underlying investment.

Kames Global Equity Fund

Notes to the Financial Statements (continued)

13 Portfolio transaction costs (continued)

Portfolio transaction costs are incurred by the sub-fund when buying and selling underlying investments. These vary depending on the class of investment, country of exchange and method of execution. These costs can be classified as either direct or indirect transaction costs:

Direct transaction costs: Broker commissions, fees and taxes.

Indirect transaction costs: 'Dealing spread' - the difference between the buying and selling prices of the sub-fund's underlying investments.

In order to protect existing investors from the effects of dilution, portfolio transaction costs incurred as a result of investors buying and selling shares in the sub-fund are recovered from those investors through a 'dilution adjustment' to the price they pay or receive.

At the balance sheet date, the portfolio dealing spread was 0.24% (2018: 0.34%), being the difference between the respective bid and offer prices for the sub-fund's investments.

14 Fair value of financial assets and financial liabilities

The fair value hierarchy is intended to prioritise the inputs that are used to measure the fair value of assets and liabilities. The fair value hierarchy has the following levels:

Level 1 – Unadjusted quoted price in an active market for an identical instrument.

Level 2 – Valuation techniques using observable inputs other than quoted prices within level 1.

Level 3 – Valuation techniques using unobservable inputs.

Valuation	2019		2018	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
1 - Quoted prices	81,636	-	85,037	-
2 - Observable market data	-	-	-	-
3 - Unobservable data	-	-	-	-
	81,636	-	85,037	-

15 Share classes

The sub-fund currently has five share classes; A (Retail), B (Institutional), D (Retail), E (Euro denominated) and S (Institutional). The ACD's periodic charge on each share class is as follows:

A share class: 1.50%

B share class: 0.75%

D share class: 1.00%

E share class: 1.50%

S share class: 0.40%

The net asset value of each share class, the net asset value per share, and the number of shares in each class are given in the comparative tables on pages 130 to 132. The distribution per share class is given in the distribution tables on page 142. All share classes have the same rights on winding up.

Share class movement reconciliation

31 July 2019	Opening	Creations	Cancellations	Converted	Closing
A Accumulation	3,344,932	8,156,812	(8,460,158)	(17,056)	3,024,530
B Accumulation	31,131,443	2,034,957	(2,119,858)	14,745	31,061,287
D Accumulation	34,987	548	(3,842)	-	31,693
E Accumulation	78,215	-	(3,857)	-	74,358
S Accumulation	1,522,500	-	(41,000)	-	1,481,500

Kames Global Equity Fund

Distribution Tables

Share Class A Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2018 Total Payable
31/07/19	30/11/19	Group 1	0.0000	N/A	0.0000	0.00%	0.00%	0.0000
		Group 2	0.0000	0.0000				

Share Class B Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2018 Total Payable
31/07/19	30/11/19	Group 1	0.5194	N/A	0.5194	100.00%	0.00%	1.6708
		Group 2	0.4775	0.0419				

Share Class D Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2018 Total Payable
31/07/19	30/11/19	Group 1	0.0000	N/A	0.0000	0.00%	0.00%	1.0490
		Group 2	0.0000	0.0000				

Share Class E Accumulation (Euros)

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2018 Total Payable
31/07/19	30/11/19	Group 1	0.0000	N/A	0.0000	0.00%	0.00%	0.0000
		Group 2	0.0000	0.0000				

Share Class S Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2018 Total Payable
31/07/19	30/11/19	Group 1	0.5766	N/A	0.5766	100.00%	0.00%	0.7581
		Group 2	0.5766	0.0000				

All distributions above are in pence per share unless specifically stated.

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

Kames High Yield Bond Fund

Fund objective*

The primary investment objective is to maximise total return (income plus capital) by investing in a portfolio of predominately high yield bonds, selected investment grade bonds and cash. The sub-fund may hold sterling and other currency denominated bonds hedged back to sterling. The sub-fund may also invest in deposits, money market instruments, derivative instruments and forward transactions.

Risk profile

The sub-fund is designed for retail and institutional investors seeking pooled exposure to the high yield bond market and who are comfortable with a medium level of investment risk. In most cases, we expect the sub-fund to be held as part of a diversified portfolio which may include other assets such as bonds, equities, property and cash. While investors will normally be able to liquidate their holdings on a daily basis, unit prices will fluctuate and may fall significantly in value. Consequently, it is important to understand that the sub-fund should be viewed as a longer term investment.

The sub-fund is actively managed and exposed to a range of risks, which are listed and defined in the Kames Capital ICVC Prospectus. The most material risks from this list also appear in our Key Investor Information documents (KIID) where they are summarised in an easy-to-read format. You can find both of these documents on our website at www.kamescapital.com.

Performance**

The Kames High Yield Bond Fund returned 6.97% compared to the sector median peer group return of 4.41%. The peer group is the Investment Association Sterling High Yield sector.

Strategy review***

The opening months of the year were broadly 'risk-on'. The sub-fund saw good performance from aircraft lessor Avolon, industrial manufacturer Schenck, and US equipment rental firm BlueLine Rental. In September, the sub-fund added new positions in EI Group, Arqiva Broadcast, Guala Closures, and Spanish department store operator El Corte Ingles.

October brought the beginning of a very challenging final quarter of 2018 across markets, though the sub-fund's relatively defensive positioning helped relative performance. We added a position in Wyndham Destinations, a leading provider of timeshares, which subsequently posted good results in November and was a top performer for the sub-fund. Another new position was in DIA, the Spanish retailer, after they posted a profit warning and bond prices fell. This position was volatile through the turmoil of the final quarter.

In December, we saw good performance from issuers such as Tullow Oil and Owens-Illinois, who managed to post solid price gains as the market recognised them as a safe haven amongst the volatility. Other good performers included Greystar and our exposure to financials. Our lower-rated names Algeco Scotsman, DIA, and BMC all struggled.

In January, there was an abrupt volte-face in markets, which began to climb rapidly. The rising tide and our good positioning within it helped portfolio performance. Hilcorp Energy, the largest independent onshore producer of oil & gas in North America, performed very strongly, as did a number of our other energy-focused names. Our positions in DIA, the Spanish retailer, performed very well in the opening months of 2019, as its majority shareholder announced that it would launch a takeover offer to support the business as it faces a number of headwinds. The bid won approval from the shareholders at the company's AGM. The progressively better news flow delivered very strong price appreciation in the bonds and we took advantage of this to sell our position in the 2019 bonds.

Superior Industries, one of our few CCC-rated positions, lagged the rally at the start of 2019. The company suffers from being a new issuer to the market, and is a very small portion of the index and is therefore not well covered. The bonds performed well in March after declining to levels inappropriate for the company's solid fundamentals, and after reporting solid results.

Equinix, the data centre company, was upgraded to investment grade by S&P in February. First Data, the payments processing company, was a strong contributor to performance as it was announced that the company would merge with an investment grade company that will refinance the debt. Another payments processor, Worldpay, was also taken over in March by an investment grade company, again providing the portfolio with excellent returns, and ending the period as one of the portfolio's top performers.

A position in Paprec, the French waste recycler, underperformed in early 2019 but was profitable in the latter months of the period, on the back of continued operational improvement. CBR Fashion continued its strong run through 2019, becoming one of the top performers for the sub-fund as the market finally catches up with the turnaround the business is exhibiting through its fashion channels in Germany.

In July, we saw a rebound in performance from CCC-rated BMC Software. We also had a strong contribution from subordinated Ardagh PIKS. Ardagh announced a disposal of a can packaging business that was net deleveraging. We then bought a position in the Ardagh spin-off, Trivium.

*Please note that the sub-fund's objective has been updated effective 7 August 2019. The latest update can be found in the fund's prospectus at www.kamescapital.com.

**Source: Lipper, % growth, income re-invested at pay date, NAV-NAV, GBP, net of Basic Rate Tax. Index returns are gross of Basic Rate Tax. Investors are invited to compare the sub-fund's performance against the performance of other funds within the Investment Association Sterling High Yield Bond Sector. Comparison of the sub-fund against this Sector will give investors an indication of how the sub-fund is performing compared with funds investing in a similar but not identical investment universe. This comparison should be performed over at least a 7 year period to provide the most useful long term comparison.

***General references to markets and indices are to be considered as general market commentary only and (i) are not to be considered as a comparison of sub-fund performance against a benchmark (unless otherwise disclosed as such); and (ii) the index or indices do not operate as a performance target and the sub-fund's portfolio is not constrained by the index or indices.

Kames High Yield Bond Fund

Comparative Tables

A Accumulation shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	126.35	125.53	118.46
Return before operating charges*	9.74	2.44	9.25
Operating charges	(1.66)	(1.62)	(1.57)
Return after operating charges*	8.08	0.82	7.68
Distributions	(6.85)	(5.96)	(5.58)
Retained distributions on accumulation shares	6.85	5.96	4.97
Closing net asset value per share	134.43	126.35	125.53
 *after direct transaction costs of	-	-	-
Performance			
Return after charges	6.39%	0.65%	6.49%
Other information			
Closing net asset value (£'000)	44,844	82,734	98,029
Closing number of shares	33,357,821	65,480,872	78,094,675
Operating charges	1.29%	1.28%	1.29%
Direct transaction costs	-	-	-
Prices			
Highest share price	134.64	127.27	125.58
Lowest share price	122.77	124.69	117.90

A Income shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	50.57	52.68	52.04
Return before operating charges*	3.78	1.01	4.05
Operating charges	(0.65)	(0.67)	(0.68)
Return after operating charges*	3.13	0.34	3.37
Distributions	(2.68)	(2.45)	(2.73)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	51.02	50.57	52.68
 *after direct transaction costs of	-	-	-
Performance			
Return after charges	6.19%	0.65%	6.48%
Other information			
Closing net asset value (£'000)	11,733	32,493	40,821
Closing number of shares	22,994,937	64,248,779	77,492,996
Operating charges	1.29%	1.28%	1.29%
Direct transaction costs	-	-	-
Prices			
Highest share price	51.35	52.86	52.96
Lowest share price	48.03	50.12	51.19

Highest and Lowest share prices are based on official published daily NAVs priced at 12 noon on the last business day of the year. The closing net asset value per share is at close of business.

Kames High Yield Bond Fund

Comparative Tables (continued)

B Accumulation shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	273.23	270.10	253.63
Return before operating charges*	21.15	5.27	19.85
Operating charges	(2.21)	(2.14)	(2.07)
Return after operating charges*	18.94	3.13	17.78
Distributions	(14.85)	(12.86)	(11.98)
Retained distributions on accumulation shares	14.85	12.86	10.67
Closing net asset value per share	292.17	273.23	270.10
 *after direct transaction costs of	-	-	-
Performance			
Return after charges	6.93%	1.16%	7.01%
Other information			
Closing net asset value (£'000)	298,067	366,356	448,272
Closing number of shares	102,017,107	134,081,491	165,965,165
Operating charges	0.79%	0.78%	0.79%
Direct transaction costs	-	-	-
Prices			
Highest share price	292.62	274.52	270.19
Lowest share price	266.07	268.69	252.80

B Income shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	96.44	99.95	98.23
Return before operating charges*	7.23	1.93	7.68
Operating charges	(0.76)	(0.78)	(0.79)
Return after operating charges*	6.47	1.15	6.89
Distributions	(5.12)	(4.66)	(5.17)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	97.79	96.44	99.95
 *after direct transaction costs of	-	-	-
Performance			
Return after charges	6.71%	1.15%	7.01%
Other information			
Closing net asset value (£'000)	124,976	284,612	394,527
Closing number of shares	127,797,425	295,123,392	394,739,290
Operating charges	0.79%	0.78%	0.79%
Direct transaction costs	-	-	-
Prices			
Highest share price	98.41	100.43	100.44
Lowest share price	91.80	95.53	96.78

Highest and Lowest share prices are based on official published daily NAVs priced at 12 noon on the last business day of the year. The closing net asset value per share is at close of business.

Kames High Yield Bond Fund

Comparative Tables (continued)

D Accumulation shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	122.35	121.25	114.13
Return before operating charges*	9.45	2.36	8.93
Operating charges	(1.30)	(1.26)	(1.22)
Return after operating charges*	8.15	1.10	7.71
Distributions	(6.64)	(5.77)	(5.38)
Retained distributions on accumulation shares	6.64	5.77	4.79
Closing net asset value per share	130.50	122.35	121.25
 *after direct transaction costs of	-	-	-
Performance			
Return after charges	6.66%	0.91%	6.75%
Other information			
Closing net asset value (£'000)	1,441	1,882	3,140
Closing number of shares	1,104,482	1,538,372	2,589,675
Operating charges	1.04%	1.03%	1.04%
Direct transaction costs	-	-	-
Prices			
Highest share price	130.70	123.08	121.29
Lowest share price	119.01	120.60	113.68

D Income shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	94.34	98.02	96.58
Return before operating charges*	7.07	1.88	7.54
Operating charges	(0.98)	(1.00)	(1.02)
Return after operating charges*	6.09	0.88	6.52
Distributions	(5.00)	(4.56)	(5.08)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	95.43	94.34	98.02
 *after direct transaction costs of	-	-	-
Performance			
Return after charges	6.46%	0.90%	6.75%
Other information			
Closing net asset value (£'000)	2,263	3,252	4,890
Closing number of shares	2,370,858	3,447,206	4,988,962
Operating charges	1.04%	1.03%	1.04%
Direct transaction costs	-	-	-
Prices			
Highest share price	96.03	98.43	98.53
Lowest share price	89.71	93.48	95.08

Highest and Lowest share prices are based on official published daily NAVs priced at 12 noon on the last business day of the year. The closing net asset value per share is at close of business.

Kames High Yield Bond Fund

Comparative Tables (continued)

S Accumulation shares**	2019	2018
	(p/share)	(p/share)
Change in net assets per share		
Opening net asset value per share	100.40	100.00
Return before operating charges*	7.80	0.76
Operating charges	(0.57)	(0.36)
Return after operating charges*	7.23	0.40
Distributions	(5.47)	(2.98)
Retained distributions on accumulation shares	5.47	2.98
Closing net asset value per share	107.63	100.40
 *after direct transaction costs of	-	-
Performance		
Return after charges	7.20%	0.40%
Other information		
Closing net asset value (£'000)	1,010	34
Closing number of shares	938,407	33,253
Operating charges	0.54%	0.53%
Direct transaction costs	-	-
Prices		
Highest share price	107.79	100.76
Lowest share price	97.88	99.03

S Income shares**	2019	2018
	(p/share)	(p/share)
Change in net assets per share		
Opening net asset value per share	97.45	100.00
Return before operating charges*	7.34	0.75
Operating charges	(0.53)	(0.35)
Return after operating charges*	6.81	0.40
Distributions	(5.18)	(2.95)
Retained distributions on accumulation shares	-	-
Closing net asset value per share	99.08	97.45
 *after direct transaction costs of	-	-
Performance		
Return after charges	6.99%	0.40%
Other information		
Closing net asset value (£'000)	6,963	51
Closing number of shares	7,028,184	52,096
Operating charges	0.54%	0.53%
Direct transaction costs	-	-
Prices		
Highest share price	99.70	100.62
Lowest share price	92.87	96.52

Highest and Lowest share prices are based on official published daily NAVs priced at 12 noon on the last business day of the year. The closing net asset value per share is at close of business.

**Share classes launched on 19 December 2017.

Kames High Yield Bond Fund

Portfolio Statement

The sub-fund's investments as at 31 July 2019

Holding	Investment	Market Valuation £'000	Total net assets %
	Canadian Dollar Denominated Bonds (31 July 2018 0.87%)	7,237	1.48
	Corporate Bonds (31 July 2018 0.87%)	7,237	1.48
10,800,000	Quebecor Media 6.625% 15/01/2023	7,237	1.48
	Euro Denominated Bonds (31 July 2018 34.36%)	206,602	42.05
	Corporate Bonds (31 July 2018 34.36%)	206,602	42.05
3,800,000	Algeco Global Finance 6.5% 15/02/2023	3,601	0.73
6,800,000	Banco Bilbao Vizcaya Argentaria 5.875% Perpetual	6,405	1.30
4,500,000	Banff Merger 8.375% 01/09/2026	3,535	0.72
4,200,000	Bankia 6.375% Perpetual	4,015	0.82
4,000,000	BNP Paribas 6.125% Perpetual	4,045	0.82
7,800,000	Catalent Pharma Solutions 4.75% 15/12/2024	7,343	1.50
8,900,000	CBR Fashion Finance 5.125% 01/10/2022	7,944	1.62
2,900,000	Cogent Communications 4.375% 30/06/2024	2,644	0.54
6,800,000	CPI Property 4.375% Perpetual	6,177	1.26
7,650,000	DKT Finance 7% 17/06/2023	7,570	1.54
4,200,000	Dometic Group 3% 08/05/2026	3,886	0.79
4,600,000	eircom Finance 3.5% 15/05/2026	4,346	0.89
4,400,000	El Corte Ingles 3% 15/03/2024	4,193	0.85
9,800,000	Energizer Gamma Acquisition 4.625% 15/07/2026	9,306	1.89
7,400,000	Equinix 2.875% 01/10/2025	6,993	1.42
6,200,000	Erste 6.5% Perpetual	6,481	1.32
5,100,000	Grifols 3.2% 01/05/2025	4,769	0.97
4,100,000	Guala Closures 3.5% FRN 15/04/2024	3,773	0.77
7,900,000	Intertrust Group 3.375% 15/11/2025	7,624	1.55
7,000,000	InterXion 4.75% 15/06/2025	6,923	1.41
4,900,000	Intrum 2.75% 15/07/2022	4,486	0.91
5,600,000	IQVIA 3.25% 15/03/2025	5,226	1.06
2,500,000	Iron Mountain 3% 15/01/2025	2,316	0.47
7,400,000	LHC3 4.125% 15/08/2024	6,941	1.41
5,200,000	LKQ European 3.625% 01/04/2026	4,963	1.01
5,400,000	Nassa Topco 2.875% 06/04/2024	5,164	1.05
4,200,000	Panther BF Aggregator 2 4.375% 15/05/2026	3,912	0.80
6,800,000	Paprec 4% 31/03/2025	6,078	1.24
6,600,000	Platin 1426 5.375% 15/06/2023	6,043	1.23
3,300,000	RESIDOMO Sro 3.375% 15/10/2024	3,131	0.64
2,600,000	Smurfit Kappa Acquisitions 2.875% 15/01/2026	2,569	0.52
6,100,000	Stichting AK Rabobank Certificaten 6.5% Perpetual	6,862	1.40
8,750,000	Superior Industries International 6% 15/06/2025	6,571	1.34
6,600,000	Tenneco 4.875% 15/04/2022	5,827	1.19
5,600,000	Trivium Packaging Finance 3.75% 15/08/2026	5,269	1.07
6,800,000	UniCredit 9.25% Perpetual	7,025	1.43
9,500,000	Verisure Midholding 5.75% 01/12/2023	8,901	1.81
3,800,000	Volkswagen International Finance 4.625% Perpetual	3,745	0.76
	Sterling Denominated Bonds (31 July 2018 14.66%)	81,761	16.64
	Asset Backed Security (31 July 2018 2.07%)	4,271	0.87
3,700,000	THPA Finance 8.241% 15/03/2028	4,271	0.87
	Corporate Bonds (31 July 2018 12.59%)	77,490	15.77
8,700,000	Arqiva Broadcast Finance 6.75% 30/09/2023	9,306	1.89
5,000,000	Barclays 7.125% Perpetual	5,170	1.05
4,000,000	CPUK Finance 4.25% 28/08/2022	4,049	0.82
6,650,000	Drax Finco 4.25% 01/05/2022	6,756	1.38
7,900,000	El Group 7.5% 15/03/2024	8,374	1.70

Kames High Yield Bond Fund

Portfolio Statement (continued)

Holding	Investment	Market Valuation £'000	Total net assets %
	Corporate Bonds (continued)		
6,700,000	Mclaren Finance 5% 01/08/2022	6,253	1.27
8,900,000	Miller Homes 5.5% 15/10/2024	9,038	1.84
38,000	Nationwide Building Society 10.25% Perpetual	5,826	1.19
3,330,000	Ocado 4% 15/06/2024	3,429	0.70
6,900,000	Pinnacle Bidco 6.375% 15/02/2025	7,275	1.48
3,100,000	TalkTalk Telecom 5.375% 15/01/2022	3,170	0.65
8,450,000	Vantiv / Vantiv Issuer 3.875% 15/11/2025	8,844	1.80
	United States Dollar Denominated Bonds (31 July 2018 44.51%)	216,570	44.08
	Asset Backed Security (31 July 2018 0.81%)	-	-
	Corporate Bonds (31 July 2018 43.70%)	216,570	44.08
7,800,000	1011778 BC / New Red Finance 4.25% 15/05/2024	6,506	1.32
6,700,000	Aker 5.875% 31/03/2025	5,758	1.17
2,000,000	Algeco Global Finance 2 10% 15/08/2023	1,641	0.33
4,500,000	ARD Securities Finance 8.75% 31/01/2023	3,793	0.77
5,300,000	Ashtead Capital 4.125% 15/08/2025	4,367	0.89
1,700,000	Banff Merger 9.75% 01/09/2026	1,235	0.25
5,200,000	Berry Global 5.625% 15/07/2027	4,467	0.91
6,700,000	Cheniere Energy Partners 5.25% 01/10/2025	5,690	1.16
2,600,000	Cirsa Finance International 7.875% 20/12/2023	2,248	0.46
4,800,000	Commerzbank 7% FRN Perpetual	4,047	0.82
4,900,000	Credit Suisse 7.5% Perpetual	4,252	0.87
6,400,000	Danske Bank 6.125% Perpetual	5,179	1.05
3,000,000	Drax Finco 6.625% 01/11/2025	2,550	0.52
11,400,000	First Data 5% 15/01/2024	9,544	1.94
5,400,000	FMG Resources August 2006 4.75% 15/05/2022	4,527	0.92
6,000,000	Frontier Communications 8.5% 01/04/2026	4,788	0.97
5,300,000	GEMS Menasa Cayman 7.125% 31/07/2026	4,418	0.90
5,900,000	Genesis Energy 5.625% 15/06/2024	4,727	0.96
9,300,000	Global Aircraft Leasing 6.5% 15/09/2024	7,595	1.55
1,800,000	GLP Capital 5.375% 01/11/2023	1,592	0.32
3,300,000	Goodyear Tire & Rubber 5.125% 15/11/2023	2,730	0.56
3,800,000	Greif 6.5% 01/03/2027	3,248	0.66
5,400,000	Greystar Real Estate Partners 5.75% 01/12/2025	4,504	0.92
4,600,000	HCA 5.375% 01/02/2025	4,072	0.83
4,900,000	Hilcorp Energy 6.25% 01/11/2028	3,877	0.79
4,650,000	International Game Technology 6.25% 15/02/2022	4,002	0.81
2,400,000	Intesa Sanpaolo 5.017% 26/06/2024	1,991	0.41
4,700,000	Ithaca Energy North Sea 9.375% 15/07/2024	3,939	0.80
3,650,000	KFC / Pizza Hut / Taco Bell 5% 01/06/2024	3,079	0.63
8,400,000	Live Nation Entertainment 4.875% 01/11/2024	7,066	1.44
7,600,000	MGM Resorts International 4.625% 01/09/2026	6,362	1.30
3,400,000	MGM Resorts International 6% 15/03/2023	3,017	0.61
3,300,000	MPT Operating Partnership 5.25% 01/08/2026	2,803	0.57
7,800,000	Owens-Brockway Glass Container 5.875% 15/08/2023	6,853	1.40
3,000,000	Panther BF Aggregator 2 8.5% 15/05/2027	2,488	0.51
7,600,000	Par Petroleum / Petroleum Finance 7.75% 15/12/2025	6,191	1.26
2,800,000	Pilgrim's Pride 5.75% 15/03/2025	2,363	0.48
5,088,000	Prime Security Services Borrower 9.25% 15/05/2023	4,363	0.89
4,200,000	SBA Communications 4.875% 15/07/2022	3,475	0.71
5,400,000	Sirius XM Radio 5.375% 15/04/2025	4,578	0.93
12,100,000	Teva Pharmaceutical Finance 2.95% 18/12/2022	8,888	1.81
9,000,000	Tullow Oil 7% 01/03/2025	7,427	1.51
11,915,000	Unitymedia 6.125% 15/01/2025	10,157	2.07
6,600,000	Vermilion Energy 5.625% 15/03/2025	5,222	1.06
5,900,000	Williams Scotsman International 7.875% 15/12/2022	5,047	1.03
6,100,000	Wyndham Destinations 3.9% 01/03/2023	5,026	1.02
5,800,000	XPO Logistics 6.125% 01/09/2023	4,878	0.99

Kames High Yield Bond Fund

Portfolio Statement (continued)

Holding	Investment	Market Valuation £'000	Total net assets %
	Derivatives and Futures Contracts (31 July 2018 (1.18)%)	(12,003)	(2.44)
	Credit Default Swaps (31 July 2018 0.30%)	-	-
	Forward Foreign Exchange Contracts (31 July 2018 (1.48)%)	(12,003)	(2.44)
2,000,000	Bought EUR 2,000,000 Sold GBP 1,797,266	24	0.01
1,000,000	Bought EUR 1,000,000 Sold GBP 901,924	9	-
500,000	Bought EUR 500,000 Sold GBP 450,239	5	-
6,813,402	Bought GBP 6,813,401 Sold CAD 11,500,000	(329)	(0.07)
8,052,201	Bought GBP 8,052,201 Sold EUR 9,000,000	(143)	(0.03)
198,012,674	Bought GBP 198,012,674 Sold EUR 221,600,000	(3,773)	(0.77)
7,383,525	Bought GBP 7,383,524 Sold USD 9,000,000	49	0.01
2,852,468	Bought GBP 2,852,467 Sold USD 3,600,000	(81)	(0.01)
210,033,634	Bought GBP 210,033,633 Sold USD 267,900,000	(8,291)	(1.69)
6,000,000	Bought USD 6,000,000 Sold GBP 4,724,409	165	0.03
6,500,000	Bought USD 6,500,000 Sold GBP 5,154,761	143	0.03
3,000,000	Bought USD 3,000,000 Sold GBP 2,342,979	102	0.02
2,800,000	Bought USD 2,800,000 Sold GBP 2,199,499	82	0.02
6,200,000	Bought USD 6,200,000 Sold GBP 5,017,445	35	0.01
	Portfolio of investments*	500,167	101.81
	Net other liabilities	(8,870)	(1.81)
	Total net assets attributable to shareholders	491,297	100.00

Analysis of investments by asset class

	Market Value £'000	Value of investments %
Bonds	512,170	104.25
Derivatives	(12,003)	(2.44)
Portfolio of investments*	500,167	101.81
Net other liabilities	(8,870)	(1.81)
Total net assets attributable to shareholders	491,297	100.00

The comparative percentage figures in bracket are at 31 July 2018.

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

*Includes investment liabilities.

Kames High Yield Bond Fund

Statement of Total Return for the year ended 31 July 2019

			2019		2018
	Note	£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	2		7,545		(24,141)
Revenue	3	31,756		41,521	
Expenses	4	(5,143)		(7,490)	
Interest payable and similar charges	6	<u>(69)</u>		<u>(353)</u>	
Net revenue before taxation		26,544		33,678	
Taxation	5	<u>-</u>		<u>(172)</u>	
Net revenue after taxation			<u>26,544</u>		<u>33,506</u>
Total return before distributions			34,089		9,365
Distributions	6		<u>(31,756)</u>		<u>(41,068)</u>
Change in net assets attributable to shareholders from investment activities			2,333		(31,703)

Statement of Change in Net Assets Attributable to Shareholders for the year ended 31 July 2019

		2019		2018
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		771,414		989,679
Amounts receivable on creation of shares	63,537		150,884	
Amounts payable on cancellation of shares	<u>(367,509)</u>		<u>(361,507)</u>	
		(303,972)		(210,623)
Dilution adjustment		1,056		635
Change in net assets attributable to shareholders from investment activities		2,333		(31,703)
Retained distribution on accumulation shares		<u>20,466</u>		<u>23,426</u>
Closing net assets attributable to shareholders		491,297		771,414

Kames High Yield Bond Fund

Balance Sheet as at 31 July 2019

			2019		2018
	Note	£'000	£'000	£'000	£'000
Assets					
Fixed assets:					
Investments			512,784		730,941
Current assets:					
Debtors	7	11,303		34,648	
Cash and bank balances	8	17,056		41,817	
			28,359		76,465
Total assets			541,143		807,406
Liabilities					
Investment liabilities			12,617		11,833
Creditors					
Bank overdrafts	9	19,629		914	
Distributions payable		694		1,343	
Other creditors	10	16,906		21,902	
Total liabilities			49,846		35,992
Net assets attributable to shareholders			491,297		771,414

Kames High Yield Bond Fund

Notes to the Financial Statements

1 Accounting policies

The sub-fund's financial statements have been prepared on the basis disclosed on pages 11 to 13.

2 Net capital gains/(losses)

Net capital gains/(losses) comprise:

	2019	2018
	£'000	£'000
Gains/(losses) on non-derivative securities	31,593	(22,503)
Losses on forward currency contracts	(24,712)	(3,079)
Currency exchange gains	1,086	459
(Losses)/gains on derivative securities	(420)	985
Transaction charges	(2)	(3)
Net capital gains/(losses)	7,545	(24,141)

3 Revenue

	2019	2018
	£'000	£'000
Interest on debt securities	31,133	40,383
Bank interest	218	274
Derivative revenue	405	864
Total revenue	31,756	41,521

4 Expenses*

	2019	2018
	£'000	£'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	4,888	7,192
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fee	115	152
Other expenses:		
Audit fee**	11	11
FT publishing fee	5	3
KIID fee	1	3
PRIIPs fees	4	-
Registrar's fee	92	91
Safe custody charge	27	38
	140	146
Total expenses	5,143	7,490

*All expenditure stated above is inclusive of irrecoverable VAT where applicable.

**The audit fee (excluding VAT) incurred during the year was £9,553 (2018: £9,275).

5 Taxation

a) Analysis of charge in the year

	2019	2018
	£'000	£'000
Current tax:		
Corporation tax prior year adjustment	-	3
Overseas tax suffered	-	169
Total tax charge for the year (see note 5 (b))	-	172

Kames High Yield Bond Fund

Notes to the Financial Statements (continued)

5 Taxation (continued)

b) Factors affecting tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax for Open Ended Investment Companies 'OEICs' (20%).

The differences are explained below:

	2019	2018
	£'000	£'000
Net revenue before taxation	26,544	33,678
Corporation tax 20% (2018: 20%)	5,309	6,736
Effects of:		
Corporation tax prior year adjustment	-	3
Overseas tax suffered	-	169
Relief on overseas tax suffered	-	(34)
Tax deductible interest distributions	(5,309)	(6,702)
Total tax charge for the year (see note 5 (a))	-	172

Open Ended Investment Companies are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliations.

c) Factors that may affect future tax charges

After claiming relief against accrued revenue taxable on receipt, the sub-fund has unrelieved excess expenses of £7,523,000 (2018: £7,523,000). It is unlikely that the sub-fund will generate sufficient taxable profits in the future to utilise these expenses and therefore a deferred tax asset of £1,505,000 (2018: £1,505,000) has not been recognised.

6 Interest and distributions

a) Interest payable and similar charges

	2019	2018
	£'000	£'000
Interest	69	71
Futures expense	-	282
Interest payable and similar charges	69	353

b) Distributions

The distributions take account of amounts receivable on the issue of shares and amounts deductible on the cancellation of shares, and comprise:

	2019	2018
	£'000	£'000
Interim distributions	28,817	37,338
Final distribution	2,329	3,225
	31,146	40,563
Add: amounts deductible on cancellation of shares	764	822
Less: amounts receivable on creation of shares	(154)	(317)
Distributions	31,756	41,068

Details of the distributions are set out in the tables on pages 160 to 163.

c) Movement between net revenue and distribution

	2019	2018
	£'000	£'000
Net revenue after taxation	26,544	33,506
Expenses transferred to capital	5,212	7,561
Undistributed revenue brought forward	-	1
Distributions	31,756	41,068

7 Debtors

	2019	2018
	£'000	£'000
Accrued revenue	6,328	10,206
Amounts receivable for the issue of shares	491	1,469
Sales awaiting settlement	4,484	22,973
Debtors	11,303	34,648

Kames High Yield Bond Fund

Notes to the Financial Statements (continued)

8 Cash and bank balances

	2019	2018
	£'000	£'000
Amounts held at futures clearing houses and brokers*	15,260	10,170
Cash and bank balances	1,796	871
Money market deposits	-	30,776
Cash and bank balances	17,056	41,817

*Includes cash pledged as collateral of £15,260,000 (2018: £10,170,000).

9 Bank overdrafts

	2019	2018
	£'000	£'000
Bank overdrafts	19,629	914
Bank overdrafts	19,629	914

10 Other creditors

	2019	2018
	£'000	£'000
Accrued expenses*	404	608
Amounts payable for cancellation of shares	1,384	20,608
Purchases awaiting settlement	15,118	686
Other creditors	16,906	21,902

*Includes accrued ACD's periodic charge of £340,000 (2018: £557,000).

11 Related Parties

The ACD's periodic charge paid to Kames Capital plc, (the ACD) are shown in Note 4 and details of amounts received and paid on shares issued and cancelled are shown in the Statement of Change in Net Assets Attributable to Shareholders. The balance due to the ACD in respect of these transactions as at 31 July 2019 is £1,233,000 (2018: £19,696,000 due to the ACD), a breakdown can be found in Notes 7 and 10. At the year-end 13.18% (2018: 8.58%) of the shares in issue were owned by AEGON Group or AEGON UK companies.

12 Contingent assets, liabilities and commitments

There were no contingent assets, liabilities or commitments present in the sub-fund as at 31 July 2019 (2018: Nil).

13 Financial instruments and risk

The risks associated with the sub-fund are market, concentration, valuation, yield, liquidity, counterparty, and interest rate risk. Narrative disclosures are on pages 14 and 15.

Analysis of investments by credit ratings

	2019		2018	
	Market value	Value of investments	Market value	Value of investments
	£'000	%	£'000	%
Rated bonds at investment grade	44,376	9.02	84,073	10.90
Rated bonds below investment grade	448,081	91.21	610,230	79.11
Unrated bonds	19,713	4.02	33,871	4.39
Derivatives	(12,003)	(2.44)	(9,066)	(1.18)
Portfolio of investments	500,167	101.81	719,108	93.22
Net other (liabilities)/assets	(8,870)	(1.81)	52,306	6.78
Total net assets attributable to shareholders	491,297	100.00	771,414	100.00

Note - Investment grade bonds are defined as bonds with a Standard & Poor's, Moody's or Fitch's rating of BBB-, Baa3 and BBB- or above respectively.

Kames High Yield Bond Fund

Notes to the Financial Statements (continued)

13 Financial instruments and risk (continued)

Currency exposure

The revenue and capital value of the sub-fund's investments can be affected by foreign currency translation movements as a proportion of the sub-fund's assets and revenue are denominated in currencies other than sterling.

An analysis of assets and liabilities is detailed below in the currency exposure table:

As at 31 July 2019

Currency	Total £'000
Canadian Dollar	163
Euro	(10)
Sterling	490,469
United States Dollar	675
	491,297

As at 31 July 2018

Currency	Total £'000
Canadian Dollar	932
Euro	(1,157)
Sterling	775,896
United States Dollar	(4,257)
	771,414

Interest rate risk

The interest rate profile of the sub-fund's interest bearing assets and liabilities at 31 July 2019 was:

Currency	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Canadian Dollar	-	7,237	56	7,293
Euro	3,773	202,829	8,455	215,057
Sterling	-	81,761	435,006	516,767
United States Dollar	4,047	212,523	24,088	240,658
Cash at bank				
Canadian Dollar	13	-	-	13
Euro	1,783	-	-	1,783
Cash at brokers				
Sterling	15,260	-	-	15,260
	24,876	504,350	467,605	996,831

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Canadian Dollar	-	-	(7,143)	(7,143)
Euro	-	-	(216,850)	(216,850)
Sterling	-	-	(24,910)	(24,910)
United States Dollar	-	-	(237,002)	(237,002)
Cash at bank				
Sterling	(16,648)	-	-	(16,648)
United States Dollar	(2,981)	-	-	(2,981)
	(19,629)	-	(485,905)	(505,534)

Kames High Yield Bond Fund

Notes to the Financial Statements (continued)

13 Financial instruments and risk (continued)

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

Currency	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Canadian Dollar	-	6,732	-	6,732
Euro	-	265,063	28,331	293,394
Sterling	-	113,054	700,516	813,570
United States Dollar	8,855	334,470	21,027	364,352
Cash at bank				
Canadian Dollar	633	-	-	633
Euro	234	-	-	234
United States Dollar	4	-	-	4
Cash at brokers				
Sterling	10,170	-	-	10,170
Cash on deposit				
United States Dollar	30,776	-	-	30,776
	50,672	719,319	749,874	1,519,865

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Canadian Dollar	-	-	(6,433)	(6,433)
Euro	-	-	(294,785)	(294,785)
Sterling	-	-	(46,930)	(46,930)
United States Dollar	-	-	(399,389)	(399,389)
Cash at bank				
Sterling	(914)	-	-	(914)
	(914)	-	(747,537)	(748,451)

Floating rate financial assets and financial liabilities, sterling denominated bank balances and bank overdrafts bear interest at rates based on SONIA. Foreign currency bank balances bear interest at rates based on LIBOR or its international equivalent. Euro denominated floating rate notes bear interest at rates based on EURIBOR.

Derivative risk

The sub-fund invests in derivatives, consistent with the investment objective of the sub-fund, as outlined in the derivative risks section on page 15.

VaR Disclosure

The Manager assesses the market risk of the sub-fund's investments, including any derivative exposure, using a value at risk methodology. This process provides the Manager with an estimate of the maximum potential loss that could be expected to occur as a result of changes in market prices over a given period of time in all but a given percentage of circumstances. The value at risk is calculated on a 95.00% (2018: 95.00%) confidence interval with a one month time horizon and a five year history, using the Historical model. The sub-fund has an absolute VaR limit of 14.10% (2018: 14.10%). As at the balance sheet date, the sub-fund's value at risk is 1.13% (2018: 1.21%).

The following table details the lowest, highest and average utilisation of the VaR limit:

	Lowest Utilisation (%)	Highest Utilisation (%)	Average Utilisation (%)
31 July 2019	0.97	1.44	1.17
31 July 2018	1.11	1.58	1.30

Leverage

Average leverage is calculated as the sum of the net asset value and the incremental exposure generated through the use of derivatives (calculated in accordance with the commitment approach (CESR/10-788)) divided by the net asset value. As at 31 July 2019 the average leverage was 96.45% (2018: 94.89%).

Counterparty risk

The risk of entering an arrangement with a counterparty, which is itself subject to financial risks which may affect its ability to trade as a going concern.

The ACD maintains a list of approved counterparties. This list is regularly monitored and revised for changes based on the counterparty's credit-worthiness, market reputation and expectations of future financial performance. Transactions will only be opened with financial intermediaries on the approved counterparties list.

Kames High Yield Bond Fund

Notes to the Financial Statements (continued)

13 Financial instruments and risk (continued)

Counterparty risk (continued)

The sub-fund's use of exchange traded derivatives are considered to be free of counterparty risk if the derivative is traded on an exchange where the clearing house is backed by an appropriate performance guarantee and it is characterised by a daily mark-to-market valuation of the derivative position and at least daily margining.

The following details exposure to counterparties obtained through the use of derivatives:

As at 31 July 2019

Counterparty	Credit Default Swaps	Forward Foreign	Collateral Pledge
	Exposure	Exchange Contracts	
	£'000	Exposure £'000	
Citigroup	-	-	9,750
JPMorgan	-	-	5,510

As at 31 July 2018

Counterparty	Credit Default Swaps	Forward Foreign	Collateral Pledge
	Exposure	Exchange Contracts	
	£'000	Exposure £'000	
BNP Paribas	2,333	-	(2,400)
Citigroup	-	-	10,170

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

14 Portfolio transaction costs

Purchases

31 July 2019	Value	Commissions	Other Costs*	
	£'000	£'000	%	£'000
Bonds	220,359	-	-	-
Total	220,359	-		-
Total purchases including transaction costs	220,359			
31 July 2018	Value	Commissions	Other Costs*	
	£'000	£'000	%	£'000
Bonds	453,772	-	-	-
Total	453,772	-		-
Total purchases including transaction costs	453,772			

Sales

31 July 2019	Value	Commissions	Other Costs*	
	£'000	£'000	%	£'000
Bonds	466,621	-	-	-
Total	466,621	-		-
Total sales net of transaction costs	466,621			
31 July 2018	Value	Commissions	Other Costs*	
	£'000	£'000	%	£'000
Bonds	619,676	-	-	-
Total	619,676	-		-
Total sales net of transaction costs	619,676			

Derivatives

31 July 2019	Commissions
	£'000
Futures	-
31 July 2018	Commissions
	£'000
Futures	3

*Other Costs includes taxes and any other costs other than commissions incurred by the sub-fund when buying and selling an underlying investment.

Kames High Yield Bond Fund

Notes to the Financial Statements (continued)

14 Portfolio transaction costs (continued)

The purchases and sales are not subject to portfolio transaction costs.

Portfolio transaction costs are incurred by the sub-fund when buying and selling underlying investments. These vary depending on the class of investment, country of exchange and method of execution. These costs can be classified as either direct or indirect transaction costs:

Direct transaction costs: Broker commissions, fees and taxes.

