

**Kames Capital ICVC  
Interim Report (unaudited)  
to 31 January 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  
Martin Davis  
Stephen Jones  
Sarah Russell  
David Watson

### Secretary of the ACD

Alison Talbot

### Research Provider

EIRIS Services Limited\*\*\*  
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London  
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### Depository

National Westminster Bank plc\*\*  
Trustee & Depository 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 plc\*  
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.

# 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 January 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 interim report and financial statements for the period ended 31 January 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 six months ended 31 January 2019 can be found below.

### Sub-fund cross holdings

At the period end none of the shares in the sub-funds listed on page 1 (contents page) were held by any other 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 Kames Capital ICVC changed from "Northern Trust Global Services PLC" to "Northern Trust Global Services SE".

With effect from 1 November 2018, National Westminster Bank Plc as Depositary for Kames Capital ICVC 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.

# Kames Capital ICVC

## Report of the Authorised Corporate Director (continued)

### Investment Approach

Kames Capital plc 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.

Kames Capital plc 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 lower rewards						Higher risk/potentially 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 (SRI) 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](http://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 six months ended 31 January 2019

The MSCI AC World index fell by -5.04% over the six-month period in sterling terms, with the majority of regions declining. The S&P 500 was down -3.27% while Europe (ex-UK) fell -4.68%. The UK fared slightly worse in relative terms with the FTSE declining -8.44% while Japan (-6.55%) and the Far East (-3.94%) also struggled.

The main drivers of the negative returns were US monetary policy and concerns about a global economic slowdown, partly due to the ongoing 'trade war' between the US and China. In Europe, global geopolitical challenges were coupled with the ongoing Italian political crisis and public protests in France. The UK also had to deal with a marked increase in Brexit concerns which hit the domestic economy. Many of the more defensive stocks performed relatively well while global cyclicals came under pressure.

Core government bond yields fared better than their equity counterparts, posting positive returns for the period. Corporate bonds also performed well, with high yield the strongest performers. It was however a volatile period overall and the recovery seen in January in corporate bonds masked what was a torrid end to 2018. Equity performance at the end of 2018 was significantly worse than the performance to the end of January shows. The recovery in the first month of 2019 highlighted that investors may have over-reacted to fears of recession and of policy error.

# 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.



Martin Davis



Stephen Jones

Edinburgh  
20 March 2019

# Kames Capital ICVC

## Accounting Policies

### **Basis of accounting**

The interim financial statements have been prepared on the historical cost basis, as modified by the evaluation of investments, in compliance with FRS 102 and in accordance with the Statement of Recommended Practice for Authorised Funds (SORP) issued by the Investment Association in May 2014.

### **Changes to accounting policies**

There have been no changes in the accounting policies since the previous financial statements.



# Kames Sterling Corporate Bond Fund

## Fund description

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 Fund may also invest in deposits, money market instruments, derivative instruments and forward transactions.

## Risk profile

The 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 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 Fund should be viewed as a longer term investment.

The 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](http://www.kamescapital.com).

## Performance

The Kames Sterling Corporate Bond Fund returned 0.89% compared to the peer group median return of 0.76%. The peer group is the Investment Association Sterling Corporate Bond sector.

## Strategy review

It was a volatile period in bond markets. In the early months, a hawkish Federal Reserve hiked rates for the third time. This, along with growing concerns from trade wars, a slowing global economy, and idiosyncratic turmoil in certain markets drove markets to knee-jerk reactions over otherwise innocuous headlines. Eventually, these fears proved too much to bear and culminated in a sudden and unexpected correction in the fourth quarter. 90% of risk assets finished 2018 in the red, and fixed income markets were not immune, though sovereign debt performed relatively well as money flowed into 'safe havens'. However, by January sentiment turned sharply yet again, driving a 'risk-on' rally across assets and especially in the high yield sector, supported by a dovish tone from the Fed.

For the majority of the period the 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 the period. This positioning had mixed effect during a volatile period, but overall it detracted from relative performance.

Within credit, stock selection was mixed, but overall detracted somewhat from performance. The period began well, with APT Pipelines, Heathrow Airport and Verizon all adding to performance. 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. Finally, in January, the 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.

## Kames Sterling Corporate Bond Fund

### Material portfolio changes

<b>Top ten purchases</b>	<b>31 January 2019</b>	<b>Top ten sales</b>	<b>31 January 2019</b>
	<b>£'000</b>		<b>£'000</b>
KFW 6% 07/12/2028	11,553	Barclays 5.75% 14/09/2026	5,991
United Kingdom Gilt 1.5% 22/07/2047	7,146	Cooperatieve Rabobank 4.625% 23/05/2029	5,207
KFW 0.875% 15/03/2022	6,890	United Kingdom Gilt 4.25% 07/03/2036	4,585
KFW 5.75% 07/06/2032	4,389	Walgreens Boots Alliance 2.875% 20/11/2020	4,280
Daimler International Finance 2% 04/09/2023	4,291	Daimler International Finance 2% 04/09/2023	4,219
Prudential 5.625% 20/10/2051	3,982	Santander 10.0625% Perpetual	4,209
United Kingdom Gilt 1.75% 07/09/2037	3,773	Barclays 7.125% 21/05/2021	3,808
Compass 2% 05/09/2025	3,586	Verizon Communications 3.375% 27/10/2036	3,686
ABN AMRO Bank 1% 30/06/2020	3,373	Welltower 4.8% 20/11/2028	3,559
BNP Paribas 3.375% 23/01/2026	3,296	TP ICAP 5.25% 26/01/2024	3,440

<b>Top ten holdings</b>	<b>31 January 2019</b>	<b>Top ten holdings</b>	<b>31 July 2018</b>
	<b>%</b>		<b>%</b>
KFW 6% 07/12/2028	2.83	DONG Energy 5.75% 09/04/2040	1.29
KFW 0.875% 15/03/2022	1.71	Aviva 4.375% 12/09/2049	1.29
E.ON International Finance 6.375% 07/06/2032	1.47	Barclays 5.75% 14/09/2026	1.23
Canary Wharf Finance II 6.8% 22/04/2030	1.34	E.ON International Finance 6.375% 07/06/2032	1.22
Royal Bank of Scotland 2.875% 19/09/2026	1.30	THPA Finance 8.241% 15/03/2028	1.21
Telereal Secured Finance 4.01% 10/12/2031	1.25	Bank of America 7% 31/07/2028	1.19
European Investment Bank 1% 21/09/2026	1.24	Canary Wharf Finance II 6.8% 22/04/2030	1.14
Transport for London 2.125% 24/04/2025	1.24	Tesco Property Finance No.2 6.0517% 13/10/2039	1.14
Juneau Investments 5.9% 22/02/2021	1.21	Cooperatieve Rabobank 6.91% Perpetual	1.10
Goldman Sachs 6.875% 18/01/2038	1.21	American International 2.33575% 15/03/2067	1.10

# Kames Sterling Corporate Bond Fund

## Portfolio Statement

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

Holding	Investment	Market valuation £'000	Total net assets %
	<b>Futures Contracts (31 July 2018: 0.03%)</b>	<b>334</b>	<b>0.08</b>
255	Long Gilt Future Contract March 2019	334	0.08
	<b>Sterling Denominated Bonds (31 July 2018: 91.51%)</b>	<b>386,239</b>	<b>95.41</b>
	<b>Asset Backed Security (31 July 2018: 12.82%)</b>	<b>56,600</b>	<b>13.98</b>
3,500,000	Arqiva Financing 4.882% 31/12/2032	3,625	0.90
4,200,000	Autolink Concessionaires M6 8.39% 15/06/2022	1,659	0.41
8,100,000	BL Superstores Finance 5.27% 04/10/2025	1,950	0.48
7,100,000	Canary Wharf Finance II 6.8% 22/04/2030	5,439	1.34
1,500,000	Channel Link Enterprises Finance 3.848% 30/06/2050	1,558	0.38
2,900,000	Connect M77/GSO 5.404% 31/03/2034	2,378	0.59
4,000,000	Dignity Finance 3.5456% 31/12/2034	3,514	0.87
2,000,000	Income Contingent Student Loans 2 2007-2009 2.5% 24/07/2058	1,764	0.44
3,000,000	Intu Debenture 5.562% 31/12/2027	2,631	0.65
5,900,000	Nats En Route 5.25% 31/03/2026	4,012	0.99
4,735,000	Premier Transmission Financing 5.2022% 31/03/2030	3,340	0.82
6,200,000	Telereal Secured Finance 4.01% 10/12/2031	5,070	1.25
4,000,000	Telereal Securitisation 4.9741% 10/09/2027	2,909	0.72
2,600,000	Telereal Securitisation 6.1645% 10/12/2031	2,924	0.72
4,200,000	Tesco Property Finance No.2 6.0517% 13/10/2039	4,298	1.06
3,900,000	THPA Finance 8.241% 15/03/2028	4,399	1.09
5,300,000	Unique Pub Finance 6.542% 30/03/2021	1,943	0.48
2,900,000	White City Property Finance 5.1202% 17/04/2035	3,187	0.79
	<b>Corporate Bonds (31 July 2018: 74.75%)</b>	<b>312,014</b>	<b>77.07</b>
3,800,000	American International 2.61138% 15/03/2067	3,357	0.83
2,600,000	Anheuser-Busch InBev 2.25% 24/05/2029	2,438	0.60
2,100,000	APT Pipelines 3.5% 22/03/2030	2,174	0.54
1,800,000	APT Pipelines 4.25% 26/11/2024	1,952	0.48
2,600,000	Aroundtown 3.25% 18/07/2027	2,532	0.63
1,700,000	Arqiva Financing 5.34% 30/06/2030	1,978	0.49
700,000	AT&T 2.9% 04/12/2026	691	0.17
3,900,000	Aviva 4.375% 12/09/2049	3,785	0.93
3,200,000	AXA 5.453% Perpetual	3,339	0.82
2,300,000	Bank of America 7% 31/07/2028	3,113	0.77
2,000,000	Bank of America 8.125% 02/06/2028	2,735	0.68
3,600,000	Bank of Nova Scotia 1.75% 23/12/2022	3,599	0.89
3,200,000	Bank of Scotland Capital Funding 7.754% Perpetual	3,540	0.87
3,200,000	Barclays 2.375% 06/10/2023	3,128	0.77
2,200,000	Barclays 7.125% Perpetual	2,313	0.57
1,100,000	Barclays 9.25% Perpetual	1,255	0.31
2,400,000	Becton Dickinson 3.02% 24/05/2025	2,414	0.60
2,900,000	BG Energy Capital 5.125% 01/12/2025	3,510	0.87
3,300,000	BNP Paribas 3.375% 23/01/2026	3,355	0.83
3,000,000	British Land 5.264% 24/09/2035	3,825	0.94
2,500,000	BUPA Finance 6.125% Perpetual	2,639	0.65
2,100,000	Cadent Finance 2.125% 22/09/2028	2,007	0.50
3,200,000	Cadent Finance 2.625% 22/09/2038	2,972	0.73
3,300,000	Channel Link Enterprises Finance 3.043% 30/06/2050	3,247	0.80
2,100,000	Citigroup 5.15% 21/05/2026	2,454	0.61
1,600,000	Citigroup 6.8% 25/06/2038	2,455	0.61
800,000	Close Brothers 2.75% 26/04/2023	799	0.20
3,600,000	Compass 2% 05/09/2025	3,621	0.89
1,100,000	Cooperatieve Rabobank 4.625% 23/05/2029	1,214	0.30
2,407,000	Cooperatieve Rabobank 6.91% Perpetual	3,288	0.81
2,500,000	CPUK Finance 7.239% 28/02/2024	3,026	0.75
2,900,000	Credit Agricole 7.375% 18/12/2023	3,585	0.89