Indirect transaction costs: 'Dealing spread' - the difference between the buying and selling prices of the sub-fund's underlying investments.

In order to protect existing investors from the effects of dilution, portfolio transaction costs incurred as a result of investors buying and selling shares in the sub-fund are recovered from those investors through a 'dilution adjustment' to the price they pay or receive.

At the balance sheet date, the portfolio dealing spread was 0.62% (2018: 0.60%), being the difference between the respective bid and offer prices for the sub-fund's investments.

15 Fair value of financial assets and financial liabilities

The fair value hierarchy is intended to prioritise the inputs that are used to measure the fair value of assets and liabilities. The fair value hierarchy has the following levels:

Level 1 – Unadjusted quoted price in an active market for an identical instrument.

Level 2 – Valuation techniques using observable inputs other than quoted prices within level 1.

Level 3 – Valuation techniques using unobservable inputs.

Valuation Technique	2019		2018	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
1 - Quoted prices	-	-	-	-
2 - Observable market data	512,784	(12,617)	730,941	(11,833)
3 - Unobservable data	-	-	-	-
	512,784	(12,617)	730,941	(11,833)

16 Share classes

The sub-fund currently has four share classes; A (Retail), B (Institutional), D (Retail) and S (Institutional). The ACD's periodic charge on each share class is as follows:

A share class: 1.25%

B share class: 0.75%

D share class: 1.00%

S share class: 0.50%

The net asset value of each share class, the net asset value per share, and the number of shares in each class are given in the comparative tables on pages 144 to 147. The distribution per share class is given in the distribution tables on pages 160 to 163. All share classes have the same rights on winding up.

Share class movement reconciliation

31 July 2019	Opening	Creations	Cancellations	Converted	Closing
A Accumulation	65,480,872	2,249,069	(33,263,638)	(1,108,482)	33,357,821
A Income	64,248,779	1,745,070	(7,305,930)	(35,692,982)	22,994,937
B Accumulation	134,081,491	14,748,054	(53,012,251)	6,199,813	102,017,107
B Income	295,123,392	18,083,157	(178,491,738)	(6,917,386)	127,797,425
D Accumulation	1,538,372	130,511	(531,637)	(32,764)	1,104,482
D Income	3,447,206	213,115	(1,297,802)	8,339	2,370,858
S Accumulation	33,253	423,738	(1,084,252)	1,565,668	938,407
S Income	52,096	432,044	(1,016,796)	7,560,840	7,028,184

Kames High Yield Bond Fund

Distribution Tables

Share Class A Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2017/8 Total Payable
31/08/18	30/09/18	Group 1	0.5383	N/A	0.5383	0.00%	100.00%	0.5249
		Group 2	0.2979	0.2404				
30/09/18	31/10/18	Group 1	0.5778	N/A	0.5778	0.00%	100.00%	0.4493
		Group 2	0.2415	0.3363				
31/10/18	30/11/18	Group 1	0.6145	N/A	0.6145	0.00%	100.00%	0.4740
		Group 2	0.2770	0.3375				
30/11/18	31/12/18	Group 1	0.5554	N/A	0.5554	0.00%	100.00%	0.4587
		Group 2	0.3074	0.2480				
31/12/18	31/01/19	Group 1	0.5772	N/A	0.5772	0.00%	100.00%	0.4911
		Group 2	0.1827	0.3945				
31/01/19	28/02/19	Group 1	0.5187	N/A	0.5187	0.00%	100.00%	0.4317
		Group 2	0.2190	0.2997				
28/02/19	31/03/19	Group 1	0.5110	N/A	0.5110	0.00%	100.00%	0.4626
		Group 2	0.1463	0.3647				
31/03/19	30/04/19	Group 1	0.5977	N/A	0.5977	0.00%	100.00%	0.5424
		Group 2	0.1929	0.4048				
30/04/19	31/05/19	Group 1	0.5575	N/A	0.5575	0.00%	100.00%	0.4989
		Group 2	0.3544	0.2031				
31/05/19	30/06/19	Group 1	0.5854	N/A	0.5854	0.00%	100.00%	0.5395
		Group 2	0.2410	0.3444				
30/06/19	31/07/19	Group 1	0.5820	N/A	0.5820	0.00%	100.00%	0.5629
		Group 2	0.2923	0.2897				
31/07/19	31/08/19	Group 1	0.6365	N/A	0.6365	0.00%	100.00%	0.5273
		Group 2	0.3310	0.3055				

Share Class A Income

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2017/8 Total Payable
31/08/18	30/09/18	Group 1	0.2154	N/A	0.2154	0.00%	100.00%	0.2203
		Group 2	0.0627	0.1527				
30/09/18	31/10/18	Group 1	0.2305	N/A	0.2305	0.00%	100.00%	0.1877
		Group 2	0.1390	0.0915				
31/10/18	30/11/18	Group 1	0.2438	N/A	0.2438	0.00%	100.00%	0.1975
		Group 2	0.1424	0.1014				
30/11/18	31/12/18	Group 1	0.2200	N/A	0.2200	0.00%	100.00%	0.1903
		Group 2	0.0972	0.1228				
31/12/18	31/01/19	Group 1	0.2269	N/A	0.2269	0.00%	100.00%	0.2030
		Group 2	0.1590	0.0679				
31/01/19	28/02/19	Group 1	0.2030	N/A	0.2030	0.00%	100.00%	0.1778
		Group 2	0.1080	0.0950				
28/02/19	31/03/19	Group 1	0.1985	N/A	0.1985	0.00%	100.00%	0.1899
		Group 2	0.0720	0.1265				
31/03/19	30/04/19	Group 1	0.2321	N/A	0.2321	0.00%	100.00%	0.2218
		Group 2	0.1131	0.1190				
30/04/19	31/05/19	Group 1	0.2154	N/A	0.2154	0.00%	100.00%	0.2032
		Group 2	0.0705	0.1449				
31/05/19	30/06/19	Group 1	0.2252	N/A	0.2252	0.00%	100.00%	0.2188
		Group 2	0.1228	0.1024				
30/06/19	31/07/19	Group 1	0.2230	N/A	0.2230	0.00%	100.00%	0.2273
		Group 2	0.1419	0.0811				
31/07/19	31/08/19	Group 1	0.2427	N/A	0.2427	0.00%	100.00%	0.2120
		Group 2	0.1600	0.0827				

All distributions above are in pence per share unless specifically stated.

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

Kames High Yield Bond Fund

Distribution Tables (continued)

Share Class B Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2017/8 Total Payable
31/08/18	30/09/18	Group 1	1.1643	N/A	1.1643	0.00%	100.00%	1.1296
		Group 2	0.5728	0.5915				
30/09/18	31/10/18	Group 1	1.2504	N/A	1.2504	0.00%	100.00%	0.9674
		Group 2	0.6398	0.6106				
31/10/18	30/11/18	Group 1	1.3304	N/A	1.3304	0.00%	100.00%	1.0205
		Group 2	0.6630	0.6674				
30/11/18	31/12/18	Group 1	1.2029	N/A	1.2029	0.00%	100.00%	0.9885
		Group 2	0.4209	0.7820				
31/12/18	31/01/19	Group 1	1.2506	N/A	1.2506	0.00%	100.00%	1.0585
		Group 2	0.7576	0.4930				
31/01/19	28/02/19	Group 1	1.1242	N/A	1.1242	0.00%	100.00%	0.9308
		Group 2	0.5139	0.6103				
28/02/19	31/03/19	Group 1	1.1045	N/A	1.1045	0.00%	100.00%	0.9984
		Group 2	0.5144	0.5901				
31/03/19	30/04/19	Group 1	1.2965	N/A	1.2965	0.00%	100.00%	1.1705
		Group 2	0.4768	0.8197				
30/04/19	31/05/19	Group 1	1.2098	N/A	1.2098	0.00%	100.00%	1.0773
		Group 2	0.7048	0.5050				
31/05/19	30/06/19	Group 1	1.2708	N/A	1.2708	0.00%	100.00%	1.1655
		Group 2	0.5891	0.6817				
30/06/19	31/07/19	Group 1	1.2639	N/A	1.2639	0.00%	100.00%	1.2166
		Group 2	0.6531	0.6108				
31/07/19	31/08/19	Group 1	1.3831	N/A	1.3831	0.00%	100.00%	1.1398
		Group 2	0.7778	0.6053				

Share Class B Income

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2017/8 Total Payable
31/08/18	30/09/18	Group 1	0.4110	N/A	0.4110	0.00%	100.00%	0.4181
		Group 2	0.1672	0.2438				
30/09/18	31/10/18	Group 1	0.4397	N/A	0.4397	0.00%	100.00%	0.3565
		Group 2	0.2339	0.2058				
31/10/18	30/11/18	Group 1	0.4661	N/A	0.4661	0.00%	100.00%	0.3749
		Group 2	0.2278	0.2383				
30/11/18	31/12/18	Group 1	0.4189	N/A	0.4189	0.00%	100.00%	0.3616
		Group 2	0.1289	0.2900				
31/12/18	31/01/19	Group 1	0.4342	N/A	0.4342	0.00%	100.00%	0.3858
		Group 2	0.2311	0.2031				
31/01/19	28/02/19	Group 1	0.3879	N/A	0.3879	0.00%	100.00%	0.3381
		Group 2	0.1517	0.2362				
28/02/19	31/03/19	Group 1	0.3796	N/A	0.3796	0.00%	100.00%	0.3613
		Group 2	0.1591	0.2205				
31/03/19	30/04/19	Group 1	0.4439	N/A	0.4439	0.00%	100.00%	0.4222
		Group 2	0.1982	0.2457				
30/04/19	31/05/19	Group 1	0.4122	N/A	0.4122	0.00%	100.00%	0.3868
		Group 2	0.1996	0.2126				
31/05/19	30/06/19	Group 1	0.4312	N/A	0.4312	0.00%	100.00%	0.4166
		Group 2	0.1925	0.2387				
30/06/19	31/07/19	Group 1	0.4272	N/A	0.4272	0.00%	100.00%	0.4332
		Group 2	0.2293	0.1979				
31/07/19	31/08/19	Group 1	0.4652	N/A	0.4652	0.00%	100.00%	0.4043
		Group 2	0.2447	0.2205				

All distributions above are in pence per share unless specifically stated.

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Kames High Yield Bond Fund

Distribution Tables (continued)

Share Class D Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2017/8 Total Payable
31/08/18	30/09/18	Group 1	0.5213	N/A	0.5213	0.00%	100.00%	0.5071
		Group 2	0.3260	0.1953				
30/09/18	31/10/18	Group 1	0.5597	N/A	0.5597	0.00%	100.00%	0.4341
		Group 2	0.2974	0.2623				
31/10/18	30/11/18	Group 1	0.5954	N/A	0.5954	0.00%	100.00%	0.4579
		Group 2	0.2977	0.2977				
30/11/18	31/12/18	Group 1	0.5383	N/A	0.5383	0.00%	100.00%	0.4438
		Group 2	0.0642	0.4741				
31/12/18	31/01/19	Group 1	0.5595	N/A	0.5595	0.00%	100.00%	0.4748
		Group 2	0.2553	0.3042				
31/01/19	28/02/19	Group 1	0.5028	N/A	0.5028	0.00%	100.00%	0.4174
		Group 2	0.2026	0.3002				
28/02/19	31/03/19	Group 1	0.4940	N/A	0.4940	0.00%	100.00%	0.4476
		Group 2	0.1270	0.3670				
31/03/19	30/04/19	Group 1	0.5796	N/A	0.5796	0.00%	100.00%	0.5246
		Group 2	0.3341	0.2455				
30/04/19	31/05/19	Group 1	0.5408	N/A	0.5408	0.00%	100.00%	0.4827
		Group 2	0.1938	0.3470				
31/05/19	30/06/19	Group 1	0.5678	N/A	0.5678	0.00%	100.00%	0.5222
		Group 2	0.2357	0.3321				
30/06/19	31/07/19	Group 1	0.5646	N/A	0.5646	0.00%	100.00%	0.5449
		Group 2	0.3464	0.2182				
31/07/19	31/08/19	Group 1	0.6174	N/A	0.6174	0.00%	100.00%	0.5104
		Group 2	0.4718	0.1456				

Share Class D Income

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2017/8 Total Payable
31/08/18	30/09/18	Group 1	0.4020	N/A	0.4020	0.00%	100.00%	0.4099
		Group 2	0.1539	0.2481				
30/09/18	31/10/18	Group 1	0.4300	N/A	0.4300	0.00%	100.00%	0.3496
		Group 2	0.2388	0.1912				
31/10/18	30/11/18	Group 1	0.4550	N/A	0.4550	0.00%	100.00%	0.3676
		Group 2	0.3013	0.1537				
30/11/18	31/12/18	Group 1	0.4095	N/A	0.4095	0.00%	100.00%	0.3545
		Group 2	0.3095	0.1000				
31/12/18	31/01/19	Group 1	0.4241	N/A	0.4241	0.00%	100.00%	0.3782
		Group 2	0.2827	0.1414				
31/01/19	28/02/19	Group 1	0.3792	N/A	0.3792	0.00%	100.00%	0.3313
		Group 2	0.2563	0.1229				
28/02/19	31/03/19	Group 1	0.3708	N/A	0.3708	0.00%	100.00%	0.3539
		Group 2	0.1684	0.2024				
31/03/19	30/04/19	Group 1	0.4336	N/A	0.4336	0.00%	100.00%	0.4133
		Group 2	0.1996	0.2340				
30/04/19	31/05/19	Group 1	0.4026	N/A	0.4026	0.00%	100.00%	0.3788
		Group 2	0.1185	0.2841				
31/05/19	30/06/19	Group 1	0.4210	N/A	0.4210	0.00%	100.00%	0.4079
		Group 2	0.1362	0.2848				
30/06/19	31/07/19	Group 1	0.4169	N/A	0.4169	0.00%	100.00%	0.4239
		Group 2	0.2673	0.1496				
31/07/19	31/08/19	Group 1	0.4540	N/A	0.4540	0.00%	100.00%	0.3954
		Group 2	0.3231	0.1309				

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Kames High Yield Bond Fund

Distribution Tables (continued)

Share Class S Accumulation**

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Streaming Unfranked	2017/8 Total Payable
31/08/18	30/09/18	Group 1	0.4279	N/A	0.4279	0.00%	100.00%	N/A
		Group 2	0.2565	0.1714				
30/09/18	31/10/18	Group 1	0.4595	N/A	0.4595	0.00%	100.00%	N/A
		Group 2	0.0833	0.3762				
31/10/18	30/11/18	Group 1	0.4889	N/A	0.4889	0.00%	100.00%	N/A
		Group 2	0.4889	0.0000				
30/11/18	31/12/18	Group 1	0.4421	N/A	0.4421	0.00%	100.00%	N/A
		Group 2	0.2229	0.2192				
31/12/18	31/01/19	Group 1	0.4599	N/A	0.4599	0.00%	100.00%	0.1545
		Group 2	0.4543	0.0056				
31/01/19	28/02/19	Group 1	0.4136	N/A	0.4136	0.00%	100.00%	0.3421
		Group 2	0.2003	0.2133				
28/02/19	31/03/19	Group 1	0.4064	N/A	0.4064	0.00%	100.00%	0.3658
		Group 2	0.2225	0.1839				
31/03/19	30/04/19	Group 1	0.4765	N/A	0.4765	0.00%	100.00%	0.4294
		Group 2	0.0900	0.3865				
30/04/19	31/05/19	Group 1	0.4448	N/A	0.4448	0.00%	100.00%	0.3955
		Group 2	0.2618	0.1830				
31/05/19	30/06/19	Group 1	0.4678	N/A	0.4678	0.00%	100.00%	0.4278
		Group 2	0.1446	0.3232				
30/06/19	31/07/19	Group 1	0.4660	N/A	0.4660	0.00%	100.00%	0.4465
		Group 2	0.3589	0.1071				
31/07/19	31/08/19	Group 1	0.5123	N/A	0.5123	0.00%	100.00%	0.4188
		Group 2	0.2251	0.2872				

Share Class S Income**

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Streaming Unfranked	2017/8 Total Payable
31/08/18	30/09/18	Group 1	0.4153	N/A	0.4153	0.00%	100.00%	N/A
		Group 2	0.1261	0.2892				
30/09/18	31/10/18	Group 1	0.4445	N/A	0.4445	0.00%	100.00%	N/A
		Group 2	0.2012	0.2433				
31/10/18	30/11/18	Group 1	0.4697	N/A	0.4697	0.00%	100.00%	N/A
		Group 2	0.4588	0.0109				
30/11/18	31/12/18	Group 1	0.4236	N/A	0.4236	0.00%	100.00%	N/A
		Group 2	0.1447	0.2789				
31/12/18	31/01/19	Group 1	0.4385	N/A	0.4385	0.00%	100.00%	0.1547
		Group 2	0.2602	0.1783				
31/01/19	28/02/19	Group 1	0.3945	N/A	0.3945	0.00%	100.00%	0.3418
		Group 2	0.0842	0.3103				
28/02/19	31/03/19	Group 1	0.3838	N/A	0.3838	0.00%	100.00%	0.3645
		Group 2	0.1403	0.2435				
31/03/19	30/04/19	Group 1	0.4494	N/A	0.4494	0.00%	100.00%	0.4273
		Group 2	0.1694	0.2800				
30/04/19	31/05/19	Group 1	0.4174	N/A	0.4174	0.00%	100.00%	0.3907
		Group 2	0.1822	0.2352				
31/05/19	30/06/19	Group 1	0.4366	N/A	0.4366	0.00%	100.00%	0.4209
		Group 2	0.3153	0.1213				
30/06/19	31/07/19	Group 1	0.4326	N/A	0.4326	0.00%	100.00%	0.4377
		Group 2	0.2874	0.1452				
31/07/19	31/08/19	Group 1	0.4711	N/A	0.4711	0.00%	100.00%	0.4082
		Group 2	0.1299	0.3412				

All distributions above are in pence per share unless specifically stated.

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

**Share classes launched on 19 December 2017.

Kames Investment Grade Bond Fund

Fund objective*

The primary investment objective is to maximise total return (income plus capital) by investing primarily in investment grade and government bonds denominated in sterling and other currencies. The sub-fund may hold a maximum of 20% in high yield bonds and may hold cash. A minimum of 80% of the sub-fund will be hedged back to sterling. The sub-fund may also invest in deposits, money market instruments, derivative instruments and forward transactions.

Risk profile

The sub-fund is designed for retail and institutional investors seeking pooled exposure to the investment grade bond market and who are comfortable with a medium level of investment risk. In most cases, we expect the sub-fund to be held as part of a diversified portfolio which may include other assets such as bonds, equities, property and cash. While investors will normally be able to liquidate their holdings on a daily basis, unit prices will fluctuate and may fall significantly in value. Consequently, it is important to understand that the sub-fund should be viewed as a longer-term investment.

The sub-fund is actively managed and exposed to a range of risks, which are listed and defined in the Kames Capital ICVC Prospectus. The most material risks from this list also appear in our Key Investor Information documents (KIID) where they are summarised in an easy-to-read format. You can find both of these documents on our website at www.kamescapital.com.

Performance**

The Kames Investment Grade Bond Fund returned 5.50% compared with the peer group median return of 7.40%. The peer group is the Investment Association Sterling Corporate Bond sector.

During the period, the pricing basis of the sub-fund swung from an Offer to Bid basis, which consequently reduced performance by approximately 72bps.

Strategy review***

Credit sentiment was mixed during the early months of the year but generally 'risk-on', and an abundance of new supply was well received by the market. Having raised the sub-fund's cash balance to over 10% at the end of the second quarter of 2018, the sub-fund was active in the primary market in the opening stages of the period, though it retained a somewhat defensive bias. The insurance and banking sectors did not perform well in August and September, which was an early headwind for the sub-fund.

Moving into October, sentiment turned sharply negative, beginning a three-month sell-off that left most risk assets in the red for 2018 as a whole. While we had raised the sub-fund's cash balance in anticipation of volatility, the portfolio had not been sufficiently de-risked to insulate it from the extreme conditions seen in the fourth quarter of 2018. We continued to reduce the portfolio's financial risk over the final months of 2018; the overall exposure to banks and other financials was reduced from c. 45% at the end of the third quarter of 2018 to 36% at year-end, reflecting our increasing caution on the near-term outlook for credit spreads.

In January, markets once again sharply reversed, and underwent a strong rally in credit. Whilst the central bank rhetoric had definitely become more accommodative (and was supportive to credit risk at least in the short term), we were sceptical that credit valuations were sufficiently attractive to warrant a material re-risking of the portfolio, and the sub-fund therefore retained a defensive stance. In the early part of 2019 this was detrimental to performance as credit spreads tightened aggressively.

While the overall asset allocation positioning was defensive in early 2019, this did not preclude the portfolio's selective involvement in attractive new issuance, with the sub-fund participating in new deals from ING Groep, HSBC, National Grid and Citigroup, all of which performed well. We also sought to exploit relative value opportunities when they arose. Examples of those trades included rotating the sub-fund's Ford Motor, Volkswagen and Credit Agricole exposure from sterling to euros when we believed the cross-currency spread differential was sufficiently attractive.

In the final months of the period, the sub-fund retained its somewhat defensive stance, which hurt relative performance. The main highlights in the later stages were Prudential and Tesco Property. In the case of Prudential, the company paid bondholders a significant consent fee to agree to changes in the bond documentation. These changes would mean the bonds would be an obligation of the UK part of the business, after the planned split-up of the company in the coming months. The size of the position was subsequently reduced post payment of the consent fee. Moody's upgrade of Tesco Property to investment grade was the catalyst for a significant tightening in spreads towards the end of the period, as the market positioned for the bonds to enter IG indices.

Duration management was a positive influence on performance in the latter months, when the sub-fund's relatively long duration position versus peers was beneficial as gilt yields fell below 1%. We subsequently trimmed interest rate risk, but were reluctant to be short duration against a supportive backdrop so generally ran with a duration of between 6.5 and 7 years for the remainder of the period.

Towards the end of the period, the sub-fund sought to take advantage of the positive technicals in the primary market (notably in US dollar and Euro markets) and ended the period with c. 10% in non-sterling assets (with the attendant currency risk hedged). This reflected a general preference to add to non-UK assets as Brexit concerns continue to occupy the market. We sold UK names such as Lloyds Banking and rotated into those with a broader global footprint, such as Zurich and AXA.

*Please note that the sub-fund's objective has been updated effective 7 August 2019. The latest update can found in the fund's prospectus at www.kamescapital.com.

**Source: Lipper, % growth, income re-invested at pay date, NAV-NAV, GBP, net of Basic Rate Tax. Index returns are gross of Basic Rate Tax. Investors are invited to compare the sub-fund's performance against the performance of other funds within the Investment Association Sterling Corporate Bond Sector. Comparison of the sub-fund against this Sector will give investors an indication of how the sub-fund is performing compared with funds investing in a similar but not identical investment universe. This comparison should be performed over at least a 7 year period to provide the most useful long term comparison.

***General references to markets and indices are to be considered as general market commentary only and (i) are not to be considered as a comparison of sub-fund performance against a benchmark (unless otherwise disclosed as such); and (ii) the index or indices do not operate as a performance target and the sub-fund's portfolio is not constrained by the index or indices.

Kames Investment Grade Bond Fund

Comparative Tables

A Accumulation shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	176.70	176.53	170.31
Return before operating charges*	12.57	2.44	8.44
Operating charges	(2.27)	(2.27)	(2.22)
Return after operating charges*	10.30	0.17	6.22
Distributions	(3.52)	(3.85)	(4.14)
Retained distributions on accumulation shares	3.52	3.85	4.14
Closing net asset value per share	187.00	176.70	176.53
 *after direct transaction costs of	-	-	-
Performance			
Return after charges	5.83%	0.10%	3.65%
Other information			
Closing net asset value (£'000)	86,800	158,997	158,761
Closing number of shares	46,416,663	89,978,966	89,935,758
Operating charges	1.28%	1.27%	1.29%
Direct transaction costs	-	-	-
Prices			
Highest share price	186.94	182.25	178.69
Lowest share price	173.38	176.67	166.90

A Income shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	121.11	123.63	121.87
Return before operating charges*	8.51	1.73	6.28
Operating charges	(1.55)	(1.58)	(1.58)
Return after operating charges*	6.96	0.15	4.70
Distributions	(2.39)	(2.67)	(2.94)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	125.68	121.11	123.63
 *after direct transaction costs of	-	-	-
Performance			
Return after charges	5.75%	0.12%	3.86%
Other information			
Closing net asset value (£'000)	16,688	19,081	22,441
Closing number of shares	13,278,085	15,755,081	18,151,770
Operating charges	1.28%	1.27%	1.29%
Direct transaction costs	-	-	-
Prices			
Highest share price	126.23	126.92	126.18
Lowest share price	118.20	122.23	118.80

Highest and Lowest share prices are based on official published daily NAVs priced at 12 noon on the last business day of the year. The closing net asset value per share is at close of business.

Kames Investment Grade Bond Fund

Comparative Tables (continued)

B Accumulation shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	186.13	185.02	177.70
Return before operating charges*	13.30	2.56	8.74
Operating charges	(1.46)	(1.45)	(1.42)
Return after operating charges*	11.84	1.11	7.32
Distributions	(4.66)	(4.98)	(5.23)
Retained distributions on accumulation shares	4.66	4.98	5.23
Closing net asset value per share	197.97	186.13	185.02
 *after direct transaction costs of	-	-	-
Performance			
Return after charges	6.36%	0.60%	4.12%
Other information			
Closing net asset value (£'000)	417,446	622,318	673,227
Closing number of shares	210,868,231	334,343,964	363,872,895
Operating charges	0.78%	0.77%	0.79%
Direct transaction costs	-	-	-
Prices			
Highest share price	197.89	191.43	187.18
Lowest share price	182.94	185.67	174.40

B Income shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	121.21	123.74	121.98
Return before operating charges*	8.52	1.73	6.29
Operating charges	(0.94)	(0.96)	(0.97)
Return after operating charges*	7.58	0.77	5.32
Distributions	(3.00)	(3.30)	(3.56)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	125.79	121.21	123.74
 *after direct transaction costs of	-	-	-
Performance			
Return after charges	6.25%	0.62%	4.36%
Other information			
Closing net asset value (£'000)	79,462	481,598	600,854
Closing number of shares	63,169,573	397,321,508	485,578,198
Operating charges	0.78%	0.77%	0.79%
Direct transaction costs	-	-	-
Prices			
Highest share price	126.50	127.15	126.34
Lowest share price	118.36	122.41	118.96

Highest and Lowest share prices are based on official published daily NAVs priced at 12 noon on the last business day of the year. The closing net asset value per share is at close of business.

Kames Investment Grade Bond Fund

Comparative Tables (continued)

D Accumulation shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	129.76	129.30	124.47
Return before operating charges*	9.24	1.80	6.14
Operating charges	(1.34)	(1.34)	(1.31)
Return after operating charges*	7.90	0.46	4.83
Distributions	(2.91)	(3.15)	(3.34)
Retained distributions on accumulation shares	2.91	3.15	3.34
Closing net asset value per share	137.66	129.76	129.30
 *after direct transaction costs of	-	-	-
Performance			
Return after charges	6.09%	0.36%	3.88%
Other information			
Closing net asset value (£'000)	3,529	4,159	3,680
Closing number of shares	2,563,629	3,205,036	2,845,785
Operating charges	1.03%	1.02%	1.04%
Direct transaction costs	-	-	-
Prices			
Highest share price	137.61	133.64	130.85
Lowest share price	127.42	129.58	122.06

D Income shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	111.81	114.14	112.52
Return before operating charges*	7.86	1.59	5.79
Operating charges	(1.15)	(1.17)	(1.17)
Return after operating charges*	6.71	0.42	4.62
Distributions	(2.49)	(2.75)	(3.00)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	116.03	111.81	114.14
 *after direct transaction costs of	-	-	-
Performance			
Return after charges	6.00%	0.37%	4.11%
Other information			
Closing net asset value (£'000)	707	817	1,193
Closing number of shares	609,275	731,049	1,045,067
Operating charges	1.03%	1.02%	1.04%
Direct transaction costs	-	-	-
Prices			
Highest share price	116.61	117.23	116.52
Lowest share price	109.15	112.88	109.71

Highest and Lowest share prices are based on official published daily NAVs priced at 12 noon on the last business day of the year. The closing net asset value per share is at close of business.

Kames Investment Grade Bond Fund

Comparative Tables (continued)

S Accumulation shares**	2019	2018
	(p/share)	(p/share)
Change in net assets per share		
Opening net asset value per share	98.13	100.00
Return before operating charges*	7.03	(1.53)
Operating charges	(0.53)	(0.34)
Return after operating charges*	6.50	(1.87)
Distributions	(2.71)	(1.71)
Retained distributions on accumulation shares	2.71	1.71
Closing net asset value per share	104.63	98.13
 *after direct transaction costs of	-	-
Performance		
Return after charges	6.62%	(1.87)%
Other information		
Closing net asset value (£'000)	38,605	19,236
Closing number of shares	36,897,981	19,603,337
Operating charges	0.53%	0.52%
Direct transaction costs	-	-
Prices		
Highest share price	104.59	100.80
Lowest share price	96.53	97.79

S Income shares**	2019	2018
	(p/share)	(p/share)
Change in net assets per share		
Opening net asset value per share	96.44	100.00
Return before operating charges*	6.78	(1.52)
Operating charges	(0.51)	(0.34)
Return after operating charges*	6.27	(1.86)
Distributions	(2.63)	(1.70)
Retained distributions on accumulation shares	-	-
Closing net asset value per share	100.08	96.44
 *after direct transaction costs of	-	-
Performance		
Return after charges	6.50%	(1.86)%
Other information		
Closing net asset value (£'000)	103,012	180,811
Closing number of shares	102,928,214	187,494,153
Operating charges	0.53%	0.52%
Direct transaction costs	-	-
Prices		
Highest share price	100.70	100.80
Lowest share price	94.19	97.41

Highest and Lowest share prices are based on official published daily NAVs priced at 12 noon on the last business day of the year. The closing net asset value per share is at close of business.

**Share classes launched on 19 December 2017.

Kames Investment Grade Bond Fund

Portfolio Statement

The sub-fund's investments as at 31 July 2019

Holding	Investment	Market valuation £'000	Total net assets %
	Euro Denominated Bonds (31 July 2018 2.50%)	27,744	3.72
	Asset Backed Security (31 July 2018 0.00%)	1,900	0.26
2,000,000	Channel Link Enterprises Finance 2.706% 30/06/2050	1,900	0.26
	Corporate Bonds (31 July 2018 2.50%)	25,844	3.46
3,000,000	Credit Agricole 6.5% Perpetual	2,963	0.40
1,500,000	Danske Bank 2.5% 6/21/2029	1,436	0.19
2,200,000	Euronext 1.125% 12/06/2029	2,101	0.28
6,800,000	Global Switch Holdings 2.25% 31/05/2027	6,786	0.91
4,000,000	Lloyds Banking 1.75% 07/09/2028	3,617	0.48
1,800,000	Swiss Re Finance Luxembourg 2.534% 30/04/2050	1,837	0.25
3,800,000	Takeda Pharmaceutical 3% 21/11/2030	4,133	0.55
3,200,000	UniCredit 6.625% Perpetual	2,971	0.40
	Sterling Denominated Bonds (31 July 2018 86.09%)	651,234	87.27
	Asset Backed Security (31 July 2018 9.12%)	91,738	12.29
8,000,000	Arqiva Financing 4.882% 31/12/2032	8,281	1.11
9,000,000	Bishopsgate Asset Finance 4.808% 14/08/2044	8,562	1.15
14,900,000	Canary Wharf Finance II 6.8% 22/04/2030	11,448	1.53
6,000,000	Connect M77/GSO 5.404% 31/03/2034	5,099	0.68
3,600,000	Dignity Finance 4.6956% 31/12/2049	2,943	0.39
3,300,000	Income Contingent Student Loans 2 2007-2009 2.5% 24/07/2058	2,970	0.40
8,700,000	Longstone Finance 4.791% 19/04/2030	5,771	0.77
10,160,000	Meadowhall Finance 4.986% 12/01/2032	9,019	1.21
6,700,000	Mitchells & Butlers Finance 5.574% 15/12/2030	3,156	0.42
11,800,000	Telereal Secured Finance 4.01% 10/12/2033	9,752	1.31
5,100,000	Telereal Securitisation 5.9478% 10/12/2031	4,819	0.65
5,600,000	Tesco Property Finance No.2 6.0517% 13/10/2039	6,256	0.84
3,300,000	THPA Finance 7.127% 15/03/2024	1,644	0.22
4,000,000	Trafford Centre Finance 6.5% 28/07/2033	4,470	0.60
6,625,000	White City Property Finance 5.1202% 17/04/2035	7,548	1.01
	Corporate Bonds (31 July 2018 76.97%)	518,708	69.51
1,300,000	Accent Capital 2.625% 18/07/2049	1,323	0.18
8,800,000	American International 2.4925% FRN 15/03/2037	7,198	0.96
3,000,000	AMP Group Finance Services 6.875% 23/08/2022	3,250	0.44
6,000,000	Anglian Water Services Financing 2.625% 15/06/2027	5,997	0.80
4,800,000	Anglian Water Services Financing 4.5% 22/02/2026	5,363	0.72
2,800,000	Anheuser-Busch InBev 2.25% 24/05/2029	2,893	0.39
5,700,000	APT Pipelines 3.5% 22/03/2030	6,341	0.85
7,200,000	Aroundtown 3.25% 18/07/2027	7,456	1.00
2,300,000	Arqiva Financing 5.34% 30/06/2030	2,817	0.38
4,800,000	Aviva 6.875% 20/05/2058	6,350	0.85
4,200,000	AXA 5.453% Perpetual	4,712	0.63
5,000,000	Bank of America 8.125% 02/06/2028	7,177	0.96
3,500,000	Barclays 2.375% 06/10/2023	3,526	0.47
3,500,000	Barclays 7.125% Perpetual	3,695	0.49
8,000,000	Bazalgette Finance 2.375% 29/11/2027	8,510	1.14
8,000,000	Becton Dickinson 3.02% 24/05/2025	8,487	1.14
4,100,000	Berkshire Hathaway Finance 2.375% 19/06/2039	4,295	0.58
6,200,000	BG Energy Capital 5.125% 01/12/2025	7,703	1.03
7,300,000	BNP Paribas 3.375% 23/01/2026	7,937	1.06
3,000,000	BPCE 5.25% 16/04/2029	3,666	0.49
7,500,000	BUPA Finance 5% 08/12/2026	8,509	1.14

Kames Investment Grade Bond Fund

Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
	Corporate Bonds (continued)		
9,000,000	Cadent Finance 2.625% 22/09/2038	9,249	1.24
5,000,000	Centrica 7% 19/09/2033	7,469	1.00
1,855,000	Channel Link Enterprises Finance 3.043% 30/06/2050	1,936	0.26
2,200,000	Close Brothers 2.75% 26/04/2023	2,294	0.31
3,500,000	Compass 2% 05/09/2025	3,694	0.49
3,195,000	Cooperatieve Rabobank 6.91% Perpetual	4,729	0.63
4,600,000	Credit Agricole 7.589% Perpetual	4,708	0.63
5,100,000	Deutsche Bank 1.875% 28/02/2020	5,102	0.68
5,000,000	Digital Stout 3.75% 17/10/2030	5,574	0.75
5,000,000	DS Smith 2.875% 26/07/2029	5,160	0.69
4,000,000	E.ON International Finance 5.875% 30/10/2037	5,917	0.79
2,000,000	E.ON International Finance 6.375% 07/06/2032	2,916	0.39
3,200,000	Esure 6.75% 19/12/2024	3,263	0.44
5,500,000	Experian Finance 2.125% 27/09/2024	5,712	0.77
7,400,000	Fidelity National Information Services 3.36% 21/05/2031	8,138	1.09
6,000,000	Firstgroup 6.875% 18/09/2024	7,136	0.96
2,600,000	Fiserv 3% 01/07/2031	2,765	0.37
7,000,000	Ford Motor Credit 4.535% 06/03/2025	7,494	1.00
3,000,000	GE Capital UK Funding Unlimited 5.875% 18/01/2033	3,812	0.51
4,800,000	Goldman Sachs 6.875% 18/01/2038	7,228	0.97
3,700,000	HBOS Sterling Finance Jersey 7.881% Perpetual	5,586	0.75
4,500,000	HSBC Capital 5.844% Perpetual	5,926	0.79
3,800,000	Informa 3.125% 05/07/2026	4,024	0.54
3,900,000	ING Groep 3% 18/02/2026	4,179	0.56
5,800,000	InterContinental Hotels 2.125% 24/08/2026	5,851	0.78
5,900,000	Investec 4.25% 24/07/2028	6,009	0.80
6,500,000	Juneau Investments 5.9% 22/02/2021	6,764	0.91
7,500,000	KFW 0.375% 15/12/2020	7,474	1.00
10,000,000	KFW 0.875% 15/03/2022	10,065	1.35
15,000,000	KFW 1.25% 29/12/2023	15,357	2.06
10,000,000	KFW 5.75% 07/06/2032	15,487	2.08
4,000,000	Legal & General 5.125% 14/11/2048	4,415	0.59
3,300,000	Lunar Funding I 5.494% 29/07/2020	3,414	0.46
2,900,000	Motability Operations 2.375% 14/03/2032	3,066	0.41
4,300,000	National Express 2.5% 11/11/2023	4,427	0.59
2,400,000	National Grid Electricity Transmission 2.75% 06/02/2035	2,651	0.36
4,650,000	Nationwide Building Society 5.769% Perpetual	4,871	0.65
3,000,000	Nationwide Building Society 7.859% Perpetual	3,636	0.49
7,000,000	NatWest Markets 6.2% Perpetual	7,070	0.95
4,800,000	New York Life Global Funding 1.625% 15/12/2023	4,911	0.66
5,000,000	NIE Finance 2.5% 27/10/2025	5,260	0.70
6,000,000	Orange 8.125% 20/11/2028	9,218	1.24
3,400,000	Orsted 2.5% 16/05/2033	3,653	0.49
2,400,000	Partnership Assurance 9.5% 24/03/2025	2,523	0.34
6,400,000	Pennon 2.875% Perpetual	6,426	0.86
5,500,000	Pension Insurance 8% 23/11/2026	6,683	0.90
7,000,000	Phoenix 6.625% 18/12/2025	7,740	1.04
2,200,000	Places for People Homes 3.625% 22/11/2028	2,353	0.32
4,900,000	Provident Financial 7% 04/06/2023	4,948	0.66
4,500,000	Prudential 5% 20/07/2055	4,861	0.65
4,300,000	Prudential 6.25% 20/10/2068	4,861	0.65
3,800,000	RAC 4.87% 06/05/2026	3,753	0.50
4,700,000	Sainsbury's Bank 6% 23/11/2027	4,765	0.64
7,000,000	Santander UK 2.92% 08/05/2026	7,178	0.96
4,000,000	Severn Trent Utilities Finance 2.75% 05/12/2031	4,372	0.59
7,000,000	Southern Gas Networks 2.5% 03/02/2025	7,406	0.99
4,000,000	SSE 6.25% 27/08/2038	6,063	0.81
5,800,000	Telereal Secured Finance 4.0902% 10/12/2033	6,027	0.81
1,800,000	Tesco 2.5% 02/05/2025	1,854	0.25

Kames Investment Grade Bond Fund

Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
	Corporate Bonds (continued)		
2,000,000	Thames Water Utilities Finance 2.625% 24/01/2032	2,054	0.28
5,400,000	Thames Water Utilities Finance 5.05% 30/06/2020	5,571	0.75
1,900,000	Total Capital International 1.75% 07/07/2025	1,967	0.26
5,000,000	Transport for London 4% 07/04/2064	7,599	1.02
5,000,000	UBS Jersey 8.75% 18/12/2025	6,884	0.92
7,600,000	UNITE Group 3.5% 15/10/2028	8,167	1.09
5,600,000	Volkswagen Financial Services 1.875% 07/09/2021	5,658	0.76
1,600,000	Wellcome Trust 2.517% 07/02/2118	1,734	0.23
5,000,000	Wells Fargo 5.25% 01/08/2023	5,686	0.76
4,000,000	Welltower 4.8% 20/11/2028	4,826	0.65
8,000,000	Western Power Distribution 3.5% 16/10/2026	8,525	1.14
2,700,000	Westfield Stratford City Finance No.2 1.642% 04/08/2026	2,740	0.37
4,000,000	Yorkshire Building Society 3.375% 13/09/2028	3,869	0.52
6,500,000	Yorkshire Water Finance 3.75% 22/03/2046	6,800	0.91
	Government Bonds (31 July 2018 0.00%)	40,788	5.47
10,000,000	European Investment Bank 0.875% 15/03/2021	10,040	1.34
5,000,000	European Investment Bank 1.125% 07/09/2021	5,052	0.68
14,000,000	European Investment Bank 2.5% 31/10/2022	14,832	1.99
10,000,000	European Investment Bank 5.375% 07/06/2021	10,864	1.46
	United States Dollar Denominated Bonds (31 July 2018 2.13%)	54,439	7.29
	Corporate Bonds (31 July 2018 2.13%)	54,439	7.29
800,000	APT Pipelines 4.25% 15/07/2027	687	0.09
4,000,000	Bayer US Finance II 4.25% 15/12/2025	3,432	0.46
4,800,000	BP Capital Markets 3.279% 19/09/2027	4,063	0.54
4,900,000	BP Capital Markets America 4.234% 06/11/2028	4,443	0.60
4,000,000	Cloverie 5.625% 24/06/2046	3,624	0.49
8,000,000	Danske Bank 5.375% 12/01/2024	7,110	0.95
1,200,000	Imperial Brands Finance 3.5% 26/07/2026	976	0.13
11,167,000	JPMorgan Chase 5.73575% FRN Perpetual	9,120	1.22
4,000,000	McDonald's 3.5% 01/03/2027	3,432	0.46
3,200,000	Nordea Bank 6.625% Perpetual	2,788	0.37
6,000,000	Royal Bank of Scotland 7.648% Perpetual	6,450	0.86
4,500,000	Takeda Pharmaceutical 5% 26/11/2028	4,221	0.57
5,000,000	Total Capital International 2.434% 10/01/2025	4,093	0.55
	Derivatives and Futures Contracts (31 July 2018 (0.09)%)	(462)	(0.06)
	Forward Foreign Exchange Contracts (31 July 2018 (0.10)%)	(2,198)	(0.29)
	Bought EUR 10,000,000 Sold GBP 8,943,630	162	0.02
	Bought EUR 3,500,000 Sold GBP 3,125,693	62	0.01
	Bought EUR 5,000,000 Sold GBP 4,507,390	46	0.01
	Bought EUR 4,000,000 Sold GBP 3,600,009	42	0.01
	Bought EUR 3,500,000 Sold GBP 3,150,748	36	-
	Bought GBP 807,881 Sold EUR 900,000	(12)	-
	Bought GBP 1,799,944 Sold EUR 2,000,000	(21)	-
	Bought GBP 5,383,614 Sold EUR 6,000,000	(80)	(0.01)
	Bought GBP 8,083,418 Sold EUR 9,000,000	(112)	(0.02)
	Bought GBP 33,542,100 Sold EUR 37,550,000	(650)	(0.09)
	Bought GBP 1,618,127 Sold USD 2,000,000	(12)	-
	Bought GBP 4,012,270 Sold USD 5,000,000	(63)	(0.01)
	Bought GBP 3,597,524 Sold USD 4,500,000	(70)	(0.01)
	Bought GBP 3,998,550 Sold USD 5,000,000	(76)	(0.01)
	Bought GBP 3,335,429 Sold USD 4,200,000	(87)	(0.01)
	Bought GBP 5,544,312 Sold USD 7,000,000	(160)	(0.02)
	Bought GBP 6,677,203 Sold USD 8,500,000	(250)	(0.03)
	Bought GBP 24,147,203 Sold USD 30,800,000	(953)	(0.13)

Kames Investment Grade Bond Fund

Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
	Futures Contracts (31 July 2018 0.01%)	1,736	0.23
535	Long Gilt Future Contract September 2019	1,790	0.24
(320)	US 10 Year Note Future Contract September 2019	(54)	(0.01)
	Portfolio of investments*	732,955	98.22
	Net other assets	13,294	1.78
	Total net assets attributable to shareholders	746,249	100.00

Analysis of investments by asset class

	Market value £'000	Value of investments %
Bonds	733,417	98.28
Derivatives	(462)	(0.06)
Portfolio of investments*	732,955	98.22
Net other assets	13,294	1.78
Total net assets attributable to shareholders	746,249	100.00

Comparative percentage figures in brackets are at 31 July 2018.

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

*Includes investment liabilities.

Kames Investment Grade Bond Fund

Statement of Total Return for the year ended 31 July 2019

			2019		2018
	Note	£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	2		16,830		(30,993)
Revenue	3	35,908		50,305	
Expenses	4	(8,780)		(12,075)	
Interest payable and similar charges	6	<u>(20)</u>		<u>(18)</u>	
Net revenue before taxation		27,108		38,212	
Taxation	5	<u>(95)</u>		<u>(40)</u>	
Net revenue after taxation			<u>27,013</u>		<u>38,172</u>
Total return before distributions			43,843		7,179
Distributions	6		<u>(27,028)</u>		<u>(37,942)</u>
Change in net assets attributable to shareholders from investment activities			16,815		(30,763)

Statement of Change in Net Assets Attributable to Shareholders for the year ended 31 July 2019

		2019		2018
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		1,487,017		1,460,156
Amounts receivable on creation of shares	185,691		476,404	
Amounts payable on cancellation of shares	<u>(960,993)</u>		<u>(440,527)</u>	
		(775,302)		35,877
Dilution adjustment		2,246		1,181
Change in net assets attributable to shareholders from investment activities		16,815		(30,763)
Retained distribution on accumulation shares		<u>15,473</u>		<u>20,566</u>
Closing net assets attributable to shareholders		746,249		1,487,017

Kames Investment Grade Bond Fund

Balance Sheet as at 31 July 2019

			2019		2018
	Note	£'000	£'000	£'000	£'000
Assets					
Fixed assets:					
Investments			735,555		1,349,073
Current assets:					
Debtors	7	13,086		39,150	
Cash and bank balances	8	6,152		112,453	
			19,238		151,603
Total assets			754,793		1,500,676
Liabilities					
Investment liabilities			2,600		1,456
Creditors					
Bank overdrafts	9	-		14	
Distributions payable		1,239		4,684	
Other creditors	10	4,705		7,505	
Total liabilities			8,544		13,659
Net assets attributable to shareholders			746,249		1,487,017

Kames Investment Grade Bond Fund

Notes to the Financial Statements

1 Accounting policies

The sub-fund's financial statements have been prepared on the basis disclosed on pages 11 to 13.

2 Net capital gains/(losses)

Net capital gains/(losses) comprise:

	2019	2018
	£'000	£'000
Gains/(losses) on non-derivative securities	12,919	(31,449)
Losses on forward currency contracts	(3,861)	(1,803)
Currency exchange gains	475	188
Gains on derivative securities	7,300	2,074
Transaction charges	(3)	(3)
Net capital gains/(losses)	16,830	(30,993)

3 Revenue

	2019	2018
	£'000	£'000
Interest on debt securities	35,177	51,081
Bank interest	460	177
Derivative revenue	271	(953)
Total revenue	35,908	50,305

4 Expenses*

	2019	2018
	£'000	£'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	8,499	11,718
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fee	175	232
Other expenses:		
Audit fee**	11	11
FT publishing fee	5	3
KIID fee	-	3
PRIIPs fees	4	-
Registrar's fee	25	24
Safe custody charge	61	84
	106	125
Total expenses	8,780	12,075

*All expenditure stated above is inclusive of irrecoverable VAT where applicable.

**The audit fee (excluding VAT) incurred during the year was £8,915 (2018: £8,655).

5 Taxation

a) Analysis of charge in the year

	2019	2018
	£'000	£'000
Current tax:		
Overseas tax suffered	95	40
Total tax charge for the year (see note 5 (b))	95	40

Kames Investment Grade Bond Fund

Notes to the Financial Statements (continued)

5 Taxation (continued)

b) Factors affecting tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax for Open Ended Investment Companies 'OEICs' (20%).

The differences are explained below:

	2019	2018
	£'000	£'000
Net revenue before taxation	27,108	38,212
Corporation tax 20% (2018: 20%)	5,422	7,642
Effects of:		
Overseas tax suffered	95	40
Relief on overseas tax suffered	(19)	(8)
Tax deductible interest distributions	(5,406)	(7,588)
Equalisation on conversion	3	(46)
Total tax charge for the year (see note 5 (a))	95	40

Open Ended Investment Companies are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliations.

6 Interest and distributions

a) Interest payable and similar charges

	2019	2018
	£'000	£'000
Interest	20	18
Interest payable and similar charges	20	18

b) Distributions

The distributions take account of amounts receivable on the issue of shares and amounts deductible on the cancellation of shares, and comprise:

	2019	2018
	£'000	£'000
Interim distributions	20,157	28,350
Final distribution	4,403	9,892
	24,560	38,242
Add: amounts deductible on cancellation of shares	3,031	1,330
Less: amounts receivable on creation of shares	(563)	(1,630)
Distributions	27,028	37,942

Details of the distributions are set out in the tables on pages 182 and 183.

c) Movement between net revenue and distribution

	2019	2018
	£'000	£'000
Net revenue after taxation	27,013	38,172
Equalisation on conversions	15	(231)
Undistributed revenue brought forward	-	1
Distributions	27,028	37,942

7 Debtors

	2019	2018
	£'000	£'000
Accrued revenue	10,040	22,413
Amounts receivable for the issue of shares	550	3,535
Sales awaiting settlement	2,496	13,202
Debtors	13,086	39,150

Kames Investment Grade Bond Fund

Notes to the Financial Statements (continued)

8 Cash and bank balances

	2019	2018
	£'000	£'000
Amounts held at futures clearing houses and brokers*	2,765	2,018
Cash and bank balances	565	174
Money market deposits	2,822	110,261
Cash and bank balances	6,152	112,453

*Includes cash pledged as collateral of £3,070,000 (2018: £1,280,000).

9 Bank overdrafts

	2019	2018
	£'000	£'000
Bank overdrafts	-	14
Bank overdrafts	-	14

10 Other creditors

	2019	2018
	£'000	£'000
Accrued expenses*	547	1,014
Amounts payable for cancellation of shares	4,158	2,265
Purchases awaiting settlement	-	4,226
Other creditors	4,705	7,505

*Includes accrued ACD's periodic charge of £501,000 (2018: £982,000).

11 Related parties

The ACD's periodic charge paid to Kames Capital plc, (the ACD) are shown in Note 4 and details of amounts received and paid on shares issued and cancelled are shown in the Statement of Change in Net Assets Attributable to Shareholders. The balance due to the ACD in respect of these transactions as at 31 July 2019 is £4,109,000 (2018: £288,000 due from the ACD), a breakdown can be found in Notes 7 and 10. At the year-end 5.00% (2018: 2.88%) of the shares in issue were owned by AEGON Group or AEGON UK companies.

12 Contingent assets, liabilities and commitments

There were no contingent assets, liabilities or commitments present in the sub-fund as at 31 July 2019 (2018: Nil).

13 Financial instruments and risk

The risks associated with the sub-fund are market, concentration, valuation, yield, liquidity, counterparty, and interest rate risk. Narrative disclosures are on pages 14 and 15.

Analysis of investments by credit ratings

	2019		2018	
	Market value	Value of investments	Market value	Value of investments
	£'000	%	£'000	%
Rated bonds at investment grade	639,874	85.74	1,063,837	71.54
Rated bonds below investment grade	45,332	6.07	136,990	9.22
Unrated bonds	48,211	6.47	148,112	9.96
Derivatives	(462)	(0.06)	(1,322)	(0.09)
Portfolio of investments	732,955	98.22	1,347,617	90.63
Net other assets	13,294	1.78	139,400	9.37
Total net assets attributable to shareholders	746,249	100.00	1,487,017	100.00

Note - Investment grade bonds are defined as bonds with a Standard & Poor's, Moody's or Fitch's rating of BBB-, Baa3 and BBB- or above respectively.

Kames Investment Grade Bond Fund

Notes to the Financial Statements (continued)

13 Financial instruments and risk (continued)

Currency exposure

The revenue and capital value of the sub-fund's investments can be affected by foreign currency translation movements as a proportion of the sub-fund's assets and revenue are denominated in currencies other than sterling.

An analysis of assets and liabilities is detailed below in the currency exposure table:

As at 31 July 2019

Currency	Total £'000
Australian Dollar	1
Euro	1,226
Sterling	744,352
United States Dollar	670
	746,249

As at 31 July 2018

Currency	Total £'000
Australian Dollar	1
Euro	1,673
Sterling	1,482,375
United States Dollar	2,968
	1,487,017

Interest rate risk

The interest rate profile of the sub-fund's interest bearing assets and liabilities at 31 July 2019 was:

Currency	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Euro	-	27,744	23,899	51,643
Sterling	7,198	644,036	116,787	768,021
United States Dollar	9,120	45,319	413	54,852
Cash at bank				
Australian Dollar	1	-	-	1
Euro	75	-	-	75
Sterling	15	-	-	15
United States Dollar	474	-	-	474
Cash at brokers				
Sterling	2,765	-	-	2,765
Cash on deposit				
Sterling	2,822	-	-	2,822
	22,470	717,099	141,099	880,668

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Euro	-	-	(50,492)	(50,492)
Sterling	-	-	(29,271)	(29,271)
United States Dollar	-	-	(54,656)	(54,656)
	-	-	(134,419)	(134,419)

Kames Investment Grade Bond Fund

Notes to the Financial Statements (continued)

13 Financial instruments and risk (continued)

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

Currency	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Euro	-	37,172	609	37,781
Sterling	18,815	1,261,375	119,789	1,399,979
United States Dollar	7,696	23,881	9,427	41,004
Cash at bank				
Australian Dollar	1	-	-	1
Euro	70	-	-	70
United States Dollar	103	-	-	103
Cash at brokers				
Sterling	2,018	-	-	2,018
Cash on deposit				
Sterling	101,529	-	-	101,529
United States Dollar	8,732	-	-	8,732
	138,964	1,322,428	129,825	1,591,217

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Euro	-	-	(36,178)	(36,178)
Sterling	-	-	(21,137)	(21,137)
United States Dollar	-	-	(46,871)	(46,871)
Cash at bank				
Sterling	(14)	-	-	(14)
	(14)	-	(104,186)	(104,200)

Derivative risk

The sub-fund invests in derivatives, consistent with the investment objective of the sub-fund, as outlined in the derivative risks section on page 15.

VaR Disclosure

The Manager assesses the market risk of the sub-fund's investments, including any derivative exposure, using a value at risk methodology. This process provides the Manager with an estimate of the maximum potential loss that could be expected to occur as a result of changes in market prices over a given period of time in all but a given percentage of circumstances. The value at risk is calculated on a 95.00% (2018: 95.00%) confidence interval with a one month time horizon and a five year history, using the Historical model. The sub-fund has an absolute VaR limit of 14.10% (2018: 14.10%). As at the balance sheet date, the sub-fund's value at risk is 1.92% (2018: 2.10%).

The following table details the lowest, highest and average utilisation of the VaR limit:

	Lowest Utilisation (%)	Highest Utilisation (%)	Average Utilisation (%)
31 July 2019	1.72	2.17	1.94
31 July 2018	2.02	2.74	2.34

Leverage

Average leverage is calculated as the sum of the net asset value and the incremental exposure generated through the use of derivatives (calculated in accordance with the commitment approach (CESR/10-788)) divided by the net asset value. As at 31 July 2019 date the average leverage was 18.75% (2018: 11.78%).

Counterparty risk

The risk of entering an arrangement with a counterparty, which is itself subject to financial risks which may affect its ability to trade as a going concern.

The ACD maintains a list of approved counterparties. This list is regularly monitored and revised for changes based on the counterparty's credit-worthiness, market reputation and expectations of future financial performance. Transactions will only be opened with financial intermediaries on the approved counterparties list.

The sub-fund's use of exchange traded derivatives are considered to be free of counterparty risk if the derivative is traded on an exchange where the clearing house is backed by an appropriate performance guarantee and it is characterised by a daily mark-to-market valuation of the derivative position and at least daily margining.

Kames Investment Grade Bond Fund

Notes to the Financial Statements (continued)

13 Financial instruments and risk (continued)

Counterparty risk (continued)

The following details exposure to counterparties obtained through the use of derivatives:

As at 31 July 2019

Counterparty	Forward Foreign Exchange Contracts Exposure £'000	Futures Exposure £'000	Collateral Pledge £'000
BNP Paribas	162	-	-
Citigroup	-	-	3,070
UBS	-	1,736	-

As at 31 July 2018

Counterparty	Forward Foreign Exchange Contracts Exposure £'000	Futures Exposure £'000	Collateral Pledge £'000
Citigroup	-	-	1,280
UBS	-	134	-

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

14 Portfolio transaction costs

Purchases

31 July 2019	Value £'000	Commissions £'000	Other Costs* %	£'000	%
Bonds	701,085	-	-	-	-
Total	701,085	-	-	-	-
Total purchases including transaction costs	701,085				

31 July 2018	Value £'000	Commissions £'000	Other Costs* %	£'000	%
Bonds	1,087,901	-	-	-	-
Total	1,087,901	-	-	-	-
Total purchases including transaction costs	1,087,901				

Sales

31 July 2019	Value £'000	Commissions £'000	Other Costs* %	£'000	%
Bonds	1,322,480	-	-	-	-
Total	1,322,480	-	-	-	-
Total sales net of transaction costs	1,322,480				

31 July 2018	Value £'000	Commissions £'000	Other Costs* %	£'000	%
Bonds	1,124,994	-	-	-	-
Total	1,124,994	-	-	-	-
Total sales net of transaction costs	1,124,994				

Derivatives

31 July 2019	Commissions £'000
Futures	37
31 July 2018	27
Futures	

*Other Costs includes taxes and any other costs other than commissions incurred by the sub-fund when buying and selling an underlying investment.

Kames Investment Grade Bond Fund

Notes to the Financial Statements (continued)

14 Portfolio transaction costs (continued)

The purchases and sales are not subject to portfolio transaction costs.

Portfolio transaction costs are incurred by the sub-fund when buying and selling underlying investments. These vary depending on the class of investment, country of exchange and method of execution. These costs can be classified as either direct or indirect transaction costs:

Direct transaction costs: Broker commissions, fees and taxes.

Indirect transaction costs: 'Dealing spread' - the difference between the buying and selling prices of the sub-fund's underlying investments.

In order to protect existing investors from the effects of dilution, portfolio transaction costs incurred as a result of investors buying and selling shares in the sub-fund are recovered from those investors through a 'dilution adjustment' to the price they pay or receive.

At the balance sheet date, the portfolio dealing spread was 0.68% (2018: 0.81%), being the difference between the respective bid and offer prices for the sub-fund's investments.

15 Fair value of financial assets and financial liabilities

The fair value hierarchy is intended to prioritise the inputs that are used to measure the fair value of assets and liabilities. The fair value hierarchy has the following levels:

Level 1 – Unadjusted quoted price in an active market for an identical instrument.

Level 2 – Valuation techniques using observable inputs other than quoted prices within level 1.

Level 3 – Valuation techniques using unobservable inputs.

Valuation	2019		2018	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
1 - Quoted prices	9,389	(54)	134	-
2 - Observable market data	726,166	(2,546)	1,348,939	(1,456)
3 - Unobservable data	-	-	-	-
	735,555	(2,600)	1,349,073	(1,456)

16 Share classes

The sub-fund currently has four share classes; A (Retail), B (Institutional), D (Retail) and S (Institutional). The ACD's periodic charge on each share class is as follows:

A share class: 1.25%

B share class: 0.75%

D share class: 1.00%

S share class: 0.50%

The net asset value of each share class, the net asset value per share, and the number of shares in each class are given in the comparative tables on pages 165 to 168. The distribution per share class is given in the distribution tables on pages 182 and 183. All share classes have the same rights on winding up.

Share class movement reconciliation

31 July 2019	Opening	Creations	Cancellations	Converted	Closing
A Accumulation	89,978,966	3,473,966	(46,438,238)	(598,031)	46,416,663
A Income	15,755,081	1,214,338	(2,343,658)	(1,347,676)	13,278,085
B Accumulation	334,343,964	45,121,774	(168,881,532)	284,025	210,868,231
B Income	397,321,508	25,771,278	(335,410,324)	(24,512,889)	63,169,573
D Accumulation	3,205,036	825,394	(1,466,801)	-	2,563,629
D Income	731,049	93,781	(189,085)	(26,470)	609,275
S Accumulation	19,603,337	44,037,494	(27,331,538)	588,688	36,897,981
S Income	187,494,153	19,011,062	(136,038,470)	32,461,469	102,928,214

Kames Investment Grade Bond Fund

Distribution Tables

Share Class A Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2017/8 Total Payable
31/10/18	31/12/18	Group 1	0.9265	N/A	0.9265	0.00%	100.00%	1.0004
		Group 2	0.4579	0.4686				
31/01/19	31/03/19	Group 1	0.8748	N/A	0.8748	0.00%	100.00%	0.9670
		Group 2	0.5016	0.3732				
30/04/19	30/06/19	Group 1	0.8384	N/A	0.8384	0.00%	100.00%	0.9165
		Group 2	0.4427	0.3957				
31/07/19	30/09/19	Group 1	0.8815	N/A	0.8815	0.00%	100.00%	0.9631
		Group 2	0.4774	0.4041				

Share Class A Income

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2017/8 Total Payable
31/10/18	31/12/18	Group 1	0.6350	N/A	0.6350	0.00%	100.00%	0.7005
		Group 2	0.2763	0.3587				
31/01/19	31/03/19	Group 1	0.5965	N/A	0.5965	0.00%	100.00%	0.6738
		Group 2	0.3385	0.2580				
30/04/19	30/06/19	Group 1	0.5666	N/A	0.5666	0.00%	100.00%	0.6349
		Group 2	0.2266	0.3400				
31/07/19	30/09/19	Group 1	0.5952	N/A	0.5952	0.00%	100.00%	0.6637
		Group 2	0.3253	0.2699				

Share Class B Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2017/8 Total Payable
31/10/18	31/12/18	Group 1	1.2112	N/A	1.2112	0.00%	100.00%	1.2844
		Group 2	0.6252	0.5860				
31/01/19	31/03/19	Group 1	1.1558	N/A	1.1558	0.00%	100.00%	1.2538
		Group 2	0.6400	0.5158				
30/04/19	30/06/19	Group 1	1.1127	N/A	1.1127	0.00%	100.00%	1.1913
		Group 2	0.5588	0.5539				
31/07/19	30/09/19	Group 1	1.1774	N/A	1.1774	0.00%	100.00%	1.2491
		Group 2	0.6751	0.5023				

Share Class B Income

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2017/8 Total Payable
31/10/18	31/12/18	Group 1	0.7888	N/A	0.7888	0.00%	100.00%	0.8590
		Group 2	0.3702	0.4186				
31/01/19	31/03/19	Group 1	0.7462	N/A	0.7462	0.00%	100.00%	0.8328
		Group 2	0.4682	0.2780				
30/04/19	30/06/19	Group 1	0.7163	N/A	0.7163	0.00%	100.00%	0.7868
		Group 2	0.3420	0.3743				
31/07/19	30/09/19	Group 1	0.7527	N/A	0.7527	0.00%	100.00%	0.8187
		Group 2	0.4117	0.3410				

All distributions above are in pence per share unless specifically stated.

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

Kames Investment Grade Bond Fund

Distribution Tables (continued)

Share Class D Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2017/8 Total Payable
31/10/18	31/12/18	Group 1	0.7623	N/A	0.7623	0.00%	100.00%	0.8152
		Group 2	0.4576	0.3047				
31/01/19	31/03/19	Group 1	0.7240	N/A	0.7240	0.00%	100.00%	0.7922
		Group 2	0.1813	0.5427				
30/04/19	30/06/19	Group 1	0.6941	N/A	0.6941	0.00%	100.00%	0.7520
		Group 2	0.3386	0.3555				
31/07/19	30/09/19	Group 1	0.7338	N/A	0.7338	0.00%	100.00%	0.7888
		Group 2	0.3955	0.3383				

Share Class D Income

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2017/8 Total Payable
31/10/18	31/12/18	Group 1	0.6568	N/A	0.6568	0.00%	100.00%	0.7195
		Group 2	0.3182	0.3386				
31/01/19	31/03/19	Group 1	0.6203	N/A	0.6203	0.00%	100.00%	0.6950
		Group 2	0.4352	0.1851				
30/04/19	30/06/19	Group 1	0.5910	N/A	0.5910	0.00%	100.00%	0.6557
		Group 2	0.2635	0.3275				
31/07/19	30/09/19	Group 1	0.6220	N/A	0.6220	0.00%	100.00%	0.6841
		Group 2	0.1946	0.4274				

Share Class S Accumulation**

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2017/8 Total Payable
31/10/18	31/12/18	Group 1	0.7006	N/A	0.7006	0.00%	100.00%	N/A
		Group 2	0.3797	0.3209				
31/01/19	31/03/19	Group 1	0.6717	N/A	0.6717	0.00%	100.00%	0.3268
		Group 2	0.3053	0.3664				
30/04/19	30/06/19	Group 1	0.6468	N/A	0.6468	0.00%	100.00%	0.6710
		Group 2	0.3663	0.2805				
31/07/19	30/09/19	Group 1	0.6865	N/A	0.6865	0.00%	100.00%	0.7110
		Group 2	0.5450	0.1415				

Share Class S Income**

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2017/8 Total Payable
31/10/18	31/12/18	Group 1	0.6885	N/A	0.6885	0.00%	100.00%	N/A
		Group 2	0.3513	0.3372				
31/01/19	31/03/19	Group 1	0.6543	N/A	0.6543	0.00%	100.00%	0.3264
		Group 2	0.2784	0.3759				
30/04/19	30/06/19	Group 1	0.6287	N/A	0.6287	0.00%	100.00%	0.6717
		Group 2	0.3170	0.3117				
31/07/19	30/09/19	Group 1	0.6614	N/A	0.6614	0.00%	100.00%	0.7050
		Group 2	0.3858	0.2756				

All distributions above are in pence per share unless specifically stated.

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

**Share classes launched on 19 December 2017.

Kames Ethical Corporate Bond Fund

Fund objective*

The primary investment objective is to maximise total return (income plus capital) by investing in sterling denominated bonds issued by a company or organisation that meets the sub-funds predefined ethical criteria. Investments may encompass investment grade bonds, cash and higher yield bonds up to 10% of the sub-fund.

Risk profile

The sub-fund is designed for retail and institutional investors seeking pooled exposure to the sterling corporate bond market while pursuing an ethical investment policy which excludes unethical activity. Investors in this sub-fund should be comfortable with a medium level of investment risk. In most cases, we expect the sub-fund to be held as part of a diversified portfolio which may include other assets such as bonds, equities, property and cash. While investors will normally be able to liquidate their holdings on a daily basis, unit prices will fluctuate and may fall significantly in value. Consequently, it is important to understand that the sub-fund should be viewed as a longer term investment.

The sub-fund is actively managed and exposed to a range of risks, which are listed and defined in the Kames Capital ICVC Prospectus. The most material risks from this list also appear in our Key Investor Information documents (KIID) where they are summarised in an easy-to-read format. You can find both of these documents on our website at www.kamescapital.com.

Performance**

The Kames Ethical Corporate Bond Fund returned 6.67% compared to the peer group median return of 7.40%. The peer group is the Investment Association Sterling Corporate Bond sector.

Strategy review***

The second half of 2018 saw one of the largest cross-asset sell-offs seen since the financial crisis. Disquiet grew in markets through the year, as hopes of a continuing record bull market were repeatedly challenged by trade wars, geopolitical instability, the perception of an excessively hawkish federal reserve, Brexit, and numerous idiosyncratic events in developed and emerging economies alike. By October, this all proved too much for markets to bear, and a major correction ensued, lasting until the closing days of the year. Around 90% of risk assets finished 2018 in the red.

The first half of 2019 was a very different story, as markets turned sharply and recovered much of the loss. A key driver of the rally was significantly more dovish rhetoric from the Federal Reserve. The recovery was almost as indiscriminate as the correction, as the more risky areas of the market led the rally. It should be noted, however, that investor flows into risky assets were somewhat muted. Similarly, sovereign yields remained close to their depressed levels from the 'flight-to-quality' during 2018's sell-off. Evidently, the memory of 2018, mixed with the uncertainty of some of the world's major political landscapes has led to a degree of caution in markets.

We increased duration during the early part of 2019 given our view that the UK economy's deterioration was not yet reflected in gilt yields. Through the rest of the period, duration moved within a fairly narrow range around 7 years. The expected deterioration in the domestic economic picture has broadly come through, and whilst the consequences of a hard Brexit would undoubtedly create further challenges, we believe current gilt market valuations now increasingly reflect much of the economic malaise.

The sub-fund's defensive bias, in part a function of the ethical screening criteria - added to performance through much of 2018, especially during the fourth quarter. As uncertainty and volatility grew, we steadily reduced the credit risk of the sub-fund as the outlook for credit markets soured. This was beneficial to relative performance during the final quarter of 2018, where our positioning mitigated some of the worst excesses of the sell-off. We doubled our cash allocation to over 7%, which further helped relative performance. The central-bank inspired rally of early 2019 did not favour the sub-fund's defensive positioning, as riskier areas of the market saw the greatest rallies from their deeply depressed values. We have generally retained this cautious stance toward credit, based on a view that valuations look relatively full given the uncertain macroeconomic and geopolitical outlook.

Stock selection was mixed. The sub-fund benefitted from a number of its subordinated insurance positions, including bonds from Axa, Aviva, and Legal & General. Amongst the largest detractors to portfolio performance was the holding in Metro Bank, whose bonds fell on concerns the bank's capital base was insufficient for its growth plans. Having reviewed the position in January, we took the decision to fully liquidate our holding.

*Please note that the sub-fund's objective has been updated effective 7 August 2019. The latest update can be found in the fund's prospectus at www.kamescapital.com.

**Source: Lipper, % growth, income re-invested at pay date, NAV-NAV, GBP, net of Basic Rate Tax. Index returns are gross of Basic Rate Tax. Investors are invited to compare the sub-fund's performance against the performance of other funds within the Investment Association Sterling Corporate Bond Sector. Comparison of the sub-fund against this Sector will give investors an indication of how the sub-fund is performing compared with funds investing in a similar but not identical investment universe and comprising ethical and nonethically screened funds, demonstrating the value of the sub-fund's ethical screen against non-ethically screened funds. This comparison should be performed over at least a 7 year period to provide the most useful long term comparison.

***General references to markets and indices are to be considered as general market commentary only and (i) are not to be considered as a comparison of sub-fund performance against a benchmark (unless otherwise disclosed as such); and (ii) the index or indices do not operate as a performance target and the sub-fund's portfolio is not constrained by the index or indices.

Kames Ethical Corporate Bond Fund

Comparative Tables

A Accumulation shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	213.61	213.92	208.85
Return before operating charges*	15.61	1.93	7.85
Operating charges	(2.25)	(2.24)	(2.21)
Return after operating charges*	13.36	(0.31)	5.64
Distributions	(5.26)	(5.46)	(5.54)
Retained distributions on accumulation shares	5.26	5.46	4.97
Closing net asset value per share	226.97	213.61	213.92
 *after direct transaction costs of	-	-	-
Performance			
Return after charges	6.25%	(0.14)%	2.70%
Other information			
Closing net asset value (£'000)	104,856	106,595	107,478
Closing number of shares	46,198,899	49,901,321	50,241,372
Operating charges	1.04%	1.04%	1.04%
Direct transaction costs	-	-	-
Prices			
Highest share price	227.78	218.45	216.31
Lowest share price	211.37	212.13	205.50

A Income shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	112.65	115.73	115.69
Return before operating charges*	8.13	1.05	4.29
Operating charges	(1.18)	(1.20)	(1.21)
Return after operating charges*	6.95	(0.15)	3.08
Distributions	(2.75)	(2.93)	(3.04)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	116.85	112.65	115.73
 *after direct transaction costs of	-	-	-
Performance			
Return after charges	6.17%	(0.13)%	2.66%
Other information			
Closing net asset value (£'000)	3,743	4,267	5,881
Closing number of shares	3,203,873	3,787,886	5,081,911
Operating charges	1.04%	1.04%	1.04%
Direct transaction costs	-	-	-
Prices			
Highest share price	117.95	118.18	119.77
Lowest share price	111.04	113.00	113.21

Highest and Lowest share prices are based on official published daily NAVs priced at 12 noon on the last business day of the year. The closing net asset value per share is at close of business.

Kames Ethical Corporate Bond Fund

Comparative Tables (continued)

B Accumulation shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	187.72	187.06	181.81
Return before operating charges*	13.77	1.68	6.83
Operating charges	(1.03)	(1.02)	(1.00)
Return after operating charges*	12.74	0.66	5.83
Distributions	(5.59)	(5.73)	(5.75)
Retained distributions on accumulation shares	5.59	5.73	5.17
Closing net asset value per share	200.46	187.72	187.06
 *after direct transaction costs of	-	-	-
Performance			
Return after charges	6.79%	0.35%	3.21%
Other information			
Closing net asset value (£'000)	211,892	183,557	200,233
Closing number of shares	105,703,654	97,780,411	107,042,937
Operating charges	0.54%	0.54%	0.54%
Direct transaction costs	-	-	-
Prices			
Highest share price	201.17	191.38	189.04
Lowest share price	185.93	186.00	179.15

B Income shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	101.04	103.80	103.76
Return before operating charges*	7.29	0.94	3.86
Operating charges	(0.55)	(0.56)	(0.57)
Return after operating charges*	6.74	0.38	3.29
Distributions	(2.98)	(3.14)	(3.25)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	104.80	101.04	103.80
 *after direct transaction costs of	-	-	-
Performance			
Return after charges	6.67%	0.37%	3.17%
Other information			
Closing net asset value (£'000)	175,885	159,581	152,689
Closing number of shares	167,830,127	157,945,992	147,102,496
Operating charges	0.54%	0.54%	0.54%
Direct transaction costs	-	-	-
Prices			
Highest share price	105.92	106.05	107.46
Lowest share price	99.64	101.37	101.59

Highest and Lowest share prices are based on official published daily NAVs priced at 12 noon on the last business day of the year. The closing net asset value per share is at close of business.

Kames Ethical Corporate Bond Fund

Comparative Tables (continued)

D Accumulation shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	123.28	123.15	119.96
Return before operating charges*	9.03	1.11	4.51
Operating charges	(0.99)	(0.98)	(0.96)
Return after operating charges*	8.04	0.13	3.55
Distributions	(3.35)	(3.46)	(3.49)
Retained distributions on accumulation shares	3.35	3.46	3.13
Closing net asset value per share	131.32	123.28	123.15
 *after direct transaction costs of	-	-	-
Performance			
Return after charges	6.52%	0.11%	2.96%
Other information			
Closing net asset value (£'000)	2,470	2,246	2,739
Closing number of shares	1,880,924	1,822,023	2,223,808
Operating charges	0.79%	0.79%	0.79%
Direct transaction costs	-	-	-
Prices			
Highest share price	131.79	125.86	124.50
Lowest share price	122.05	122.29	118.12

D Income shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	105.09	107.97	107.93
Return before operating charges*	7.58	0.97	4.01
Operating charges	(0.83)	(0.85)	(0.86)
Return after operating charges*	6.75	0.12	3.15
Distributions	(2.83)	(3.00)	(3.11)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	109.01	105.09	107.97
 *after direct transaction costs of	-	-	-
Performance			
Return after charges	6.42%	0.11%	2.92%
Other information			
Closing net asset value (£'000)	1,161	1,178	1,747
Closing number of shares	1,065,327	1,120,351	1,617,867
Operating charges	0.79%	0.79%	0.79%
Direct transaction costs	-	-	-
Prices			
Highest share price	110.10	110.28	111.75
Lowest share price	103.61	105.43	105.64

Highest and Lowest share prices are based on official published daily NAVs priced at 12 noon on the last business day of the year. The closing net asset value per share is at close of business.

Kames Ethical Corporate Bond Fund

Portfolio Statement

The sub-fund's investments as at 31 July 2019

Holding	Investment	Market Valuation £'000	Total net assets %
	Sterling Denominated Bonds (31 July 2018 96.20%)	466,101	93.22
	Asset Backed Security (31 July 2018 12.87%)	68,064	13.61
2,900,000	Alpha Schools Highland Project 4.792% 31/01/2036	2,690	0.54
3,250,000	Arqiva Financing 4.882% 31/12/2032	3,364	0.67
5,500,000	Canary Wharf Finance II 6.8% 22/04/2030	4,226	0.85
3,400,000	Channel Link Enterprises Finance 3.848% 30/06/2050	3,881	0.78
3,000,000	Dignity Finance 4.6956% 31/12/2049	2,453	0.49
2,400,000	Great Rolling Stock 6.875% 27/07/2035	2,274	0.45
1,500,000	Greater Gabbard 4.137% 29/11/2032	1,498	0.30
2,000,000	High Speed Rail Finance No.1 4.375% 01/11/2038	2,574	0.51
2,100,000	Income Contingent Student Loans 2 2007-2009 2.5% 24/07/2058	1,890	0.38
2,500,000	Meadowhall Finance 4.986% 12/01/2032	2,219	0.44
1,000,000	Paragon 3.625% 21/01/2047	1,148	0.23
1,300,000	Penarian Housing Finance 3.212% 07/06/2052	1,371	0.27
2,500,000	Premier Transmission Financing 5.2022% 31/03/2030	1,762	0.35
2,000,000	Sustainable Communities for Leeds Finance 5.069% 30/09/2032	2,201	0.44
2,400,000	TC Dudgeon Ofto 3.158% 12/11/2038	2,628	0.53
4,900,000	Telereal Secured Finance 4.01% 10/12/2031	4,050	0.81
2,250,000	Telereal Securitisation 5.9478% 10/12/2031	2,126	0.43
2,800,000	Telereal Securitisation 6.1645% 10/12/2031	3,239	0.65
4,089,000	THPA Finance 8.241% 15/03/2028	4,720	0.94
3,000,000	Trafford Centre Finance 6.5% 28/07/2033	3,352	0.67
1,200,000	Trafford Centre Finance 7.03% 28/01/2029	810	0.16
5,300,000	Transport for London 5% 31/03/2035	7,312	1.46
4,300,000	White City Property Finance 5.1202% 17/04/2035	4,899	0.98
1,400,000	Wods Transmission 3.446% 24/08/2034	1,377	0.28
	Corporate Bonds (31 July 2018 82.71%)	395,152	79.03
1,000,000	ABN AMRO Bank 1% 30/06/2020	1,001	0.20
4,000,000	ABP Finance 6.25% 14/12/2026	4,980	1.00
900,000	Accent Capital 2.625% 18/07/2049	916	0.18
900,000	Affinity Water Programme Finance 4.5% 31/03/2036	1,207	0.24
3,600,000	American International 2.4925% FRN 15/03/2037	2,945	0.59
4,000,000	American International 5% 26/04/2023	4,499	0.90
2,500,000	AMP Group Finance Services 6.875% 23/08/2022	2,709	0.54
3,000,000	Anglian Water Services Financing 1.625% 10/08/2025	3,036	0.61
1,200,000	Anglian Water Services Financing 2.75% 26/10/2029	1,312	0.26
1,200,000	APT Pipelines 3.5% 22/03/2030	1,335	0.27
4,000,000	APT Pipelines 4.25% 26/11/2024	4,534	0.91
3,500,000	Aroundtown 3.25% 18/07/2027	3,625	0.71
1,600,000	Aroundtown 3.625% 10/04/2031	1,659	0.33
1,500,000	Arqiva Financing 5.34% 30/06/2030	1,837	0.37
4,750,000	Aviva 6.875% 20/05/2058	6,284	1.26
3,000,000	AXA 5.625% 16/01/2054	3,524	0.70
1,800,000	AXA 7.125% 15/12/2020	1,942	0.39
3,500,000	Bank of Montreal 1.625% 21/06/2022	3,576	0.72
3,500,000	Bank of Nova Scotia 0.75% 14/09/2021	3,487	0.70
4,600,000	Bank of Nova Scotia 1.75% 23/12/2022	4,727	0.95
3,000,000	Bank of Scotland Capital Funding 7.754% Perpetual	3,293	0.66
3,500,000	Bazalgette Finance 2.375% 29/11/2027	3,723	0.74
3,100,000	Blend Funding 3.459% 21/09/2047	3,592	0.72
4,100,000	BPCE 5.25% 16/04/2029	5,010	1.00
2,500,000	British Land 5.357% 31/03/2028	3,146	0.63
600,000	Cadent Finance 2.125% 22/09/2028	613	0.12
3,000,000	Cadent Finance 2.625% 22/09/2038	3,083	0.62
1,400,000	Circle Anglia Social Housing 7.25% 12/11/2038	2,444	0.49
800,000	Close Brothers 2.75% 26/04/2023	834	0.17
1,000,000	Close Brothers Finance 2.75% 19/10/2026	1,061	0.21
1,800,000	Cooperatieve Rabobank 4% 19/09/2022	1,966	0.39

Kames Ethical Corporate Bond Fund

Portfolio Statement (continued)