# Kames Sterling Corporate Bond Fund

## Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
<b>Corporate Bonds (continued)</b>			
1,500,000	Credit Agricole 8.125% Perpetual	1,559	0.38
4,300,000	Deutsche Bank 1.75% 16/12/2021	4,120	1.02
1,400,000	Dexia Credit 2.125% 12/02/2025	1,429	0.35
2,400,000	Digital Stout 3.75% 17/10/2030	2,416	0.60
2,200,000	Drax Finco 4.25% 01/05/2022	2,193	0.54
2,400,000	DS Smith 2.875% 26/07/2029	2,283	0.56
4,400,000	E.ON International Finance 6.375% 07/06/2032	5,965	1.47
2,200,000	Electricite de France 5.875% 18/07/2031	2,851	0.70
2,200,000	Enterprise Inns 6% 06/10/2023	2,328	0.57
1,650,000	Esure 6.75% 19/12/2024	1,693	0.42
2,700,000	General Electric 5.25% 07/12/2028	2,988	0.74
3,000,000	GLH Hotels 7.875% 20/06/2022	3,293	0.81
3,600,000	Goldman Sachs 6.875% 18/01/2038	4,891	1.21
3,000,000	Grainger 3.375% 24/04/2028	2,973	0.73
1,500,000	HBOS Sterling Finance Jersey 7.881% Perpetual	2,088	0.52
3,100,000	Heathrow Funding 4.625% 31/10/2046	3,844	0.95
3,200,000	HSBC 4.75% 24/03/2046	3,684	0.91
3,100,000	HSBC Capital 5.844% Perpetual	3,830	0.95
3,800,000	HSBC Capital Funding Sterling 2 5.862% Perpetual	3,923	0.97
3,400,000	Intesa Sanpaolo 5.25% 28/01/2022	3,569	0.88
4,400,000	Intu Metrocentre Finance 4.125% 06/12/2023	4,286	1.06
1,500,000	Investec 4.5% 05/05/2022	1,568	0.39
2,500,000	Investec 6.75% Perpetual	2,300	0.57
4,700,000	Juneau Investments 5.9% 22/02/2021	4,904	1.21
7,000,000	KFW 0.875% 15/03/2022	6,932	1.71
3,000,000	KFW 5.75% 07/06/2032	4,430	1.09
8,200,000	KFW 6% 07/12/2028	11,459	2.83
2,200,000	Legal & General 5.125% 14/11/2048	2,281	0.56
3,200,000	Legal & General 10% 23/07/2041	3,776	0.93
5,000,000	Lehman Brothers 6% 25/01/2013	128	0.03
2,700,000	Lunar Funding I 5.494% 29/07/2020	2,830	0.70
3,200,000	National Express 2.5% 11/11/2023	3,155	0.78
1,000,000	National Grid Electricity Transmission 2.75% 06/02/2035	1,008	0.25
3,000,000	Natwest Markets 6.2% Perpetual	3,030	0.75
4,000,000	NGG Finance 5.625% 18/06/2073	4,280	1.06
3,000,000	NIE Finance 2.5% 27/10/2025	3,035	0.75
3,500,000	Northern Powergrid Yorkshire 4.375% 05/07/2032	4,161	1.03
1,500,000	Orange 3.25% 15/01/2032	1,537	0.38
2,500,000	Orange 5.75% Perpetual	2,656	0.66
3,300,000	Orsted 5.75% 09/04/2040	4,700	1.16
1,700,000	Partnership Assurance 9.5% 24/03/2025	1,804	0.45
2,900,000	Pennon 2.875% Perpetual	2,899	0.72
2,500,000	Pension Insurance 8% 23/11/2026	2,891	0.71
3,000,000	Phoenix 6.625% 18/12/2025	3,139	0.78
700,000	Places for People Homes 3.625% 22/11/2028	705	0.17
1,200,000	Provident Financial 7% 04/06/2023	1,185	0.29
1,200,000	Prudential 5% 20/07/2055	1,259	0.31
4,000,000	Prudential 5.625% 20/10/2051	4,172	1.03
2,500,000	Prudential 5.7% 19/12/2063	2,891	0.71
1,500,000	RAC Bond 4.87% 06/05/2026	1,423	0.35
5,400,000	Royal Bank of Scotland 2.875% 19/09/2026	5,249	1.30
2,600,000	RWE Finance 4.75% 31/01/2034	3,066	0.76
3,200,000	Sainsbury's Bank 6% 23/11/2027	3,193	0.79
1,900,000	Santander UK 6.75% Perpetual	1,917	0.47
3,400,000	SP Manweb 4.875% 20/09/2027	4,017	0.99
4,300,000	SSE 3.875% Perpetual	4,295	1.06
2,700,000	Stagecoach 4% 29/09/2025	2,767	0.68
1,100,000	TC Dudgeon Ofto 3.158% 12/11/2038	1,140	0.28
2,800,000	Thames Water Utilities Finance 2.625% 24/01/2032	2,635	0.65
1,800,000	Thames Water Utilities Finance 5.75% 13/09/2030	1,964	0.49

# Kames Sterling Corporate Bond Fund

## Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
<b>Corporate Bonds (continued)</b>			
4,900,000	Transport for London 2.125% 24/04/2025	5,011	1.24
2,000,000	Trafford Centre Finance 4.75% 28/04/2024	2,134	0.53
2,000,000	UBS Jersey 6.375% 19/11/2024	2,070	0.51
2,400,000	UNITE Group 3.5% 15/10/2028	2,425	0.60
2,100,000	Vantiv / Vantiv Issuer 3.875% 15/11/2025	2,023	0.50
2,800,000	Virgin Money 3.375% 24/04/2026	2,631	0.65
1,400,000	Volkswagen Financial Services 1.875% 07/09/2021	1,382	0.34
1,800,000	Volkswagen International Finance 4.125% 17/11/2031	1,832	0.45
1,600,000	Wellcome Trust 2.517% 07/02/2118	1,520	0.38
3,800,000	Wells Fargo 2% 28/07/2025	3,724	0.92
1,700,000	Western Power Distribution 3.5% 16/10/2026	1,718	0.42
2,200,000	Western Power Distribution 3.625% 06/11/2023	2,291	0.57
1,500,000	Western Power Distribution West Midlands 5.75% 16/04/2032	1,946	0.48
3,100,000	Yorkshire Building Society 3.5% 21/04/2026	3,188	0.79
2,500,000	Yorkshire Water Finance 3.75% 22/03/2046	2,573	0.64
2,000,000	Zurich Finance (UK) 6.625% Perpetual	2,219	0.55
<b>Government Bonds (31 July 2018: 3.94%)</b>		<b>17,625</b>	<b>4.36</b>
5,200,000	European Investment Bank 1% 21/09/2026	5,014	1.24
3,400,000	European Investment Bank 6% 07/12/2028	4,718	1.17
4,300,000	United Kingdom Gilt 1.5% 22/07/2047	4,084	1.01
3,750,000	United Kingdom Gilt 1.75% 07/09/2037	3,809	0.94
<b>Portfolio of investments</b>		<b>386,573</b>	<b>95.49</b>
Net other assets		18,262	4.51
<b>Total net assets attributable to shareholders</b>		<b>404,835</b>	<b>100.00</b>

### Analysis of investments by asset class

	Market value £'000	Value of investments %
Bonds	386,239	95.41
Derivatives	334	0.08
<b>Portfolio of investments</b>	<b>386,573</b>	<b>95.49</b>
Net other assets	18,262	4.51
<b>Total net assets attributable to shareholders</b>	<b>404,835</b>	<b>100.00</b>

### Analysis of underlying exposure futures and options

	Market value £'000
Futures contracts	334
	<b>334</b>

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 Sterling Corporate Bond Fund

### Statement of Total Return for the six months ended 31 January 2019

		31 January 2019		31 January 2018
	£'000	£'000	£'000	£'000
<b>Income</b>				
Net capital (losses)/gains		(3,860)		1,441
Revenue	8,164		11,162	
Expenses	(1,347)		(1,924)	
Interest payable and similar charges	-		(140)	
<b>Net revenue before taxation</b>	<b>6,817</b>		<b>9,098</b>	
Taxation	-		-	
Net revenue after taxation		<u>6,817</u>		<u>9,098</u>
Total return before distributions		2,957		10,539
Distributions		<u>(6,817)</u>		<u>(9,099)</u>
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>(3,860)</b>		<b>1,440</b>

### Statement of Change in Net Assets Attributable to Shareholders for the six months ended 31 January 2019

		31 January 2019		31 January 2018
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders*		488,290		673,130
Amounts receivable on creation of shares	20,134		33,772	
Amounts payable on cancellation of shares	<u>(102,793)</u>		<u>(127,028)</u>	
		(82,659)		(93,256)
Dilution adjustment		319		174
Change in net assets attributable to shareholders from investment activities		(3,860)		1,440
Retained distribution on accumulation shares		2,742		3,415
Unclaimed distributions		<u>3</u>		<u>3</u>
<b>Closing net assets attributable to shareholders</b>		<b>404,835</b>		<b>584,906</b>

\*The opening net assets attributable to shareholders for the current period do not equal the closing net assets attributable to shareholders for the comparative period as they are not consecutive periods.