Holding	Investment	Market Valuation £'000	Total net assets %
Corporate Bonds (continued)			
4,400,000	Cooperatieve Rabobank 5.25% 14/09/2027	5,313	1.06
1,629,000	Cooperatieve Rabobank 6.91% Perpetual	2,411	0.48
3,400,000	Coventry Building Society 1.875% 24/10/2023	3,491	0.70
1,675,000	Coventry Building Society 5.875% 28/09/2022	1,915	0.38
1,200,000	CPUK Finance 4.25% 28/08/2022	1,215	0.24
3,700,000	CPUK Finance 7.239% 28/02/2024	4,503	0.90
2,500,000	CRH Finance 4.125% 02/12/2029	2,988	0.60
2,000,000	CYBG 9.25% Perpetual	2,069	0.41
1,500,000	Deutsche Bahn Finance 2.75% 20/06/2022	1,580	0.32
2,300,000	Deutsche Telekom International Finance 7.625% 15/06/2030	3,540	0.71
3,500,000	Digital Stout 3.75% 17/10/2030	3,902	0.78
2,400,000	DS Smith 2.875% 26/07/2029	2,477	0.50
1,900,000	Esure 6.75% 19/12/2024	1,937	0.39
1,645,000	Firstgroup 8.75% 08/04/2021	1,830	0.37
3,700,000	Fiserv 3% 01/07/2031	3,935	0.79
3,000,000	Freshwater Finance 4.607% 17/10/2036	3,977	0.80
900,000	Futures Treasury 3.375% 08/02/2044	1,026	0.21
1,500,000	GLH Hotels 7.875% 20/06/2022	1,624	0.32
3,000,000	Grainger 3.375% 24/04/2028	3,155	0.63
2,000,000	Great Places Housing 4.75% 22/10/2042	2,709	0.54
1,300,000	Grosvenor UK Finance 6.5% 29/09/2026	1,700	0.34
3,300,000	HBOS Sterling Finance Jersey 7.881% Perpetual	4,982	1.00
1,500,000	Incommunities 3.25% 21/03/2049	1,692	0.34
4,900,000	ING Groep 3% 18/02/2026	5,250	1.05
3,900,000	Investec 4.25% 24/07/2028	3,972	0.79
4,000,000	Kelda Finance No.3 5.75% 17/02/2020	4,025	0.81
14,800,000	KFW 0.375% 15/12/2020	14,749	2.95
5,500,000	KFW 5.5% 18/06/2025	6,979	1.40
3,600,000	Land Securities Capital Markets 1.974% 08/02/2024	3,693	0.74
8,500,000	LCR Finance 4.5% 07/12/2028	11,157	2.23
6,800,000	LCR Finance 5.1% 07/03/2051	12,639	2.53
2,400,000	Legal & General 5.125% 14/11/2048	2,649	0.53
2,500,000	Legal & General 5.5% 27/06/2064	2,774	0.55
3,500,000	Legal & General 10% 23/07/2041	4,066	0.81
2,600,000	Liberty Living Finance 3.375% 28/11/2029	2,792	0.56
1,600,000	Lloyds Banking 6.5% 17/09/2040	2,635	0.53
2,300,000	Lunar Funding I 5.75% 18/10/2033	3,325	0.66
1,100,000	Motability Operations 2.375% 14/03/2032	1,163	0.23
2,030,000	Motability Operations 3.625% 10/03/2036	2,463	0.49
2,000,000	Muenchener Rueckversicherungs 6.625% 26/05/2042	2,273	0.45
1,800,000	National Express 2.5% 11/11/2023	1,853	0.37
1,200,000	National Grid Electricity Transmission 2.75% 06/02/2035	1,325	0.26
2,500,000	Nationwide Building Society 5.769% Perpetual	2,619	0.52
9,000,000	Network Rail Infrastructure Finance 4.75% 29/11/2035	13,482	2.70
2,500,000	NGG Finance 5.625% 18/06/2073	2,734	0.55
4,100,000	Northern Powergrid Yorkshire 4.375% 05/07/2032	5,219	1.04
1,700,000	Northern Powergrid Yorkshire 9.25% 17/01/2020	1,763	0.35
1,900,000	Notting Hill Housing Trust 3.75% 20/12/2032	2,164	0.43
2,400,000	OP Corporate Bank 2.5% 20/05/2022	2,492	0.50
1,600,000	Orange 3.25% 15/01/2032	1,798	0.36
1,400,000	Orange 5.75% Perpetual	1,556	0.31
3,200,000	Orsted 2.5% 16/05/2033	3,438	0.69
2,500,000	Orsted 4.875% 12/01/2032	3,321	0.66
3,600,000	Pennon 2.875% Perpetual	3,615	0.72
3,000,000	Phoenix 4.125% 20/07/2022	3,129	0.63
2,800,000	Phoenix Life 7.25% Perpetual	2,888	0.58
2,100,000	Places for People Homes 3.625% 22/11/2028	2,246	0.45
2,400,000	Porterbrook Rail Finance 6.5% 20/10/2020	2,547	0.51
3,200,000	Prudential 5.625% 20/10/2051	3,548	0.71
1,800,000	Prudential 5.7% 19/12/2063	2,052	0.41
1,400,000	RAC 4.87% 06/05/2026	1,383	0.28

Kames Ethical Corporate Bond Fund

Portfolio Statement (continued)

Holding	Investment	Market Valuation £'000	Total net assets %
	Corporate Bonds (continued)		
1,400,000	RL Finance No.2 6.125% 30/11/2043	1,583	0.32
5,000,000	Royal Bank of Scotland 2.875% 19/09/2026	5,110	1.02
4,500,000	Sainsbury's Bank 6% 23/11/2027	4,563	0.91
2,500,000	Santander 3.625% 14/01/2026	2,695	0.54
3,300,000	Santander UK 5.875% 14/08/2031	3,957	0.79
2,300,000	Segro 2.875% 11/10/2037	2,419	0.48
2,500,000	Severn Trent Utilities Finance 1.125% 07/09/2021	2,507	0.50
3,000,000	Severn Trent Utilities Finance 3.625% 16/01/2026	3,367	0.67
3,100,000	Skipton Building Society 1.75% 30/06/2022	3,103	0.62
1,000,000	South East Water Finance 5.6577% 30/09/2019	1,007	0.20
600,000	Southern Gas Networks 2.5% 03/02/2025	635	0.13
3,000,000	Southern Gas Networks 4.875% 05/10/2023	3,461	0.69
4,000,000	SSE 3.875% Perpetual	4,045	0.81
4,000,000	Stagecoach 4% 29/09/2025	4,295	0.86
4,300,000	Svenska Handelsbanken 1.625% 18/06/2022	4,375	0.88
1,800,000	Swan Housing Capital 3.625% 05/03/2048	2,008	0.40
1,600,000	Thames Water Utilities Finance 2.625% 24/01/2032	1,643	0.33
1,400,000	Thames Water Utilities Finance 3.5% 25/02/2028	1,553	0.31
4,500,000	Transport for London 3.875% 23/07/2042	5,917	1.18
2,400,000	UNITE Group 3.5% 15/10/2028	2,579	0.52
1,700,000	UNITE USAF II 3.921% 30/06/2025	1,911	0.38
2,400,000	Vantiv / Vantiv Issuer 3.875% 15/11/2025	2,512	0.50
3,000,000	Vicinity Centres 3.375% 07/04/2026	3,238	0.65
1,900,000	Virgin Money 2.25% 21/04/2020	1,915	0.38
1,100,000	Wales & West Utilities Finance 3% 03/08/2038	1,237	0.25
1,250,000	Wales & West Utilities Finance 4.625% 13/12/2023	1,444	0.29
111,000	Wales & West Utilities Finance 6.25% 30/11/2021	124	0.02
2,700,000	Welltower 4.8% 20/11/2028	3,258	0.65
2,000,000	Wessex Water Services Finance 4% 24/09/2021	2,126	0.43
2,100,000	Westfield Stratford City Finance NO 2 1.642% 04/08/2026	2,131	0.43
1,000,000	WM Treasury 4.625% 03/12/2042	1,344	0.27
3,400,000	Yorkshire Building Society 3.5% 21/04/2026	3,658	0.73
1,200,000	Yorkshire Water Finance 2.75% 18/04/2041	1,295	0.26
1,250,000	Yorkshire Water Finance 3.625% 01/08/2029	1,456	0.29
2,900,000	Yorkshire Water Finance 3.75% 22/03/2046	3,034	0.61
	Government Bonds (31 July 2018 0.62%)	2,885	0.58
2,900,000	International Bank for Reconstruction & Development 0.375% 15/06/2021	2,885	0.58
	Portfolio of investments	466,101	93.22
	Net other assets	33,906	6.78
	Total net assets attributable to shareholders	500,007	100.00

Analysis of investments by asset class

	Market Value £'000	Value of investments investments %
Bonds	466,101	93.22
Portfolio of investments	466,101	93.22
Net other assets	33,906	6.78
Total net assets attributable to shareholders	500,007	100.00

The comparative percentage figures in brackets are at 31 July 2018.

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

Kames Ethical Corporate Bond Fund

Statement of Total Return for the year ended 31 July 2019

			2019		2018
	Note	£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	2		18,196		(12,312)
Revenue	3	16,630		16,582	
Expenses	4	(3,140)		(3,064)	
Interest payable and similar charges	6	-		(1)	
Net revenue before taxation		13,490		13,517	
Taxation	5	-		-	
Net revenue after taxation			13,490		13,517
Total return before distributions			31,686		1,205
Distributions	6		(13,490)		(13,518)
Change in net assets attributable to shareholders from investment activities			18,196		(12,313)

Statement of Change in Net Assets Attributable to Shareholders for the year ended 31 July 2019

		2019		2018
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		457,424		470,767
Amounts receivable on creation of shares	118,867		114,949	
Amounts payable on cancellation of shares	(102,822)		(124,451)	
		16,045		(9,502)
Dilution adjustment		-		61
Change in net assets attributable to shareholders from investment activities		18,196		(12,313)
Retained distribution on accumulation shares		8,342		8,411
Closing net assets attributable to shareholders		500,007		457,424

Kames Ethical Corporate Bond Fund

Balance Sheet as at 31 July 2019

			2019		2018
	Note	£'000	£'000	£'000	£'000
Assets					
Fixed assets:					
Investments			466,101		440,030
Current assets:					
Debtors	7	7,052		8,939	
Cash and bank balances	8	29,103		12,033	
			36,155		20,972
Total assets			502,256		461,002
Liabilities					
Creditors					
Distributions payable		1,279		1,286	
Other creditors	9	970		2,292	
Total liabilities			2,249		3,578
Net assets attributable to shareholders			500,007		457,424

Kames Ethical Corporate Bond Fund

Notes to the Financial Statements

1 Accounting policies

The sub-fund's financial statements have been prepared on the basis disclosed on pages 11 to 13.

2 Net capital gains/(losses)

Net capital gains/(losses) comprise:

	2019	2018
	£'000	£'000
Gains/(losses) on non-derivative securities	18,197	(12,311)
Transaction charges	(1)	(1)
Net capital gains/(losses)	18,196	(12,312)

3 Revenue

	2019	2018
	£'000	£'000
Interest on debt securities	16,489	16,543
Bank interest	141	39
Total revenue	16,630	16,582

4 Expenses*

	2019	2018
	£'000	£'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	2,958	2,887
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fee	104	104
Other expenses:		
Audit fee**	11	11
FT publishing fee	5	3
KIID fee	-	3
Registrar's fee	30	29
PRIIPs fees	4	-
Safe custody charge	28	27
	78	73
Total expenses	3,140	3,064

*All expenditure stated above is inclusive of irrecoverable VAT where applicable.

**The audit fee (excluding VAT) incurred during the year was £8,915 (2018: £8,655).

5 Taxation

Corporation tax has not been provided for as expenses and interest distributions payable by the sub-fund exceed the revenue liable to corporation tax.

Factors affecting tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax for Open Ended Investment Companies 'OEICs' (20%).

The differences are explained below:

	2019	2018
	£'000	£'000
Net revenue before taxation	13,490	13,517
Corporation tax 20% (2018: 20%)	2,698	2,703
Effects of:		
Tax deductible interest distributions	(2,698)	(2,703)
Total tax charge for the year	-	-

Open Ended Investment Companies are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliations.

Kames Ethical Corporate Bond Fund

Notes to the Financial Statements (continued)

6 Interest and distributions

a) Interest payable and similar charges

	2019	2018
	£'000	£'000
Interest	-	1
Interest payable and similar charges	-	1

b) Distributions

The distributions take account of amounts receivable on the issue of shares and amounts deductible on the cancellation of shares, and comprise:

	2019	2018
	£'000	£'000
Interim distributions	10,122	10,056
Final distribution	3,401	3,420
	13,523	13,476
Add: amounts deductible on cancellation of shares	365	456
Less: amounts receivable on creation of shares	(398)	(414)
Distributions	13,490	13,518

Details of the distributions are set out in the tables on pages 198 and 199.

c) Movement between net revenue and distribution

	2019	2018
	£'000	£'000
Net revenue after taxation	13,490	13,517
Equalisation on conversions	-	1
Distributions	13,490	13,518

7 Debtors

	2019	2018
	£'000	£'000
Accrued revenue	5,982	5,926
Amounts receivable for the issue of shares	1,070	3,013
Debtors	7,052	8,939

8 Cash and bank balances

	2019	2018
	£'000	£'000
Cash and bank balances	51	125
Money market deposits	29,052	11,908
Cash and bank balances	29,103	12,033

9 Other creditors

	2019	2018
	£'000	£'000
Accrued expenses*	304	268
Amounts payable for cancellation of shares	654	928
Purchases awaiting settlement	12	1,096
Other creditors	970	2,292

*Includes accrued ACD's periodic charge of £259,000 (2018: £243,000).

10 Related parties

The ACD's periodic charge paid to Kames Capital plc, (the ACD) are shown in Note 4 and details of amounts received and paid on shares issued and cancelled are shown in the Statement of Change in Net Assets Attributable to Shareholders. The balance due from the ACD in respect of these transactions as at 31 July 2019 is £157,000 (2018: £1,842,000 due from the ACD), a breakdown can be found in Notes 7 and 9. At the year-end 13.93% (2018: 15.18%) of the shares in issue were owned by AEGON Group or AEGON UK companies.

11 Contingent assets, liabilities and commitments

There were no contingent assets, liabilities or commitments present in the sub-fund as at 31 July 2019 (2018: Nil).

Kames Ethical Corporate Bond Fund

Notes to the Financial Statements (continued)

12 Financial instruments and risk

The risks associated with the sub-fund are market, concentration, valuation, yield, liquidity, counterparty, and interest rate risk. Narrative disclosures are on pages 14 and 15.

Analysis of investments by credit ratings

	2019		2018	
	Market value £'000	Value of investments %	Market value £'000	Value of investments %
Rated bonds at investment grade	411,277	82.27	373,770	81.72
Rated bonds below investment grade	27,888	5.57	34,462	7.53
Unrated bonds	26,936	5.38	31,798	6.95
Portfolio of investments	466,101	93.22	440,030	96.20
Net other assets	33,906	6.78	17,394	3.80
Total net assets attributable to shareholders	500,007	100.00	457,424	100.00

Note - Investment grade bonds are defined as bonds with a Standard & Poor's, Moody's or Fitch's rating of BBB-, Baa3 and BBB- or above respectively.

Currency exposure

The revenue and capital value of the sub-fund's investments can be affected by foreign currency translation movements as a proportion of the sub-fund's assets and revenue are denominated in currencies other than sterling.

There was no cash or investments held in foreign currency as at 31 July 2019 (2018: Nil).

Interest rate risk

The interest rate profile of the sub-fund's interest bearing assets and liabilities at 31 July 2019 was:

Currency	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	2,945	463,156	7,052	473,153
Cash at bank				
Sterling	51	-	-	51
Cash on deposit				
Sterling	29,052	-	-	29,052
	32,048	463,156	7,052	502,256

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	-	-	(2,249)	(2,249)
	-	-	(2,249)	(2,249)

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

Currency	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	11,842	428,188	8,939	448,969
Cash at bank				
Sterling	125	-	-	125
Cash on deposit				
Sterling	11,908	-	-	11,908
	23,875	428,188	8,939	461,002

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	-	-	(3,578)	(3,578)
	-	-	(3,578)	(3,578)

Kames Ethical Corporate Bond Fund

Notes to the Financial Statements (continued)

12 Financial instruments and risk (continued)

Floating rate financial assets and financial liabilities, sterling denominated bank balances and bank overdrafts bear interest at rates based on SONIA. Foreign currency bank balances bear interest at rates based on LIBOR or its international equivalent. Euro denominated floating rate notes bear interest at rates based on EURIBOR.

VaR Disclosure

The Manager assesses the market risk of the sub-fund's investments, including any derivative exposure, using a value at risk methodology. This process provides the Manager with an estimate of the maximum potential loss that could be expected to occur as a result of changes in market prices over a given period of time in all but a given percentage of circumstances. The value at risk is calculated on a 95.00% (2018: 95.00%) confidence interval with a one month time horizon and a five year history, using the Historical model. The sub-fund has an absolute VaR limit of 14.10% (2018: 14.10%). As at the balance sheet date, the sub-fund's value at risk is 1.94% (2018: 1.95%).

The following table details the lowest, highest and average utilisation of the VaR limit:

	Lowest Utilisation (%)	Highest Utilisation (%)	Average Utilisation (%)
31 July 2019	1.79	2.03	1.91
31 July 2018	1.94	2.44	2.19

13 Portfolio transaction costs

Purchases

	Value £'000	Commissions £'000	Other Costs* %	£'000	%
31 July 2019					
Bonds	127,184	-	-	-	-
Total	127,184	-	-	-	-
Total purchases including transaction costs	127,184				
31 July 2018					
Bonds	130,606	-	-	-	-
Total	130,606	-	-	-	-
Total purchases including transaction costs	130,606				

Sales

	Value £'000	Commissions £'000	Other Costs* %	£'000	%
31 July 2019					
Bonds	116,844	-	-	-	-
Total	116,844	-	-	-	-
Total sales net of transaction costs	116,844				
31 July 2018					
Bonds	137,380	-	-	-	-
Total	137,380	-	-	-	-
Total sales net of transaction costs	137,380				

*Other Costs includes taxes and any other costs other than commissions incurred by the sub-fund when buying and selling an underlying investment.

Kames Ethical Corporate Bond Fund

Notes to the Financial Statements (continued)

13 Portfolio transaction costs (continued)

The purchases and sales are not subject to portfolio transaction costs.

Portfolio transaction costs are incurred by the sub-fund when buying and selling underlying investments. These vary depending on the class of investment, country of exchange and method of execution. These costs can be classified as either direct or indirect transaction costs:

Direct transaction costs: Broker commissions, fees and taxes.

Indirect transaction costs: 'Dealing spread' - the difference between the buying and selling prices of the sub-fund's underlying investments.

In order to protect existing investors from the effects of dilution, portfolio transaction costs incurred as a result of investors buying and selling shares in the sub-fund are recovered from those investors through a 'dilution adjustment' to the price they pay or receive.

At the balance sheet date, the portfolio dealing spread was 0.79% (2018: 0.78%), being the difference between the respective bid and offer prices for the sub-fund's investments.

14 Fair value of financial assets and financial liabilities

The fair value hierarchy is intended to prioritise the inputs that are used to measure the fair value of assets and liabilities. The fair value hierarchy has the following levels:

Level 1 – Unadjusted quoted price in an active market for an identical instrument.

Level 2 – Valuation techniques using observable inputs other than quoted prices within level 1.

Level 3 – Valuation techniques using unobservable inputs.

Valuation	2019		2018	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
1 - Quoted prices	-	-	10,710	-
2 - Observable market data	466,101	-	429,320	-
3 - Unobservable data	-	-	-	-
	466,101	-	440,030	-

15 Share classes

The sub-fund currently has three share classes; A (Retail), B (Institutional) and D (Retail). The ACD's periodic charge on each share class is as follows:

A share class: 1.00%

B share class: 0.50%

D share class: 0.75%

The net asset value of each share class, the net asset value per share, and the number of shares in each class are given in the comparative tables on pages 185 to 187. The distribution per share class is given in the distribution tables on pages 198 and 199. All share classes have the same rights on winding up.

Share class movement reconciliation

31 July 2019	Opening	Creations	Cancellations	Converted	Closing
A Accumulation	49,901,321	5,594,255	(9,102,318)	(194,359)	46,198,899
A Income	3,787,886	156,183	(585,311)	(154,885)	3,203,873
B Accumulation	97,780,411	27,038,148	(19,473,013)	358,108	105,703,654
B Income	157,945,992	53,955,274	(43,977,559)	(93,580)	167,830,127
D Accumulation	1,822,023	408,486	(390,752)	41,167	1,880,924
D Income	1,120,351	169,529	(184,411)	(40,142)	1,065,327

Kames Ethical Corporate Bond Fund

Distribution Tables

Share Class A Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2017/8 Total Payable
31/10/18	31/12/18	Group 1	1.3366	N/A	1.3366	0.00%	100.00%	1.3715
		Group 2	0.5950	0.7416				
31/01/19	31/03/19	Group 1	1.3005	N/A	1.3005	0.00%	100.00%	1.3878
		Group 2	0.7026	0.5979				
30/04/19	30/06/19	Group 1	1.3011	N/A	1.3011	0.00%	100.00%	1.3104
		Group 2	0.6902	0.6109				
31/07/19	30/09/19	Group 1	1.3210	N/A	1.3210	0.00%	100.00%	1.3899
		Group 2	0.6197	0.7013				

Share Class A Income

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2017/8 Total Payable
31/10/18	31/12/18	Group 1	0.7048	N/A	0.7048	0.00%	100.00%	0.7420
		Group 2	0.3644	0.3404				
31/01/19	31/03/19	Group 1	0.6816	N/A	0.6816	0.00%	100.00%	0.7463
		Group 2	0.3237	0.3579				
30/04/19	30/06/19	Group 1	0.6778	N/A	0.6778	0.00%	100.00%	0.7002
		Group 2	0.2270	0.4508				
31/07/19	30/09/19	Group 1	0.6843	N/A	0.6843	0.00%	100.00%	0.7379
		Group 2	0.2120	0.4723				

Share Class B Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2017/8 Total Payable
31/10/18	31/12/18	Group 1	1.4124	N/A	1.4124	0.00%	100.00%	1.4377
		Group 2	0.5977	0.8147				
31/01/19	31/03/19	Group 1	1.3814	N/A	1.3814	0.00%	100.00%	1.4556
		Group 2	1.0146	0.3668				
30/04/19	30/06/19	Group 1	1.3807	N/A	1.3807	0.00%	100.00%	1.3786
		Group 2	0.6278	0.7529				
31/07/19	30/09/19	Group 1	1.4143	N/A	1.4143	0.00%	100.00%	1.4578
		Group 2	0.7636	0.6507				

Share Class B Income

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2017/8 Total Payable
31/10/18	31/12/18	Group 1	0.7601	N/A	0.7601	0.00%	100.00%	0.7978
		Group 2	0.3906	0.3695				
31/01/19	31/03/19	Group 1	0.7379	N/A	0.7379	0.00%	100.00%	0.8015
		Group 2	0.4162	0.3217				
30/04/19	30/06/19	Group 1	0.7323	N/A	0.7323	0.00%	100.00%	0.7533
		Group 2	0.3489	0.3834				
31/07/19	30/09/19	Group 1	0.7448	N/A	0.7448	0.00%	100.00%	0.7909
		Group 2	0.3550	0.3898				

All distributions above are in pence per share unless specifically stated.

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

Kames Ethical Corporate Bond Fund

Distribution Tables (continued)

Share Class D Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2017/8 Total Payable
31/10/18	31/12/18	Group 1	0.8495	N/A	0.8495	0.00%	100.00%	0.8680
		Group 2	0.5258	0.3237				
31/01/19	31/03/19	Group 1	0.8289	N/A	0.8289	0.00%	100.00%	0.8788
		Group 2	0.3409	0.4880				
30/04/19	30/06/19	Group 1	0.8286	N/A	0.8286	0.00%	100.00%	0.8309
		Group 2	0.2949	0.5337				
31/07/19	30/09/19	Group 1	0.8453	N/A	0.8453	0.00%	100.00%	0.8796
		Group 2	0.4693	0.3760				

Share Class D Income

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2017/8 Total Payable
31/10/18	31/12/18	Group 1	0.7240	N/A	0.7240	0.00%	100.00%	0.7610
		Group 2	0.2458	0.4782				
31/01/19	31/03/19	Group 1	0.7018	N/A	0.7018	0.00%	100.00%	0.7655
		Group 2	0.4559	0.2459				
30/04/19	30/06/19	Group 1	0.6974	N/A	0.6974	0.00%	100.00%	0.7182
		Group 2	0.3505	0.3469				
31/07/19	30/09/19	Group 1	0.7064	N/A	0.7064	0.00%	100.00%	0.7555
		Group 2	0.5441	0.1623				

All distributions above are in pence per share unless specifically stated.

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

Kames Ethical Equity Fund

Fund objective*

The primary investment objective is to maximise total return by investment in equities and equity type securities in companies based in the UK, principally conducting business in the UK or listed in the UK stock market, which meets the sub-fund's predefined ethical criteria.

Risk profile

The sub-fund is designed for retail and institutional investors seeking pooled exposure to UK equity stocks while pursuing an ethical investment policy which excludes unethical activity. Investors in this sub-fund should be comfortable with a higher level of investment risk. In most cases, we expect the sub-fund to be held as part of a diversified portfolio which may include other assets such as equities, bonds, property and cash. While investors will normally be able to liquidate their holdings on a daily basis, unit prices will fluctuate and may fall significantly in value. Consequently, it is important to understand that the sub-fund should be viewed as a longer term investment.

The sub-fund is actively managed and exposed to a range of risks, which are listed and defined in the Kames Capital ICVC Prospectus. The most material risks from this list also appear in our Key Investor Information documents (KIID) where they are summarised in an easy-to-read format. You can find both of these documents on our website at www.kamescapital.com.

Performance**

The Kames Ethical Equity Fund returned (3.81)% compared to the peer group median return of (0.20)%. The peer group is the Investment Association UK All Companies sector.

Strategy review***

The second half of 2018 was a challenging period for the UK equity market. Uncertainty about the ongoing Brexit negotiations dampened appetite for UK equities, and a major cross-market sell-off in the fourth quarter of the year led to a marked decline in UK equities as well as global markets. This sell-off was prompted by a number of factors, including geopolitical instability, trade disagreements between the US and China, and US Federal Reserve rate hikes.

2019 provided a different backdrop for the sub-fund; after a sharp market pullback in quarter four 2018, the FTSE All-Share saw a significant bounce back in quarter one of 2019 with the largest quarterly rise since 2013. This market volatility was reflected in the sub-fund performance; the sub-fund return for quarter one significantly improved on the previous quarter. This continued in to quarter two of 2019 where the sub-fund returned 7.22% (outperforming the IA UK All Companies median return of 3.48%). To mitigate the risks brought by market volatility we moderated our exposure to global cyclical and selective financials and added to businesses with characteristics of quality and earnings resilience characteristics, which tend to be better rewarded towards the latter part of the economic cycle.

Stock selection accounted for the majority of the underperformance during the start of this period, with our lack of exposure to defensives providing significant headwind for performance, but we were able to correct this and make stock selection the main driver of performance in 2019.

At the sector level, the sub-fund gained from the exposure to software, media, and again the underweight in banks. While performance suffered from its lack of exposure to defensives, e.g. pharmaceuticals, this was offset somewhat by our lack of exposure to tobacco, which underperformed.

Among the best performing stocks was Aveva, the global leader in engineering and industrial software, as well as internationally diverse companies such as RELX, GB Group and John Laing. Within the domestically focused names, Auto Trader, the UK's largest digital automotive marketplace, delivered a positive return, as did, Unite and Gamma Communications. Stocks held that fared less well included Just, which suffered a setback in sentiment around its competitive positioning which we believe is overdone. Within the more cyclical names Victrex, the global high performance polymer solutions business, DS Smith, and Robert Walters all proved a relative performance headwind during the period. Accesso Technologies was one of the highly rated growth plays that lagged and was subsequently exited.

As at the end of July 2019, key sector overweight positions included software & computer services, media, support services, life insurance and financial services. Resources (oil & gas producers and mining), banks, consumer goods and traditional defensive sectors remain the most notable underweight positions, driven primarily by the sub-fund's ethical criteria. The sub-fund remains overweight mid cap, small and AIM listed stocks relative to the FTSE All-Share benchmark.

*Please note that the sub-fund's objective has been updated effective 7 August 2019. The latest update can be found in the fund's prospectus at www.kamescapital.com.

**Source: Lipper, % growth, income re-invested at pay date, NAV-NAV, GBP, net of Basic Rate Tax. Index returns are gross of Basic Rate Tax. Investors are invited to compare the sub-fund's performance against the performance of other funds within the Investment Association All UK Companies Sector. Comparison of the sub-fund against this Sector will give investors an indication of how sub-fund Fund is performing compared with funds investing in a similar but not identical investment universe and comprising ethical and non-ethically screened funds, demonstrating the value of the sub-fund's ethical screen against non-ethically screened funds. This comparison should be performed over at least a 7 year period to provide the most useful long term comparison.

***General references to markets and indices are to be considered as general market commentary only and (i) are not to be considered as a comparison of sub-fund performance against a benchmark (unless otherwise disclosed as such); and (ii) the index or indices do not operate as a performance target and the sub-fund's portfolio is not constrained by the index or indices.

Kames Ethical Equity Fund

Comparative Tables

A Accumulation shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	202.49	191.61	173.47
Return before operating charges*	(5.97)	13.92	20.94
Operating charges	(2.87)	(3.04)	(2.80)
Return after operating charges*	(8.84)	10.88	18.14
Distributions	(2.27)	(2.62)	(2.67)
Retained distributions on accumulation shares	2.27	2.62	2.67
Closing net asset value per share	193.65	202.49	191.61
 *after direct transaction costs of	 0.36	 0.45	 0.32
Performance			
Return after charges	(4.37)%	5.68%	10.46%
Other information			
Closing net asset value (£'000)	107,143	121,889	124,493
Closing number of shares	55,328,523	60,196,349	64,970,178
Operating charges	1.53%	1.53%	1.54%
Direct transaction costs	0.19%	0.23%	0.18%
Prices			
Highest share price	204.94	208.33	195.01
Lowest share price	164.38	187.42	171.38

B Accumulation shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	233.04	218.88	196.68
Return before operating charges*	(6.80)	15.94	23.84
Operating charges	(1.69)	(1.78)	(1.64)
Return after operating charges*	(8.49)	14.16	22.20
Distributions	(4.24)	(4.72)	(4.59)
Retained distributions on accumulation shares	4.24	4.72	4.59
Closing net asset value per share	224.55	233.04	218.88
 *after direct transaction costs of	 0.41	 0.51	 0.37
Performance			
Return after charges	(3.64)%	6.47%	11.29%
Other information			
Closing net asset value (£'000)	381,994	432,279	421,315
Closing number of shares	170,115,136	185,493,249	192,483,103
Operating charges	0.78%	0.78%	0.79%
Direct transaction costs	0.19%	0.23%	0.18%
Prices			
Highest share price	236.00	239.43	222.49
Lowest share price	189.77	214.95	194.69

Highest and Lowest share prices are based on official published daily NAVs priced at 12 noon on the last business day of the year. The closing net asset value per share is at close of business.

Kames Ethical Equity Fund

Comparative Tables (continued)

B Income shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	164.11	157.31	144.38
Return before operating charges*	(4.78)	11.47	17.50
Operating charges	(1.19)	(1.28)	(1.20)
Return after operating charges*	(5.97)	10.19	16.30
Distributions	(2.99)	(3.39)	(3.37)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	155.15	164.11	157.31
 *after direct transaction costs of	 0.29	 0.37	 0.27
Performance			
Return after charges	(3.64)%	6.48%	11.29%
Other information			
Closing net asset value (£'000)	50,459	49,954	41,853
Closing number of shares	32,523,755	30,439,886	26,605,574
Operating charges	0.78%	0.78%	0.79%
Direct transaction costs	0.19%	0.23%	0.18%
Prices			
Highest share price	166.19	172.08	163.33
Lowest share price	133.63	154.48	142.92

D Accumulation shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	178.23	167.82	151.16
Return before operating charges*	(5.22)	12.21	18.31
Operating charges	(1.71)	(1.80)	(1.65)
Return after operating charges*	(6.93)	10.41	16.66
Distributions	(2.83)	(3.18)	(3.13)
Retained distributions on accumulation shares	2.83	3.18	3.13
Closing net asset value per share	171.30	178.23	167.82
 *after direct transaction costs of	 0.31	 0.39	 0.28
Performance			
Return after charges	(3.89)%	6.20%	11.02%
Other information			
Closing net asset value (£'000)	3,051	3,735	3,737
Closing number of shares	1,780,922	2,095,527	2,226,708
Operating charges	1.03%	1.03%	1.04%
Direct transaction costs	0.19%	0.23%	0.18%
Prices			
Highest share price	180.46	183.20	170.65
Lowest share price	144.98	164.58	149.55

Highest and Lowest share prices are based on official published daily NAVs priced at 12 noon on the last business day of the year. The closing net asset value per share is at close of business.

Kames Ethical Equity Fund

Portfolio Statement

The sub-fund's investments as at 31 July 2019

Holding	Investment	Market valuation £'000	Total net assets %
	Equities (31 July 2018 97.13%)	515,470	94.99
	Basic Materials (31 July 2018 4.91%)	10,268	1.89
248,000	Mondi	4,471	0.82
284,470	Victrex	5,797	1.07
	Consumer Goods (31 July 2018 6.76%)	48,801	8.99
652,674	A.G. Barr	4,471	0.82
263,178	Bellway	7,814	1.44
665,000	Coca-Cola	18,853	3.48
1,719,202	Countryside Properties	5,051	0.93
1,670,000	Tate & Lyle	12,612	2.32
	Consumer Services (31 July 2018 13.48%)	90,083	16.60
1,503,141	Ascential	5,983	1.10
1,714,554	Auto Trader	9,286	1.71
2,869,125	Entertainment One	12,647	2.33
4,010,007	Huntsworth	3,990	0.74
1,173,506	Informa	10,254	1.89
1,544,880	Just Eat	11,760	2.17
317,690	Millennium & Copthorne Hotels	2,144	0.39
1,427,720	Moneysupermarket.com	5,265	0.97
1,369,076	RELX	26,738	4.93
471,472	Trainline	2,016	0.37
	Financials (31 July 2018 28.11%)	126,520	23.32
451,624	AJ Bell	1,879	0.35
934,381	Aviva	3,794	0.70
2,046,717	Brewin Dolphin	6,513	1.20
237,606	Derwent London	6,933	1.28
3,277,181	Hansteen	2,868	0.53
307,402	Hargreaves Lansdown	6,452	1.19
1,573,731	Impax Environmental Markets	4,973	0.92
3,835,000	John Laing	14,788	2.72
7,880,838	Just	3,715	0.68
2,830,142	Legal & General	7,406	1.36
1,184,371	Phoenix	8,237	1.52
1,122,862	Prudential	19,061	3.51
180,129	Rathbone Brothers	3,963	0.73
1,490,000	Royal Bank of Scotland	3,232	0.60
131,705	Schroders	3,914	0.72
1,929,155	Secure Income REIT	8,064	1.49
2,093,750	Standard Life Aberdeen	6,254	1.15
1,403,910	Unite	14,474	2.67
	Health Care (31 July 2018 1.62%)	5,511	1.02
1,890,667	Advanced Medical Solutions	5,511	1.02
	Industrials (31 July 2018 24.17%)	122,614	22.59
300,000	Ashtead	6,816	1.26
239,325	Clarkson	6,151	1.13
825,000	Diploma	12,507	2.30
2,094,509	DS Smith	7,469	1.38
145,000	Ferguson	8,935	1.65
1,040,000	Grafton	7,556	1.39

Kames Ethical Equity Fund

Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
	Industrials (continued)		
1,101,237	HomeServe	12,554	2.31
1,955,000	Howden Joinery	10,846	2.00
427,994	Keywords Studios	7,113	1.31
482,677	Network International	2,954	0.54
456,718	Oxford Instruments	5,946	1.10
478,188	PayPoint	4,528	0.83
1,245,411	Polypipe	5,084	0.94
65,358	Renishaw	2,518	0.46
1,308,514	Robert Walters	6,935	1.28
885,584	Sanne	4,862	0.90
290,000	Spectris	7,380	1.36
1,415,469	Strix	2,460	0.45
710,400	TMO Fund Raising*	-	-
	Oil & Gas (31 July 2018 3.32%)	9,761	1.80
4,282,129	Cairn Energy	6,779	1.25
382,322	Great Eastern Energy GDR	167	0.03
3,350,000	Premier Oil	2,815	0.52
	Technology (31 July 2018 10.62%)	67,827	12.50
495,000	Aveva	19,750	3.64
121,090	Blue Prism	1,722	0.32
125,000	Craneware	2,488	0.46
508,733	FDM	4,167	0.77
2,810,930	GB Group	16,837	3.10
1,900,000	Sage	13,676	2.52
963,458	Softcat	9,187	1.69
	Telecommunications (31 July 2018 2.72%)	20,964	3.86
5,300,000	BT	10,237	1.88
984,135	Gamma Communications	10,727	1.98
	Utilities (31 July 2018 1.42%)	13,121	2.42
1,016,560	Pennon	7,289	1.34
530,146	SSE	5,832	1.08
	Portfolio of investments	515,470	94.99
	Net other assets	27,177	5.01
	Total net assets attributable to shareholders	542,647	100.00

The comparative percentage figures in brackets are at 31 July 2018.

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

As all holdings are equity shares there is no analysis of the portfolio by asset class.

*Unlisted, suspended and delisted securities within the meaning of the FCA's COLL.

Kames Ethical Equity Fund

Statement of Total Return for the year ended 31 July 2019

			2019		2018
	Note	£'000	£'000	£'000	£'000
Income					
Net capital (losses)/gains	2		(34,749)		25,440
Revenue	3	15,022		17,251	
Expenses	4	(5,131)		(5,661)	
Interest payable and similar charges	6	(2)		-	
Net revenue before taxation		9,889		11,590	
Taxation	5	(5)		-	
Net revenue after taxation			9,884		11,590
Total return before distributions			(24,865)		37,030
Distributions	6		(9,891)		(11,598)
Change in net assets attributable to shareholders from investment activities			(34,756)		25,432

Statement of Change in Net Assets Attributable to Shareholders for the year ended 31 July 2019

		2019		2018
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		607,857		591,398
Amounts receivable on creation of shares	75,005		91,369	
Amounts payable on cancellation of shares	(113,983)		(110,756)	
		(38,978)		(19,387)
Dilution adjustment		-		20
Change in net assets attributable to shareholders from investment activities		(34,756)		25,432
Retained distribution on accumulation shares		8,524		10,394
Closing net assets attributable to shareholders		542,647		607,857

Kames Ethical Equity Fund

Balance Sheet as at 31 July 2019

			2019		2018
	Note	£'000	£'000	£'000	£'000
Assets					
Fixed assets:					
Investments			515,470		590,382
Current assets:					
Debtors	7	4,769		2,914	
Cash and bank balances	8	<u>25,132</u>		<u>17,210</u>	
			<u>29,901</u>		<u>20,124</u>
Total assets			545,371		610,506
Liabilities					
Creditors					
Bank overdrafts	9	-		5	
Distributions payable		972		1,032	
Other creditors	10	<u>1,752</u>		<u>1,612</u>	
Total liabilities			<u>2,724</u>		<u>2,649</u>
Net assets attributable to shareholders			542,647		607,857

Kames Ethical Equity Fund

Notes to the Financial Statements

1 Accounting policies

The sub-fund's financial statements have been prepared on the basis disclosed on pages 11 to 13.

2 Net capital (losses)/gains

Net capital (losses)/gains comprise:

	2019	2018
	£'000	£'000
(Losses)/gains on non-derivative securities	(34,686)	25,423
Currency exchange (losses)/gains	(59)	21
Transaction charges	(4)	(4)
Net capital (losses)/gains	(34,749)	25,440

3 Revenue

	2019	2018
	£'000	£'000
UK dividends	13,122	15,506
Overseas dividends	827	1,091
Property income from REITs	888	588
Bank interest	185	66
Total revenue	15,022	17,251

4 Expenses*

	2019	2018
	£'000	£'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	4,955	5,478
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fee	114	125
Other expenses:		
Audit fee**	9	9
FT publishing fee	4	2
KIID fee	-	2
PRIIPs fees	4	-
Registrar's fee	23	21
Safe custody charge	22	24
	62	58
Total expenses	5,131	5,661

*All expenditure stated above is inclusive of irrecoverable VAT where applicable.

**The audit fee (excluding VAT) incurred during the year was £7,715 (2018: £7,490).

5 Taxation

a) Analysis of charge in the year

	2019	2018
	£'000	£'000
Current tax:		
Overseas tax suffered	5	-
Total tax charge for the year (see note 5 (b))	5	-

Kames Ethical Equity Fund

Notes to the Financial Statements (continued)

5 Taxation (continued)

b) Factors affecting tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax for Open Ended Investment Companies 'OEICs' (20%).

The differences are explained below:

	2019	2018
	£'000	£'000
Net revenue before taxation	9,889	11,590
Corporation tax 20% (2018: 20%)	1,978	2,318
Effects of:		
Movement in excess expenses	811	1,008
Overseas withholding tax	5	-
Revenue not subject to taxation	(2,789)	(3,326)
Total tax charge for the year (see note 5 (a))	5	-

c) Factors that may affect future tax charges

After claiming relief against accrued revenue taxable on receipt, the sub-fund has unrelieved excess expenses of £49,097,000 (2018: £45,040,000). It is unlikely that the sub-fund will generate sufficient taxable profits in the future to utilise these expenses and therefore a deferred tax asset of £9,819,000 (2018: £9,008,000) has not been recognised.