# Kames Sterling Corporate Bond Fund

## Balance Sheet as at 31 January 2019

		31 January 2019		31 July 2018
	£'000	£'000	£'000	£'000
<b>Assets</b>				
Fixed assets:				
Investments		386,573		446,960
Current assets:				
Debtors	17,501		17,163	
Cash and cash equivalents	13,400		31,548	
		<u>30,901</u>		<u>48,711</u>
Total assets		417,474		495,671
<b>Liabilities</b>				
Creditors				
Bank overdrafts	-		5	
Distribution payable	1,702		2,157	
Other creditors	10,937		5,219	
		<u>12,639</u>		<u>7,381</u>
Total liabilities		12,639		7,381
<b>Net assets attributable to shareholders</b>		<b>404,835</b>		<b>488,290</b>

# Kames Sterling Corporate Bond Fund

## Distribution Tables

### Share Class A Accumulation

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017/8 Net Distribution
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				

### Share Class A Income

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017/8 Net Distribution
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				

### Share Class B Accumulation

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017/8 Net Distribution
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				

### Share Class B Income

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017/8 Net Distribution
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				

### Share Class D Accumulation

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017/8 Net Distribution
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				

### Share Class D Income

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017/8 Net Distribution
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				

\*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 G Accumulation

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017/8 Net Distribution
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				

### Share Class S Accumulation\*\*

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming 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				

### Share Class S Income\*\*

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming 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				

\*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

### Net asset value

	Net asset value of share class £'000	Net asset value per share p	Shares in issue
<b>As of 31 January 2019</b>	<b>404,835</b>		
A Accumulation shares	58,907	77.01	76,489,824
A Income shares	5,462	31.71	17,227,406
B Accumulation shares	119,539	82.75	144,456,666
B Income shares	109,140	32.27	338,211,237
D Accumulation shares	1,252	127.15	984,505
D Income shares	705	107.72	654,305
G Accumulation shares	2,467	185.47	1,330,006
S Accumulation shares	2,573	99.34	2,590,279
S Income shares	104,790	96.00	109,160,383

# Kames Sterling Corporate Bond Fund

## Ongoing charges figure

	31 January 2019	31 July 2018
<b>A Accumulation shares</b>		
ACD's periodic charge	1.00%	1.00%
Other expenses	0.04%	0.04%
<b>Ongoing charges figure</b>	<b>1.04%</b>	<b>1.04%</b>
<b>A Income shares</b>		
ACD's periodic charge	1.00%	1.00%
Other expenses	0.04%	0.04%
<b>Ongoing charges figure</b>	<b>1.04%</b>	<b>1.04%</b>
<b>B Accumulation shares</b>		
ACD's periodic charge	0.50%	0.50%
Other expenses	0.04%	0.04%
<b>Ongoing charges figure</b>	<b>0.54%</b>	<b>0.54%</b>
<b>B Income shares</b>		
ACD's periodic charge	0.50%	0.50%
Other expenses	0.04%	0.04%
<b>Ongoing charges figure</b>	<b>0.54%</b>	<b>0.54%</b>
<b>D Accumulation shares</b>		
ACD's periodic charge	0.75%	0.75%
Other expenses	0.04%	0.04%
<b>Ongoing charges figure</b>	<b>0.79%</b>	<b>0.79%</b>
<b>D Income shares</b>		
ACD's periodic charge	0.75%	0.75%
Other expenses	0.04%	0.04%
<b>Ongoing charges figure</b>	<b>0.79%</b>	<b>0.79%</b>
<b>G Accumulation shares</b>		
ACD's periodic charge	0.50%	0.50%
Other expenses	0.04%	0.04%
<b>Ongoing charges figure</b>	<b>0.54%</b>	<b>0.54%</b>
<b>S Accumulation shares*</b>		
ACD's periodic charge	0.35%	0.35%
Other expenses	0.04%	0.04%
<b>Ongoing charges figure</b>	<b>0.39%</b>	<b>0.39%</b>
<b>S Income shares*</b>		
ACD's periodic charge	0.35%	0.35%
Other expenses	0.04%	0.04%
<b>Ongoing charges figure</b>	<b>0.39%</b>	<b>0.39%</b>

The ongoing charges figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the sub-fund over the period. The OCF is made up of the ACD's periodic charge and other operating costs deducted from the assets of the sub-fund during the period, except for those payments that are explicitly excluded by regulations.

\*The S share class expense changed from 0.45% to 0.35% on 1 July 2018.

## Total purchases and sales

	Total purchases £'000	Total sales £'000
6 months to 31.01.2018	196,194	280,677
6 months to 31.01.2019	109,888	164,184

# Kames Sterling Corporate Bond Fund

## Revenue record

	Accounting year	Net revenue per share p
A Accumulation shares (pence)	2017	1.61
	2018	1.90
	2019	0.96
A Income shares (pence)	2017	0.70
	2018	0.81
	2019	0.40
B Accumulation shares (pence)	2017	2.07
	2018	2.45
	2019	1.24
B Income shares (pence)	2017	0.86
	2018	0.99
	2019	0.49
D Accumulation shares (pence)	2017	2.92
	2018	3.45
	2019	1.75
D Income shares (pence)	2017	2.62
	2018	3.01
	2019	1.50
G Accumulation shares (pence)	2017	5.15
	2018	5.48
	2019	2.78
S Accumulation shares (pence)*	2017	-
	2018	1.82
	2019	1.56
S Income shares (pence)*	2017	-
	2018	1.81
	2019	1.53

\*Share class launched on 19 December 2017.

# Kames UK Equity Fund

## Fund description

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 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 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 Fund should be viewed as a longer term investment.

The 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](http://www.kamescapital.com).

## Performance

The Kames UK Equity Fund returned (11.94)% compared to the peer group median return of (8.81)%. The peer group is the IA UK All Companies sector.

## Strategy review

The UK equity market came under significant pressure over the period. There were many issues, which kept volatility levels elevated, including the potential escalation of US-China trade tensions, Brexit negotiations and Italy's budget plans. At the same time, the US Federal Reserve's monetary tightening policy began to have an impact, cooling a very strong US economy. Oil prices fell from sanction-induced highs. Many of the more defensive sectors performed well for much of the period while cyclical and growth sectors underperformed. 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. While the extent of the sell-off was significant, it subsequently recovered sharply in January as these concerns seemed overdone.

Sector selection was marginally positive over the period while stock selection accounted for the Fund's underperformance against the median. In sector terms, having no exposure to oil services was beneficial given the fall witnessed in the oil price over the period. Overweight positions in traditional defensive sectors such as beverages and pharmaceuticals also added value. These positions were offset, however, by the Fund's exposure to cyclical and financials sectors such as chemicals, life insurance and industrial engineering. Early in the period, we did temper the cyclical nature of the Fund but overall it retained an overweight exposure to mid-cap names, growth companies and industrials. With such a 'shape', the sell-off towards the end of 2018 hampered Fund performance.

Stock selection within defensive sectors was positive and highlighted the importance of focusing on fundamentals. The holdings AstraZeneca and Diageo, which are all large-cap defensive names, were also positive. The Fund also benefited from its exposure to companies such as RELX. Industrial software company Aveva performed well after it posted strong results following its merger with Schneider Electric. Elsewhere, having an underweight exposure to British American Tobacco was beneficial, given this stock continued to struggle.

Despite these positive outcomes, stock selection detracted overall. At times, some of our holdings, such as Cairn Homes fell back despite the absence of any company-specific negative news. Elsewhere, speciality chemicals producer Synthomer continued to de-rate along with the unloved European chemicals sector. We believe the investment case for the company still looks strong though; capital expenditure on key projects should lead to growth in 2019. Highly rated growth plays that lagged included Keywords Studios and Accesso Technologies.

While it was a difficult period for UK equities and the Fund, our strong conviction in the investment cases of the stocks we invest in remained unchanged. The recovery seen in January, and the subsequent positive performance of many of our holdings, confirmed our belief that the market had over-reacted to fears of recession and of a central bank policy error. We therefore believe that the Fund's holdings are well positioned for the year in prospect.

## Kames UK Equity Fund

### Material portfolio changes

<b>Top ten purchases</b>	<b>31 January 2019</b>	<b>Top ten sales</b>	<b>31 January 2019</b>
	<b>£'000</b>		<b>£'000</b>
Diageo	9,433	Tesco	6,899
Bellway	3,512	British American Tobacco	5,831
Just Eat	3,414	Sky	4,574
BT	3,071	Rio Tinto	3,667
Balfour Beatty	3,054	Standard Chartered	3,306
Hilton Food	2,827	GlaxoSmithKline	3,253
GlaxoSmithKline	2,608	easyJet	2,935
BP	2,580	Just Eat	2,694
Informa	2,566	St James's Place	2,528
Burberry	2,562	Johnson Matthey	2,409

<b>Top ten holdings</b>	<b>31 January 2019</b>	<b>Top ten holdings</b>	<b>31 July 2018</b>
	<b>%</b>		<b>%</b>
AstraZeneca	5.74	AstraZeneca	5.43
Diageo	5.21	HSBC	4.62
HSBC	4.80	Prudential	4.24
BP	4.03	Rio Tinto	4.01
Royal Dutch Shell 'B'	3.93	GlaxoSmithKline	3.81
Prudential	3.88	Royal Dutch Shell 'B'	3.73
GlaxoSmithKline	3.85	Synthomer	3.67
RELX	3.51	Tesco	3.54
Aveva	2.83	British American Tobacco	3.04
Synthomer	2.70	Wm Morrison Supermarkets	2.83