6 Interest and distributions

a) Interest payable and similar charges

	2019	2018
	£'000	£'000
Interest	2	-
Interest payable and similar charges	2	-

b) Distributions

The distributions take account of amounts receivable on the issue of shares and amounts deductible on the cancellation of shares, and comprise:

	2019	2018
	£'000	£'000
Final distribution	9,496	11,426
	9,496	11,426
Add: amounts deductible on cancellation of shares	1,055	977
Less: amounts receivable on creation of shares	(660)	(805)
Distributions	9,891	11,598

Details of the distributions are set out in the tables on page 212.

c) Movement between net revenue and distribution

	2019	2018
	£'000	£'000
Net revenue after taxation	9,884	11,590
Equalisation on conversions	7	8
Distributions	9,891	11,598

7 Debtors

	2019	2018
	£'000	£'000
Accrued revenue	1,166	1,266
Amounts receivable for the issue of shares	882	1,084
Sales awaiting settlement	2,711	534
Reclaimable overseas tax	-	20
UK Income tax recoverable	10	10
Debtors	4,769	2,914

Kames Ethical Equity Fund

Notes to the Financial Statements (continued)

8 Cash and bank balances

	2019	2018
	£'000	£'000
Cash and bank balances	1,545	253
Money market deposits	23,587	16,957
Cash and bank balances	25,132	17,210

9 Bank overdrafts

	2019	2018
	£'000	£'000
Bank overdrafts	-	5
Bank overdrafts	-	5

10 Other creditors

	2019	2018
	£'000	£'000
Accrued expenses*	459	489
Amounts payable for cancellation of shares	1,293	1,123
Other creditors	1,752	1,612

*Includes accrued ACD's periodic charge of £419,000 (2018: £468,000).

11 Related parties

The ACD's periodic charge paid to Kames Capital plc, (the ACD) are shown in Note 4 and details of amounts received and paid on shares issued and cancelled are shown in the Statement of Change in Net Assets Attributable to Shareholders. The balance due to the ACD in respect of these transactions as at 31 July 2019 is £830,000 (2018: £507,000 due to the ACD), a breakdown can be found in Notes 7 and 10. At the year-end 14.35% (2018: 13.81%) of the shares in issue were owned by AEGON Group or AEGON UK companies.

12 Contingent assets, liabilities and commitments

There were no contingent assets, liabilities or commitments present in the sub-fund as at 31 July 2019 (2018: Nil).

13 Financial instruments and risk

The risks associated with the sub-fund are market, concentration, valuation, yield, liquidity, counterparty, and interest rate risk. Narrative disclosures are on pages 14 and 15.

Currency exposure

The revenue and capital value of the sub-fund's investments can be affected by foreign currency translation movements as a proportion of the sub-fund's assets and revenue are denominated in currencies other than sterling.

An analysis of assets and liabilities is detailed below in the currency exposure table:

As at 31 July 2019

Currency	Total
	£'000
Euro	345
Sterling	542,302
	542,647

As at 31 July 2018

Currency	Total
	£'000
Euro	6,414
Sterling	601,443
	607,857

Interest rate risk

At the year-end date, 4.63% (2018: 2.83%) of the sub-fund's net assets by value were interest bearing. This is not deemed significant to the sub-fund and so no numerical tables have been deemed necessary.

Kames Ethical Equity Fund

Notes to the Financial Statements (continued)

13 Financial instruments and risk (continued)

VaR Disclosure

The Manager assesses the market risk of the sub-fund's investments, including any derivative exposure, using a value at risk methodology. This process provides the Manager with an estimate of the maximum potential loss that could be expected to occur as a result of changes in market prices over a given period of time in all but a given percentage of circumstances. The value at risk is calculated on a 95.00% (2018: 95.00%) confidence interval with a one month time horizon and a five year history, using Historical model. The sub-fund has an absolute VaR limit of 14.10% (2018: 14.10%). As at the balance sheet date, the sub-fund's value at risk is 5.82% (2018: 4.63%).

The following table details the lowest, highest and average utilisation of the VaR limit:

	Lowest Utilisation	Highest Utilisation	Average Utilisation
	(%)	(%)	(%)
31 July 2019	4.38	6.27	5.58
31 July 2018	3.89	5.48	4.77

14 Portfolio transaction costs

Purchases

31 July 2019	Value £'000	Commissions £'000	Other Costs* %	£'000	%
Equities	184,084	130	0.07	754	0.41
Total	184,084	130		754	
Total purchases including transaction costs	184,968				
31 July 2018					
Equities	238,174	204	0.09	975	0.41
Total	238,174	204		975	
Total purchases including transaction costs	239,353				

Sales

31 July 2019	Value £'000	Commissions £'000	Other Costs* %	£'000	%
Equities	225,351	(158)	0.07	-	-
Total	225,351	(158)		-	
Total sales net of transaction costs	225,193				
31 July 2018					
Equities	247,326	(179)	0.07	-	-
Total	247,326	(179)		-	
Total sales net of transaction costs	247,147				

*Other Costs includes taxes and any other costs other than commissions incurred by the sub-fund when buying and selling an underlying investment.

Portfolio transaction costs are incurred by the sub-fund when buying and selling underlying investments. These vary depending on the class of investment, country of exchange and method of execution. These costs can be classified as either direct or indirect transaction costs:

Direct transaction costs: Broker commissions, fees and taxes.

Indirect transaction costs: 'Dealing spread' - the difference between the buying and selling prices of the sub-fund's underlying investments.

In order to protect existing investors from the effects of dilution, portfolio transaction costs incurred as a result of investors buying and selling shares in the sub-fund are recovered from those investors through a 'dilution adjustment' to the price they pay or receive.

At the balance sheet date, the portfolio dealing spread was 0.17% (2018: 0.17%), being the difference between the respective bid and offer prices for the sub-fund's investments.

Kames Ethical Equity Fund

Notes to the Financial Statements (continued)

15 Fair value of financial assets and financial liabilities

The fair value hierarchy is intended to prioritise the inputs that are used to measure the fair value of assets and liabilities. The fair value hierarchy has the following levels:

Level 1 – Unadjusted quoted price in an active market for an identical instrument.

Level 2 – Valuation techniques using observable inputs other than quoted prices within level 1.

Level 3 – Valuation techniques using unobservable inputs.

Valuation	2019		2018	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
1 - Quoted prices	515,470	-	590,382	-
2 - Observable market data	-	-	-	-
3 - Unobservable data	-	-	-	-
	515,470	-	590,382	-

16 Share classes

The sub-fund currently has three share classes; A (Retail), B (Institutional) and D (Retail). The ACD's periodic charge on each share class is as follows:

A share class: 1.50%

B share class: 0.75%

D share class: 1.00%

The net asset value of each share class, the net asset value per share, and the number of shares in each class are given in the comparative tables on pages 201 and 202. The distribution per share class is given in the distribution tables on page 212. All share classes have the same rights on winding up.

Share class movement reconciliation

31 July 2019	Opening	Creations	Cancellations	Converted	Closing
A Accumulation	60,196,349	5,997,610	(10,029,278)	(836,158)	55,328,523
B Accumulation	185,493,249	24,333,857	(40,372,860)	660,890	170,115,136
B Income	30,439,886	7,668,987	(5,709,879)	124,761	32,523,755
D Accumulation	2,095,527	114,388	(395,587)	(33,406)	1,780,922

Kames Ethical Equity Fund

Distribution Tables

Share Class A Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2018 Total Payable
31/07/19	30/11/19	Group 1	2.2677	N/A	2.2677	100.00%	0.00%	2.6240
		Group 2	1.4492	0.8185				

Share Class B Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2018 Total Payable
31/07/19	30/11/19	Group 1	4.2437	N/A	4.2437	100.00%	0.00%	4.7162
		Group 2	2.2220	2.0217				

Share Class B Income

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2018 Total Payable
31/07/19	30/11/19	Group 1	2.9884	N/A	2.9884	100.00%	0.00%	3.3895
		Group 2	1.5292	1.4592				

Share Class D Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2018 Total Payable
31/07/19	30/11/19	Group 1	2.8280	N/A	2.8280	100.00%	0.00%	3.1756
		Group 2	1.4531	1.3749				

All distributions above are in pence per share unless specifically stated.

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

Kames Ethical Cautious Managed Fund

Fund objective*

To provide a combination of income and long-term capital growth by investing in a diversified range of UK equities, bonds and cash, which meet the sub-fund's predefined ethical criteria. Equities will be limited to a maximum of 60% of the portfolio value at all times.

Risk profile

The sub-fund is designed for retail and institutional investors seeking pooled exposure to a mixture of UK equities and sterling fixed income securities, while pursuing an ethical investment policy which excludes unethical activity. Investors in this sub-fund should be comfortable with a higher level of investment risk. In most cases, we expect the sub-fund to be held as part of a diversified portfolio which may include other assets such as bonds, equities, property and cash. While investors will normally be able to liquidate their holdings on a daily basis, unit prices will fluctuate and may fall significantly in value. Consequently, it is important to understand that the sub-fund should be viewed as a longer term investment.

The sub-fund is actively managed and exposed to a range of risks, which are listed and defined in the Kames Capital ICVC Prospectus. The most material risks from this list also appear in our Key Investor Information documents (KIID) where they are summarised in an easy-to-read format. You can find both of these documents on our website at www.kamescapital.com.

Performance**

The Kames Ethical Cautious Managed Fund returned (0.34)% compared to the peer group median return of 3.86%. The peer group is the Investment Association Mixed Investment 20-60% Shares sector.

Strategy review***

This period is a tale of two halves, with market volatility challenging performance at the end of 2018, and supporting performance in 2019. This reflected our sub-fund, so while we underperformed the sector median during 2018 when defensives were instrumental to performance, we bounced back to outperform this median for both quarters so far in 2019.

To mitigate the risks resulting from market volatility, within the equity portfolio we moderated our exposure to global cyclical and selective financials and added to businesses with characteristics of quality and earnings resilience characteristics, which tend to be better rewarded towards the latter part of the economic cycle.

Stock selection within equities accounted for the majority of the underperformance during the start of this period, with our lack of exposure to defensives providing significant headwind for performance, but we were able to correct this and make stock selection the main driver of performance in 2019.

At the sector level, the equities portfolio gained from the exposure to software, media, and its underweight stance in banks. While performance suffered from its lack of exposure to defensives, e.g. pharmaceuticals, this was offset somewhat by our lack of exposure to tobacco, which underperformed.

Among the best performing stocks was Aveva, the global leader in engineering and industrial software, as well as internationally diverse companies such as RELX, GB Group and John Laing. Within the domestically focused names, Auto Trader, the UK's largest digital automotive marketplace, delivered a positive return, as did, Unite and Gamma Communications. Stocks held that fared less well included Just, which suffered a setback in sentiment around its competitive positioning, which we believe is overdone. Within the more cyclical names Victrex, the global high performance polymer solutions business, DS Smith, and Robert Walters all proved a relative performance headwind during the period. Accesso Technologies was one of the highly rated growth plays that lagged and was subsequently exited.

As at the end of July 2019, key sector overweight positions included software & computer services, media, support services, life insurance and financial services. Resources (oil & gas producers and mining), banks, consumer goods and traditional defensive sectors remain the most notable underweight positions, driven primarily by the sub-fund's ethical criteria. The sub-fund remains overweight mid cap, small and AIM listed stocks relative to the FTSE All-Share benchmark.

Within fixed income we increased duration during the early part of 2019 given our view that the UK economy's deterioration was not yet reflected in gilt yields. Through the rest of the period, duration moved within a fairly narrow range around 7 years.

Our defensive bias, in part a function of the ethical screening criteria - added to our fixed-income performance through much of 2018. As uncertainty and volatility grew, we steadily reduced the credit risk of the sub-fund as the outlook for credit markets soured. This was beneficial to relative performance during the final quarter of 2018, where our positioning mitigated some of the worst excesses of the sell-off. The central-bank inspired rally of early 2019 did not favour the sub-fund's defensive positioning, as riskier areas of the market saw the greatest rallies from their deeply depressed values. We have generally retained this cautious stance toward credit, based on a view that valuations look relatively full given the uncertain macroeconomic and geopolitical outlook.

The fixed-income portfolio benefitted from a number of its subordinated insurance positions, including bonds from AXA, Aviva, and Legal & General. Amongst the largest detractors to portfolio performance was the holding in Metro Bank, whose bonds fell on concerns the bank's capital base was insufficient for its growth plans. Having reviewed the position in January, we took the decision to fully liquidate our holding.

Throughout the period we reduced our weighting in equities. At the end of the period, approximately 49% of the assets were held in equities compared to around 45% in fixed income and the remainder in cash.

*Please note that the sub-fund's objective has been updated effective 7 August 2019. The latest update can be found in the fund's prospectus at www.kamescapital.com.

**Source: Lipper, % growth, income re-invested at pay date, NAV-NAV, GBP, net of Basic Rate Tax. Index returns are gross of Basic Rate Tax. Investors are invited to compare the sub-fund's performance against the performance of other funds within the Investment Association All UK Companies Sector. Comparison of the sub-fund against this Sector will give investors an indication of how sub-fund Fund is performing compared with funds investing in a similar but not identical investment universe and comprising ethical and non-ethically screened funds, demonstrating the value of the sub-fund's ethical screen against non-ethically screened funds. This comparison should be performed over at least a 7 year period to provide the most useful long term comparison.

***General references to markets and indices are to be considered as general market commentary only and (i) are not to be considered as a comparison of sub-fund performance against a benchmark (unless otherwise disclosed as such); and (ii) the index or indices do not operate as a performance target and the sub-fund's portfolio is not constrained by the index or indices.

Kames Ethical Cautious Managed Fund

Comparative Tables

A Accumulation shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	185.11	179.96	169.18
Return before operating charges*	1.18	7.51	13.02
Operating charges	(2.29)	(2.36)	(2.24)
Return after operating charges*	(1.11)	5.15	10.78
Distributions	(2.58)	(2.99)	(2.77)
Retained distributions on accumulation shares	2.58	2.99	2.77
Closing net asset value per share	184.00	185.11	179.96
 *after direct transaction costs of	 0.14	 0.20	 0.18
Performance			
Return after charges	(0.60)%	2.86%	6.37%
Other information			
Closing net asset value (£'000)	26,317	35,787	39,780
Closing number of shares	14,302,395	19,333,210	22,105,061
Operating charges	1.29%	1.28%	1.29%
Direct transaction costs	0.08%	0.11%	0.11%
Prices			
Highest share price	186.47	187.78	181.93
Lowest share price	165.57	176.89	167.00

A Income shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	145.87	144.13	137.66
Return before operating charges*	0.87	6.00	10.53
Operating charges	(1.80)	(1.88)	(1.82)
Return after operating charges*	(0.93)	4.12	8.71
Distributions	(2.02)	(2.38)	(2.24)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	142.92	145.87	144.13
 *after direct transaction costs of	 0.11	 0.16	 0.15
Performance			
Return after charges	(0.64)%	2.86%	6.33%
Other information			
Closing net asset value (£'000)	2,009	2,632	2,985
Closing number of shares	1,405,835	1,804,345	2,071,174
Operating charges	1.29%	1.28%	1.29%
Direct transaction costs	0.08%	0.11%	0.11%
Prices			
Highest share price	146.95	149.75	146.29
Lowest share price	129.91	140.80	135.31

Highest and Lowest share prices are based on official published daily NAVs priced at 12 noon on the last business day of the year. The closing net asset value per share is at close of business.

Kames Ethical Cautious Managed Fund

Comparative Tables (continued)

B Accumulation shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	136.96	132.61	124.17
Return before operating charges*	0.76	5.41	9.45
Operating charges	(1.04)	(1.06)	(1.01)
Return after operating charges*	(0.28)	4.35	8.44
Distributions	(2.44)	(2.75)	(2.55)
Retained distributions on accumulation shares	2.44	2.75	2.55
Closing net asset value per share	136.68	136.96	132.61
 *after direct transaction costs of	 0.10	 0.15	 0.14
Performance			
Return after charges	(0.20)%	3.28%	6.80%
Other information			
Closing net asset value (£'000)	349,010	434,378	458,936
Closing number of shares	255,352,490	317,167,194	346,071,028
Operating charges	0.79%	0.78%	0.79%
Direct transaction costs	0.08%	0.11%	0.11%
Prices			
Highest share price	138.01	138.67	133.98
Lowest share price	122.70	130.63	122.74

B Income shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	122.84	121.37	115.92
Return before operating charges*	0.63	4.94	8.75
Operating charges	(0.93)	(0.97)	(0.94)
Return after operating charges*	(0.30)	3.97	7.81
Distributions	(2.18)	(2.50)	(2.36)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	120.36	122.84	121.37
 *after direct transaction costs of	 0.09	 0.14	 0.13
Performance			
Return after charges	(0.24)%	3.27%	6.74%
Other information			
Closing net asset value (£'000)	60,813	74,127	76,618
Closing number of shares	50,527,225	60,343,763	63,126,915
Operating charges	0.79%	0.78%	0.79%
Direct transaction costs	0.08%	0.11%	0.11%
Prices			
Highest share price	123.79	126.20	123.24
Lowest share price	109.46	118.58	113.98

Highest and Lowest share prices are based on official published daily NAVs priced at 12 noon on the last business day of the year. The closing net asset value per share is at close of business.

Kames Ethical Cautious Managed Fund

Comparative Tables (continued)

D Accumulation shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	152.10	147.57	138.45
Return before operating charges*	0.90	6.09	10.60
Operating charges	(1.52)	(1.56)	(1.48)
Return after operating charges*	(0.62)	4.53	9.12
Distributions	(2.42)	(2.75)	(2.56)
Retained distributions on accumulation shares	2.42	2.75	2.56
Closing net asset value per share	151.48	152.10	147.57
 *after direct transaction costs of	 0.12	 0.17	 0.15
Performance			
Return after charges	(0.41)%	3.07%	6.59%
Other information			
Closing net asset value (£'000)	3,475	4,431	4,754
Closing number of shares	2,293,854	2,913,024	3,221,792
Operating charges	1.04%	1.03%	1.04%
Direct transaction costs	0.08%	0.11%	0.11%
Prices			
Highest share price	153.24	154.12	149.14
Lowest share price	136.15	145.21	136.76

D Income shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	136.63	134.99	128.93
Return before operating charges*	0.75	5.56	9.80
Operating charges	(1.36)	(1.42)	(1.37)
Return after operating charges*	(0.61)	4.14	8.43
Distributions	(2.16)	(2.50)	(2.37)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	133.86	136.63	134.99
 *after direct transaction costs of	 0.10	 0.15	 0.14
Performance			
Return after charges	(0.45)%	3.07%	6.54%
Other information			
Closing net asset value (£'000)	980	1,115	1,279
Closing number of shares	732,063	815,805	947,194
Operating charges	1.04%	1.03%	1.04%
Direct transaction costs	0.08%	0.11%	0.11%
Prices			
Highest share price	137.66	140.31	137.05
Lowest share price	121.71	131.88	126.75

Highest and Lowest share prices are based on official published daily NAVs priced at 12 noon on the last business day of the year. The closing net asset value per share is at close of business.

Kames Ethical Cautious Managed Fund

Portfolio Statement

The sub-fund's investments as at 31 July 2019

Holding	Investment	Market valuation £'000	Total net assets %
	Sterling Denominated Bonds (31 July 2018 38.74%)	202,422	45.73
	Asset Backed Security (31 July 2018 4.16%)	17,002	3.84
240,000	Alpha Schools Highland Project 4.792% 31/01/2036	223	0.05
1,700,000	Arqiva Financing 4.882% 31/12/2032	1,760	0.40
1,370,000	Bishopsgate Asset Finance 4.808% 14/08/2044	1,303	0.29
152,000	Dignity Finance 3.5456% 31/12/2034	134	0.03
1,100,000	Dignity Finance 4.6956% 31/12/2049	899	0.20
1,350,000	Greater Gabbard 4.137% 29/11/2032	1,348	0.31
1,500,000	High Speed Rail Finance No.1 4.375% 01/11/2038	1,931	0.44
400,000	Paragon 3.625% 21/01/2047	459	0.10
1,800,000	Quadrant Housing Finance 7.93% 10/02/2033	2,471	0.56
400,000	Sustainable Communities for Leeds Finance 5.069% 30/09/2032	440	0.10
500,000	TC Dudgeon Ofco 3.158% 12/11/2038	547	0.12
1,500,000	Telereal Secured Finance 4.01% 10/12/2031	1,240	0.28
800,000	Telereal Secured Finance 4.9741% 10/09/2027	568	0.13
160,000	Telereal Securitisation 6.1645% 10/12/2031	185	0.04
1,900,000	THPA Finance 7.127% 15/03/2024	947	0.21
700,000	Trafford Centre Finance 6.5% 28/07/2033	782	0.18
720,000	Trafford Centre Finance 7.03% 28/01/2029	486	0.11
1,300,000	Wods Transmission 3.446% 24/08/2034	1,279	0.29
	Corporate Bonds (31 July 2018 34.58%)	185,420	41.89
900,000	ABN AMRO Bank 1% 30/06/2020	901	0.20
1,800,000	ABN AMRO Bank 2.375% 07/12/2021	1,861	0.42
1,100,000	ABP Finance 6.25% 14/12/2026	1,369	0.31
1,200,000	American International 2.4925% FRN 15/03/2037	982	0.22
1,000,000	American International 5% 26/04/2023	1,125	0.25
650,000	AMP Group Finance Services 6.875% 23/08/2022	704	0.16
700,000	APT Pipelines 3.5% 22/03/2030	779	0.18
800,000	APT Pipelines 4.25% 26/11/2024	907	0.21
1,700,000	Aroundtown 3.25% 18/07/2027	1,760	0.40
600,000	ASIF II 6.375% 05/10/2020	635	0.14
150,000	Aviva 5.9021% Perpetual	154	0.04
1,000,000	Aviva 6.125% Perpetual	1,081	0.24
1,600,000	AXA 5.625% 16/01/2054	1,879	0.42
2,800,000	Bank of Montreal 1.625% 21/06/2022	2,861	0.65
1,000,000	Bank of Scotland Capital Funding 7.754% Perpetual	1,098	0.25
1,000,000	Bazalgette Finance 2.375% 29/11/2027	1,064	0.24
1,800,000	Blend Funding 3.459% 21/09/2047	2,086	0.47
1,700,000	BPCE 5.25% 16/04/2029	2,077	0.47
1,490,000	BPHA Finance 4.816% 11/04/2044	2,059	0.47
400,000	British Land 5.264% 24/09/2035	545	0.12
488,000	British Land 5.357% 31/03/2028	614	0.14
1,200,000	Cadent Finance 2.625% 22/09/2038	1,233	0.28
800,000	Close Brothers Finance 2.75% 19/10/2026	849	0.19
800,000	CNP Assurances 7.375% 30/09/2041	886	0.20
300,000	Cooperatieve Rabobank 4.625% 13/01/2021	316	0.07
900,000	Cooperatieve Rabobank 5.25% 14/09/2027	1,087	0.25
500,000	Cooperatieve Rabobank 6.91% Perpetual	740	0.17
900,000	Coventry Building Society 1.875% 24/10/2023	924	0.21
1,400,000	CPUK Finance 7.239% 28/02/2024	1,704	0.38
700,000	CRH Finance 4.125% 02/12/2029	837	0.19
6,100,000	Deutsche Bahn Finance 2.75% 20/06/2022	6,426	1.45
4,100,000	Deutsche Bahn Finance 3.125% 24/07/2026	4,625	1.04
650,000	Deutsche Telekom International Finance 6.5% 08/04/2022	743	0.17
656,000	Deutsche Telekom International Finance 7.625% 15/06/2030	1,010	0.23
2,400,000	Digital Stout 4.75% 13/10/2023	2,701	0.61
246,000	Direct Line Insurance 9.25% 27/04/2042	292	0.07
800,000	Electricity North West 8.875% 25/03/2026	1,155	0.26

Kames Ethical Cautious Managed Fund

Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
	Corporate Bonds (continued)		
2,000,000	EMH Treasury 4.5% 29/01/2044	2,632	0.60
800,000	Esure 6.75% 19/12/2024	816	0.18
500,000	Fiserv 3% 01/07/2031	532	0.12
1,200,000	Freshwater Finance 4.607% 17/10/2036	1,591	0.36
550,000	GLH Hotels 7.875% 20/06/2022	596	0.13
1,800,000	Great Places Housing 4.75% 22/10/2042	2,439	0.55
1,800,000	Hammerson 3.5% 27/10/2025	1,852	0.42
8,200,000	International Bank for Reconstruction & Development 1% 19/12/2022	8,291	1.87
2,000,000	International Bank for Reconstruction & Development 5.4% 07/06/2021	2,172	0.49
200,000	International Bank for Reconstruction & Development 5.75% 07/06/2032	310	0.07
1,200,000	Investec 4.25% 24/07/2028	1,222	0.28
1,000,000	Kelda Finance No.3 5.75% 17/02/2020	1,006	0.23
8,300,000	KFW 0.875% 15/03/2022	8,354	1.89
200,000	KFW 4.875% 15/03/2037	310	0.07
1,000,000	KFW 5% 10/09/2024	1,212	0.27
6,500,000	KFW 5.5% 18/06/2025	8,247	1.86
3,000,000	KFW 5.55% 07/06/2021	3,270	0.74
2,500,000	KFW 6% 07/12/2028	3,633	0.82
1,800,000	Land Securities Capital Markets 1.974% 08/02/2024	1,847	0.42
1,000,000	Legal & General 5.5% 27/06/2064	1,109	0.25
700,000	Legal & General 10% 23/07/2041	813	0.18
1,300,000	Liberty Living Finance 3.375% 28/11/2029	1,396	0.32
1,100,000	Lloyds Banking 2.25% 16/10/2024	1,116	0.25
812,000	Lunar Funding I 5.75% 18/10/2033	1,174	0.27
900,000	Martlet Homes 3% 09/05/2052	957	0.22
700,000	Motability Operations 3.625% 10/03/2036	849	0.19
1,200,000	Motability Operations 5.375% 28/06/2022	1,354	0.31
600,000	Myriad Capital 4.75% 20/12/2043	812	0.18
1,100,000	National Express 2.5% 11/11/2023	1,132	0.26
8,000,000	Network Rail Infrastructure Finance 3% 07/09/2023	8,756	1.98
4,900,000	Network Rail Infrastructure Finance 4.625% 21/07/2020	5,086	1.15
8,300,000	Nordic Bank 0.625% 02/11/2021	8,286	1.87
400,000	Northern Powergrid Yorkshire 4.375% 05/07/2032	509	0.12
600,000	OP Corporate Bank 2.5% 20/05/2022	623	0.14
1,600,000	Orange 5.75% Perpetual	1,778	0.40
700,000	Orsted 4.875% 12/01/2032	930	0.21
1,000,000	Orsted 5.75% 09/04/2040	1,566	0.35
800,000	Pennon 2.875% Perpetual	803	0.18
2,200,000	Phoenix 4.125% 20/07/2022	2,295	0.52
800,000	Places for People Homes 3.625% 22/11/2028	856	0.19
500,000	Porterbrook Rail Finance 6.5% 20/10/2020	531	0.12
300,000	Prudential 5% 20/07/2055	324	0.07
500,000	Prudential 5.7% 19/12/2063	570	0.13
150,000	Rabobank Capital Funding Trust IV 5.556% FRN Perpetual	152	0.03
1,000,000	RAC 4.87% 06/05/2026	988	0.22
1,400,000	Royal Bank of Scotland 2.875% 19/09/2026	1,431	0.32
1,500,000	Sainsbury's Bank 6% 23/11/2027	1,521	0.34
1,000,000	Santander 3.625% 14/01/2026	1,078	0.24
1,700,000	Severn Trent Utilities Finance 3.625% 16/01/2026	1,908	0.43
1,900,000	Skipton Building Society 1.75% 30/06/2022	1,902	0.43
600,000	South East Water Finance 5.6577% 30/09/2019	604	0.14
800,000	Southern Gas Networks 2.5% 03/02/2025	846	0.19
900,000	Southern Gas Networks 4.875% 05/10/2023	1,038	0.23
1,800,000	SSE 3.875% Perpetual	1,820	0.41
2,000,000	Stagecoach 4% 29/09/2025	2,148	0.49
1,200,000	Thames Water Kemble Finance 5.875% 15/07/2022	1,238	0.28
600,000	Thames Water Utilities Finance 3.5% 25/02/2028	665	0.15
1,000,000	THFC Funding No.3 5.2% 11/10/2043	1,454	0.33
6,200,000	Transport for London 2.125% 24/04/2025	6,575	1.49
4,500,000	Transport for London 2.25% 09/08/2022	4,693	1.06
1,900,000	Transport for London 3.875% 23/07/2042	2,498	0.56

Kames Ethical Cautious Managed Fund

Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
	Corporate Bonds (continued)		
600,000	UNITE USAF II 3.921% 30/06/2025	675	0.15
500,000	Wales & West Utilities Finance 3% 03/08/2038	562	0.13
800,000	Wales & West Utilities Finance 4.625% 13/12/2023	924	0.21
59,000	Wales & West Utilities Finance 6.25% 30/11/2021	66	0.02
1,600,000	Wessex Water Services Finance 4% 24/09/2021	1,701	0.38
2,100,000	Yorkshire Building Society 3.5% 21/04/2026	2,259	0.51
600,000	Yorkshire Water Finance 2.75% 18/04/2041	648	0.15
	Equities (31 July 2018 55.05%)	215,980	48.80
	Basic Materials (31 July 2018 2.79%)	4,174	0.94
98,000	Mondi	1,767	0.40
118,087	Victrex	2,407	0.54
	Consumer Goods (31 July 2018 3.73%)	20,027	4.53
301,155	A.G. Barr	2,063	0.47
107,512	Bellway	3,192	0.72
274,000	Coca-Cola	7,768	1.76
700,307	Countryside Properties	2,057	0.46
655,000	Tate & Lyle	4,947	1.12
	Consumer Services (31 July 2018 7.51%)	37,747	8.53
597,578	Ascential	2,378	0.54
747,968	Auto Trader	4,051	0.92
1,255,292	Entertainment One	5,533	1.25
1,794,845	Huntsworth	1,786	0.40
529,521	Informa	4,627	1.05
627,270	Just Eat	4,775	1.08
92,240	Millennium & Copthorne Hotels	623	0.14
509,900	Moneysupermarket.com	1,880	0.42
577,998	RELX	11,288	2.55
188,589	Trainline	806	0.18
	Electronic & Electricalequipment (31 July 2018 0.35%)		
	Financials (31 July 2018 16.55%)	55,292	12.49
179,833	AJ Bell	748	0.17
368,855	Aviva	1,498	0.34
763,316	Brewin Dolphin	2,429	0.55
99,894	Derwent London	2,915	0.66
1,629,535	Hansteen	1,426	0.32
129,503	Hargreaves Lansdown	2,718	0.61
324,843	Impax Environmental Markets	1,026	0.23
1,525,000	John Laing	5,880	1.33
3,554,666	Just	1,676	0.38
1,194,094	Legal & General	3,125	0.71
535,670	Phoenix	3,726	0.84
454,198	Prudential	7,710	1.74
92,941	Rathbone Brothers	2,045	0.46
625,000	Royal Bank of Scotland	1,356	0.31
61,342	Schroders	1,823	0.41
933,788	Secure Income REIT	3,903	0.88
934,375	Standard Life Aberdeen	2,791	0.63
1,209,166	Tatton Asset Management	2,515	0.57
580,264	Unite	5,982	1.35
	Health Care (31 July 2018 0.88%)	2,251	0.51
772,248	Advanced Medical Solutions	2,251	0.51
130,000	Ashtead	2,954	0.67

Kames Ethical Cautious Managed Fund

Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
	Industrials (31 July 2018 13.63%)	50,739	11.46
87,494	Clarkson	2,249	0.51
310,000	Diploma	4,700	1.06
876,218	DS Smith	3,125	0.71
54,000	Ferguson	3,327	0.75
460,000	Grafton	3,342	0.76
475,148	HomeServe	5,417	1.22
740,000	Howden Joinery	4,105	0.93
167,481	Keywords Studios	2,784	0.63
194,982	Network International	1,193	0.27
182,928	Oxford Instruments	2,382	0.54
225,620	PayPoint	2,137	0.48
546,580	Polypipe	2,231	0.50
28,995	Renishaw	1,117	0.25
535,630	Robert Walters	2,839	0.64
357,407	Sanne	1,962	0.44
112,500	Spectris	2,863	0.65
1,157,379	Strix	2,012	0.45
22,000	TMO Renewables*	-	-
	Oil & Gas (31 July 2018 1.90%)	4,224	0.96
1,938,671	Cairn Energy	3,069	0.70
1,375,000	Premier Oil	1,155	0.26
	Technology (31 July 2018 5.50%)	27,340	6.18
195,000	Aveva	7,780	1.76
48,464	Blue Prism Group	689	0.16
51,750	Craneware	1,030	0.23
211,415	FDM	1,731	0.39
1,182,069	GB Group	7,081	1.60
750,000	Sage	5,398	1.22
380,769	Softcat	3,631	0.82
	Telecommunications (31 July 2018 1.48%)	8,824	1.99
2,210,000	BT	4,269	0.96
417,933	Gamma Communications	4,555	1.03
	Utilities (31 July 2018 0.73%)	5,362	1.21
443,703	Pennon	3,181	0.72
198,295	SSE	2,181	0.49
	Portfolio of investments	418,402	94.53
	Net other assets	24,202	5.47
	Total net assets attributable to shareholders	442,604	100.00

Analysis of investments by asset class

	Market value £'000	Value of investments %
Bonds	202,422	45.73
Equities	215,980	48.80
Portfolio of investments	418,402	94.53
Net other assets	24,202	5.47
Total net assets attributable to shareholders	442,604	100.00

The comparative percentage figures in brackets are at 31 July 2018.

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

*Unlisted, suspended and delisted securities within the meaning of the FCA's COLL.

Kames Ethical Cautious Managed Fund

Statement of Total Return for the year ended 31 July 2019

			2019		2018
	Note	£'000	£'000	£'000	£'000
Income					
Net capital (losses)/gains	2		(14,338)		6,816
Revenue	3	13,433		16,549	
Expenses	4	(4,002)		(4,662)	
Interest payable and similar charges	6	<u>(1)</u>		<u>-</u>	
Net revenue before taxation		9,430		11,887	
Taxation	5	<u>(607)</u>		<u>(552)</u>	
Net revenue after taxation			<u>8,823</u>		<u>11,335</u>
Total return before distributions			(5,515)		18,151
Distributions	6		<u>(8,823)</u>		<u>(11,335)</u>
Change in net assets attributable to shareholders from investment activities			(14,338)		6,816

Statement of Change in Net Assets Attributable to Shareholders for the year ended 31 July 2019

		2019		2018
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		552,470		584,352
Amounts receivable on creation of shares	54,881		88,677	
Amounts payable on cancellation of shares	<u>(158,088)</u>		<u>(137,136)</u>	
		(103,207)		(48,459)
Dilution adjustment		316		143
Change in net assets attributable to shareholders from investment activities		(14,338)		6,816
Retained distribution on accumulation shares		<u>7,363</u>		<u>9,618</u>
Closing net assets attributable to shareholders		442,604		552,470

Kames Ethical Cautious Managed Fund

Balance Sheet as at 31 July 2019

			2019		2018
	Note	£'000	£'000	£'000	£'000
Assets					
Fixed assets:					
Investments			418,402		518,172
Current assets:					
Debtors	7	4,795		4,421	
Cash and bank balances	8	<u>22,274</u>		<u>32,706</u>	
			<u>27,069</u>		<u>37,127</u>
Total assets			445,471		555,299
Liabilities					
Creditors					
Bank overdrafts	9	-		4	
Distributions payable		329		381	
Other creditors	10	<u>2,538</u>		<u>2,444</u>	
Total liabilities			<u>2,867</u>		<u>2,829</u>
Net assets attributable to shareholders			442,604		552,470

Kames Ethical Cautious Managed Fund

Notes to the Financial Statements

1 Accounting policies

The sub-fund's financial statements have been prepared on the basis disclosed on pages 11 to 13.

2 Net capital (losses)/gains

Net capital (losses)/gains comprise:

	2019	2018
	£'000	£'000
(Losses)/gains on non-derivative securities	(14,319)	6,809
Currency exchange (losses)/gains	(16)	11
Transaction charges	(3)	(4)
Net capital (losses)/gains	(14,338)	6,816

3 Revenue

	2019	2018
	£'000	£'000
UK dividends	6,029	8,509
Overseas dividends	383	604
Property income from REITs	416	318
Interest on debt securities	6,429	7,037
Bank interest	176	81
Total revenue	13,433	16,549

4 Expenses*

	2019	2018
	£'000	£'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	3,828	4,474
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fee	105	120
Other expenses:		
Audit fee**	11	11
FT publishing fee	5	3
KIID fee	-	3
PRIIPs fees	4	-
Registrar's fee	25	24
Safe custody charge	24	27
	69	68
Total expenses	4,002	4,662

*All expenditure stated above is inclusive of irrecoverable VAT where applicable.

**The audit fee (excluding VAT) incurred during the year was £8,915 (2018: £8,655).

5 Taxation

a) Analysis of charge in the year

	2019	2018
	£'000	£'000
Current tax:		
UK corporation tax on profits in the year	604	552
	604	552
Double taxation relief	-	(5)
Income tax suffered on UK PID Income	-	5
Overseas tax suffered	3	-
Total tax charge for the year (see note 5 (b))	607	552

Kames Ethical Cautious Managed Fund

Notes to the Financial Statements (continued)

5 Taxation (continued)

b) Factors affecting tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax for Open Ended Investment Companies 'OEICs' (20%).

The differences are explained below:

	2019	2018
	£'000	£'000
Net revenue before taxation	9,430	11,887
Corporation tax 20% (2018: 20%)	1,886	2,377
Effects of:		
Double taxation relief	-	(5)
Income tax suffered on UK PID income	-	5
Overseas tax suffered	3	-
Revenue not subject to taxation	(1,282)	(1,825)
Total tax charge for the year (see note 5 (a))	607	552

Open Ended Investment Companies are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliations.

6 Interest and distributions

a) Interest payable and similar charges

	2019	2018
	£'000	£'000
Interest	1	-
Total interest payable and similar charges	1	-

b) Distributions

The distributions take account of amounts receivable on the issue of shares and amounts deductible on the cancellation of shares, and comprise:

	2019	2018
	£'000	£'000
Interim distributions	6,349	8,531
Final distribution	2,256	2,670
	8,605	11,201
Add: amounts deductible on cancellation of shares	337	379
Less: amounts receivable on creation of shares	(119)	(245)
Distributions	8,823	11,335

Details of the distributions are set out in the tables on pages 229 to 230.

c) Movement between net revenue and distribution

	2019	2018
	£'000	£'000
Net revenue after taxation	8,823	11,335
Distributions	8,823	11,335

7 Debtors

	2019	2018
	£'000	£'000
Accrued revenue	2,857	3,449
Amounts receivable for the issue of shares	495	720
Sales awaiting settlement	1,443	237
Reclaimable overseas tax	-	15
Debtors	4,795	4,421

Kames Ethical Cautious Managed Fund

Notes to the Financial Statements (continued)

8 Cash and bank balances

	2019	2018
	£'000	£'000
Cash and bank balances	643	130
Money market deposits	21,631	32,576
Cash and bank balances	22,274	32,706

9 Bank overdrafts

	2019	2018
	£'000	£'000
Bank overdrafts	-	4
Bank overdrafts	-	4

10 Other creditors

	2019	2018
	£'000	£'000
Accrued expenses*	339	396
Amounts payable for cancellation of shares	1,893	1,273
Corporation tax payable	299	281
Purchases awaiting settlement	7	494
Other creditors	2,538	2,444

*Includes accrued ACD's periodic charge of £299,000 (2018: £373,000).

11 Related parties

The ACD's periodic charge paid to Kames Capital plc, (the ACD) are shown in Note 4 and details of amounts received and paid on shares issued and cancelled are shown in the Statement of Change in Net Assets Attributable to Shareholders. The balance due to the ACD in respect of these transactions as at 31 July 2019 is £1,697,000 (2018: £926,000 due to the ACD), a breakdown can be found in Notes 7 and 10. At the year-end 0.00% (2018: 0.00%) of the shares in issue were owned by AEGON Group or AEGON UK companies.

12 Contingent assets, liabilities and commitments

There were no contingent assets, liabilities or commitments present in the sub-fund as at 31 July 2019 (2018: Nil).

13 Financial instruments and risk

The risks associated with the sub-fund are market, concentration, valuation, yield, liquidity, counterparty, and interest rate risk. Narrative disclosures are on pages 14 and 15.

Analysis of investments by credit ratings

	2019		2018	
	Market value	Value of investments	Market value	Value of investments
	£'000	%	£'000	%
Rated bonds at investment grade	190,991	43.16	188,940	34.18
Rated bonds below investment grade	4,241	0.96	9,452	1.72
Unrated bonds	7,190	1.61	15,670	2.84
Equities	215,980	48.80	304,110	55.05
Portfolio of investments	418,402	94.53	518,172	93.79
Net other assets	24,202	5.47	34,298	6.21
Total net assets attributable to shareholders	442,604	100.00	552,470	100.00

Note - Investment grade bonds are defined as bonds with a Standard & Poor's, Moody's or Fitch's rating of BBB-, Baa3 and BBB- or above respectively.

Kames Ethical Cautious Managed Fund

Notes to the Financial Statements (continued)

13 Financial instruments and risk (continued)

Currency exposure

The revenue and capital value of the sub-fund's investments can be affected by foreign currency translation movements as a proportion of the sub-fund's assets and revenue are denominated in currencies other than sterling.

An analysis of assets and liabilities is detailed below in the currency exposure table:

As at 31 July 2019

Currency	Total £'000
Euro	142
Sterling	442,462
	442,604

As at 31 July 2018

Currency	Total £'000
Euro	3,405
Sterling	549,065
	552,470

Interest rate risk

The interest rate profile of the sub-fund's interest bearing assets and liabilities at 31 July 2019 was:

Currency	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	1,134	201,288	220,775	423,197
Cash at bank				
Euro	142	-	-	142
Sterling	501	-	-	501
Cash on deposit				
Sterling	21,631	-	-	21,631
	23,408	201,288	220,775	445,471

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	-	-	(2,867)	(2,867)
	-	-	(2,867)	(2,867)

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

Currency	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Euro	-	-	3,275	3,275
Sterling	9,690	204,372	305,256	519,318
Cash at bank				
Euro	130	-	-	130
Cash on deposit				
Sterling	32,576	-	-	32,576
	42,396	204,372	308,531	555,299

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	-	-	(2,825)	(2,825)
Cash at bank				
Sterling	(4)	-	-	(4)
	(4)	-	(2,825)	(2,829)

Kames Ethical Cautious Managed Fund

Notes to the Financial Statements (continued)

13 Financial instruments and risk (continued)

Floating rate financial assets and financial liabilities, sterling denominated bank balances and bank overdrafts bear interest at rates based on SONIA. Foreign currency bank balances bear interest at rates based on LIBOR or its international equivalent. Euro denominated floating rate notes bear interest at rates based on EURIBOR.

VaR Disclosure

The Manager assesses the market risk of the sub-fund's investments, including any derivative exposure, using a value at risk methodology. This process provides the Manager with an estimate of the maximum potential loss that could be expected to occur as a result of changes in market prices over a given period of time in all but a given percentage of circumstances. The value at risk is calculated on a 95.00% (2018: 95.00%) confidence interval with a one month time horizon and a five year history, using the Historical model. The sub-fund has an absolute VaR limit of 14.10% (2018: 14.10%). As at the balance sheet date, the sub-fund's value at risk is 3.05% (2018: 2.90%).

The following table details the lowest, highest and average utilisation of the VaR limit:

	Lowest Utilisation (%)	Highest Utilisation (%)	Average Utilisation (%)
31 July 2019	2.60	3.28	2.99
31 July 2018	2.49	3.49	3.09

14 Portfolio transaction costs

Purchases

	Value £'000	Commissions £'000	Other Costs* %	£'000	%
31 July 2019					
Bonds	39,628	-	-	-	-
Equities	60,031	42	0.07	249	0.41
Total	99,659	42		249	
Total purchases including transaction costs	99,950				
31 July 2018					
Bonds	29,947	-	-	-	-
Equities	107,844	93	0.09	430	0.41
Total	137,791	93		430	
Total purchases including transaction costs	138,314				

Sales

	Value £'000	Commissions £'000	Other Costs* %	£'000	%
31 July 2019					
Bonds	54,959	-	-	-	-
Equities	129,011	(92)	0.07	-	-
Total	183,970	(92)		-	
Total sales net of transaction costs	183,878				
31 July 2018					
Bonds	38,221	-	-	-	-
Equities	146,268	(107)	0.08	-	-
Total	184,489	(107)		-	
Total sales net of transaction costs	184,382				

*Other Costs includes taxes and any other costs other than commissions incurred by the sub-fund when buying and selling an underlying investment.

The purchases and sales are not subject to portfolio transaction costs.

Portfolio transaction costs are incurred by the sub-fund when buying and selling underlying investments. These vary depending on the class of investment, country of exchange and method of execution. These costs can be classified as either direct or indirect transaction costs:

Direct transaction costs: Broker commissions, fees and taxes.

Indirect transaction costs: 'Dealing spread' - the difference between the buying and selling prices of the sub-fund's underlying investments.

In order to protect existing investors from the effects of dilution, portfolio transaction costs incurred as a result of investors buying and selling shares in the sub-fund are recovered from those investors through a 'dilution adjustment' to the price they pay or receive.

At the balance sheet date, the portfolio dealing spread was 0.38% (2018: 0.37%), being the difference between the respective bid and offer prices for the sub-fund's investments.

Kames Ethical Cautious Managed Fund

Notes to the Financial Statements (continued)

15 Fair value of financial assets and financial liabilities

The fair value hierarchy is intended to prioritise the inputs that are used to measure the fair value of assets and liabilities. The fair value hierarchy has the following levels:

Level 1 – Unadjusted quoted price in an active market for an identical instrument.

Level 2 – Valuation techniques using observable inputs other than quoted prices within level 1.

Level 3 – Valuation techniques using unobservable inputs.

Valuation	2019		2018	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
1 - Quoted prices	215,980	-	304,110	-
2 - Observable market data	202,422	-	214,062	-
3 - Unobservable data	-	-	-	-
	418,402	-	518,172	-

16 Share classes

The sub-fund currently has three share classes; A (Retail), B (Institutional) and D (Retail). The ACD's periodic charge on each share class is as follows:

A share class: 1.25%

B share class: 0.75%

D share class: 1.00%

The net asset value of each share class, the net asset value per share, and the number of shares in each class are given in the comparative tables on pages 214 to 216. The distribution per share class is given in the distribution tables on pages 229 to 230. All share classes have the same rights on winding up.

Share class movement reconciliation

31 July 2019	Opening	Creations	Cancellations	Converted	Closing
A Accumulation	19,333,210	635,797	(5,253,289)	(413,323)	14,302,395
A Income	1,804,345	113,015	(408,396)	(103,129)	1,405,835
B Accumulation	317,167,194	35,704,569	(97,666,906)	147,633	255,352,490
B Income	60,343,763	5,301,664	(15,703,493)	585,291	50,527,225
D Accumulation	2,913,024	181,230	(797,306)	(3,094)	2,293,854
D Income	815,805	33,719	(117,461)	-	732,063

Kames Ethical Cautious Managed Fund

Distribution Tables

Share Class A Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2017/8 Total Payable
31/10/18	31/12/18	Group 1	0.7620	N/A	0.7620	96.21%	3.79%	0.7962
		Group 2	0.2738	0.4882				
31/01/19	31/03/19	Group 1	0.4188	N/A	0.4188	85.70%	14.30%	0.3400
		Group 2	0.2313	0.1875				
30/04/19	30/06/19	Group 1	0.6358	N/A	0.6358	86.34%	13.66%	1.1298
		Group 2	0.5059	0.1299				
31/07/19	30/09/19	Group 1	0.7664	N/A	0.7664	93.35%	6.65%	0.7208
		Group 2	0.3229	0.4435				

Share Class A Income

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2017/8 Total Payable
31/10/18	31/12/18	Group 1	0.6005	N/A	0.6005	96.22%	3.78%	0.6378
		Group 2	0.1103	0.4902				
31/01/19	31/03/19	Group 1	0.3287	N/A	0.3287	85.74%	14.26%	0.2710
		Group 2	0.1804	0.1483				
30/04/19	30/06/19	Group 1	0.4978	N/A	0.4978	86.22%	13.78%	0.8997
		Group 2	0.2466	0.2512				
31/07/19	30/09/19	Group 1	0.5976	N/A	0.5976	93.40%	6.60%	0.5700
		Group 2	0.4091	0.1885				

Share Class B Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2017/8 Total Payable
31/10/18	31/12/18	Group 1	0.7001	N/A	0.7001	77.57%	22.43%	0.7224
		Group 2	0.3137	0.3864				
31/01/19	31/03/19	Group 1	0.4379	N/A	0.4379	60.67%	39.33%	0.3895
		Group 2	0.2701	0.1678				
30/04/19	30/06/19	Group 1	0.6000	N/A	0.6000	67.67%	32.33%	0.9647
		Group 2	0.3878	0.2122				
31/07/19	30/09/19	Group 1	0.7057	N/A	0.7057	75.35%	24.65%	0.6717
		Group 2	0.3258	0.3799				

Share Class B Income

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Unfranked	2017/8 Total Payable
31/10/18	31/12/18	Group 1	0.6279	N/A	0.6279	77.54%	22.46%	0.6611
		Group 2	0.2575	0.3704				
31/01/19	31/03/19	Group 1	0.3910	N/A	0.3910	60.76%	39.24%	0.3543
		Group 2	0.2509	0.1401				
30/04/19	30/06/19	Group 1	0.5331	N/A	0.5331	67.74%	32.26%	0.8760
		Group 2	0.3705	0.1626				
31/07/19	30/09/19	Group 1	0.6248	N/A	0.6248	75.35%	24.65%	0.6054
		Group 2	0.2791	0.3457				

All distributions above are in pence per share unless specifically stated.

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

Kames Ethical Cautious Managed Fund

Distribution Tables (continued)

Share Class D Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Streaming Unfranked	2017/8 Total Payable
31/10/18	31/12/18	Group 1	0.7018	N/A	0.7018	85.90%	14.10%	0.7285
		Group 2	0.3489	0.3529				
31/01/19	31/03/19	Group 1	0.4151	N/A	0.4151	71.19%	28.81%	0.3558
		Group 2	0.2775	0.1376				
30/04/19	30/06/19	Group 1	0.5942	N/A	0.5942	75.89%	24.11%	0.9999
		Group 2	0.3737	0.2205				
31/07/19	30/09/19	Group 1	0.7066	N/A	0.7066	83.44%	16.56%	0.6691
		Group 2	0.3264	0.3802				

Share Class D Income

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Streaming Franked	Streaming Unfranked	2017/8 Total Payable
31/10/18	31/12/18	Group 1	0.6303	N/A	0.6303	85.87%	14.13%	0.6673
		Group 2	0.2370	0.3933				
31/01/19	31/03/19	Group 1	0.3713	N/A	0.3713	71.11%	28.89%	0.3240
		Group 2	0.1567	0.2146				
30/04/19	30/06/19	Group 1	0.5297	N/A	0.5297	75.95%	24.05%	0.9085
		Group 2	0.3328	0.1969				
31/07/19	30/09/19	Group 1	0.6273	N/A	0.6273	83.44%	16.56%	0.6037
		Group 2	0.0272	0.6001				

All distributions above are in pence per share unless specifically stated.

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

Kames Diversified Growth Fund

Fund objective*

The investment objective is to maximise total return (income plus capital) and outperform the UK Retail Prices Index by at least 4% net of fees per annum over the medium term. By investing in the sub-fund, capital is at risk. There is no guarantee that the sub-fund will deliver positive returns over this, or any, time period.

Risk profile

The sub-fund is designed for retail and institutional investors seeking to mitigate the effects of inflation over the longer term and who are comfortable with a medium to high level of investment risk. In most cases, we expect the sub-fund to be held as part of a diversified portfolio including other assets e.g. bonds, other equities, property and cash. While investors will normally be able to liquidate their holdings on a daily basis, unit prices will fluctuate and may fall significantly in value. Consequently, it is important to understand that the sub-fund should be viewed as a longer term investment.

The sub-fund is actively managed and exposed to a range of risks, which are listed and defined in the Kames Capital ICVC Prospectus. The most material risks from this list also appear in our Key Investor Information documents (KIID) where they are summarised in an easy-to-read format. You can find both of these documents on our website at www.kamescapital.com.

Performance**

The Kames Diversified Growth Fund returned (1.51)% (based on net and noon prices) compared to the benchmark return of 6.87%. The target benchmark is the UK Retail Price Index +4%.

Strategy review***

The equity allocation was responsible for the bulk of the sub-fund's negative return. In contrast, both the government bond exposure and the credit allocation (which consists of bank credit and emerging market debt) added value. The weighting to alternatives, however, was the best performer over the period as a whole. Despite these positives, the negative performance of the equity portfolio was such that it had a significant detrimental impact and dragged down performance. This was particularly the case towards the end of 2018, when equity markets fell dramatically due mainly to ongoing trade wars and central bank policy concerns.

The two main global equity allocations (growth and value) performed poorly and both underperformed the broader equity market. The growth allocation in particular suffered from its bias towards mid-cap stocks and a sharp momentum reversal that occurred within markets in the final quarter of 2018. Our conviction in the stocks we held remained strong and, at times, the decline in many of these names occurred with no significant negative news from the companies. Within the other equity allocations, the exposure to oil stocks suffered given the fall in the oil price, while the weighting Eurozone and Japanese equities also came under pressure. Many of our holdings subsequently rallied as we moved into 2019, but the extent of the falls witnessed in late-2018 was enough to negatively impact performance for the period as a whole.

Our exposure to government bond markets added value, particularly towards the end of 2018 as risk-off sentiment strengthened. Corporate bond markets and Emerging Market bonds benefited from the more accommodative tone to Central Bank policy in the first half of 2019.

The best returns, however came from the alternatives portfolio, which continued to offer good diversification benefits. Infrastructure, in particular, performed strongly. Among the best performers in this area were 3i Infrastructure, John Laing and Macquarie Korea Infrastructure. The exposure to leasing and renewable energy investments also added value. BOC Aviation was the strongest name in the leasing sector while Greencoat UK Wind, Renewables Infrastructure and Bluefield Solar Income boosted the sub-fund's exposure to renewables.

*Please note that the sub-fund's objective has been updated effective 7 August 2019. The latest update can found in the fund's prospectus at www.kamescapital.com.

**Source: Lipper, % growth, income re-invested at pay date, NAV-NAV, GBP, net of Basic Rate Tax. Index returns are gross of Basic Rate Tax. UK RPI is selected as a commonly accepted measure of UK inflation. We consider that exceeding RPI by at least 4% over 5 years is an attractive return and therefore an appropriate target benchmark in relation to which the sub-fund is managed. Comparison of the sub-fund's performance against the target benchmark will allow investors to determine whether and to what extent the sub-fund has delivered returns in excess of inflation. Any comparison of the sub-fund's performance against this benchmark should be performed over a 5 year period to provide the most useful medium term comparison.

***General references to markets and indices are to be considered as general market commentary only and (i) are not to be considered as a comparison of sub-fund performance against a benchmark (unless otherwise disclosed as such); and (ii) the index or indices do not operate as a performance target and the sub-fund's portfolio is not constrained by the index or indices.

Kames Diversified Growth Fund

Comparative Tables

A Accumulation shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	154.20	147.75	138.40
Return before operating charges*	(0.75)	8.03	10.83
Operating charges	(1.55)	(1.58)	(1.48)
Return after operating charges*	(2.30)	6.45	9.35
Distributions	(3.85)	(3.91)	(3.45)
Retained distributions on accumulation shares	3.85	3.91	3.45
Closing net asset value per share	151.90	154.20	147.75
 *after direct transaction costs of	 0.17	 0.16	 0.13
Performance			
Return after charges	(1.49)%	4.37%	6.76%
Other information			
Closing net asset value (£'000)	703	863	1,970
Closing number of shares	463,098	559,491	1,333,520
Operating charges	1.04%	1.04%	1.06%
Direct transaction costs	0.12%	0.11%	0.09%
Prices			
Highest share price	155.16	155.57	148.09
Lowest share price	138.68	146.99	131.85

B Accumulation shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	165.41	157.96	147.42
Return before operating charges*	(0.93)	8.41	11.43
Operating charges	(0.95)	(0.96)	(0.89)
Return after operating charges*	(1.88)	7.45	10.54
Distributions	(4.71)	(4.74)	(4.23)
Retained distributions on accumulation shares	4.71	4.74	4.23
Closing net asset value per share	163.53	165.41	157.96
 *after direct transaction costs of	 0.18	 0.17	 0.14
Performance			
Return after charges	(1.14)%	4.72%	7.15%
Other information			
Closing net asset value (£'000)	409,375	380,351	315,818
Closing number of shares	250,328,909	229,940,522	199,933,118
Operating charges	0.59%	0.59%	0.60%
Direct transaction costs	0.12%	0.11%	0.09%
Prices			
Highest share price	166.50	166.61	158.30
Lowest share price	148.99	157.16	140.60

Highest and Lowest share prices are based on official published daily NAVs priced at 12 noon on the last business day of the year. The closing net asset value per share is at close of business.

Kames Diversified Growth Fund

Comparative Tables (continued)

D Accumulation shares	2019 (p/share)	2018 (p/share)	2017 (p/share)
Change in net assets per share			
Opening net asset value per share	130.27	124.52	116.41
Return before operating charges*	(0.69)	6.76	9.07
Operating charges	(1.00)	(1.01)	(0.96)
Return after operating charges*	(1.69)	5.75	8.11
Distributions	(3.50)	(3.59)	(3.13)
Retained distributions on accumulation shares	3.50	3.59	3.13
Closing net asset value per share	128.58	130.27	124.52
 *after direct transaction costs of	 0.14	 0.14	 0.11
Performance			
Return after charges	(1.30)%	4.62%	6.97%
Other information			
Closing net asset value (£'000)	47	76	124
Closing number of shares	36,865	58,342	99,461
Operating charges	0.79%	0.79%	0.81%
Direct transaction costs	0.12%	0.11%	0.09%
Prices			
Highest share price	131.11	131.30	124.80
Lowest share price	117.26	123.89	110.96

Highest and Lowest share prices are based on official published daily NAVs priced at 12 noon on the last business day of the year. The closing net asset value per share is at close of business.

Kames Diversified Growth Fund

Portfolio Statement

The sub-fund's investments as at 31 July 2019

Holding	Investment	Market Valuation £'000	Total net assets %
	Euro Denominated Bonds (31 July 2018 3.18%)	26,020	6.34
	Corporate Bonds (31 July 2018 3.18%)	26,020	6.34
300,000	Algeco Global Finance 6.5% 15/02/2023	284	0.07
2,600,000	Banco Bilbao Vizcaya Argentaria 5.875% Perpetual	2,449	0.60
2,400,000	Banco Santander 5.481% Perpetual	2,182	0.53
5,400,000	Bankia 6.375% Perpetual	5,163	1.26
1,600,000	CaixaBank 6.75% Perpetual	1,584	0.39
1,600,000	Erste 6.5% Perpetual	1,673	0.41
2,500,000	Eurofins Scientific 3.25% Perpetual	2,115	0.51
600,000	Guala Closures 3.5% FRN 15/04/2024	552	0.13
2,000,000	KBC 4.25% Perpetual	1,791	0.44
1,800,000	Platin 1426 5.375% 15/06/2023	1,648	0.40
2,100,000	UniCredit 6.625% Perpetual	1,950	0.47
2,300,000	UniCredit 7.5% Perpetual	2,264	0.55
2,400,000	Volkswagen International Finance 4.625% Perpetual	2,365	0.58
	Mexican Peso Denominated Bonds (31 July 2018 1.19%)	4,783	1.17
	Government Bonds (31 July 2018 1.19%)	4,783	1.17
113,000,000	Mexican Bonos 7.75% 13/11/2042	4,783	1.17
	Sterling Denominated Bonds (31 July 2018 0.94%)	11,267	2.75
	Corporate Bonds (31 July 2018 0.94%)	11,267	2.75
1,500,000	APT Pipelines 4.25% 26/11/2024	1,700	0.41
2,500,000	Barclays 7.125% Perpetual	2,585	0.63
900,000	Mclaren Finance 5% 01/08/2022	840	0.21
1,000,000	Pension Insurance 7.375% Perpetual	1,009	0.25
1,500,000	Pension Insurance 8% 23/11/2026	1,823	0.44
1,500,000	Pinnacle Bidco 6.375% 15/02/2025	1,582	0.39
1,600,000	Prudential 5% 20/07/2055	1,728	0.42
	South African Rand Denominated Bonds (31 July 2018 1.42%)	-	-
	Government Bonds (31 July 2018 1.42%)	-	-
	United States Dollar Denominated Bonds (31 July 2018 13.69%)	56,898	13.87
	Corporate Bonds (31 July 2018 5.08%)	20,877	5.09
1,500,000	Berry Global 5.625% 15/07/2027	1,289	0.32
1,200,000	Commerzbank 7% FRN Perpetual	1,012	0.25
1,800,000	Credit Agricole 8.125% Perpetual	1,704	0.42
2,300,000	Credit Suisse 7.5% Perpetual	2,073	0.51
2,400,000	Danske Bank 6.125% Perpetual	1,942	0.47
1,300,000	HSBC 6.875% Perpetual	1,108	0.27
3,000,000	ING Groep 6.75% FRN Perpetual	2,554	0.62
2,500,000	MGM Resorts International 4.625% 01/09/2026	2,093	0.51
1,800,000	RBS Capital Trust II 6.425% Perpetual	1,902	0.46
3,200,000	Swedbank 6% Perpetual	2,638	0.64
1,500,000	Takeda Pharmaceutical 5% 26/11/2028	1,407	0.34
1,350,000	Williams Scotsman International 6.875% 15/08/2023	1,155	0.28
	Government Bonds (31 July 2018 8.61%)	36,021	8.78
2,400,000	Brazilian Government International Bond 4.625% 13/01/2028	2,082	0.51
2,400,000	Mexican Bonos 4.5% 22/04/2029	2,084	0.51
2,700,000	Turkey Government International Bond 7.375% 05/02/2025	2,322	0.57
10,200,000	US Treasury Bond 1.125% 28/02/2021	8,225	2.00
26,500,000	US Treasury Bond 1.125% 31/08/2021	21,308	5.19

Kames Diversified Growth Fund

Portfolio Statement (continued)

Holding	Investment	Market Valuation £'000	Total net assets %
	Equities (31 July 2018 69.22%)	248,600	60.62
	Basic Materials (31 July 2018 3.04%)	3,021	0.74
15,573	Nucor	691	0.17
146,264	Sandfire Resources	552	0.14
12,700	Shin-Etsu Chemical	1,065	0.26
235,611	Synthomer	713	0.17
	Consumer Goods (31 July 2018 6.38%)	11,204	2.73
244,000	Anta Sports Products	1,492	0.36
75,127	Coca-Cola	2,130	0.52
22,294	Molson Coors Brewing	982	0.24
48,000	Nifco	974	0.24
8,600	Shimano	998	0.24
84,846	Tate & Lyle	641	0.16
404,498	Taylor Wimpey	654	0.16
164,306	Technogym	1,457	0.35
1,931,000	Uni-President China	1,876	0.46
	Consumer Services (31 July 2018 1.32%)	11,798	2.88
343,827	Auto Trader	1,862	0.45
20,848	Burlington Stores	3,079	0.75
3,900	Central Japan Railway	643	0.16
26,736	CTS Eventim	1,103	0.27
13,880	Las Vegas Sands	685	0.17
46,837	MSG Networks	727	0.18
46,657	Viacom	1,156	0.28
25,450	Viad	1,437	0.35
54,742	Zumiez	1,106	0.27
	Financials (31 July 2018 43.18%)	150,135	36.61
2,490,725	3i Infrastructure	7,086	1.73
7,167	Allianz	1,370	0.33
45,170	Ayala	694	0.17
2,700,000	Banco Espirito Santo*	-	-
2,567,720	Bilfinger Berger Global Infrastructure SICAV	3,993	0.97
2,012,524	Bluefield Solar Income Fund	2,651	0.65
916,995	Bolsa Mexicana de Valores	1,257	0.31
226,394	Burford Capital	3,403	0.83
865,600	CapitaLand Commercial	1,064	0.26
708,000	China Overseas Land & Investment	1,987	0.48
103,800	DBS	1,636	0.40
84,473	Deutsche Wohnen	2,551	0.62
889,660	Dragon Capital - Vietnam Enterprise Investments	4,150	1.01
2,104,471	Foresight Solar Fund	2,441	0.60
3,041,243	GCP Infrastructure Investments	3,820	0.93
274,309	Granite Point Mortgage Trust	4,277	1.04
44,508	Green Dot	1,842	0.45
4,120,054	Greencoat Renewables	4,084	1.00
7,288,997	Greencoat UK Wind	10,103	2.46
4,077,578	HICL Infrastructure	6,712	1.64
135,425	Host Hotels & Resorts	1,923	0.47
5,039,955	International Public Partnerships	8,074	1.97
2,600,755	John Laing	10,028	2.44
2,580,257	John Laing Environmental Assets Group	3,019	0.74
15,461	JPMorgan Chase	1,465	0.36
1,303,167	Lloyds Banking	695	0.17
364,989	Macquarie Korea Infrastructure Fund	2,923	0.71
10,395	MarketAxess	2,861	0.70
167,676	Mitsui Fudosan	3,117	0.76

Kames Diversified Growth Fund

Portfolio Statement (continued)

Holding	Investment	Market Valuation £'000	Total net assets %
	Financials (continued)		
247,752	New Residential Investment	3,173	0.77
3,733,593	NextEnergy Solar Fund	4,350	1.06
4,031,484	Nimrod Sea Assets*	13	-
71,500	Ping An Insurance of China	696	0.17
6,559,576	Renewables Infrastructure	8,318	2.03
2,169,022	Sequoia Economic Infrastructure Income Fund	2,455	0.60
230,233	Starwood Property Trust	4,368	1.06
22,753	Sumitomo Realty & Development	680	0.17
3,578,300	Supalai	2,081	0.51
4,334	SVB Financial	821	0.20
3,002,187	Syncona	7,611	1.86
153,006	TPG RE Finance Trust	2,468	0.60
4,219,366	Tritax Big Box REIT	6,451	1.57
382,020	Two Harbors Investment	4,196	1.02
735,900	UOL	3,228	0.79
	Health Care (31 July 2018 0.66%)	7,587	1.85
8,972	Diasorin	833	0.20
86,213	GlaxoSmithKline	1,468	0.36
30,600	Hoya	1,934	0.47
11,461	Novartis	864	0.21
14,181	Osstem Implant	674	0.17
2,765	Roche	608	0.15
44,100	Takeda Pharmaceutical	1,206	0.29
	Industrials (31 July 2018 9.08%)	34,760	8.48
199,354	Atlantia	4,213	1.03
1,864,831	DP Aircraft I	1,302	0.32
27,132	ESCO Technologies	1,852	0.45
115,734	Ferrovial	2,478	0.60
3,236	Geberit	1,227	0.30
19,427	Insperty	1,687	0.41
25,900	Japan Airport Terminal	882	0.21
36,725	Johnson Controls International	1,273	0.31
37,006	Kingspan	1,487	0.36
4,405	Lockheed Martin	1,303	0.32
19,000	Murata	692	0.17
14,280	Schneider Electric	1,013	0.25
127,000	Swire Pacific 'A'	1,188	0.29
737,820	Sydney Airport	3,468	0.84
6,347	Teleperformance	1,094	0.27
23,983	Tetra Tech	1,548	0.38
52,319	Tomra Systems	1,273	0.31
50,228	Vinci	4,250	1.04
3,186,370	Zhejiang Expressway	2,530	0.62
	Oil & Gas (31 July 2018 1.29%)	6,009	1.46
63,573	Badger Daylighting	1,878	0.46
76,688	Baker Hughes	1,588	0.39
6,587	Chevron	662	0.16
769,400	PTT	965	0.23
21,425	TOTAL	916	0.22
	Technology (31 July 2018 2.69%)	16,452	4.01
18,605	Ansys	3,085	0.75
73,513	Boingo Wireless	901	0.22
4,295	Broadcom	1,017	0.25
23,994	Cisco Systems	1,086	0.26
10,626	Intel	439	0.11

Kames Diversified Growth Fund

Portfolio Statement (continued)

Holding	Investment	Market Valuation £'000	Total net assets %
	Technology (continued)		
22,660	Nemetschek	1,051	0.26
53,586	Perficient	1,495	0.36
116,142	Photronics	913	0.22
33,794	Samsung Electronics	1,058	0.26
124,800	Systema	1,711	0.42
202,394	Taiwan Semiconductor Manufacturing	1,377	0.34
14,220	Teradyne	647	0.16
20,191	Vectrus	667	0.16
135,082	Zix	1,005	0.24
	Telecommunications (31 July 2018 0.27%)	2,832	0.69
45,848	AT&T	1,275	0.31
115,041	Deutsche Telekom	1,557	0.38
	Utilities (31 July 2018 1.31%)	4,802	1.17
216,379	Enagas	3,871	0.94
159,000	Power Assets	931	0.23
	Collective Investment Schemes (31 July 2018 4.03%)	38,148	9.30
388,680	iShare EM Local Government Bond	19,271	4.70
204,063	iShares JPMorgan USD EM Bond UCITS ETF	18,877	4.60
	Derivatives and Futures Contracts (31 July 2018 (0.79)%)	(5,209)	(1.27)
	Forward Foreign Exchange Contracts (31 July 2018 (0.92)%)	(5,271)	(1.29)
	Bought BRL 29,440,000 Sold GBP 6,036,993	353	0.09
	Bought BRL 29,440,000 Sold GBP 6,250,531	118	0.03
	Bought GBP 4,047,362 Sold AUD 7,250,000	(32)	(0.01)
	Bought GBP 6,270,500 Sold BRL 29,440,000	(120)	(0.03)
	Bought GBP 2,386,017 Sold CAD 3,920,000	(50)	(0.01)
	Bought GBP 2,520,107 Sold CHF 3,100,000	(40)	(0.01)
	Bought GBP 771,784 Sold DKK 6,450,000	(15)	-
	Bought GBP 8,773,018 Sold EUR 9,660,000	(19)	(0.01)
	Bought GBP 14,991,456 Sold EUR 16,700,000	(208)	(0.05)
	Bought GBP 43,660,468 Sold EUR 48,920,000	(864)	(0.21)
	Bought GBP 11,003,257 Sold HKD 107,600,000	(211)	(0.05)
	Bought GBP 6,235,931 Sold IDR 108,600,000,000	(91)	(0.02)
	Bought GBP 15,677,567 Sold JPY 2,114,700,000	(240)	(0.06)
	Bought GBP 8,850,911 Sold KRW 12,730,000,000	65	0.02
	Bought GBP 8,764,199 Sold KRW 12,730,000,000	(23)	(0.01)
	Bought GBP 4,041,158 Sold KRW 5,950,000,000	(66)	(0.02)
	Bought GBP 4,038,462 Sold KRW 5,950,000,000	(68)	(0.02)
	Bought GBP 810,252 Sold NOK 8,750,000	(3)	-
	Bought GBP 18,220,944 Sold SGD 31,100,000	(320)	(0.08)
	Bought GBP 3,001,107 Sold THB 116,000,000	(77)	(0.02)
	Bought GBP 14,039,434 Sold TWD 544,000,000	(249)	(0.06)
	Bought GBP 13,464,185 Sold TWD 528,200,000	(409)	(0.10)
	Bought GBP 174,276,974 Sold USD 218,200,000	(3,672)	(0.90)
	Bought GBP 187,005,159 Sold USD 233,950,000	(3,789)	(0.92)
	Bought IDR 108,600,000,000 Sold GBP 6,038,365	289	0.07
	Bought IDR 108,600,000,000 Sold GBP 6,209,085	86	0.02
	Bought JPY 2,300,000,000 Sold GBP 17,099,469	213	0.05
	Bought JPY 2,225,000,000 Sold GBP 16,716,842	31	0.01
	Bought KRW 5,950,000,000 Sold GBP 4,040,464	67	0.02
	Bought KRW 5,950,000,000 Sold GBP 4,144,955	(38)	(0.01)
	Bought KRW 6,780,000,000 Sold GBP 4,723,159	(43)	(0.01)
	Bought MXN 53,400,000 Sold GBP 2,221,010	62	0.01
	Bought TWD 528,200,000 Sold GBP 13,627,099	246	0.06
	Bought USD 233,950,000 Sold GBP 186,947,478	3,846	0.94

Kames Diversified Growth Fund

Portfolio Statement (continued)

Holding	Investment	Market Valuation £'000	Total net assets %
	Futures Contracts (31 July 2018 0.11%)	-	-
	Options (31 July 2018 0.05%)	62	0.02
12,199	Call Option IMM EURO\$ December 2019 UBS	62	0.02
	Portfolio of investments**	380,507	92.78
	Net other assets	29,618	7.22
	Total net assets attributable to shareholders	410,125	100.00

Analysis of investments by asset class

	Market Value £'000	Value of investments %
Equities	248,600	60.62
Bonds	98,968	24.13
Collective Investment Schemes	38,148	9.30
Derivatives	(5,209)	(1.27)
Portfolio of investments**	380,507	92.78
Net other assets	29,618	7.22
Total net assets attributable to shareholders	410,125	100.00

The comparative percentage figures in brackets are at 31 July 2018.

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

*Unlisted, suspended and delisted securities within the meaning of the FCA's COLL.

**Includes investment liabilities.

Kames Diversified Growth Fund

Statement of Total Return for the year ended 31 July 2019

			2019		2018
	Note	£'000	£'000	£'000	£'000
Income					
Net capital (losses)/gains	2		(15,812)		5,557
Revenue	3	15,145		13,058	
Expenses	4	(2,286)		(1,990)	
Interest payable and similar charges	6	<u>(24)</u>		<u>(31)</u>	
Net revenue before taxation		12,835		11,037	
Taxation	5	<u>(1,383)</u>		<u>(1,070)</u>	
Net revenue after taxation			<u>11,452</u>		<u>9,967</u>
Total return before distributions			(4,360)		15,524
Distributions	6		<u>(11,452)</u>		<u>(9,967)</u>
Change in net assets attributable to shareholders from investment activities			(15,812)		5,557

Statement of Change in Net Assets Attributable to Shareholders for the year ended 31 July 2019

		2019		2018
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		381,290		317,912
Amounts receivable on creation of shares	36,868		59,787	
Amounts payable on cancellation of shares	<u>(3,952)</u>		<u>(12,503)</u>	
		32,916		47,284
Dilution adjustment		90		249
Change in net assets attributable to shareholders from investment activities		(15,812)		5,557
Retained distribution on accumulation shares		11,641		10,288
Closing net assets attributable to shareholders		410,125		381,290

Kames Diversified Growth Fund

Balance Sheet as at 31 July 2019

			2019		2018
	Note	£'000	£'000	£'000	£'000
Assets					
Fixed assets:					
Investments			391,154		357,853
Current assets:					
Debtors	7	3,201		23,670	
Cash and bank balances	8	27,819		25,666	
			31,020		49,336
Total assets			422,174		407,189
Liabilities					
Investment liabilities			10,647		3,594
Creditors					
Bank overdrafts	9	-		1	
Other creditors	10	1,402		22,304	
Total liabilities			12,049		25,899
Net assets attributable to shareholders			410,125		381,290

Kames Diversified Growth Fund

Notes to the Financial Statements

1 Accounting policies

The sub-fund's financial statements have been prepared on the basis disclosed on pages 11 to 13.

2 Net capital (losses)/gains

Net capital (losses)/gains comprise:

	2019	2018
	£'000	£'000
Gains on non-derivative securities	6,039	12,758
Losses on forward currency contracts	(17,613)	(7,144)
Currency exchange losses	(544)	(650)
(Losses)/gains on derivative securities	(3,670)	615
Transaction charges	(24)	(22)
Net capital (losses)/gains	(15,812)	5,557

3 Revenue

	2019	2018
	£'000	£'000
UK dividends	3,704	3,393
Overseas dividends	3,944	3,626
Property income from REITs	320	147
US REIT dividends	1,967	1,652
Taxable distributions on offshore funds	1,105	334
Interest on debt securities	3,841	3,499
Bank interest	193	239
Derivative revenue	71	168
Total revenue	15,145	13,058

4 Expenses*

	2019	2018
	£'000	£'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	2,141	1,878
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fee	84	75
Other expenses:		
Audit fee**	11	11
FT publishing fee	4	2
KIID fee	-	1
PRIIPs fees	4	-
Registrar's fee	11	10
Safe custody charge	31	13
	61	37
Total expenses	2,286	1,990

*All expenditure stated above is inclusive of irrecoverable VAT where applicable.

**The audit fee (excluding VAT) incurred during the year was £9,553 (2018: £9,275).

5 Taxation

a) Analysis of charge in the year

	2019	2018
	£'000	£'000
Current tax:		
UK corporation tax on profits in the year	1,061	802
	1,061	802
Double taxation relief	(286)	(244)
Overseas tax suffered	608	512
Total tax charge for the year (see note 5 (b))	1,383	1,070

Kames Diversified Growth Fund

Notes to the Financial Statements (continued)

5 Taxation (continued)

b) Factors affecting tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax for Open Ended Investment Companies 'OEICs' (20%).

The differences are explained below:

	2019	2018
	£'000	£'000
Net revenue before taxation	12,835	11,037
Corporation tax 20% (2018: 20%)	2,567	2,207
Effects of:		
Double taxation relief	(286)	(244)
Overseas tax suffered	608	512
Relief on overseas tax suffered	-	(2)
Revenue not subject to taxation	(1,506)	(1,384)
UK indexation relief	-	(19)
Total tax charge for the year (see note 5 (a))	1,383	1,070

Open Ended Investment Companies are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliations.

6 Interest and distributions

a) Interest payable and similar charges

	2019	2018
	£'000	£'000
Interest	24	31
Interest payable and similar charges	24	31

b) Distributions

The distributions take account of amounts receivable on the issue of shares and amounts deductible on the cancellation of shares, and comprise:

	2019	2018
	£'000	£'000
Interim distributions	7,737	6,966
Final distribution	3,904	3,322
	11,641	10,288
Add: amounts deductible on cancellation of shares	15	62
Less: amounts receivable on creation of shares	(204)	(383)
Distributions	11,452	9,967

Details of the distributions are set out in the tables on page 250.

c) Movement between net revenue and distribution

	2019	2018
	£'000	£'000
Net revenue after taxation	11,452	9,967
Distributions	11,452	9,967

7 Debtors

	2019	2018
	£'000	£'000
Accrued revenue	1,526	1,722
Amounts receivable for the issue of shares	24	20,042
Sales awaiting settlement	1,490	1,788
Reclaimable overseas tax	161	118
Debtors	3,201	23,670

Kames Diversified Growth Fund

Notes to the Financial Statements (continued)

8 Cash and bank balances

	2019	2018
	£'000	£'000
Amounts held at futures clearing houses and brokers*	7,300	3,844
Cash and bank balances	7,473	2,250
Money market deposits	13,046	19,572
Cash and bank balances	27,819	25,666

*Includes cash pledged as collateral of £7,300,000 (2018: £2,790,000).

9 Bank overdrafts

	2019	2018
	£'000	£'000
Bank overdrafts	-	1
Bank overdrafts	-	1

10 Other creditors

	2019	2018
	£'000	£'000
Accrued expenses*	223	187
Amounts payable for cancellation of shares	9	16
Corporation tax payable	474	303
Purchases awaiting settlement	696	21,798
Other creditors	1,402	22,304

*Includes accrued ACD's periodic charge of £190,000 (2018: £169,000).

11 Related parties

The ACD's periodic charge paid to Kames Capital plc, (the ACD) are shown in Note 4 and details of amounts received and paid on shares issued and cancelled are shown in the Statement of Change in Net Assets Attributable to Shareholders. The balance due to the ACD in respect of these transactions as at 31 July 2019 is £175,000 (2018: £19,857,000 due from the ACD), a breakdown can be found in Notes 7 and 10. At the year-end 44.33% (2018: 48.22%) of the shares in issue were owned by AEGON Group or AEGON UK companies.

12 Contingent assets, liabilities and commitments

There were no contingent assets, liabilities or commitments present in the sub-fund as at 31 July 2019 (2018: Nil).

13 Financial instruments and risk

The risks associated with the sub-fund are market, concentration, valuation, yield, liquidity, counterparty, and interest rate risk. Narrative disclosures are on pages 14 and 15.

Analysis of investments by credit ratings

	2019		2018	
	Market value	Value of investments	Market value	Value of investments
	£'000	%	£'000	%
Rated bonds at investment grade	50,723	12.36	37,207	9.75
Rated bonds below investment grade	43,298	10.57	35,270	9.25
Not Rated	4,947	1.20	20,805	5.45
Non-bond	281,539	68.65	260,977	68.46
Portfolio of investments	380,507	92.78	354,259	92.91
Net other assets	29,618	7.22	27,031	7.09
Total net assets attributable to shareholders	410,125	100.00	381,290	100.00

Note - Investment grade bonds are defined as bonds with a Standard & Poor's, Moody's or Fitch's rating of BBB-, Baa3 and BBB- or above respectively.

Kames Diversified Growth Fund

Notes to the Financial Statements (continued)

13 Financial instruments and risk (continued)

Currency exposure

The revenue and capital value of the sub-fund's investments can be affected by foreign currency translation movements as a proportion of the sub-fund's assets and revenue are denominated in currencies other than sterling.