# Kames UK Equity Fund

## Portfolio Statement

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

Holding	Investment	Market valuation £'000	Total net assets %
	<b>Equities (31 July 2018: 98.30%)</b>	<b>194,170</b>	<b>100.33</b>
	<b>Basic Materials (31 July 2018: 11.25%)</b>	<b>18,648</b>	<b>9.63</b>
223,400	Antofagasta	1,943	1.00
1,593,801	Glencore	4,931	2.55
117,863	Rio Tinto	4,935	2.55
827,741	South32	1,605	0.83
1,461,281	Synthomer	5,234	2.70
	<b>Consumer Goods (31 July 2018: 8.58%)</b>	<b>32,643</b>	<b>16.87</b>
127,370	Bellway	3,612	1.87
269,701	Britvic	2,373	1.23
110,300	Burberry	1,987	1.03
3,079,615	Cairn Homes	3,433	1.77
90,535	Coca-Cola	2,315	1.20
347,367	Diageo	10,077	5.21
295,147	Hilton Food	2,733	1.41
319,100	Tate & Lyle	2,194	1.13
98,370	Unilever	3,919	2.02
	<b>Consumer Services (31 July 2018: 15.94%)</b>	<b>24,592</b>	<b>12.71</b>
553,896	Ascential	2,104	1.09
671,800	Entertainment One	2,647	1.37
250,400	Informa	1,693	0.88
410,000	Just Eat	2,854	1.47
1,504,592	Lookers	1,622	0.84
403,338	RELX	6,800	3.51
1,508,273	S4 Capital	2,028	1.05
2,068,409	Wm Morrison Supermarkets	4,844	2.50
	<b>Electronic &amp; Electrical Equipment (31 July 2018: 0.88%)</b>	<b>1,726</b>	<b>0.89</b>
1,225,836	Strix	1,726	0.89
	<b>Financials (31 July 2018: 19.22%)</b>	<b>33,426</b>	<b>17.27</b>
925,450	Aviva	3,831	1.98
1,454,014	HSBC	9,288	4.80
2,652,047	Just	2,687	1.39
64,972	London Stock Exchange	2,974	1.53
505,717	Prudential	7,510	3.88
423,689	Royal Bank of Scotland	1,020	0.53
1,139,499	Secure Income REIT	4,535	2.34
1,569,366	Triam Investors 1	1,581	0.82
	<b>Health Care (31 July 2018: 11.08%)</b>	<b>20,955</b>	<b>10.83</b>
200,824	AstraZeneca	11,108	5.74
101,443	Dechra Pharmaceuticals	2,398	1.24
504,323	GlaxoSmithKline	7,449	3.85
	<b>Industrials (31 July 2018: 13.53%)</b>	<b>24,752</b>	<b>12.79</b>
237,680	Ashtead	4,583	2.37
649,829	BAE Systems	3,325	1.72
1,864,036	Balfour Beatty	5,106	2.64
297,349	Bodycote	2,260	1.17
66,000	Clarkson	1,686	0.87
561,503	Forterra	1,485	0.77
119,157	Hill & Smith	1,314	0.68
381,795	Inergizer	454	0.23
102,348	Keywords Studios	1,218	0.63

# Kames UK Equity Fund

## Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
	<b>Industrials (continued)</b>		
95,176	Meggitt	491	0.25
145,672	Sanne	727	0.37
634,447	TMO Fund Raising*	-	-
182,092	Vitec	2,103	1.09
	<b>Oil &amp; Gas (31 July 2018: 10.30%)</b>	<b>22,526</b>	<b>11.64</b>
1,500,915	BP	7,805	4.03
774,135	Cairn Energy	1,447	0.75
321,094	Great Eastern Energy GDR	215	0.11
138,784	Indus Gas	346	0.18
216,091	Royal Dutch Shell 'A'	5,103	2.64
321,377	Royal Dutch Shell 'B'	7,610	3.93
	<b>Technology (31 July 2018: 7.52%)</b>	<b>12,414</b>	<b>6.41</b>
201,179	Aveva	5,472	2.83
103,877	Blue Prism Group	1,454	0.75
251,501	FDM	2,070	1.07
744,633	GB Group	3,418	1.76
	<b>Telecommunications (31 July 2018: 0.00%)</b>	<b>2,488</b>	<b>1.29</b>
1,070,700	BT	2,488	1.29
	<b>Portfolio of investments</b>	<b>194,170</b>	<b>100.33</b>
	Net other liabilities	(633)	(0.33)
	<b>Total net assets attributable to shareholders</b>	<b>193,537</b>	<b>100.00</b>

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 COLL.



# Kames UK Equity Fund

## Statement of Total Return for the six months ended 31 January 2019

		31 January 2019		31 January 2018
	£'000	£'000	£'000	£'000
<b>Income</b>				
Net capital (losses)/gains		(29,862)		3,649
Revenue	2,845		2,951	
Expenses	(843)		(976)	
Interest payable and similar charges	(1)		-	
<b>Net revenue before taxation</b>	<b>2,001</b>		<b>1,975</b>	
Taxation	(17)		(15)	
Net revenue after taxation		1,984		1,960
Total return before distributions		(27,878)		5,609
Distributions		(62)		(44)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>(27,940)</b>		<b>5,565</b>

## Statement of Change in Net Assets Attributable to Shareholders for the six months ended 31 January 2019

		31 January 2019		31 January 2018
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders*		229,930		235,835
Amounts receivable on creation of shares	2,024		8,344	
Amounts payable on cancellation of shares	(10,504)		(15,365)	
		(8,480)		(7,021)
Dilution adjustment		27		28
Change in net assets attributable to shareholders from investment activities		(27,940)		5,565
<b>Closing net assets attributable to shareholders</b>		<b>193,537</b>		<b>234,407</b>

\*The opening net assets attributable to shareholders for the current period do not equal the closing net assets attributable to shareholders for the comparative period as they are not consecutive periods.

# Kames UK Equity Fund

## Balance Sheet as at 31 January 2019

	31 January 2019		31 July 2018	
	£'000	£'000	£'000	£'000
<b>Assets</b>				
Fixed assets:				
Investments		194,170		226,024
Current assets:				
Debtors	1,215		847	
Cash and cash equivalents	<u>4</u>		<u>3,920</u>	
		<u>1,219</u>		<u>4,767</u>
Total assets		195,389		230,791
<b>Liabilities</b>				
Creditors				
Bank overdrafts	233		-	
Distribution payable	-		43	
Other creditors	<u>1,619</u>		<u>818</u>	
Total liabilities		<u>1,852</u>		<u>861</u>
<b>Net assets attributable to shareholders</b>		<b>193,537</b>		<b>229,930</b>

## Kames UK Equity Fund

### Net asset value

	Net asset value of share class £'000	Net asset value per share p	Shares in issue
<b>As of 31 January 2019</b>	<b>193,537</b>		
A Accumulation shares	32,951	250.78	13,139,537
A Income shares	494	137.83	358,168
B Accumulation shares	158,577	285.86	55,473,178
B Income shares	1,319	1,319.20	99,998
D Accumulation shares	138	145.27	94,740
D Income shares	14	129.95	10,502
E Accumulation shares	44	149.38	29,438

# Kames UK Equity Fund

## Ongoing charges figure

	31 January 2019	31 July 2018
<b>A Accumulation shares</b>		
ACD's periodic charge	1.50%	1.50%
Other expenses	0.06%	0.05%
<b>Ongoing charges figure</b>	<b>1.56%</b>	<b>1.55%</b>
<b>A Income shares</b>		
ACD's periodic charge	1.50%	1.50%
Other expenses	0.06%	0.05%
<b>Ongoing charges figure</b>	<b>1.56%</b>	<b>1.55%</b>
<b>B Accumulation shares</b>		
ACD's periodic charge	0.60%	0.60%
Other expenses	0.06%	0.05%
<b>Ongoing charges figure</b>	<b>0.66%</b>	<b>0.65%</b>
<b>B Income shares</b>		
ACD's periodic charge	0.60%	0.60%
Other expenses	0.06%	0.05%
<b>Ongoing charges figure</b>	<b>0.66%</b>	<b>0.65%</b>
<b>D Accumulation shares</b>		
ACD's periodic charge	1.00%	1.00%
Other expenses	0.06%	0.05%
<b>Ongoing charges figure</b>	<b>1.06%</b>	<b>1.05%</b>
<b>D Income shares</b>		
ACD's periodic charge	1.00%	1.00%
Other expenses	0.06%	0.05%
<b>Ongoing charges figure</b>	<b>1.06%</b>	<b>1.05%</b>
<b>E Accumulation shares</b>		
ACD's periodic charge	1.50%	1.50%
Other expenses	0.06%	0.05%
<b>Ongoing charges figure</b>	<b>1.56%</b>	<b>1.55%</b>

The ongoing charges figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the sub-fund over the period. The OCF is made up of the ACD's periodic charge and other operating costs deducted from the assets of the sub-fund during the period, except for those payments that are explicitly excluded by regulations.

## Total purchases and sales

	Total purchases £'000	Total sales £'000
6 months to 31.01.2018	79,804	79,983
6 months to 31.01.2019	68,638	70,725

# Kames UK Equity Fund

## Revenue record

	Accounting year	Net revenue per share p
A Accumulation shares (pence)	2017	3.84
	2018	4.03
	2019	-
A Income shares (pence)	2017	2.17
	2018	2.25
	2019	-
B Accumulation shares (pence)	2017	6.91
	2018	7.38
	2019	-
B Income shares (pence)	2017	33.39
	2018	34.83
	2019	-
D Accumulation shares (pence)	2017	2.95
	2018	3.12
	2019	-
D Income shares (pence)	2017	2.74
	2018	2.85
	2019	-
E Accumulation shares (pence)	2017	2.29
	2018	2.41
	2019	-

# Kames UK Equity Income Fund

## Fund description

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 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 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 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 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 Fund should be viewed as a longer term investment.

The 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](http://www.kamescapital.com).

## Performance

The Kames UK Equity Income Fund returned (8.19)% compared to the peer group median return of (8.27)%. The peer group is the Investment Association UK Equity Income sector.

## Strategy review

The UK equity market came under significant pressure over the period. There were many issues which kept volatility levels elevated, including the potential escalation of US-China trade tensions, Brexit negotiations and Italy's budget plans. At the same time, the US Federal Reserve's monetary tightening policy began to have an impact, cooling a very strong US economy. Oil prices fell from sanction-induced highs.

Many of the more defensive sectors performed well for much of the period while cyclical and growth sectors underperformed. 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. While the extent of the sell-off was significant, it subsequently recovered sharply in January, as these concerns seemed overdone.

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

Sector allocation was positive while stock selection was flat. The overweight position in defensive areas such as utilities and beverages added value. Within stock selection, the Fund benefited from its holdings in internationally diverse companies such as RELX. In defensive sectors, the exposure to drinks giant Britvic and utilities company Pennon also added value. Elsewhere, food retailer Greggs added value after it posted positive like-for-like sales.

In contrast, the 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 Easyjet and TUI AG also detracted.

We expect markets to remain volatile in 2019 and particularly as the negotiations around Brexit continue. The recovery in markets at the start of the year, however, highlight the attractiveness of UK equities, particularly from a valuation perspective. A focus on solid stock picking will be of benefit in this environment.

## Kames UK Equity Income Fund

### Material portfolio changes

<b>Top ten purchases</b>	<b>31 January 2019</b>	<b>Top ten sales</b>	<b>31 January 2019</b>
	<b>£'000</b>		<b>£'000</b>
Barclays	1,715	Sky	1,214
Lloyds Banking	1,182	AstraZeneca	1,153
BHP	751	HSBC	971
Bellway	614	easyJet	798
Taylor Wimpey	568	Lloyds Banking	580
Standard Chartered	541	Vodafone	580
Howden Joinery	460	Rio Tinto	554
PageGroup	434	Mondi	484
South32	389	British American Tobacco	470
Greggs	207	Standard Chartered	467

<b>Top ten holdings</b>	<b>31 January 2019</b>	<b>Top ten holdings</b>	<b>31 July 2018</b>
	<b>%</b>		<b>%</b>
GlaxoSmithKline	5.10	HSBC	5.38
Royal Dutch Shell 'B'	4.84	GlaxoSmithKline	4.97
Lloyds Banking	3.93	Royal Dutch Shell 'B'	4.97
Phoenix	3.36	British American Tobacco	4.78
HSBC	3.22	AstraZeneca	4.72
RELX	3.17	Phoenix	3.32
Barclays	3.08	BP	2.91
BP	2.90	Royal Dutch Shell 'A'	2.89
Royal Dutch Shell 'A'	2.86	RELX	2.84
Direct Line Insurance	2.84	Aviva	2.66

# Kames UK Equity Income Fund

## Portfolio Statement

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

Holding	Investment	Market valuation £'000	Total net assets %
	<b>Equities (31 July 2018: 97.58%)</b>	<b>46,750</b>	<b>94.81</b>
	<b>Basic Materials (31 July 2018: 5.91%)</b>	<b>2,650</b>	<b>5.37</b>
45,235	BHP	764	1.55
59,651	Elementis	109	0.22
113,241	Glencore	350	0.71
28,807	Mondi	530	1.08
12,418	Rio Tinto	520	1.05
194,260	South32	377	0.76
	<b>Consumer Goods (31 July 2018: 14.04%)</b>	<b>7,343</b>	<b>14.89</b>
20,259	Bellway	575	1.17
47,292	British American Tobacco	1,270	2.57
126,845	Britvic	1,116	2.26
35,971	Coca-Cola	920	1.87
34,150	Diageo	991	2.01
16,318	Imperial Brands	412	0.83
781,448	Taylor Wimpey	1,290	2.62
19,292	Unilever	769	1.56
	<b>Consumer Services (31 July 2018: 15.26%)</b>	<b>6,051</b>	<b>12.27</b>
163,447	Dixons Carphone	225	0.46
110,461	Entertainment One	435	0.88
47,498	Greggs	736	1.49
66,898	Informa	452	0.92
140,694	Kingfisher	313	0.63
92,715	RELX	1,563	3.17
548,945	Tesco	1,224	2.48
35,790	TUI	413	0.84
294,512	Wm Morrison Supermarkets	690	1.40
	<b>Electronic &amp; Electrical Equipment (31 July 2018: 0.66%)</b>	<b>307</b>	<b>0.62</b>
217,789	Strix	307	0.62
	<b>Financials (31 July 2018: 26.40%)</b>	<b>14,631</b>	<b>29.67</b>
321,535	Aviva	1,331	2.70
960,561	Barclays	1,519	3.08
94,138	Beazley	465	0.94
416,277	Direct Line Insurance	1,401	2.84
248,263	HSBC	1,586	3.22
533,011	Legal & General	1,382	2.80
3,345,881	Lloyds Banking	1,937	3.93
392,070	Londonmetric Property	735	1.49
260,745	Phoenix	1,655	3.36
165,533	Sabre Insurance	468	0.95
154,425	Secure Income REIT	615	1.25
56,819	St James's Place	533	1.08
113,666	Standard Life Aberdeen	286	0.58
78,849	Unite	718	1.45
	<b>Health Care (31 July 2018: 9.69%)</b>	<b>3,829</b>	<b>7.77</b>
23,762	AstraZeneca	1,314	2.67
170,273	GlaxoSmithKline	2,515	5.10



# Kames UK Equity Income Fund

## Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
	<b> Industrials (31 July 2018: 8.65%) </b>	<b> 4,302 </b>	<b> 8.73 </b>
194,057	BAE Systems	993	2.01
11,671	Bunzl	280	0.57
281,254	DS Smith	948	1.92
121,983	Essentra	455	0.92
103,001	Howden Joinery	520	1.07
39,497	IMI	378	0.77
28,934	Meggitt	149	0.30
127,189	Melrose Industries	214	0.43
31,569	Vitec	365	0.74
	<b> Oil &amp; Gas (31 July 2018: 12.21%) </b>	<b> 5,613 </b>	<b> 11.38 </b>
274,542	BP	1,428	2.90
59,811	Royal Dutch Shell 'A'	1,412	2.86
100,752	Royal Dutch Shell 'B'	2,386	4.84
71,534	Wood (John)	387	0.78
	<b> Telecommunications (31 July 2018: 1.23%) </b>	<b> - </b>	<b> - </b>
	<b> Utilities (31 July 2018: 3.53%) </b>	<b> 2,024 </b>	<b> 4.11 </b>
134,655	Pennon	1,027	2.09
85,253	SSE	997	2.02
	<b> Portfolio of investments </b>	<b> 46,750 </b>	<b> 94.81 </b>
	Net other assets	2,559	5.19
	<b> Total net assets attributable to shareholders </b>	<b> 49,309 </b>	<b> 100.00 </b>

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 six months ended 31 January 2019

		31 January 2019		31 January 2018
	£'000	£'000	£'000	£'000
<b>Income</b>				
Net capital losses		(5,333)		(46)
Revenue	954		1,021	
Expenses	<u>(228)</u>		<u>(247)</u>	
<b>Net revenue before taxation</b>	<b>726</b>		<b>774</b>	
Taxation	<u>(5)</u>		<u>(4)</u>	
Net revenue after taxation		<u>721</u>		<u>770</u>
Total return before distributions		(4,612)		724
Distributions		<u>(949)</u>		<u>(1,017)</u>
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>(5,561)</b>		<b>(293)</b>

### Statement of Change in Net Assets Attributable to Shareholders for the six months ended 31 January 2019

		31 January 2019		31 January 2018
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders*		54,137		54,210
Amounts receivable on creation of shares	170		618	
Amounts payable on cancellation of shares	<u>(181)</u>		<u>(739)</u>	
		(11)		(121)
Change in net assets attributable to shareholders from investment activities		(5,561)		(293)
Retained distribution on accumulation shares		<u>744</u>		<u>792</u>
<b>Closing net assets attributable to shareholders</b>		<b>49,309</b>		<b>54,588</b>

\*The opening net assets attributable to shareholders for the current period do not equal the closing net assets attributable to shareholders for the comparative period as they are not consecutive periods.

## Kames UK Equity Income Fund

### Balance Sheet as at 31 January 2019

	31 January 2019		31 July 2018	
	£'000	£'000	£'000	£'000
<b>Assets</b>				
Fixed assets:				
Investments		46,750		52,829
Current assets:				
Debtors	104		120	
Cash and cash equivalents	<u>2,723</u>		<u>1,348</u>	
		<u>2,827</u>		<u>1,468</u>
Total assets		49,577		54,297
<b>Liabilities</b>				
Creditors				
Distribution payable	57		108	
Other creditors	<u>211</u>		<u>52</u>	
Total liabilities		<u>268</u>		<u>160</u>
<b>Net assets attributable to shareholders</b>		<b>49,309</b>		<b>54,137</b>

# Kames UK Equity Income Fund

## Distribution Tables

### Share Class A Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017/8 Net Distribution
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				

### Share Class A Income

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017/8 Net Distribution
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				

### Share Class B Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017/8 Net Distribution
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				

### Share Class B Income

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017/8 Net Distribution
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				

\*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

### Net asset value

	Net asset value of share class £'000	Net asset value per share p	Shares in issue
<b>As of 31 January 2019</b>	<b>49,309</b>		
A Accumulation shares	6,721	231.69	2,900,890
A Income shares	4,514	155.58	2,901,624
B Accumulation shares	32,051	246.30	13,013,029
B Income shares	6,023	165.41	3,640,835

# Kames UK Equity Income Fund

## Ongoing charges figure

	31 January 2019	31 July 2018
<b>A Accumulation shares</b>		
ACD's periodic charge	1.50%	1.50%
Other expenses	0.10%	0.08%
<b>Ongoing charges figure</b>	<b>1.60%</b>	<b>1.58%</b>
<b>A Income shares</b>		
ACD's periodic charge	1.50%	1.50%
Other expenses	0.10%	0.08%
<b>Ongoing charges figure</b>	<b>1.60%</b>	<b>1.58%</b>
<b>B Accumulation shares</b>		
ACD's periodic charge	0.60%	0.60%
Other expenses	0.10%	0.08%
<b>Ongoing charges figure</b>	<b>0.70%</b>	<b>0.68%</b>
<b>B Income shares</b>		
ACD's periodic charge	0.60%	0.60%
Other expenses	0.10%	0.08%
<b>Ongoing charges figure</b>	<b>0.70%</b>	<b>0.68%</b>

The ongoing charges figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the sub-fund over the period. The OCF is made up of the ACD's periodic charge and other operating costs deducted from the assets of the sub-fund during the period, except for those payments that are explicitly excluded by regulations.

## Total purchases and sales

	Total purchases £'000	Total sales £'000
6 months to 31.01.2018	8,544	8,676
6 months to 31.01.2019	8,056	8,803

## Kames UK Equity Income Fund

### Revenue record

	Accounting year	Net revenue per share p
A Accumulation shares (pence)	2017	10.13
	2018	11.47
	2019	4.45
A Income shares (pence)	2017	7.47
	2018	8.09
	2019	3.04
B Accumulation shares (pence)	2017	10.58
	2018	12.08
	2019	4.72
B Income shares (pence)	2017	7.80
	2018	8.52
	2019	3.22

# Kames UK Equity Absolute Return Fund

## Fund description

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 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 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 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 Fund should be viewed as a longer term investment.

The 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](http://www.kamescapital.com).

## Performance

The Kames UK Equity Absolute Return Fund returned (1.21)% compared to the LIBOR GBP 1 month return of 0.37%.