An analysis of assets and liabilities is detailed below in the currency exposure table:

As at 31 July 2019

Currency	Total £'000
Australian Dollar	8
Brazilian Real	6,369
Canadian Dollar	(15)
Danish Krone	77
Euro	(9,032)
Hong Kong Dollar	(508)
Indonesian Rupiah	6,296
Japanese Yen	33,691
Mexican Peso	8,372
New Zealand Dollar	1
Norwegian Krone	460
Philippines Peso	696
Singapore Dollar	(12,589)
South Korean Won	(8,337)
Sterling	411,308
Swiss Franc	161
Taiwan Dollar	(8,423)
Thai Baht	(32)
United States Dollar	(18,378)
	410,125

As at 31 July 2018

Currency	Total £'000
Australian Dollar	(11,167)
Canadian Dollar	(14,344)
Chinese Renminbi	81
Danish Krone	9
Euro	(22,430)
Hong Kong Dollar	(1,133)
Japanese Yen	32,236
Mexican Peso	(67)
New Zealand Dollar	1
Norwegian Krone	14,797
South Africa Rand	373
South Korean Won	104
Sterling	383,887
Swedish Krona	(7,342)
Swiss Franc	(84)
Taiwan Dollar	(14,294)
Thai Baht	80
United States Dollar	20,583
	381,290

Kames Diversified Growth Fund

Notes to the Financial Statements (continued)

13 Financial instruments and risk (continued)

Interest rate risk

The interest rate profile of the sub-fund's interest bearing assets and liabilities at 31 July 2019 was:

Currency	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Australian Dollar	-	-	4,088	4,088
Brazilian Real	-	-	12,759	12,759
Canadian Dollar	-	-	2,212	2,212
Danish Krone	-	-	12	12
Euro	552	25,468	33,760	59,780
Hong Kong Dollar	-	-	10,706	10,706
Indonesian Rupiah	-	-	12,623	12,623
Japanese Yen	-	-	47,972	47,972
Mexican Peso	-	4,783	3,589	8,372
Norwegian Krone	-	-	1,273	1,273
Philippines Peso	-	-	696	696
Singapore Dollar	-	-	5,952	5,952
South Korean Won	-	-	17,632	17,632
Sterling	-	11,267	656,081	667,348
Swiss Franc	-	-	2,721	2,721
Taiwan Dollar	-	-	15,249	15,249
Thai Baht	-	-	3,046	3,046
United States Dollar	3,566	53,332	291,776	348,674
Cash at bank				
Canadian Dollar	209	-	-	209
Danish Krone	851	-	-	851
Euro	205	-	-	205
Japanese Yen	1,637	-	-	1,637
New Zealand Dollar	1	-	-	1
Sterling	77	-	-	77
Taiwan Dollar	4,489	-	-	4,489
United States Dollar	4	-	-	4
Cash at brokers				
Sterling	7,300	-	-	7,300
Cash on deposit				
Sterling	11,345	-	-	11,345
United States Dollar	1,701	-	-	1,701
	31,937	94,850	1,122,147	1,248,934

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Australian Dollar	-	-	(4,080)	(4,080)
Brazilian Real	-	-	(6,390)	(6,390)
Canadian Dollar	-	-	(2,436)	(2,436)
Danish Krone	-	-	(786)	(786)
Euro	-	-	(69,017)	(69,017)
Hong Kong Dollar	-	-	(11,214)	(11,214)
Indonesian Rupiah	-	-	(6,327)	(6,327)
Japanese Yen	-	-	(15,918)	(15,918)
Norwegian Krone	-	-	(813)	(813)
Singapore Dollar	-	-	(18,541)	(18,541)
South Korean Won	-	-	(25,969)	(25,969)
Sterling	-	-	(274,762)	(274,762)
Swiss Franc	-	-	(2,560)	(2,560)
Taiwan Dollar	-	-	(28,161)	(28,161)
Thai Baht	-	-	(3,078)	(3,078)
United States Dollar	-	-	(368,757)	(368,757)
	-	-	(838,809)	(838,809)

Kames Diversified Growth Fund

Notes to the Financial Statements (continued)

13 Financial instruments and risk (continued)

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

Currency	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Australian Dollar	-	-	731	731
Canadian Dollar	-	-	6,644	6,644
Chinese Renminbi	-	-	81	81
Danish Krone	-	-	9	9
Euro	-	12,137	37,967	50,104
Hong Kong Dollar	-	-	17,866	17,866
Japanese Yen	-	-	32,236	32,236
Mexican Peso	-	4,551	2,689	7,240
Norwegian Krone	-	-	14,797	14,797
South Africa Rand	-	5,429	-	5,429
South Korean Won	-	-	8,191	8,191
Sterling	-	3,597	410,977	414,574
Swedish Krona	-	-	887	887
Swiss Franc	-	-	2,514	2,514
Taiwan Dollar	-	-	3,740	3,740
Thai Baht	-	-	3,791	3,791
United States Dollar	-	52,195	100,080	152,275
Cash at bank				
Euro	3	-	-	3
Hong Kong Dollar	40	-	-	40
New Zealand Dollar	1	-	-	1
Sterling	34	-	-	34
Taiwan Dollar	2,134	-	-	2,134
United States Dollar	38	-	-	38
Cash at brokers				
Sterling	3,844	-	-	3,844
Cash on deposit				
Sterling	12,042	-	-	12,042
United States Dollar	7,530	-	-	7,530
	25,666	77,909	643,200	746,775

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Australian Dollar	-	-	(11,898)	(11,898)
Canadian Dollar	-	-	(20,988)	(20,988)
Euro	-	-	(72,536)	(72,536)
Hong Kong Dollar	-	-	(19,039)	(19,039)
Mexican Peso	-	-	(7,307)	(7,307)
South Africa Rand	-	-	(5,056)	(5,056)
South Korean Won	-	-	(8,087)	(8,087)
Swedish Krona	-	-	(8,229)	(8,229)
Swiss Franc	-	-	(2,598)	(2,598)
Taiwan Dollar	-	-	(20,168)	(20,168)
Thai Baht	-	-	(3,711)	(3,711)
Sterling	-	-	(46,607)	(46,607)
United States Dollar	-	-	(139,260)	(139,260)
Cash at bank				
Euro	(1)	-	-	(1)
	(1)	-	(365,484)	(365,485)

Kames Diversified Growth Fund

Notes to the Financial Statements (continued)

13 Financial instruments and risk (continued)

Derivative risk

The sub-fund invests in derivatives, consistent with the investment objective of the sub-fund, as outlined in the derivative risks section on page 15.

VaR Disclosure

The Manager assesses the market risk of the sub-fund's investments, including any derivative exposure, using a value at risk methodology. This process provides the Manager with an estimate of the maximum potential loss that could be expected to occur as a result of changes in market prices over a given period of time in all but a given percentage of circumstances. The value at risk is calculated on a 95.00% (2018: 95.00%) confidence interval with a one month time horizon and a five year history, using the Historical model. The sub-fund has an absolute VaR limit of 14.10% (2018: 14.10%). As at the balance sheet date, the sub-fund's value at risk is 2.11% (2018: 2.31%).

The following table details the lowest, highest and average utilisation of the VaR limit:

	Lowest Utilisation (%)	Highest Utilisation (%)	Average Utilisation (%)
31 July 2019	1.13	3.40	2.04
31 July 2018	1.71	3.85	2.67

Leverage

Average leverage is calculated as the sum of the net asset value and the incremental exposure generated through the use of derivatives (calculated in accordance with the commitment approach (CESR/10-788)) divided by the net asset value. As at 31 July 2019 the average leverage was 124.47% (2018: 151.97%).

Counterparty risk

The risk of entering an arrangement with a counterparty, which is itself subject to financial risks which may affect its ability to trade as a going concern.

The ACD maintains a list of approved counterparties. This list is regularly monitored and revised for changes based on the counterparty's credit-worthiness, market reputation and expectations of future financial performance. Transactions will only be opened with financial intermediaries on the approved counterparties list.

The sub-fund's use of exchange traded derivatives are considered to be free of counterparty risk if the derivative is traded on an exchange where the clearing house is backed by an appropriate performance guarantee and it is characterised by a daily mark-to-market valuation of the derivative position and at least daily margining.

At 31 July 2019, the market value of the exchange traded derivatives held by the sub-fund was £62,000 (2018: £585,000).

The following details exposure to counterparties obtained through the use of derivatives:

As at 31 July 2019

Counterparty	Forward Foreign Exchange Contracts Exposure £'000	Futures Exposure £'000	Options Exposure £'000	Collateral Pledge £'000
Barclays	-	-	-	460
BNP Paribas	-	-	-	5,520
Deutsche Bank	129	-	-	(210)
JPMorgan	-	-	-	260
Morgan Stanley	-	-	-	1,270
UBS	-	-	62	-

As at 31 July 2018

Counterparty	Forward Foreign Exchange Contracts Exposure £'000	Futures Exposure £'000	Options Exposure £'000	Collateral Pledge £'000
Deutsche Bank	-	-	-	2,450
JPMorgan	-	-	-	340
UBS	-	411	174	-

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

Kames Diversified Growth Fund

Notes to the Financial Statements (continued)

14 Portfolio transaction costs

Purchases

31 July 2019	Value £'000	Commissions £'000	Other Costs* %	£'000	%
Bonds	261,793	-	-	-	-
Equities	232,238	86	0.04	171	0.07
Collective Investments Schemes	36,232	18	0.05	-	-
Total	530,263	104		171	
Total purchases including transaction costs	530,538				
31 July 2018					
Bonds	133,196	-	-	-	-
Equities	204,954	118	0.06	86	0.04
Collective Investments Schemes	27,335	13	0.05	-	-
Total	365,485	131		86	
Total purchases including transaction costs	365,702				

Sales

31 July 2019	Value £'000	Commissions £'000	Other Costs* %	£'000	%
Bonds	248,633	-	-	-	-
Equities	237,790	(92)	0.04	(69)	0.03
Collective Investments Schemes	21,417	(11)	0.05	-	-
Total	507,840	(103)		(69)	
Total sales net of transaction costs	507,668				
31 July 2018					
Bonds	101,466	-	-	-	-
Equities	170,031	(99)	0.06	(36)	0.02
Collective Investments Schemes	16,323	(8)	0.05	-	-
Total	287,820	(107)		(36)	
Total sales net of transaction costs	287,677				

Derivatives

31 July 2019	Commissions £'000
Futures	16
Options	13
Total	29
31 July 2018	
Futures	82
Options	8
Total	90

*Other Costs includes taxes and any other costs other than commissions incurred by the sub-fund when buying and selling an underlying investment.

The purchases and sales are not subject to portfolio transaction costs.

Portfolio transaction costs are incurred by the sub-fund when buying and selling underlying investments. These vary depending on the class of investment, country of exchange and method of execution. These costs can be classified as either direct or indirect transaction costs:

Direct transaction costs: Broker commissions, fees and taxes.

Indirect transaction costs: 'Dealing spread' - the difference between the buying and selling prices of the sub-fund's underlying investments.

In order to protect existing investors from the effects of dilution, portfolio transaction costs incurred as a result of investors buying and selling shares in the sub-fund are recovered from those investors through a 'dilution adjustment' to the price they pay or receive.

At the balance sheet date, the portfolio dealing spread was 0.27% (2018: 0.51%), being the difference between the respective bid and offer prices for the sub-fund's investments.

Kames Diversified Growth Fund

Notes to the Financial Statements (continued)

15 Fair value of financial assets and financial liabilities

The fair value hierarchy is intended to prioritise the inputs that are used to measure the fair value of assets and liabilities. The fair value hierarchy has the following levels:

Level 1 – Unadjusted quoted price in an active market for an identical instrument.

Level 2 – Valuation techniques using observable inputs other than quoted prices within level 1.

Level 3 – Valuation techniques using unobservable inputs.

Valuation	2019		2018	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
1 - Quoted prices	275,163	-	283,307	-
2 - Observable market data	115,978	(10,647)	74,546	(3,594)
3 - Unobservable data	13	-	-	-
	391,154	(10,647)	357,853	(3,594)

16 Share classes

The sub-fund currently has three share classes; A (Retail), B (Institutional) and D (Retail). The ACD's periodic charge on each share class is as follows:

A share class: 1.00%

B share class: 0.55%

D share class: 0.75%

The net asset value of each share class, the net asset value per share, and the number of shares in each class are given in the comparative tables on pages 232 and 233. The distribution per share class is given in the distribution tables on page 250. All share classes have the same rights on winding up.

Share class movement reconciliation

31 July 2019	Opening	Creations	Cancellations	Converted	Closing
A Accumulation	559,491	75,047	(165,361)	(6,079)	463,098
B Accumulation	229,940,522	22,723,701	(2,340,970)	5,656	250,328,909
D Accumulation	58,342	1	(21,478)	-	36,865

Kames Diversified Growth Fund

Distribution Tables

Share Class A Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Franked	Streaming Unfranked Non-Foreign	Unfranked Foreign	2017/8 Total Payable
31/10/18	31/12/18	Group 1	0.7873	N/A	0.7873	79.39%	4.36%	16.25%	0.8904
		Group 2	0.4201	0.3672					
31/01/19	31/03/19	Group 1	0.8840	N/A	0.8840	70.00%	15.39%	14.61%	0.7451
		Group 2	0.6682	0.2158					
30/04/19	30/06/19	Group 1	0.8700	N/A	0.8700	69.76%	12.51%	17.73%	1.0598
		Group 2	0.4096	0.4604					
31/07/19	30/09/19	Group 1	1.3087	N/A	1.3087	66.76%	25.25%	7.99%	1.2146
		Group 2	0.5468	0.7619					

Share Class B Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Franked	Streaming Unfranked Non-Foreign	Unfranked Foreign	2017/8 Total Payable
31/10/18	31/12/18	Group 1	0.9931	N/A	0.9931	67.85%	18.09%	14.06%	1.0697
		Group 2	0.1067	0.8864					
31/01/19	31/03/19	Group 1	1.0900	N/A	1.0900	61.58%	25.60%	12.82%	0.9459
		Group 2	0.5874	0.5026					
30/04/19	30/06/19	Group 1	1.0724	N/A	1.0724	60.92%	23.99%	15.09%	1.2785
		Group 2	0.9025	0.1699					
31/07/19	30/09/19	Group 1	1.5569	N/A	1.5569	60.78%	31.61%	7.61%	1.4415
		Group 2	0.0329	1.5240					

Share Class D Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Franked	Streaming Unfranked Non-Foreign	Unfranked Foreign	2017/8 Total Payable
31/10/18	31/12/18	Group 1	0.7285	N/A	0.7285	72.14%	13.42%	14.44%	0.7840
		Group 2	0.7285	0.0000					
31/01/19	31/03/19	Group 1	0.8093	N/A	0.8093	65.17%	20.79%	14.04%	0.7551
		Group 2	0.8093	0.0000					
30/04/19	30/06/19	Group 1	0.7950	N/A	0.7950	64.33%	19.47%	16.20%	0.9061
		Group 2	0.5403	0.2547					
31/07/19	30/09/19	Group 1	1.1671	N/A	1.1671	65.16%	27.11%	7.73%	1.0861
		Group 2	1.1671	0.0000					

All distributions above are in pence per share unless specifically stated.

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

Kames Diversified Monthly Income Fund

Fund objective*

The investment objective is to provide income with the potential for capital growth over the medium term. To invest mainly in a diversified portfolio of equities, bonds, derivatives and other income paying assets denominated in any currency. Assets will be chosen based on global economic trends and investment opportunities. As a result, at any one time the Fund may be diversified across asset classes, sectors, currencies or countries or may be more focused. Equities will be limited to a maximum of 80% of the sub-fund's value at all times.

The sub-fund may invest in assets denominated in a currency other than sterling. The currency risk of investing in such assets may or may not be hedged back to sterling, depending on whether currency risk is a desired element of the investment decision.

The sub-fund may also hold units in other collective investment schemes, other transferable securities, warrants, cash and near cash, approved money market instruments, deposits, derivatives and forwards (including commodity indices) for investment or hedging purposes. The sub-fund may have indirect exposure to property.

Risk profile

The sub-fund is designed for retail and institutional investors seeking regular income and who are comfortable with a medium to high level of investment risk. In most cases, we expect the sub-fund to be held as part of a diversified portfolio including other assets e.g. bonds, equities, property and cash. While investors will normally be able to liquidate their holdings on a daily basis, unit prices will fluctuate and may fall significantly in value. Consequently, it is important to understand that the sub-fund should be viewed as a longer term investment.

The sub-fund is actively managed and exposed to a range of risks, which are listed and defined in the Kames Capital ICVC Prospectus. The most material risks from this list also appear in our Key Investor Information documents (KIID) where they are summarised in an easy-to-read format. You can find both of these documents on our website at www.kamescapital.com.

Performance**

The Kames Diversified Monthly Income Fund produced a total return of 8.06%, compared to 3.86% for the peer group median. The peer group is the Investment Association Mixed Investment 20-60% Shares sector.

The average monthly pence-per-share distribution over the most recent 12 months was 0.440 pence. The historic yield, based on the 12 most recent monthly distributions, was 4.78%.

Strategy review***

Global equity markets came under significant pressure over the period. Initially, volatility levels were elevated, due mainly to the potential escalation of the US-China trade war, Brexit negotiations and Italy's budget plans. At the same time, the US Federal Reserve's monetary tightening policy began to have an impact in cooling a very strong US economy. Government bond markets benefited from the subsequent strengthening of risk-off sentiment.

While the market fell heavily towards the end of 2018 it recovered as we moved into 2019 and continued to do well up to the end of the period. The main catalyst for the improved backdrop was the change of interest rate rhetoric by the US Federal Reserve as well as policy easing by China and the ECB. This benefited both equity and corporate bond markets. There was more optimism over the outcome of US/China trade talks and, in the UK, less pessimism around the likelihood of a 'no deal' hard Brexit scenario.

Given the volatile backdrop, the sub-fund's exposure to high dividend equities detracted, although this was more than offset by the strong positive contribution from global equity income. The sub-fund's exposure to alternative income-generating assets performed well and continued to provide good diversification benefits. Among the best performing areas within this sector was listed infrastructure. Notable positives were Transurban (Australian and US toll roads), BBGI (public private partnerships), 3i Infrastructure and Infratil (New Zealand listed, airports and renewables) and Aena (European airports).

Our weighting to renewable energy also added value, with the exposure to Greencoat UK Wind, Renewables Infrastructure, John Laing Environmental Assets and NextEnergy Solar Fund all performing well. Our exposure to fixed income markets was volatile but positive overall. The sub-fund held positions primarily in corporate credit (financials and non-financials) with a bias to the lower end of investment grade/higher end of sub-investment-grade-rated issuers. The exposure to bank bonds in particular, detracted from performance initially but the more accommodative stance taken by Central Banks during the second half of 2019 boosted risk markets. Our weighting in government bonds added some value, given these assets benefited from their low risk characteristics at a time when markets were turbulent.

The performance of REITs and mortgage REITs added value. Currency positions were also volatile (we hedge most of the non-sterling exposure back to sterling) but overall they added some value.

Attractive and dependable levels of income remain highly sought after. We believe that a diverse multi-asset portfolio can deliver our income target, capital growth and risk management through dynamic asset allocation and high-conviction stock selection.

*Please note that the sub-fund's objective has been updated effective 7 August 2019. The latest update can found in the fund's prospectus at www.kamescapital.com.

**Source: Lipper, % growth, income re-invested at pay date, NAV-NAV, GBP, net of Basic Rate Tax. Index returns are gross of Basic Rate Tax.

***General references to markets and indices are to be considered as general market commentary only and (i) are not to be considered as a comparison of sub-fund performance against a benchmark (unless otherwise disclosed as such); and (ii) the index or indices do not operate as a performance target and the sub-fund's portfolio is not constrained by the index or indices.

Kames Diversified Monthly Income Fund

Comparative Tables

A Accumulation shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	132.65	129.99	117.87
Return before operating charges*	11.13	4.37	13.75
Operating charges	(1.74)	(1.71)	(1.63)
Return after operating charges*	9.39	2.66	12.12
Distributions	(6.98)	(7.08)	(6.87)
Retained distributions on accumulation shares	6.98	7.08	6.87
Closing net asset value per share	142.04	132.65	129.99
 *after direct transaction costs of	 0.12	 0.16	 0.13
Performance			
Return after charges	7.08%	2.05%	10.28%
Other information			
Closing net asset value (£'000)	1,478	1,189	558
Closing number of shares	1,040,543	896,110	428,949
Operating charges	1.29%	1.30%	1.31%
Direct transaction costs	0.09%	0.12%	0.11%
Prices			
Highest share price	144.23	135.03	131.58
Lowest share price	126.06	128.99	118.37

A Income shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	104.60	107.98	103.34
Return before operating charges*	8.52	3.54	11.77
Operating charges	(1.35)	(1.39)	(1.41)
Return after operating charges*	7.17	2.15	10.36
Distributions	(5.28)	(5.53)	(5.72)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	106.49	104.60	107.98
 *after direct transaction costs of	 0.09	 0.13	 0.11
Performance			
Return after charges	6.85%	1.99%	10.03%
Other information			
Closing net asset value (£'000)	685	690	178
Closing number of shares	642,731	660,204	165,285
Operating charges	1.29%	1.30%	1.31%
Direct transaction costs	0.09%	0.12%	0.11%
Prices			
Highest share price	108.88	110.30	110.63
Lowest share price	98.16	103.68	102.27

Highest and Lowest share prices are based on official published daily NAVs priced at 12 noon on the last business day of the year. The closing net asset value per share is at close of business.

Kames Diversified Monthly Income Fund

Comparative Tables (continued)

B Accumulation shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	135.76	132.31	119.33
Return before operating charges*	11.24	4.26	13.75
Operating charges	(0.82)	(0.81)	(0.77)
Return after operating charges*	10.42	3.45	12.98
Distributions	(6.82)	(6.84)	(6.63)
Retained distributions on accumulation shares	6.82	6.84	6.63
Closing net asset value per share	146.18	135.76	132.31
 *after direct transaction costs of	 0.12	 0.16	 0.13
Performance			
Return after charges	7.68%	2.61%	10.88%
Other information			
Closing net asset value (£'000)	430,817	375,951	312,474
Closing number of shares	294,708,495	276,913,933	236,167,316
Operating charges	0.59%	0.60%	0.61%
Direct transaction costs	0.09%	0.12%	0.11%
Prices			
Highest share price	148.43	137.81	133.18
Lowest share price	129.32	131.78	119.43

B Income shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	107.40	110.14	104.68
Return before operating charges*	8.63	3.47	11.83
Operating charges	(0.64)	(0.66)	(0.67)
Return after operating charges*	7.99	2.81	11.16
Distributions	(5.28)	(5.55)	(5.70)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	110.11	107.40	110.14
 *after direct transaction costs of	 0.09	 0.13	 0.11
Performance			
Return after charges	7.44%	2.55%	10.66%
Other information			
Closing net asset value (£'000)	307,299	130,711	58,289
Closing number of shares	279,093,646	121,702,919	52,924,441
Operating charges	0.59%	0.60%	0.61%
Direct transaction costs	0.09%	0.12%	0.11%
Prices			
Highest share price	112.41	112.85	112.72
Lowest share price	101.02	106.34	103.82

Highest and Lowest share prices are based on official published daily NAVs priced at 12 noon on the last business day of the year. The closing net asset value per share is at close of business.

Kames Diversified Monthly Income Fund

Comparative Tables (continued)

D Accumulation shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	134.78	131.61	118.93
Return before operating charges*	11.21	4.30	13.77
Operating charges	(1.15)	(1.13)	(1.09)
Return after operating charges*	10.06	3.17	12.68
Distributions	(6.84)	(6.88)	(6.66)
Retained distributions on accumulation shares	6.84	6.88	6.66
Closing net asset value per share	144.84	134.78	131.61
 *after direct transaction costs of	 0.12	 0.16	 0.13
Performance			
Return after charges	7.46%	2.41%	10.66%
Other information			
Closing net asset value (£'000)	28	41	36
Closing number of shares	19,509	30,150	27,412
Operating charges	0.84%	0.85%	0.86%
Direct transaction costs	0.09%	0.12%	0.11%
Prices			
Highest share price	147.07	136.96	133.18
Lowest share price	128.28	130.91	119.43

D Income shares	2019	2018	2017
	(p/share)	(p/share)	(p/share)
Change in net assets per share			
Opening net asset value per share	106.43	109.45	104.28
Return before operating charges*	8.59	3.51	11.79
Operating charges	(0.89)	(0.92)	(0.91)
Return after operating charges*	7.70	2.59	10.88
Distributions	(5.29)	(5.61)	(5.71)
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	108.84	106.43	109.45
 *after direct transaction costs of	 0.09	 0.13	 0.11
Performance			
Return after charges	7.23%	2.37%	10.43%
Other information			
Closing net asset value (£'000)	425	350	271
Closing number of shares	390,763	328,603	247,363
Operating charges	0.84%	0.85%	0.84%
Direct transaction costs	0.09%	0.12%	0.11%
Prices			
Highest share price	111.17	112.03	112.08
Lowest share price	100.02	105.48	103.34

Highest and Lowest share prices are based on official published daily NAVs priced at 12 noon on the last business day of the year. The closing net asset value per share is at close of business.

Kames Diversified Monthly Income Fund

Portfolio Statement

The sub-fund's investments as at 31 July 2019

Holding	Investment	Market Valuation £'000	Total net assets %
	Euro Denominated Bonds (31 July 2018 6.08%)	59,650	8.05
	Corporate Bonds (31 July 2018 6.08%)	59,650	8.05
1,600,000	Algeco Global Finance 6.5% 15/02/2023	1,516	0.21
2,600,000	Banco Bilbao Vizcaya Argentaria 5.875% Perpetual	2,449	0.33
4,300,000	Banco Santander 5.481% Perpetual	3,909	0.53
4,600,000	Bankia 6.375% Perpetual	4,398	0.59
3,600,000	CaixaBank 6.75% Perpetual	3,564	0.48
2,400,000	DKT Finance 7% 17/06/2023	2,375	0.32
3,500,000	eircom Finance 3.5% 15/05/2026	3,307	0.45
3,228,000	Energizer Gamma Acquisition 4.625% 15/07/2026	3,065	0.41
4,200,000	Erste 6.5% Perpetual	4,391	0.59
2,100,000	Ethias 5% 14/01/2026	2,252	0.30
3,028,000	Eurofins Scientific 3.25% Perpetual	2,562	0.35
3,000,000	Federal-Mogul Financing 5% 15/07/2024	2,645	0.36
3,600,000	KBC 4.25% Perpetual	3,224	0.44
2,728,000	Panther BF Aggregator 2 4.375% 15/05/2026	2,541	0.34
2,907,000	Platin 1426 5.375% 15/06/2023	2,662	0.36
6,139,525	Stichting AK Rabobank Certificaten 6.5% Perpetual	6,906	0.93
1,000,000	Takeda Pharmaceutical 3% 21/11/2030	1,087	0.15
3,600,000	UniCredit 6.625% Perpetual	3,342	0.45
3,400,000	UniCredit 7.5% Perpetual	3,347	0.45
100,000	Volkswagen International Finance 3.25% 18/11/2030	108	0.01
	Indonesian Rupiah Denominated Bonds (31 July 2018 0.76%)	5,724	0.77
	Government Bonds (31 July 2018 0.76%)	5,724	0.77
92,587,000,000	Indonesia Government Bond 8.375% 15/03/2024	5,724	0.77
	Mexican Peso Denominated Bonds (31 July 2018 0.74%)	8,525	1.15
	Government Bonds (31 July 2018 0.74%)	8,525	1.15
84,492,600	Mexican Bonos 5% 11/12/2019	3,590	0.48
114,492,600	Mexican Bonos 8% 11/06/2020	4,935	0.67
	South African Rand Denominated Bonds (31 July 2018 0.76%)	5,614	0.76
	Government Bonds (31 July 2018 0.76%)	5,614	0.76
87,122,656	Republic of South Africa Government Bond 10.5% 21/12/2026	5,614	0.76
	Sterling Denominated Bonds (31 July 2018 7.44%)	57,405	7.75
	Asset Backed Security (31 July 2018 0.15%)	744	0.10
900,000	Telereal Secured Finance 4.01% 10/12/2031	744	0.10
	Corporate Bonds (31 July 2018 7.29%)	56,661	7.65
1,800,000	Annington Funding 3.935% 12/07/2047	2,009	0.27
2,828,000	Arqiva Broadcast Finance 6.75% 30/09/2023	3,025	0.41
2,200,000	Aviva 6.875% 20/05/2058	2,910	0.39
1,700,000	AXA 5.453% Perpetual	1,907	0.26
3,200,000	Barclays 7.125% Perpetual	3,309	0.45
2,007,000	Becton Dickinson 3.02% 24/05/2025	2,129	0.29
3,028,000	BUPA Finance 5% 08/12/2026	3,435	0.46
1,200,000	Digital Stout 3.75% 17/10/2030	1,338	0.18
1,200,000	DS Smith 2.875% 26/07/2029	1,239	0.17
2,100,000	HBOS Sterling Finance Jersey 7.881% Perpetual	3,171	0.43
2,680,000	HSBC Capital 5.844% Perpetual	3,529	0.48
1,200,000	Informa 3.125% 05/07/2026	1,271	0.17
1,000,000	LafargeHolcim Sterling Finance Netherlands 3% 12/05/2032	1,047	0.14

Kames Diversified Monthly Income Fund

Portfolio Statement (continued)

Holding	Investment	Market Valuation £'000	Total net assets %
	Corporate Bonds (continued)		
2,107,000	Legal & General 5.5% 27/06/2064	2,338	0.32
2,307,000	Mclaren Finance 5% 01/08/2022	2,153	0.29
18,000	Nationwide Building Society 10.25% Perpetual	2,760	0.37
2,200,000	Pension Insurance 7.375% Perpetual	2,219	0.30
2,828,000	Pension Insurance 8% 23/11/2026	3,436	0.46
3,450,000	Pinnacle Bidco 6.375% 15/02/2025	3,638	0.49
1,800,000	Prudential 5% 20/07/2055	1,944	0.26
1,807,000	Prudential 5.625% 20/10/2051	2,003	0.27
500,000	RAC 4.87% 06/05/2026	494	0.07
1,700,000	Vantiv / Vantiv Issuer 3.875% 15/11/2025	1,779	0.24
2,300,000	Volkswagen International Finance 4.125% 17/11/2031	2,613	0.35
800,000	Welltower 4.8% 20/11/2028	965	0.13
	United States Dollar Denominated Bonds (31 July 2018 17.76%)	161,028	21.74
	Corporate Bonds (31 July 2018 10.01%)	104,978	14.17
2,628,000	1011778 BC / New Red Finance 4.25% 15/05/2024	2,192	0.30
4,614,000	APT Pipelines 4.25% 15/07/2027	3,960	0.53
4,100,000	Ardagh Packaging Finance 5.25% 15/08/2027	3,332	0.45
3,400,000	Ashtead Capital 4.125% 15/08/2025	2,801	0.38
3,055,000	AT&T 5.15% 15/03/2042	2,770	0.37
2,328,000	Ball Corporaton 4.375% 15/12/2020	1,939	0.26
4,308,000	Bank of America 5.875% Perpetual	3,734	0.50
2,800,000	Berry Global 5.625% 15/07/2027	2,405	0.33
4,014,000	BNP Paribas 6.75% Perpetual	3,435	0.46
2,100,000	CNAC HK Finbridge 4.625% 14/03/2023	1,791	0.24
1,800,000	Commerzbank 7% FRN Perpetual	1,518	0.21
3,500,000	Credit Agricole 8.125% Perpetual	3,313	0.45
3,200,000	Credit Suisse 7.5% Perpetual	2,885	0.39
103,000	Digital Realty Trust 3.7% 15/08/2027	87	0.01
2,500,000	DKT Finance 9.375% 17/06/2023	2,215	0.30
2,970,000	DP World 6.85% 02/07/2037	3,086	0.42
2,000,000	Drax Finco 6.625% 01/11/2025	1,700	0.23
2,850,000	First Data 5% 15/01/2024	2,386	0.32
2,000,000	Ford Motor Credit 4.389% 08/01/2026	1,641	0.22
2,800,000	GEMS Menasa Cayman 7.125% 31/07/2026	2,334	0.32
2,000,000	General Motors Financial 4.2% 01/03/2021	1,668	0.23
1,000,000	Imperial Brands Finance 3.5% 26/07/2026	813	0.11
4,814,000	ING Groep 6.75% FRN Perpetual	4,098	0.55
1,000,000	James Hardie International Finance 4.75% 15/01/2025	835	0.11
2,944,000	Live Nation Entertainment 4.875% 01/11/2024	2,476	0.33
1,850,000	MARB BondCo 6.875% 19/01/2025	1,549	0.21
3,893,000	MGM Resorts International 4.625% 01/09/2026	3,259	0.44
3,407,000	MPT Operating Partnership 5.25% 01/08/2026	2,894	0.39
1,750,000	Par Petroleum / Petroleum Finance 7.75% 15/12/2025	1,426	0.19
2,510,000	Reynolds American 5.7% 15/08/2035	2,293	0.31
5,000,000	Royal Bank of Scotland 8% Perpetual	4,373	0.59
2,228,000	Sealed Air 6.5% 01/12/2020	1,891	0.26
2,950,000	Sirius XM Radio 5.375% 15/04/2025	2,501	0.34
3,800,000	Swedbank 6% Perpetual	3,133	0.42
1,700,000	Syngenta Finance 5.182% 24/04/2028	1,454	0.20
2,400,000	Takeda Pharmaceutical 5% 26/11/2028	2,251	0.30
3,100,000	Teva Pharmaceutical Finance 2.95% 18/12/2022	2,277	0.31
3,500,000	Trivium Packaging Finance 5.5% 15/08/2026	2,941	0.40
3,000,000	Tullow Oil 7% 01/03/2025	2,476	0.33
4,214,000	UBS Group Funding Switzerland 7% Perpetual	3,784	0.51
3,800,000	Unitymedia 6.125% 15/01/2025	3,239	0.44
1,248,000	Vermilion Energy 5.625% 15/03/2025	987	0.13
1,286,000	Williams Scotsman International 6.875% 15/08/2023	1,101	0.15
2,028,000	Williams Scotsman International 7.875% 15/12/2022	1,735	0.23

Kames Diversified Monthly Income Fund

Portfolio Statement (continued)

Holding	Investment	Market Valuation £'000	Total net assets %
	Government Bonds (31 July 2018 7.75%)	56,050	7.57
5,644,000	Mexican Bonos 4.15% 28/03/2027	4,803	0.65
5,357,000	Turkey Government International Bond 7.375% 05/02/2025	4,607	0.62
8,925,600	US Treasury Bond 1% 15/10/2019	7,274	0.98
16,970,200	US Treasury Bond 1.125% 31/08/2021	13,645	1.84
7,885,100	US Treasury Bond 2.125% 31/12/2022	6,502	0.88
15,927,400	US Treasury Bond 2.625% 15/08/2020	13,087	1.77
7,447,200	US Treasury Bond 2.625% 15/11/2020	6,132	0.83
	Equities (31 July 2018 63.74%)	427,756	57.75
	Basic Materials (31 July 2018 1.63%)	14,659	1.98
14,729	Air Products & Chemicals	2,745	0.37
159,892	Mondi	2,883	0.39
63,637	Rio Tinto	2,989	0.40
72,039	Shin-Etsu Chemical	6,042	0.82
	Consumer Goods (31 July 2018 5.33%)	25,838	3.49
618,110	Anta Sports Products	3,779	0.51
115,364	Asahi Group	4,108	0.55
125,013	Bridgestone	3,855	0.52
46,734	Nestle	4,074	0.55
2,687,757	Taylor Wimpey	4,347	0.59
575,755	Treasury Wine Estates	5,675	0.77
	Consumer Services (31 July 2018 0.93%)	9,847	1.33
36,989	Darden Restaurants	3,673	0.50
1,553,261	Sands China	6,174	0.83
	Financials (31 July 2018 33.73%)	198,116	26.74
1,102,173	3i Infrastructure	3,136	0.42
40,875	Allianz	7,813	1.05
17,012	Altarea	2,852	0.39
2,656,089	Ascendas Real Estate Investment Trust	4,850	0.65
4,574,082	Ascott Residence Trust	3,548	0.48
3,507,176	Bilfinger Berger Global Infrastructure SICAV	5,454	0.74
1,977,700	CapitaLand	4,261	0.57
1,186,000	CapitaLand Commercial	1,458	0.20
414,472	CK Asset	2,560	0.35
28,785	CME	4,567	0.62
420,323	DBS	6,624	0.89
138,159	Deutsche Wohnen	4,172	0.56
1,734,804	Grainger	3,941	0.53
362,345	Granite Point Mortgage Trust	5,649	0.76
4,004,978	Greencoat Renewables	3,970	0.54
8,893,046	Greencoat UK Wind	12,326	1.66
3,565,262	HICL Infrastructure	5,868	0.79
280,973	Host Hotels & Resorts	3,990	0.54
677,529	ING Groep	6,205	0.84
308,994	Inmobiliaria Colonial Socimi	2,838	0.38
1,895,706	International Public Partnerships	3,037	0.41
6,314	Japan Hotel REIT	4,303	0.58
3,216,723	John Laing Environmental Assets Group	3,764	0.51
50,539	JPMorgan Chase	4,788	0.65
15,171,800	Land & Houses	4,512	0.61
1,775,727	Legal & General	4,647	0.63
74,924	Macquarie	5,424	0.73
355,228	New Residential Investment	4,549	0.61
3,971,531	NextEnergy Solar Fund	4,627	0.62
2,968,516	Nimrod Sea Assets*	10	-

Kames Diversified Monthly Income Fund

Portfolio Statement (continued)

Holding	Investment	Market Valuation £'000	Total net assets %
	Financials (continued)		
553,101	ORIX	6,490	0.88
864,380	Phoenix	6,012	0.81
681,269	Ping An Insurance of China	6,632	0.90
5,894,799	Renewables Infrastructure	7,475	1.01
791,162	Resilient REIT	2,803	0.38
1,334,892	Secure Income REIT	5,580	0.75
62,906	Shurgard Self Storage	1,799	0.24
102,560	Starwood Property Trust	1,946	0.26
192,020	TPG RE Finance Trust	3,097	0.42
4,752,160	Tritax Big Box REIT	7,266	0.98
348,270	Two Harbors Investment	3,826	0.52
1,148,702	UOL	5,038	0.68
15,423	Zurich Financial Services	4,409	0.60
	Health Care (31 July 2018 3.03%)	24,267	3.28
56,652	AstraZeneca	4,000	0.54
340,326	GlaxoSmithKline	5,794	0.78
56,041	Johnson & Johnson	5,959	0.81
115,572	Pfizer	3,667	0.50
177,266	Takeda Pharmaceutical	4,847	0.65
	Industrials (31 July 2018 8.21%)	75,359	10.17
18,275	Aena	2,726	0.37
318,841	Atlantia	6,738	0.91
163,950	Distribucion Integral Logista	2,815	0.38
5,197,908	DP Aircraft I	3,630	0.49
109,459	Eaton	7,346	0.99
92,108	Eiffage	7,479	1.01
226,769	Ferrovial	4,856	0.66
3,228,674	Infratil	8,084	1.09
25,451	Lockheed Martin	7,526	1.02
496,706	Swire Pacific 'A'	4,648	0.63
1,875,107	Swire Pacific 'B'	2,739	0.37
1,220,373	Sydney Airport	5,736	0.77
512,499	Transurban	4,480	0.60
77,472	Vinci	6,556	0.88
	Oil & Gas (31 July 2018 2.38%)	10,576	1.43
18,976	Chevron	1,907	0.26
2,391,671	PTT	3,001	0.40
218,540	Royal Dutch Shell 'A'	5,668	0.77
	Technology (31 July 2018 5.45%)	43,129	5.82
49,621	Broadcom	11,752	1.59
87,383	Cisco Systems	3,954	0.53
113,272	Maxim Integrated Products	5,474	0.74
37,849	Microsoft	4,211	0.57
320,257	Taiwan Semiconductor Manufacturing	11,147	1.50
46,920	Tokyo Electron	6,591	0.89
	Telecommunications (31 July 2018 0.00%)	10,142	1.37
314,718	KDDI	6,754	0.91
1,709,968	Singapore Telecommunications	3,388	0.46
	Utilities (31 July 2018 3.05%)	15,823	2.14
136,723	Enagas	2,446	0.33
199,243	Endesa	4,047	0.55
456,526	National Grid	3,854	0.52
24,058	NextEra Energy	4,069	0.55
1,003,901	Tilt Renewables	1,407	0.19

Kames Diversified Monthly Income Fund

Portfolio Statement (continued)

Holding	Investment	Market Valuation £'000	Total net assets %
	Derivatives and Futures Contracts (31 July 2018 (0.76)%)	(7,549)	(1.02)
	Forward Foreign Exchange Contracts (31 July 2018 (0.78)%)	(6,245)	(0.84)
	Bought BRL 34,400,000 Sold EUR 8,033,629	144	0.02
	Bought EUR 19,500,000 Sold GBP 17,647,890	97	0.01
	Bought GBP 22,249,356 Sold AUD 39,450,000	49	0.01
	Bought GBP 8,196,119 Sold CHF 10,050,000	(103)	(0.01)
	Bought GBP 3,918,619 Sold EUR 4,300,000	6	-
	Bought GBP 75,553,707 Sold EUR 84,000,000	(880)	(0.12)
	Bought GBP 22,442,067 Sold HKD 218,000,000	(283)	(0.04)
	Bought GBP 20,463,212 Sold JPY 2,747,000,000	(212)	(0.03)
	Bought GBP 11,313,544 Sold MXN 270,000,000	(242)	(0.03)
	Bought GBP 12,118,523 Sold NZD 22,400,000	52	0.01
	Bought GBP 29,225,955 Sold SGD 49,500,000	(289)	(0.04)
	Bought GBP 5,295,262 Sold THB 204,000,000	(119)	(0.02)
	Bought GBP 24,519,059 Sold TWD 961,000,000	(720)	(0.10)
	Bought GBP 3,709,489 Sold USD 4,540,000	6	-
	Bought GBP 3,022,893 Sold USD 3,700,000	5	-
	Bought GBP 329,066,671 Sold USD 409,200,000	(4,736)	(0.64)
	Bought GBP 8,616,538 Sold ZAR 150,300,000	(7)	-
	Bought HKD 21,700,000 Sold GBP 2,222,143	40	0.01
	Bought MXN 260,800,000 Sold CHF 13,341,191	151	0.02
	Bought USD 72,731,861 Sold EUR 64,417,438	721	0.10
	Bought USD 4,600,000 Sold GBP 3,677,452	75	0.01
	Futures Contracts (31 July 2018 0.02%)	(1,304)	(0.18)
(24)	EURO Bond Future Contract September 2019	(91)	(0.01)
(173)	Long Gilt Future Contract September 2019	(687)	(0.09)
(116)	US 5 Year Note Future Contract September 2019	(105)	(0.02)
(240)	US 10 Year Note Future Contract September 2019	(421)	(0.06)
	Portfolio of investments**	718,153	96.95
	Net other assets	22,579	3.05
	Total net assets attributable to shareholders	740,732	100.00

Analysis of investments by asset class

	Market Value £'000	Value of investments %
Equities	427,756	57.75
Bonds	297,946	40.22
Derivatives	(7,549)	(1.02)
Portfolio of investments**	718,153	96.95
Net other assets	22,579	3.05
Total net assets attributable to shareholders	740,732	100.00

The comparative percentage figures in brackets are at 31 July 2018.