## Strategy review

The UK equity market came under significant pressure over the period. There were many issues, which kept volatility levels elevated, including the potential escalation of US-China trade tensions, Brexit negotiations and Italy's budget plans. At the same time, the US Federal Reserve's monetary tightening policy began to have an impact, cooling a very strong US economy. Oil prices fell from sanction-induced highs.

Many of the more defensive sectors performed well for much of the period while cyclical and growth sectors underperformed. 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. While the extent of the sell-off was significant, it subsequently recovered sharply in January as these concerns seemed overdone.

Our short book generated added value through the period but this was more than offset by the negative alpha from our long book. Best Ideas accounted for the majority of the underperformance with Themes and Pair Trades also making negative contributions. 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 back towards the end of 2018 although in many instances there was a lack of any negative company news. Most of these stocks subsequently rallied in January as the market recovered.

The negative return in Themes came from a combination of our Long Contrarian, Long Mining and Long Car Insurance themes. The sell-off in cyclical and mid-cap longs in the market rotation caused the main impact to our Contrarian themes, while our mining theme suffered from poor stock selection with the higher risk names lagging the less risky majors in the sector. Our Car Insurance theme suffered from Hasting issuing a profit warning.

on the positive side, our Balance Sheet risk theme added value with the four names we targeted underperforming the market as risk aversion ensued. Our M&A theme also performed well, with long holding in Jardine Lloyd Thompson contributing positively.

Best Ideas produced a negative return on a hedge-adjusted basis. The main detractors were our growth stocks (Accesso, Keywords) and industrial cyclicals (Wood Group, Synthomer and Sanne Group) 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.

Pair Trades fared better over the period, although it was still marginally negative. Our pairings in the financial sector were volatile while a pairing in the mining sector added some value.



## Kames UK Equity Absolute Return Fund

### Material portfolio changes

<b>Top ten purchases*</b>	<b>31 January 2019</b>	<b>Top ten sales**</b>	<b>31 January 2019</b>
	<b>£'000</b>		<b>£'000</b>
S4 Capital	649	Draper Esprit	387
Triam Investors 1	550	Workspace	172
		accesso Technology	159
		Strix	109

\* There were 2 purchases during the period.

\*\* There were 4 sales during the period.

<b>Top ten holdings</b>	<b>31 January 2019</b>	<b>Top ten holdings</b>	<b>31 July 2018</b>
	<b>%</b>		<b>%</b>
Secure Income REIT	1.72	Secure Income REIT	1.35
S4 Capital	1.64	accesso Technology	1.28
Triam Investors 1	1.22	Strix	0.87
Strix	0.67	Draper Esprit	0.74
accesso Technology	0.61	Workspace	0.35
Wm Morrison Supermarkets	0.10	IMI	0.10
Metro Bank	0.08	Inchcape	0.09
Just	0.08	Prudential	0.08
Persimmon	0.08	BP	0.05
Sirius Minerals	0.07	Senior	0.05

# Kames UK Equity Absolute Return Fund

## Portfolio Statement

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

Holding	Investment	Market valuation £'000	Total net assets %
	<b>Contracts for Difference (31 July 2018: (0.89)%)</b>	<b>16</b>	<b>0.04</b>
(250,843)	AA	(9)	(0.02)
(39,839)	Admiral	(18)	(0.04)
(103,940)	Amigo	6	0.01
(207,388)	AO World	19	0.04
(73,817)	Arrow Global	(6)	(0.01)
210,742	Ascential	(5)	(0.01)
(9,625)	ASOS	(42)	(0.09)
47,652	AutoTrader	3	0.01
38,980	Aveva	26	0.06
174,716	Aviva	22	0.05
350,182	Balfour Beatty	(3)	(0.01)
(476,680)	Barclays	28	0.06
(192,394)	BBA Aviation	(12)	(0.03)
(81,441)	BCA Marketplace	(5)	(0.01)
(26,295)	Beazley	10	0.02
(27,858)	BHP	(22)	(0.05)
(94,035)	BP	1	-
(34,593)	Bunzl	(20)	(0.04)
16,278	Burberry	6	0.01
198,560	Cairn Energy	(2)	-
(714,952)	Capital & Regional	(12)	(0.03)
(71,703)	Card Factory	(8)	(0.02)
(530,162)	Centrica	(9)	(0.02)
32,868	Coca-Cola	8	0.02
(43,187)	Compass	10	0.02
(584,288)	Countrywide	(4)	(0.01)
(4,972)	Craneware	(9)	(0.02)
(25,180)	CRH	-	-
14,166	Croda International	(17)	(0.04)
(74,199)	Daily Mail & General Trust	(12)	(0.03)
(11,937)	DCC	24	0.05
28,307	Dechra Pharmaceuticals	(18)	(0.04)
(29,398)	Dignity	(3)	(0.01)
253,834	Direct Line Insurance	11	0.03
(140,887)	Domino's Pizza	8	0.02
108,637	DS Smith	18	0.04
227,164	Entertainment One	(17)	(0.04)
67,670	GB Group	(16)	(0.04)
55,080	GlaxoSmithKline	20	0.05
126,069	Glencore	15	0.03
(8,832)	Gooch & Housego	(3)	(0.01)
(8,310)	Hargreaves Lansdown	18	0.04
216,000	Hastings	3	0.01
(9,397)	Hiscox	12	0.03
68,417	HomeServe	4	0.01
(96,856)	HSBC	-	-
53,831	IG	5	0.01
(9,812)	Intertek	1	-
(128)	iShares FTSE 250	(35)	(0.08)
(110,735)	IWG	-	-
(254,121)	J Sainsbury	(27)	(0.06)
29,277	Jardine Lloyd Thompson	-	-
19,442	Johnson Matthey	6	0.01
(151,541)	Jupiter Fund Management	(25)	(0.06)
470,066	Just	34	0.08
103,078	Just Eat	17	0.04

# Kames UK Equity Absolute Return Fund

## Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
<b>Contracts for Difference (continued)</b>			
35,606	Keywords Studios	1	-
1,327,491	Lloyds Banking	(9)	(0.02)
(118,125)	Majestic Wine	(5)	(0.01)
(221,676)	Manx Telecom	(24)	(0.05)
(155,269)	Marks & Spencer	(13)	(0.03)
(41,104)	Meggitt	(6)	(0.01)
(21,563)	Metro Bank	36	0.08
(148,121)	NewRiver REIT	(11)	(0.02)
(59,197)	Pearson	16	0.04
19,029	Persimmon	33	0.08
(123,014)	Phoenix	(31)	(0.07)
(56,022)	Qinetiq	1	-
131,689	Rentokil Initial	(7)	(0.02)
32,827	Ricardo	(9)	(0.02)
(124,974)	Rightmove	(3)	(0.01)
(71,304)	Rolls-Royce	(15)	(0.03)
(168,342)	Rotork	(8)	(0.02)
(12,353)	Royal Dutch Shell 'A'	(2)	-
(86,712)	RSA Insurance	19	0.04
148,972	Sabre Insurance	10	0.02
48,425	Sanne	(9)	(0.02)
(24,946)	Segro	(6)	(0.01)
87,069	Senior	12	0.03
(1,200,000)	Sirius Minerals	31	0.07
(19,116)	Smiths	(4)	(0.01)
159,139	South32	18	0.04
46,630	SSE	7	0.02
(22,500)	Staffline	1	-
136,104	Synthomer	(28)	(0.06)
(205,301)	TalkTalk Telecom	6	0.01
(30,972)	Telecom Plus	28	0.06
116,933	UDG Healthcare	11	0.03
19,965	Ultra Electronics	(6)	(0.01)
318,988	Vectura	(12)	(0.03)
51,231	Vitec	(25)	(0.06)
299,169	Wm Morrison Supermarkets	43	0.10
	<b>Equities 5.04% (31 July 2018: 4.59%)</b>	<b>2,653</b>	<b>5.86</b>
	<b>Consumer Services (31 July 2018: 0.00%)</b>	<b>744</b>	<b>1.64</b>
553,094	S4 Capital	744	1.64
	<b>Electronic &amp; Electrical Equipment (31 July 2018: 0.87%)</b>	<b>302</b>	<b>0.67</b>
214,718	Strix	302	0.67
	<b>Financials (31 July 2018: 2.44%)</b>	<b>1,332</b>	<b>2.94</b>
195,350	Secure Income REIT	778	1.72
550,000	Triam Investors 1	554	1.22
	<b>Technology (31 July 2018: 1.28%)</b>	<b>275</b>	<b>0.61</b>
19,316	accesso Technology	275	0.61

# Kames UK Equity Absolute Return Fund

## Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
	<b>Futures (31 July 2018: (0.01)%)</b>	<b>(32)</b>	<b>(0.07)</b>
(14)	FTSE 100 Future Contract March 2019	(32)	(0.07)
	<b>Portfolio of investments*</b>	<b>2,637</b>	<b>5.83</b>
	Net other assets	42,621	94.17
	<b>Total net assets attributable to shareholders</b>	<b>45,258</b>	<b>100.00</b>

### Analysis of investments by asset class

	Market value £'000	Value of investments %
Equities	2,653	5.86
Derivatives	(16)	(0.03)
<b>Portfolio of investments*</b>	<b>2,637</b>	<b>5.83</b>
Net other assets	42,621	94.17
<b>Total net assets attributable to shareholders</b>	<b>45,258</b>	<b>100.00</b>

### Analysis of underlying exposure futures and options

	Market value £'000
Futures contracts	(32)
	<b>(32)</b>

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 six months ended 31 January 2019

	31 January 2019		31 January 2018	
	£'000	£'000	£'000	£'000
<b>Income</b>				
Net capital losses		(304)		(202)
Revenue	445		(83)	
Expenses	(230)		(648)	
Interest payable and similar charges	(412)		(78)	
<b>Net expense before taxation</b>	<b>(197)</b>		<b>(809)</b>	
Taxation	-		-	
Net expense after taxation		(197)		(809)
Total return before distributions		(501)		(1,011)
Distributions		-		-
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>(501)</b>		<b>(1,011)</b>

### Statement of Change in Net Assets Attributable to Shareholders for the six months ended 31 January 2019

	31 January 2019		31 January 2018	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders*		54,981		198,158
Amounts receivable on creation of shares	8,058		18,568	
Amounts payable on cancellation of shares	(17,311)		(107,297)	
		(9,253)		(88,729)
Dilution adjustment		31		245
Change in net assets attributable to shareholders from investment activities		(501)		(1,011)
<b>Closing net assets attributable to shareholders</b>		<b>45,258</b>		<b>108,663</b>

\*The opening net assets attributable to shareholders for the current period do not equal the closing net assets attributable to shareholders for the comparative period as they are not consecutive periods.

## Kames UK Equity Absolute Return Fund

### Balance Sheet as at 31 January 2019

	31 January 2019		31 July 2018	
	£'000	£'000	£'000	£'000
<b>Assets</b>				
Fixed assets:				
Investments		3,261		3,068
Current assets:				
Debtors	230		210	
Cash and cash equivalents	42,846		56,954	
		<u>43,076</u>		<u>57,164</u>
Total assets		46,337		60,232
<b>Liabilities</b>				
Investment liabilities		624		1,037
Creditors				
Other creditors	455		4,214	
Total liabilities		<u>1,079</u>		<u>5,251</u>
<b>Net assets attributable to shareholders</b>		<u>45,258</u>		<u>54,981</u>

## Kames UK Equity Absolute Return Fund

### Net asset value

	Net asset value of share class £'000	Net asset value per share p	Shares in issue
<b>As of 31 January 2019</b>	<b>45,258</b>		
A Accumulation shares	908	105.02	864,547
B Accumulation shares	43,808	112.01	39,109,602
D Accumulation shares	542	100.52	538,983

## Kames UK Equity Absolute Return Fund

### Ongoing charges figure

	31 January 2019	31 July 2018
<b>A Accumulation shares</b>		
ACD's periodic charge	1.55%	1.55%
Other expenses	0.07%	0.04%
<b>Ongoing charges figure</b>	<b>1.62%</b>	<b>1.59%</b>
<b>B Accumulation shares</b>		
ACD's periodic charge	0.80%	0.80%
Other expenses	0.07%	0.04%
<b>Ongoing charges figure</b>	<b>0.87%</b>	<b>0.84%</b>
<b>D Accumulation shares</b>		
ACD's periodic charge	1.05%	1.05%
Other expenses	0.07%	0.04%
<b>Ongoing charges figure</b>	<b>1.12%</b>	<b>1.09%</b>

The ongoing charges figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the sub-fund over the period. The OCF is made up of the ACD's periodic charge and other operating costs deducted from the assets of the sub-fund during the period, except for those payments that are explicitly excluded by regulations.

### Total purchases and sales

	Total purchases £'000	Total sales £'000
6 months to 31.01.2018	182,073	237,489
6 months to 31.01.2019	1,199	827



## Kames UK Equity Absolute Return Fund

### Revenue record

	Accounting year	Net revenue per share p
A Accumulation shares (pence)	2017	-
	2018	-
	2019	-
B Accumulation shares (pence)	2017	-
	2018	-
	2019	-
D Accumulation shares (pence)	2017	-
	2018	-
	2019	-

# Kames UK Smaller Companies Fund

## Fund description

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 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 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 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](http://www.kamescapital.com).

## Performance

The Kames UK Smaller Companies Fund returned (14.18)% compared to the peer group median return of (11.88)%. The peer group is the Investment Association UK Smaller Companies sector.

## Strategy review

The UK equity market came under significant pressure over the period. There were many issues which kept volatility levels elevated, including the potential escalation of US-China trade tensions, Brexit negotiations and Italy's budget plans. At the same time, the US Federal Reserve's monetary tightening policy began to have an impact, cooling a very strong US economy. Oil prices fell from sanction-induced highs.

Defensive sectors performed well for much of the period while cyclical and growth sectors underperformed. 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. While the extent of the sell-off was significant, it subsequently recovered sharply in January, as these concerns seemed overdone. Nevertheless, for the six-month period overall the FTSE All-Share returned -8.44% with the Numis Smaller Companies index down -9.42%.

One third of the Fund's underperformance was driven by sector selection and two thirds was driven by stock selection. Early in the period, we acknowledged the challenging backdrop by increasing slightly our exposure to companies with perceived defensive characteristics; positions in Hilton Foods, Gamma Communications, John Laing and Unite were amongst those increased. Exposure to industrial cyclicality was reduced. We sold holdings completely where we determined that the trading newsflow challenged the investment case. This included Clipper Logistics, CVS and Spire Healthcare.

Overall, however, the Fund remained overweight growth, which detracted from performance given the magnitude of the sell-off seen towards the end of 2018. Within sector selection, our overweight position in the software sector detracted, as did our exposure to support services and industrial engineering.

Within stock selection, Patisserie Valerie 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 accounts". 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 were recruitment company Robert Walters, which was de-rated given the market backdrop, and Sanne Group which was de-rated on reduced margin guidance. CVS underperformed due to the pressure, acknowledged by the business, coming from a shortage of vets and weak post acquisition delivery of some practices. Long-term winner Dechra Pharmaceuticals came into the period on its highest ever multiple and was de-rated harshly in reaction to market commentary. Much of this fall has subsequently been recovered as management have guided to robust trading.

Stocks that held-up well in the Fund in the turbulent market conditions included property company CLS, which continued to generate growth in net asset value through active portfolio management and exposure to the German and French office markets. Investments in IPOs and fund raisings for International Greetings, Knights and Aquis Exchange were positive. Having invested in Greggs while the 'Beast from the East' was impacting short-term profits, the Fund benefited as like-for-like sales normalised. Investment in Gamma Communications, which generates recurring revenue from telecommunications services, benefited from ongoing upgrade momentum.

While it was a difficult period for the UK Smaller Companies Sector and the Fund, our strong conviction in the investment cases of the stocks we invest in remained unchanged. The recovery seen in January, 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. We therefore believe that the Fund's holdings are well positioned for the year in prospect.

## Kames UK Smaller Companies Fund

### Material portfolio changes

<b>Top ten purchases</b>	<b>31 January 2019</b>	<b>Top ten sales</b>	<b>31 January 2019</b>
	<b>£'000</b>		<b>£'000</b>
Cranswick	3,657	CVS	4,834
A.G. Barr	3,479	Bovis Homes	3,931
John Laing	3,377	PageGroup	3,856
Midwich	3,355	CLS	3,316
Ferrexpo	3,111	Victrex	3,167
PageGroup	2,810	Mortgage Advice Bureau	2,375
UDG Healthcare	2,773	Premier Asset Management	2,355
Unite	2,576	Workspace	2,260
Hilton Food	1,973	Dechra Pharmaceuticals	2,204
Howden Joinery	1,876	Softcat	2,159

<b>Top ten holdings</b>	<b>31 January 2019</b>	<b>Top ten holdings</b>	<b>31 July 2018</b>
	<b>%</b>		<b>%</b>
Dechra Pharmaceuticals	4.36	Dechra Pharmaceuticals	4.63
GB Group	3.88	GB Group	4.06
FDM	3.59	Workspace	3.81
Hilton Food	3.24	FDM	3.57
Workspace	3.21	CLS	3.17
Abcam	2.96	Abcam	3.02
CLS	2.88	Robert Walters	2.93
Brewin Dolphin	2.85	Sanne	2.92
Sanne	2.38	Brewin Dolphin	2.66
Robert Walters	2.28	Victrex	2.56

# Kames UK Smaller Companies Fund

## Portfolio Statement

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

Holding	Investment	Market valuation £'000	Total net assets %
	<b>Equities (31 July 2018: 101.11%)</b>	<b>255,617</b>	<b>99.18</b>
	<b>Basic Materials (31 July 2018: 3.78%)</b>	<b>7,225</b>	<b>2.80</b>
299,171	Elementis	545	0.21
650,000	Ferrexpo	1,679	0.65
486,447	Synthomer	1,742	0.68
142,699	Victrex	3,259	1.26
	<b>Consumer Goods (31 July 2018: 8.58%)</b>	<b>30,154</b>	<b>11.70</b>
398,083	A.G. Barr	2,998	1.16
247,749	Bovis Homes	2,511	0.98
1,312,198	Cairn Homes	1,463	0.57
647,138	Countryside Properties	1,988	0.77
130,689	Cranswick	3,767	1.46
900,129	Hilton Food	8,335	3.24
1,130,088	Hotel Chocolat	3,464	1.34
435,500	IG Design	2,326	0.90
1,898,313	Springfield Properties	2,221	0.86
485,750	Team17	1,081	0.42
	<b>Consumer Services (31 July 2018: 9.76%)</b>	<b>27,068</b>	<b>10.50</b>
129,119	4imprint	2,557	0.99
1,286,722	City Pub	2,599	1.01
200,196	Dunelm	1,445	0.56
1,150,000	Entertainment One	4,531	1.76
248,240	Fuller Smith & Turner	2,656	1.03
346,598	Greggs	5,369	2.08
3,507,765	Huntsworth	3,806	1.48
475,243	On the Beach	2,089	0.81
904,263	Patisserie	-	-
1,499,245	S4 Capital	2,016	0.78
	<b>Electronic &amp; Electrical Equipment (31 July 2018: 0.80%)</b>	<b>2,050</b>	<b>0.80</b>
1,456,054	Strix	2,050	0.80
	<b>Financials (31 July 2018: 21.72%)</b>	<b>59,780</b>	<b>23.20</b>
260,864	AJ Bell	677	0.26
346,208	Aquis Exchange	2,034	0.79
915,167	Arden Partners	245	0.10
2,460,698	Brewin Dolphin	7,353	2.85
102,437	Brooks Macdonald	1,721	0.67
558,313	Charter Court Financial Services	1,543	0.60
3,036,322	CLS	7,424	2.88
1,191,969	IntegraFin	4,084	1.59
1,055,000	John Laing	3,743	1.45
2,475,087	Just	2,507	0.97
1,505,969	LXI REIT	1,860	0.72
135,202	Mortgage Advice Bureau	819	0.32
446,344	OneSavings Bank	1,677	0.65
518,406	Paragon	2,149	0.84
1,330,882	Premier Asset Management	2,622	1.02
882,707	Secure Income REIT	3,513	1.36
1,217,172	Tatton Asset Management	2,343	0.91
570,264	Unite	5,189	2.01
871,683	Workspace	8,277	3.21
	<b>Health Care (31 July 2018: 8.52%)</b>	<b>22,738</b>	<b>8.82</b>
576,224	Abcam	7,641	2.96
474,796	Dechra Pharmaceuticals	11,224	4.36