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

*Unlisted, suspended and delisted securities within the meaning of the FCA's COLL.

**Includes investment liabilities.

Kames Diversified Monthly Income Fund

Statement of Total Return for the year ended 31 July 2019

			2019		2018
	Note	£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	2		21,338		(9,814)
Revenue	3	33,546		25,575	
Expenses	4	(3,569)		(2,674)	
Interest payable and similar charges	6	(18)		(18)	
Net revenue before taxation		29,959		22,883	
Taxation	5	(3,652)		(2,576)	
Net revenue after taxation			26,307		20,307
Total return before distributions			47,645		10,493
Distributions	6		(29,894)		(22,999)
Change in net assets attributable to shareholders from investment activities			17,751		(12,506)

Statement of Change in Net Assets Attributable to Shareholders for the year ended 31 July 2019

		2019		2018
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		508,932		371,806
Amounts transferred from Kames Global Diversified Income Fund	31,493		23,244	
Amounts receivable on creation of shares	261,386		170,739	
Amounts payable on cancellation of shares	(98,765)		(63,246)	
		194,114		130,737
Dilution adjustment		766		594
Change in net assets attributable to shareholders from investment activities		17,751		(12,506)
Retained distribution on accumulation shares		19,169		18,301
Closing net assets attributable to shareholders		740,732		508,932

Kames Diversified Monthly Income Fund

Balance Sheet as at 31 July 2019

			2019		2018
	Note	£'000	£'000	£'000	£'000
Assets					
Fixed assets:					
Investments			727,048		495,559
Current assets:					
Debtors	7	6,764		7,500	
Cash and bank balances	8	32,958		13,079	
			39,722		20,579
Total assets			766,770		516,138
Liabilities					
Investment liabilities			8,895		4,323
Creditors					
Bank overdrafts	9	-		4	
Distributions payable		1,694		807	
Other creditors	10	15,449		2,072	
Total liabilities			26,038		7,206
Net assets attributable to shareholders			740,732		508,932

Kames Diversified Monthly Income Fund

Notes to the Financial Statements

1 Accounting policies

The sub-fund's financial statements have been prepared on the basis disclosed on pages 11 to 13.

2 Net capital gains/(losses)

Net capital gains/(losses) comprise:

	2019	2018
	£'000	£'000
Gains/(losses) on non-derivative securities	56,562	(1,986)
Losses on forward currency contracts	(33,638)	(5,366)
Currency exchange gains/(losses)	379	(5)
Losses on derivative securities	(1,953)	(2,442)
Transaction charges	(12)	(15)
Net capital gains/(losses)	21,338	(9,814)

3 Revenue

	2019	2018
	£'000	£'000
UK dividends	5,815	6,005
Overseas dividends	11,636	8,202
Property income from REITs	502	392
US REIT dividends	1,779	1,555
Interest on debt securities	10,539	7,819
Bank interest	169	61
Derivative revenue	3,106	1,541
Total revenue	33,546	25,575

4 Expenses*

	2019	2018
	£'000	£'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	3,320	2,463
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary fee	116	94
Other expenses:		
Audit fee**	17	16
FT publishing fee	5	3
KIID fee	-	3
PRIPs fees	4	-
Registrar's fee	58	57
Safe custody charge	49	38
	133	117
Total expenses	3,569	2,674

*All expenditure stated above is inclusive of irrecoverable VAT where applicable.

**The audit fee (excluding VAT) incurred during the year was £14,508 (2018: £14,085).

5 Taxation

a) Analysis of charge in the year

	2019	2018
	£'000	£'000
Current tax:		
UK corporation tax on profits in the year	2,838	1,940
	2,838	1,940
Double taxation relief	(459)	(316)
Overseas tax suffered	1,273	952
Total tax charge for the year (see note 5 (b))	3,652	2,576

Kames Diversified Monthly Income Fund

Notes to the Financial Statements (continued)

5 Taxation (continued)

b) Factors affecting tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax for Open Ended Investment Companies 'OEICs' (20%).

The differences are explained below:

	2019	2018
	£'000	£'000
Net revenue before taxation	29,959	22,883
Corporation tax 20% (2018: 20%)	5,992	4,576
Effects of:		
Double taxation relief	(459)	(316)
Overseas tax suffered	1,273	952
Relief on overseas tax suffered	(6)	(6)
Revenue not subject to taxation	(3,148)	(2,630)
Total tax charge for the year (see note 5 (a))	3,652	2,576

6 Interest and distributions

a) Interest payable and similar charges

	2019	2018
	£'000	£'000
Interest	18	18
Interest payable and similar charges	18	18

b) Distributions

The distributions take account of amounts receivable on the issue of shares and amounts deductible on the cancellation of shares, and comprise:

	2019	2018
	£'000	£'000
Interim distributions	26,610	20,286
Final distribution	4,047	3,204
	30,657	23,490
Add: amounts deductible on cancellation of shares	399	326
Less: amounts receivable on creation of shares	(1,162)	(817)
Distributions	29,894	22,999

Details of the distributions are set out in the tables on pages 271 to 273.

c) Movement between net revenue and distribution

	2019	2018
	£'000	£'000
Net revenue after taxation	26,307	20,307
Expenses transferred to capital	3,587	2,692
Distributions	29,894	22,999

7 Debtors

	2019	2018
	£'000	£'000
Accrued revenue	4,462	3,630
Amounts receivable for the issue of shares	1,850	1,465
Sales awaiting settlement	-	2,021
Reclaimable overseas tax	452	384
Debtors	6,764	7,500

Kames Diversified Monthly Income Fund

Notes to the Financial Statements (continued)

8 Cash and bank balances

	2019	2018
	£'000	£'000
Amounts held at futures clearing houses and brokers*	11,727	4,155
Cash and bank balances	6,226	2,481
Money market deposits	15,005	6,443
Cash and bank balances	32,958	13,079

*Includes cash pledged as collateral of £9,820,000 (2018: £3,140,000).

9 Bank overdrafts

	2019	2018
	£'000	£'000
Bank overdrafts	-	4
Bank overdrafts	-	4

10 Other creditors

	2019	2018
	£'000	£'000
Accrued expenses*	403	277
Amounts payable for the cancellation of shares	378	531
Corporation tax payable	1,349	865
Purchases awaiting settlement	13,319	399
Other creditors	15,449	2,072

*Includes accrued ACD's periodic charge of £343,000 (2018: £236,000).

11 Related parties

The ACD's periodic charge paid to Kames Capital plc, (the ACD) are shown in Note 4 and details of amounts received and paid on shares issued and cancelled are shown in the Statement of Change in Net Assets Attributable to Shareholders. The balance due from the ACD in respect of these transactions as at 31 July 2019 is £1,129,000 (2018: £698,000 due from the ACD), a breakdown can be found in Notes 7 and 10. At the year-end 44.12% (2018: 60.42%) of the shares in issue were owned by AEGON Group or AEGON UK companies.

12 Contingent assets, liabilities and commitments

There were no contingent assets, liabilities or commitments present in the sub-fund as at 31 July 2019 (2018: Nil).

13 Financial instruments and risk

The risks associated with the sub-fund are market, concentration, valuation, yield, liquidity, counterparty, and interest rate risk. Narrative disclosures are on pages 14 and 15.

Analysis of investments by credit ratings

	2019		2018	
	Market value	Value of investments	Market value	Value of investments
	£'000	%	£'000	%
Rated bonds at investment grade	147,556	19.91	83,918	16.49
Rated bonds below investment grade	130,255	17.60	71,329	14.02
Unrated bonds	20,135	2.71	15,443	3.03
Non-bond securities	420,207	56.73	320,546	62.98
Portfolio of investments	718,153	96.95	491,236	96.52
Net other assets	22,579	3.05	17,696	3.48
Total net assets attributable to shareholders	740,732	100.00	508,932	100.00

Note - Investment grade bonds are defined as bonds with a Standard & Poor's, Moody's or Fitch's rating of BBB-, Baa3 and BBB- or above respectively.

Kames Diversified Monthly Income Fund

Notes to the Financial Statements (continued)

13 Financial instruments and risk (continued)

Currency exposure

The revenue and capital value of the sub-fund's investments can be affected by foreign currency translation movements as a proportion of the sub-fund's assets and revenue are denominated in currencies other than sterling.

An analysis of assets and liabilities is detailed below in the currency exposure table:

As at 31 July 2019

Currency	Total £'000
Australian Dollar	(650)
Brazilian Real	7,249
Danish Krone	16
Euro	157
Hong Kong Dollar	6,072
Indonesian Rupiah	6,038
Japanese Yen	22,554
Mexican Peso	7,939
New Zealand Dollar	(44)
Singapore Dollar	(205)
South Africa Rand	(150)
Sterling	741,504
Swiss Franc	(10,510)
Taiwan Dollar	(25,239)
Thai Baht	2,099
US Dollar	(16,098)
	740,732

As at 31 July 2018

Currency	Total £'000
Australian Dollar	493
Canadian Dollar	426
Chinese Renminbi	179
Danish Krone	16
Euro	(20,141)
Hong Kong Dollar	291
Indonesian Rupiah	4,133
Japanese Yen	29,924
Mexican Peso	(6)
New Zealand Dollar	(42)
Singapore Dollar	724
South Africa Rand	(460)
Sterling	489,158
Swedish Krona	519
Swiss Franc	27
Taiwan Dollar	(15,242)
Thai Baht	166
US Dollar	18,767
	508,932

Kames Diversified Monthly Income Fund

Notes to the Financial Statements (continued)

13 Financial instruments and risk (continued)

Interest rate risk

The interest rate profile of the sub-fund's interest bearing assets and liabilities at 31 July 2019 was:

Currency	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Australian Dollar	-	-	21,550	21,550
Brazilian Real	-	-	7,249	7,249
Danish Krone	-	-	16	16
Euro	-	59,650	86,133	145,783
Hong Kong Dollar	-	-	28,794	28,794
Indonesian Rupiah	-	5,724	152	5,876
Japanese Yen	-	-	43,098	43,098
Mexican Peso	-	8,525	10,969	19,494
New Zealand Dollar	-	-	9,491	9,491
Singapore Dollar	-	-	29,310	29,310
South Africa Rand	-	5,614	2,860	8,474
Sterling	-	57,405	685,336	742,741
Swiss Franc	-	-	8,530	8,530
Thai Baht	-	-	7,513	7,513
US Dollar	5,616	155,412	173,167	334,195
Cash at bank				
Hong Kong Dollar	3	-	-	3
Indonesian Rupiah	162	-	-	162
Japanese Yen	131	-	-	131
New Zealand Dollar	2,531	-	-	2,531
Sterling	3,370	-	-	3,370
US Dollar	29	-	-	29
Cash at brokers				
Sterling	11,727	-	-	11,727
Cash on deposit				
Sterling	15,005	-	-	15,005
	38,574	292,330	1,114,168	1,445,072

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Australian Dollar	-	-	(22,200)	(22,200)
Euro	-	-	(145,626)	(145,626)
Hong Kong Dollar	-	-	(22,725)	(22,725)
Japanese Yen	-	-	(20,675)	(20,675)
Mexican Peso	-	-	(11,555)	(11,555)
New Zealand Dollar	-	-	(12,066)	(12,066)
Singapore Dollar	-	-	(29,515)	(29,515)
South Africa Rand	-	-	(8,624)	(8,624)
Sterling	-	-	(31,339)	(31,339)
Swiss Franc	-	-	(19,040)	(19,040)
Taiwan Dollar	-	-	(25,239)	(25,239)
Thai Baht	-	-	(5,414)	(5,414)
US Dollar	-	-	(350,322)	(350,322)
	-	-	(704,340)	(704,340)

Kames Diversified Monthly Income Fund

Notes to the Financial Statements (continued)

13 Financial instruments and risk (continued)

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

Currency	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Australian Dollar	-	-	7,219	7,219
Canadian Dollar	-	-	420	420
Chinese Renminbi	-	-	179	179
Danish Krone	-	-	16	16
Euro	-	30,946	60,705	91,651
Hong Kong Dollar	-	-	15,054	15,054
Indonesian Rupiah	-	3,879	107	3,986
Japanese Yen	-	-	30,168	30,168
Mexican Peso	-	3,777	42	3,819
New Zealand Dollar	-	-	6,338	6,338
Singapore Dollar	-	-	13,039	13,039
South Africa Rand	-	3,855	2,069	5,924
Sterling	-	37,852	472,761	510,613
Swedish Krona	-	-	6,509	6,509
Swiss Franc	-	-	27	27
Taiwan Dollar	-	-	3,401	3,401
Thai Baht	-	-	1,999	1,999
US Dollar	-	90,381	134,787	225,168
Cash at bank				
Canadian Dollar	6	-	-	6
Euro	1,999	-	-	1,999
Indonesian Rupiah	147	-	-	147
South Africa Rand	1	-	-	1
Taiwan Dollar	293	-	-	293
US Dollar	35	-	-	35
Cash at brokers				
Sterling	4,155	-	-	4,155
Cash on deposit				
Sterling	5,446	-	-	5,446
US Dollar	997	-	-	997
	13,079	170,690	754,840	938,609

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Australian Dollar	-	-	(6,726)	(6,726)
Euro	-	-	(113,791)	(113,791)
Hong Kong Dollar	-	-	(14,763)	(14,763)
Japanese Yen	-	-	(244)	(244)
Mexican Peso	-	-	(3,825)	(3,825)
New Zealand Dollar	-	-	(6,380)	(6,380)
Singapore Dollar	-	-	(12,315)	(12,315)
South Africa Rand	-	-	(6,385)	(6,385)
Sterling	-	-	(31,052)	(31,052)
Swedish Krona	-	-	(5,990)	(5,990)
Taiwan Dollar	-	-	(18,936)	(18,936)
Thai Baht	-	-	(1,833)	(1,833)
US Dollar	-	-	(207,433)	(207,433)
Cash at bank				
Sterling	(4)	-	-	(4)
	(4)	-	(429,673)	(429,677)

Kames Diversified Monthly Income Fund

Notes to the Financial Statements (continued)

13 Financial instruments and risk (continued)

Derivative risk

The sub-fund invests in derivatives, consistent with the investment objective of the sub-fund, as outlined in the derivative risks section on page 15.

VaR Disclosure

The Manager assesses the market risk of the sub-fund's investments, including any derivative exposure, using a value at risk methodology. This process provides the Manager with an estimate of the maximum potential loss that could be expected to occur as a result of changes in market prices over a given period of time in all but a given percentage of circumstances. The value at risk is calculated on a 95.00% (2018: 95.00%) confidence interval with a one month time horizon and a five year history, using Historical model. The sub-fund has an absolute VaR limit of 14.10% (2018: 14.10%). As at the balance sheet date, the sub-fund's value at risk is 2.66% (2018: 2.55%).

The following table details the lowest, highest and average utilisation of the VaR limit:

	Lowest Utilisation (%)	Highest Utilisation (%)	Average Utilisation (%)
31 July 2019	2.17	2.92	2.56
31 July 2018	2.46	3.23	2.76

Leverage

Average leverage is calculated as the sum of the net asset value and the incremental exposure generated through the use of derivatives (calculated in accordance with the commitment approach (CESR/10-788)) divided by the net asset value. As at 31 July 2019 the average leverage was 106.46% (2018: 109.25%).

Counterparty risk

The risk of entering an arrangement with a counterparty, which is itself subject to financial risks which may affect its ability to trade as a going concern.

The ACD maintains a list of approved counterparties. This list is regularly monitored and revised for changes based on the counterparty's credit-worthiness, market reputation and expectations of future financial performance. Transactions will only be opened with financial intermediaries on the approved counterparties list.

The sub-fund's use of exchange traded derivatives are considered to be free of counterparty risk if the derivative is traded on an exchange where the clearing house is backed by an appropriate performance guarantee and it is characterised by a daily mark-to-market valuation of the derivative position and at least daily margining.

At 31 July 2019, the market value of the exchange traded derivatives held by the sub-fund was £(1,304,000) (2018: £80,000).

The following details exposure to counterparties obtained through the use of derivatives:

As at 31 July 2019

Counterparty	Futures Exposure £'000	Forward Foreign Exchange Contracts Exposure £'000	Collateral Pledge £'000
Barclays	-	-	2,210
BNP Paribas	-	-	7,610

As at 31 July 2018

Counterparty	Futures Exposure £'000	Forward Foreign Exchange Contracts Exposure £'000	Collateral Pledge £'000
Barclays	-	-	2,810
Deutsche Bank	-	-	330
UBS	80	-	-

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

Kames Diversified Monthly Income Fund

Notes to the Financial Statements (continued)

14 Portfolio transaction costs

Purchases

31 July 2019	Value £'000	Commissions £'000	Other Costs* %	£'000	%
Bonds	222,503	-	-	-	-
Equities	271,630	141	0.05	222	0.08
In-specie from Kames Global Diversified Income Fund	26,702	-	-	-	-
Total	520,835	141		222	
Total purchases including transaction costs	521,198				

31 July 2018	Value £'000	Commissions £'000	Other Costs* %	£'000	%
Bonds	239,283	-	-	-	-
Equities	247,576	173	0.07	217	0.09
Collective Investment Schemes	158	-	-	-	-
Total	487,017	173		217	
Total purchases including transaction costs	487,407				

Sales

31 July 2019	Value £'000	Commissions £'000	Other Costs* %	£'000	%
Bonds	125,175	-	-	-	-
Equities	221,064	(129)	0.06	(38)	0.02
Total	346,239	(129)		(38)	
Total sales net of transaction costs	346,072				

31 July 2018	Value £'000	Commissions £'000	Other Costs* %	£'000	%
Bonds	202,465	-	-	-	-
Equities	147,738	(108)	0.07	(34)	0.02
Total	350,203	(108)		(34)	
Total sales net of transaction costs	350,061				

Derivatives

31 July 2019	Commissions £'000
Futures	11
31 July 2018	
Futures	11

*Other Costs includes taxes and any other costs other than commissions incurred by the sub-fund when buying and selling an underlying investment.

The purchases and sales are not subject to portfolio transaction costs.

Portfolio transaction costs are incurred by the sub-fund when buying and selling underlying investments. These vary depending on the class of investment, country of exchange and method of execution. These costs can be classified as either direct or indirect transaction costs:

Direct transaction costs: Broker commissions, fees and taxes.

Indirect transaction costs: 'Dealing spread' - the difference between the buying and selling prices of the sub-fund's underlying investments.

In order to protect existing investors from the effects of dilution, portfolio transaction costs incurred as a result of investors buying and selling shares in the sub-fund are recovered from those investors through a 'dilution adjustment' to the price they pay or receive.

At the balance sheet date, the portfolio dealing spread was 0.33% (2018: 0.31%), being the difference between the respective bid and offer prices for the sub-fund's investments.

Kames Diversified Monthly Income Fund

Notes to the Financial Statements (continued)

15 Fair value of financial assets and financial liabilities

The fair value hierarchy is intended to prioritise the inputs that are used to measure the fair value of assets and liabilities. The fair value hierarchy has the following levels:

Level 1 – Unadjusted quoted price in an active market for an identical instrument.

Level 2 – Valuation techniques using observable inputs other than quoted prices within level 1.

Level 3 – Valuation techniques using unobservable inputs.

Valuation	2019		2018	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
1 - Quoted prices	470,632	(1,304)	356,167	(320)
2 - Observable market data	256,416	(7,591)	139,392	(4,003)
3 - Unobservable data	-	-	-	-
	727,048	(8,895)	495,559	(4,323)

16 Share classes

The sub-fund currently has three share classes; A (Retail), B (Institutional) and D (Retail). The ACD's periodic charge on each share class is as follows:

A share class: 1.25%

B share class: 0.55%

D share class: 0.80%

The net asset value of each share class, the net asset value per share, and the number of shares in each class are given in the comparative tables on pages 252 to 254. The distribution per share class is given in the distribution tables on pages 271 to 273. All share classes have the same rights on winding up.

Share class movement reconciliation

31 July 2019	Opening	Creations	Cancellations	Converted	Closing
A Accumulation	896,110	725,415	(580,982)	-	1,040,543
A Income	660,204	114,241	(131,714)	-	642,731
B Accumulation	276,913,933	65,934,703	(47,996,191)	(143,950)	294,708,495
B Income	121,702,919	186,163,707	(28,956,981)	184,001	279,093,646
D Accumulation	30,150	1,477	(12,118)	-	19,509
D Income	328,603	104,345	(42,185)	-	390,763

Kames Diversified Monthly Income Fund

Distribution Tables

Share Class A Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Franked	Streaming Unfranked Non- Foreign	Unfranked Foreign	2017/8 Total Payable
31/08/18	30/09/18	Group 1	0.4025	N/A	0.4025	81.63%	16.55%	1.82%	0.4300
		Group 2	0.1043	0.2982	0.4025	81.63%	16.55%	1.82%	0.4300
30/09/18	31/10/18	Group 1	0.4025	N/A	0.4025	62.10%	1.56%	36.34%	0.4300
		Group 2	0.0000	0.4025	0.4025	62.10%	1.56%	36.34%	0.4300
31/10/18	30/11/18	Group 1	0.4243	N/A	0.4243	68.57%	31.43%	0.00%	0.4300
		Group 2	0.0000	0.4243	0.4243	68.57%	31.43%	0.00%	0.4300
30/11/18	31/12/18	Group 1	0.4243	N/A	0.4243	82.22%	15.41%	2.37%	0.4300
		Group 2	0.0000	0.4243	0.4243	82.22%	15.41%	2.37%	0.4300
31/12/18	31/01/19	Group 1	0.4243	N/A	0.4243	37.75%	30.83%	31.42%	0.4600
		Group 2	0.0000	0.4243	0.4243	37.75%	30.83%	31.42%	0.4600
31/01/19	28/02/19	Group 1	0.5578	N/A	0.5578	69.54%	30.46%	0.00%	0.5199
		Group 2	0.0000	0.5578	0.5578	69.54%	30.46%	0.00%	0.5199
28/02/19	31/03/19	Group 1	0.5803	N/A	0.5803	60.63%	39.37%	0.00%	0.5199
		Group 2	0.0000	0.5803	0.5803	60.63%	39.37%	0.00%	0.5199
31/03/19	30/04/19	Group 1	0.5803	N/A	0.5803	62.28%	19.86%	17.86%	0.5914
		Group 2	0.0000	0.5803	0.5803	62.28%	19.86%	17.86%	0.5914
30/04/19	31/05/19	Group 1	0.6236	N/A	0.6236	71.11%	22.25%	6.64%	0.6398
		Group 2	0.0000	0.6236	0.6236	71.11%	22.25%	6.64%	0.6398
31/05/19	30/06/19	Group 1	0.7103	N/A	0.7103	80.01%	19.99%	0.00%	0.7005
		Group 2	0.0000	0.7103	0.7103	80.01%	19.99%	0.00%	0.7005
30/06/19	31/07/19	Group 1	0.7418	N/A	0.7418	57.60%	25.72%	16.68%	0.7490
		Group 2	0.0000	0.7418	0.7418	57.60%	25.72%	16.68%	0.7490
31/07/19	31/08/19	Group 1	1.1099	N/A	1.1099	36.41%	63.59%	0.00%	1.1821
		Group 2	0.0000	1.1099	1.1099	36.41%	63.59%	0.00%	1.1821

Share Class A Income

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Franked	Streaming Unfranked Non- Foreign	Unfranked Foreign	2017/8 Total Payable
31/08/18	30/09/18	Group 1	0.3173	N/A	0.3173	81.63%	16.51%	1.86%	0.3600
		Group 2	0.0000	0.3173	0.3173	81.63%	16.51%	1.86%	0.3600
30/09/18	31/10/18	Group 1	0.3173	N/A	0.3173	59.46%	9.87%	30.67%	0.3600
		Group 2	0.0000	0.3173	0.3173	59.46%	9.87%	30.67%	0.3600
31/10/18	30/11/18	Group 1	0.3325	N/A	0.3325	66.94%	33.06%	0.00%	0.3600
		Group 2	0.0000	0.3325	0.3325	66.94%	33.06%	0.00%	0.3600
30/11/18	31/12/18	Group 1	0.3325	N/A	0.3325	81.47%	17.97%	0.56%	0.3600
		Group 2	0.0000	0.3325	0.3325	81.47%	17.97%	0.56%	0.3600
31/12/18	31/01/19	Group 1	0.3325	N/A	0.3325	37.60%	26.65%	35.75%	0.3700
		Group 2	0.3325	0.0000	0.3325	37.60%	26.65%	35.75%	0.3700
31/01/19	28/02/19	Group 1	0.4328	N/A	0.4328	70.32%	29.68%	0.00%	0.4247
		Group 2	0.0000	0.4328	0.4328	70.32%	29.68%	0.00%	0.4247
28/02/19	31/03/19	Group 1	0.4485	N/A	0.4485	60.71%	39.29%	0.00%	0.4247
		Group 2	0.0818	0.3667	0.4485	60.71%	39.29%	0.00%	0.4247
31/03/19	30/04/19	Group 1	0.4485	N/A	0.4485	62.44%	18.76%	18.80%	0.4793
		Group 2	0.0461	0.4024	0.4485	62.44%	18.76%	18.80%	0.4793
30/04/19	31/05/19	Group 1	0.4778	N/A	0.4778	71.23%	22.36%	6.41%	0.5161
		Group 2	0.4778	0.0000	0.4778	71.23%	22.36%	6.41%	0.5161
31/05/19	30/06/19	Group 1	0.5418	N/A	0.5418	79.79%	20.21%	0.00%	0.5623
		Group 2	0.5418	0.0000	0.5418	79.79%	20.21%	0.00%	0.5623
30/06/19	31/07/19	Group 1	0.5629	N/A	0.5629	57.35%	25.09%	17.56%	0.5981
		Group 2	0.0000	0.5629	0.5629	57.35%	25.09%	17.56%	0.5981
31/07/19	31/08/19	Group 1	0.7381	N/A	0.7381	37.31%	62.69%	0.00%	0.7123
		Group 2	0.2310	0.5071	0.7381	37.31%	62.69%	0.00%	0.7123

All distributions above are in pence per share unless specifically stated.

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

Kames Diversified Monthly Income Fund

Distribution Tables (continued)

Share Class B Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Franked	Streaming Unfranked Non- Foreign	Unfranked Foreign	2017/8 Total Payable
31/08/18	30/09/18	Group 1	0.4121	N/A	0.4121	71.86%	26.57%	1.57%	0.4300
		Group 2	0.1318	0.2803					
30/09/18	31/10/18	Group 1	0.4121	N/A	0.4121	51.18%	22.81%	26.01%	0.4300
		Group 2	0.0000	0.4121					
31/10/18	30/11/18	Group 1	0.4348	N/A	0.4348	50.03%	49.97%	0.00%	0.4300
		Group 2	0.0000	0.4348					
30/11/18	31/12/18	Group 1	0.4348	N/A	0.4348	70.67%	28.27%	1.06%	0.4300
		Group 2	0.0000	0.4348					
31/12/18	31/01/19	Group 1	0.4348	N/A	0.4348	33.98%	35.39%	30.63%	0.4600
		Group 2	0.0000	0.4348					
31/01/19	28/02/19	Group 1	0.5724	N/A	0.5724	54.01%	45.99%	0.00%	0.5307
		Group 2	0.0000	0.5724					
28/02/19	31/03/19	Group 1	0.5958	N/A	0.5958	50.40%	49.60%	0.00%	0.5307
		Group 2	0.1269	0.4689					
31/03/19	30/04/19	Group 1	0.5958	N/A	0.5958	56.68%	26.12%	17.20%	0.6041
		Group 2	0.1714	0.4244					
30/04/19	31/05/19	Group 1	0.6408	N/A	0.6408	64.05%	30.14%	5.81%	0.6538
		Group 2	0.0152	0.6256					
31/05/19	30/06/19	Group 1	0.7303	N/A	0.7303	74.20%	25.80%	0.00%	0.7162
		Group 2	0.1097	0.6206					
30/06/19	31/07/19	Group 1	0.7630	N/A	0.7630	51.16%	33.39%	15.45%	0.7662
		Group 2	0.0000	0.7630					
31/07/19	31/08/19	Group 1	0.7946	N/A	0.7946	27.83%	72.17%	0.00%	0.8616
		Group 2	0.1601	0.6345					

Share Class B Income

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Franked	Streaming Unfranked Non- Foreign	Unfranked Foreign	2017/8 Total Payable
31/08/18	30/09/18	Group 1	0.3259	N/A	0.3259	71.82%	26.61%	1.57%	0.3600
		Group 2	0.0000	0.3259					
30/09/18	31/10/18	Group 1	0.3259	N/A	0.3259	50.51%	26.65%	22.84%	0.3600
		Group 2	0.0000	0.3259					
31/10/18	30/11/18	Group 1	0.3418	N/A	0.3418	49.61%	49.41%	0.98%	0.3600
		Group 2	0.0000	0.3418					
30/11/18	31/12/18	Group 1	0.3418	N/A	0.3418	70.76%	27.39%	1.85%	0.3600
		Group 2	0.0000	0.3418					
31/12/18	31/01/19	Group 1	0.3418	N/A	0.3418	34.65%	38.82%	26.53%	0.3700
		Group 2	0.0222	0.3196					
31/01/19	28/02/19	Group 1	0.4456	N/A	0.4456	54.55%	45.45%	0.00%	0.4345
		Group 2	0.0000	0.4456					
28/02/19	31/03/19	Group 1	0.4619	N/A	0.4619	51.33%	48.49%	0.18%	0.4345
		Group 2	0.0721	0.3898					
31/03/19	30/04/19	Group 1	0.4619	N/A	0.4619	57.26%	28.23%	14.51%	0.4907
		Group 2	0.1860	0.2759					
30/04/19	31/05/19	Group 1	0.4926	N/A	0.4926	64.03%	29.59%	6.38%	0.5287
		Group 2	0.0002	0.4924					
31/05/19	30/06/19	Group 1	0.5589	N/A	0.5589	74.10%	25.20%	0.70%	0.5764
		Group 2	0.0064	0.5525					
30/06/19	31/07/19	Group 1	0.5808	N/A	0.5808	51.32%	34.77%	13.91%	0.6133
		Group 2	0.0000	0.5808					
31/07/19	31/08/19	Group 1	0.6042	N/A	0.6042	27.88%	71.16%	0.96%	0.6574
		Group 2	0.1426	0.4616					

All distributions above are in pence per share unless specifically stated.

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Kames Diversified Monthly Income Fund

Distribution Tables (continued)

Share Class D Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Franked	Streaming Unfranked Non- Foreign	Unfranked Foreign	2017/8 Total Payable
31/08/18	30/09/18	Group 1	0.4090	N/A	0.4090	75.06%	21.70%	3.24%	0.4300
		Group 2	0.0000	0.4090					
30/09/18	31/10/18	Group 1	0.4090	N/A	0.4090	53.50%	20.34%	26.16%	0.4300
		Group 2	0.0000	0.4090					
31/10/18	30/11/18	Group 1	0.4314	N/A	0.4314	55.13%	44.87%	0.00%	0.4300
		Group 2	0.0000	0.4314					
30/11/18	31/12/18	Group 1	0.4314	N/A	0.4314	73.95%	26.05%	0.00%	0.4300
		Group 2	0.0000	0.4314					
31/12/18	31/01/19	Group 1	0.4314	N/A	0.4314	35.10%	31.71%	33.19%	0.4600
		Group 2	0.0000	0.4314					
31/01/19	28/02/19	Group 1	0.5677	N/A	0.5677	58.40%	41.60%	0.00%	0.5274
		Group 2	0.0000	0.5677					
28/02/19	31/03/19	Group 1	0.5908	N/A	0.5908	53.69%	46.31%	0.00%	0.5274
		Group 2	0.0000	0.5908					
31/03/19	30/04/19	Group 1	0.5908	N/A	0.5908	58.50%	23.54%	17.96%	0.6001
		Group 2	0.0032	0.5876					
30/04/19	31/05/19	Group 1	0.6353	N/A	0.6353	66.56%	28.15%	5.29%	0.6495
		Group 2	0.0000	0.6353					
31/05/19	30/06/19	Group 1	0.7238	N/A	0.7238	76.33%	23.67%	0.00%	0.7113
		Group 2	0.0146	0.7092					
30/06/19	31/07/19	Group 1	0.7561	N/A	0.7561	53.10%	30.19%	16.71%	0.7608
		Group 2	0.0000	0.7561					
31/07/19	31/08/19	Group 1	0.8620	N/A	0.8620	29.17%	70.83%	0.00%	0.9245
		Group 2	0.0640	0.7980					

Share Class D Income

Period end	Pay date	Group	Net Revenue	Equalisation*	Total Payable	Franked	Streaming Unfranked Non- Foreign	Unfranked Foreign	2017/8 Total Payable
31/08/18	30/09/18	Group 1	0.3229	N/A	0.3229	75.08%	23.41%	1.51%	0.3600
		Group 2	0.0304	0.2925					
30/09/18	31/10/18	Group 1	0.3229	N/A	0.3229	53.35%	19.29%	27.36%	0.3600
		Group 2	0.0000	0.3229					
31/10/18	30/11/18	Group 1	0.3386	N/A	0.3386	55.59%	44.41%	0.00%	0.3600
		Group 2	0.0000	0.3386					
30/11/18	31/12/18	Group 1	0.3386	N/A	0.3386	74.17%	23.64%	2.19%	0.3600
		Group 2	0.0000	0.3386					
31/12/18	31/01/19	Group 1	0.3386	N/A	0.3386	35.47%	35.77%	28.76%	0.3700
		Group 2	0.0000	0.3386					
31/01/19	28/02/19	Group 1	0.4411	N/A	0.4411	56.29%	43.71%	0.00%	0.4314
		Group 2	0.0000	0.4411					
28/02/19	31/03/19	Group 1	0.4572	N/A	0.4572	53.35%	46.65%	0.00%	0.4314
		Group 2	0.0646	0.3926					
31/03/19	30/04/19	Group 1	0.4572	N/A	0.4572	58.50%	23.84%	17.66%	0.4871
		Group 2	0.1116	0.3456					
30/04/19	31/05/19	Group 1	0.4874	N/A	0.4874	66.57%	27.38%	6.05%	0.5247
		Group 2	0.0000	0.4874					
31/05/19	30/06/19	Group 1	0.5529	N/A	0.5529	75.97%	24.03%	0.00%	0.5719
		Group 2	0.0000	0.5529					
30/06/19	31/07/19	Group 1	0.5746	N/A	0.5746	53.15%	30.60%	16.25%	0.6084
		Group 2	0.0000	0.5746					
31/07/19	31/08/19	Group 1	0.6550	N/A	0.6550	31.05%	68.95%	0.00%	0.7407
		Group 2	0.1072	0.5478					

All distributions above are in pence per share unless specifically stated.

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

Kames Capital ICVC

Further Information (unaudited)

Shares

Each sub-fund may have up to seven share class types, A, B, C, D, E, G and S class. Further information on investment limits, management charges and currency denomination is available from the ACD on request. The sub-funds may offer different types of shares within the classes.

Income shares – Investors with this type of share receive income payments from their shareholding periodically.

Accumulation shares – With this type of share all income earned on investments will be reinvested into the sub-fund.

Valuation point

The valuation point for each sub-fund is midday on each dealing day. The sub-funds deal on a forward basis.

Buying and selling shares

Buying

New investors or existing shareholders who wish to purchase shares may do so by contacting their IFA, stockbroker, banker or solicitor who will provide you with an application form or alternatively telephone our dealing team on 0800 358 3009 and place your order. No remittance is required at this stage; a contract note will be sent to you on the same day or the following business day after receipt of the purchase instructions.

Selling

You can sell your shares back to the Manager at the next quoted price, on the dealing day following receipt of your instructions. You will then receive your contract note, and within 3 business days of our receipt of the completed statement of renunciation you will receive a cheque for the amount due.

Shares may normally be bought or sold on any working day between 9am and 5pm.

You may also save on a regular basis from as little as £50 a month. Contributions will be made by direct debit.

A share exchange service may, at the ACD's discretion, be available in respect of investment amounts of £1,000 or more.

You may also choose to invest through the AEGON ISA.

Further details on our services and products are available from our Customer Services Team whom you can call free on 0800 358 3009.

Share class conversions

As a result of the retail distribution review (RDR) and a move from share classes with higher ACD's periodic charge, to share classes with lower ACD's periodic charge, it is important to bring to your attention the potential tax implications from converting between classes. Investment availability is detailed in the prospectus.

The Company has seven share classes available: Our A class, typically carrying an ACD's periodic charge of 1.50%, our B class, typically carrying an ACD's periodic charge of 0.75%, our C class, typically carrying an ACD's periodic charge of 0.15%, our D class, typically carrying an ACD's periodic charge of 1.00%, our E class, typically carrying an ACD's periodic charge of 1.50%, our G class, typically carrying an ACD's periodic charge of 0.50% and our S class, typically carrying an ACD's periodic charge of 0.55%.

Clients wishing and eligible to convert their holdings from the A class to the B class or D class should be aware that the B class or D class will have a higher income yield, as a result of lower ACD's periodic charge. To ensure the existing shareholders within the B or D class are not diluted by the transfer of a lower amount of revenue from the A class investor, the A class investor must convert a portion of capital to revenue in order to match the yield in the B or D class.

Clients should note that this will only apply to bond sub-funds, as revenue is received gross. Equity sub-funds are assumed to receive their revenue net, and suffer no additional taxation. This additional taxation can be mostly avoided by converting on a fund's Ex-Dividend (XD) Date after revenue has been accounted for as distributed.

Securities Financial Transactions Regulations

None of the Funds in the Company currently undertakes securities financing transactions (as defined in Article 3 of Regulation (EU) 2015/2365) or uses total return swaps.

Kames Capital ICVC

Further Information (unaudited) (continued)

Remuneration Policy

Kames Capital ICVC is managed by Kames Capital Plc.

The Remuneration Committee of Kames Capital Plc has established a UCITS Remuneration Policy to ensure that the requirements of the UCITS Remuneration Code are met proportionately for all UCITS Remuneration Code Staff. This policy applies to Kames Capital Plc and the UCITS it manages.

There are no material changes to the adopted remuneration policy since the previous Annual Report for year ended 31 December 2018 was published.

Further information with respect to Kames Capital Plc remuneration policy is available in Kames Capital Plc Annual Report and Accounts and in Kames Capital Plc regulatory Pillar III disclosure (which are available on the responsible investing part of the Kames Capital website).

Employee Remuneration Disclosure

The table below provides an overview of the following:

- Aggregate total remuneration paid by Kames Capital Plc to all Kames Capital Plc staff; and
- Aggregate total remuneration paid by Kames Capital Plc to Remuneration Code Staff

	Headcount	Total Remuneration £'000
Kames Capital Plc Staff	289	35,597
of which		
Fixed remuneration	289	22,158
Variable remuneration	289	13,439

Due to the nature of the business in which Kames Capital Plc operates, it is not possible to accurately allocate the time spent by each employee on each UCITS scheme. As such it has been deemed appropriate to disclose total remuneration information for Kames Capital Plc.

	Headcount	Total Remuneration £'000
Kames Capital Plc Remuneration Code Staff	8	5,375
of which		
Senior Management	3	2,839
Other Code Staff	5	2,536

UCITS Manager activities

The following table provides an overview of the size and composition of the funds managed by Kames Capital Plc, including Kames Capital ICVC. This shows the total number of funds managed, the split between, and proportions of AIF, UCITS and other funds including segregated mandates:

	Number of Funds	AUM £'000	% of AUM
Kames Capital Plc remuneration Code Staff	35	37,402,375	100.00%
of which			
Alternative Investment Funds	5	3,544,127	9.47%
UCITS Funds	15	1,942,101	5.19%
Other Funds			
Money managed on behalf of other clients	-	26,625,283	71.19%
Kames Capital ICVC	15	5,290,864	14.15%

* These figures are stated as at the 30 June 2019. These figures are presented to the nearest £million in line with all others in the table.

Kames Capital ICVC

Further Information (unaudited) (continued)

Glossary

UCITS Manager Remuneration Code Staff

Total remuneration will be reported for all UCITS Manager Remuneration Code Staff as at the UCITS schemes financial year-end. Broadly speaking, UCITS Manager Remuneration Code Staff are those employees who are considered could have a material impact on the risk profile of Kames Capital Plc or any of the UCITS schemes it manages (including Kames Capital ICVC plc).

AuM

Assets under management are measured at fair market value on the relevant cut-off date. The latest available valuations are reported in the Annual Report & Accounts.

Other Code Staff

UCITS Manager Remuneration Code Staff that are not considered Senior Management, per the definition below.

Senior Management

UCITS Manager Remuneration Code Staff who are members of Kames Capital Plc board.

Total Remuneration

Total remuneration reported will be the sum of salary, cash bonus, any deferred annual bonus, the fair value of any long term incentive awards, plus the value (actual or estimated) of any pension or benefits in kind, awarded in respect of performance in the reportable financial year, i.e. 1 January 2018 – 31 December 2018.

Who to contact

Investors

email: kames@ntrs.com

telephone: 0800 358 3009

Our investor helpdesk is open from 8.30am to 5.30pm

(Monday to Friday).

To improve customer service, and for training purposes, calls may be recorded.

www.kamescapital.com