# Kames UK Smaller Companies Fund

## Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
	<b>Health Care (continued)</b>		
759,046	Medica	900	0.35
320,000	UDG Healthcare	1,854	0.72
1,507,320	Vectura Group	1,119	0.43
	<b>Industrials (31 July 2018: 27.63%)</b>	<b>62,821</b>	<b>24.37</b>
389,097	Bodycote	2,957	1.15
1,465,828	Boku	1,309	0.51
133,837	Clarkson	3,420	1.33
120,000	Diploma	1,523	0.59
1,037,269	Forterra	2,744	1.06
557,583	Gordon Dadds	803	0.31
622,253	Grafton	4,567	1.77
274,708	Hill & Smith	3,030	1.18
780,026	Howden Joinery	3,941	1.53
245,775	Keywords Studios	2,925	1.14
1,027,354	Knights	2,681	1.04
800,263	Marshalls	4,065	1.58
420,000	Midwich	2,310	0.90
176,965	PayPoint	1,502	0.58
491,109	Polypipe	1,941	0.75
22,838	Renishaw	1,066	0.41
541,776	Ricardo	3,348	1.30
1,123,342	Robert Walters	5,886	2.28
1,228,914	Sanne	6,132	2.38
1,243,870	Senior	2,811	1.09
65,771	TMO Fund Raising*	-	-
77,000	Ultra Electronics	988	0.38
248,622	Vitec	2,872	1.11
	<b>Oil &amp; Gas (31 July 2018: 4.51%)</b>	<b>8,573</b>	<b>3.33</b>
1,705,115	Cairn Energy	3,187	1.24
313,818	Great Eastern Energy GDR	210	0.08
584,259	Hunting	3,260	1.26
89,049	Indus Gas	222	0.09
2,292,587	Premier Oil	1,694	0.66
	<b>Technology (31 July 2018: 14.47%)</b>	<b>29,906</b>	<b>11.60</b>
82,713	accesso Technology	1,179	0.46
120,625	Aveva	3,281	1.27
118,050	Blue Prism	1,653	0.64
2,322,661	Dotdigital	1,888	0.73
1,124,341	FDM	9,253	3.59
2,177,066	GB Group	9,993	3.88
687,917	NCC	883	0.34
255,941	Softcat	1,776	0.69
	<b>Telecommunications (31 July 2018: 1.34%)</b>	<b>5,302</b>	<b>2.06</b>
648,192	Gamma Communications	5,302	2.06
	<b>Portfolio of investments</b>	<b>255,617</b>	<b>99.18</b>
	Net other assets	2,114	0.82
	<b>Total net assets attributable to shareholders</b>	<b>257,731</b>	<b>100.00</b>

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 COLL.

## Kames UK Smaller Companies Fund

### Statement of Total Return for the six months ended 31 January 2019

		31 January 2019		31 January 2018
	£'000	£'000	£'000	£'000
<b>Income</b>				
Net capital (losses)/gains		(47,096)		20,009
Revenue	3,012		3,200	
Expenses	(1,163)		(1,334)	
Interest payable and similar charges	(1)		(4)	
<b>Net revenue before taxation</b>	<b>1,848</b>		<b>1,862</b>	
Taxation	(3)		(5)	
Net revenue after taxation		1,845		1,857
Total return before distributions		(45,251)		21,866
Distributions		(39)		(124)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>(45,290)</b>		<b>21,742</b>

### Statement of Change in Net Assets Attributable to Shareholders for the six months ended 31 January 2019

		31 January 2019		31 January 2018
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders*		317,818		302,993
Amounts receivable on creation of shares	2,960		65,728	
Amounts payable on cancellation of shares	(17,860)		(84,297)	
		(14,900)		(18,569)
Dilution adjustment		103		1,086
Change in net assets attributable to shareholders from investment activities		(45,290)		21,742
<b>Closing net assets attributable to shareholders</b>		<b>257,731</b>		<b>307,252</b>

\*The opening net assets attributable to shareholders for the current period do not equal the closing net assets attributable to shareholders for the comparative period as they are not consecutive periods.

## Kames UK Smaller Companies Fund

### Balance Sheet as at 31 January 2019

	31 January 2019		31 July 2018	
	£'000	£'000	£'000	£'000
<b>Assets</b>				
Fixed assets:				
Investments		255,617		321,357
Current assets:				
Debtors	832		899	
Cash and cash equivalents	3,865		2,278	
		<u>4,697</u>	<u>3,177</u>	
Total assets		260,314		324,534
<b>Liabilities</b>				
Creditors				
Bank overdrafts	-		1	
Other creditors	2,583		6,715	
		<u>2,583</u>	<u>6,716</u>	
Total liabilities		2,583		6,716
<b>Net assets attributable to shareholders</b>		<b>257,731</b>		<b>317,818</b>

## Kames UK Smaller Companies Fund

### Net asset value

	Net asset value of share class £'000	Net asset value per share p	Shares in issue
<b>As of 31 January 2019</b>	<b>257,731</b>		
A Accumulation shares	15,809	323.79	4,882,557
B Accumulation shares	241,866	349.73	69,158,115
D Accumulation shares	56	195.34	28,557



## Kames UK Smaller Companies Fund

### Ongoing charges figure

	31 January 2019	31 July 2018
<b>A Accumulation shares</b>		
ACD's periodic charge	1.50%	1.50%
Other expenses	0.04%	0.04%
<b>Ongoing charges figure</b>	<b>1.54%</b>	<b>1.54%</b>
<b>B Accumulation shares</b>		
ACD's periodic charge	0.75%	0.75%
Other expenses	0.04%	0.04%
<b>Ongoing charges figure</b>	<b>0.79%</b>	<b>0.79%</b>
<b>D Accumulation shares</b>		
ACD's periodic charge	1.00%	1.00%
Other expenses	0.04%	0.04%
<b>Ongoing charges figure</b>	<b>1.04%</b>	<b>1.04%</b>

The ongoing charges figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the sub-fund over the period. The OCF is made up of the ACD's periodic charge and other operating costs deducted from the assets of the sub-fund during the period, except for those payments that are explicitly excluded by regulations.

### Total purchases and sales

	Total purchases £'000	Total sales £'000
6 months to 31.01.2018	82,111	108,188
6 months to 31.01.2019	61,298	79,943

## Kames UK Smaller Companies Fund

### Revenue record

	Accounting year	Net revenue per share p
A Accumulation shares (pence)	2017	3.03
	2018	2.59
	2019	-
B Accumulation shares (pence)	2017	5.56
	2018	5.64
	2019	-
D Accumulation shares (pence)	2017	2.69
	2018	2.63
	2019	-

# Kames UK Opportunities Fund

## Fund description

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 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 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 Fund should be viewed as a longer-term investment.

The 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](http://www.kamescapital.com).

## Performance

The Kames UK Opportunities Fund returned (14.08)% compared to the peer group median return of (8.81)%. The peer group is the Investment Association UK All Companies sector.

## Strategy review

The UK equity market came under significant pressure over the period. There were many issues which kept volatility levels elevated, including the potential escalation of US-China trade tensions, Brexit negotiations and Italy's budget plans. At the same time, the US Federal Reserve's monetary tightening policy began to have an impact, cooling a very strong US economy. Oil prices fell from sanction-induced highs.

Many of the more defensive sectors performed well for much of the period while cyclical sectors and growth names underperformed. 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. While the extent of the sell-off was significant, it subsequently rallied in January as these concerns seemed overdone.

The Fund's growth, momentum and mid-cap style came under pressure over the period, given the volatility seen in markets. Early in the period, we tempered the cyclical nature of the Fund but overall it retained an overweight exposure to mid-cap names, to growth companies and to industrials. This position detracted from performance, given the sell-off in markets towards the end of 2018.

Sector selection was marginally positive over the period while stock selection accounted for the Fund's underperformance against the median. Overweight positions in traditional defensive sectors such as beverages added value, as did the overweight in media. These positions were offset, however, by the Fund's exposure to cyclical and financials sectors such as chemicals and industrial engineering.

Within stock selection, the Fund benefited from its holdings in global companies such as RELX, John Laing and Aveva, a leader in engineering and industrial software. In contrast, highly-rated growth plays Keywords Studios and Accesso Technologies struggled in the difficult conditions. Industrial cyclicals (Wood Group, Ashtead, Synthomer and Sanne Group) also suffered in the market rotation.

Speciality chemicals producer Synthomer continued to de-rate along with the unloved European chemicals sector. The investment case still looks strong though, as capex on key projects should lead to growth in 2019.

Many of the names that fell back towards the end of 2018 did so despite a lack of any negative company news. Most of these stocks subsequently rallied in January as the market recovered. The recovery seen in January confirmed our belief that the market had over-reacted to fears of recession and of policy error. We therefore believe that the Fund's holdings are well positioned for the year in prospect.

## Kames UK Opportunities Fund

### Material portfolio changes

<b>Top ten purchases</b>	<b>31 January 2019</b>	<b>Top ten sales</b>	<b>31 January 2019</b>
	<b>£'000</b>		<b>£'000</b>
Ashtead	4,860	Standard Chartered	3,454
Croda International	4,421	Tesco	3,345
Diageo	4,057	Glencore	3,011
South32	4,042	easyJet	2,927
GlaxoSmithKline	3,897	Weir	2,747
Just Eat	3,560	Johnson Matthey	2,630
Burberry	3,504	Ascential	2,597
Wood (John)	3,385	St James's Place	2,529
Antofagasta	3,111	Wood (John)	2,479
HomeServe	2,330	Hill & Smith	2,356

<b>Top ten holdings</b>	<b>31 January 2019</b>	<b>Top ten holdings</b>	<b>31 July 2018</b>
	<b>%</b>		<b>%</b>
RELX	4.04%	AstraZeneca	3.91
AstraZeneca	3.97%	Aveva	3.17
Aveva	3.96%	Prudential	3.07
Dechra Pharmaceuticals	3.91%	Coca-Cola	3.04
Croda International	3.66%	Wm Morrison Supermarkets	3.03
Diageo	3.59%	DS Smith	3.01
HomeServe	3.49%	Dechra Pharmaceuticals	2.94
Coca-Cola	3.34%	Countryside Properties	2.70
Entertainment One	3.30%	Standard Chartered	2.69
John Laing	3.29%	London Stock Exchange	2.64

# Kames UK Opportunities Fund

## Portfolio Statement

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

Holding	Investment	Market valuation £'000	Total net assets %
	<b>Equities (31 July 2018: 99.26%)</b>	<b>111,929</b>	<b>96.83</b>
	<b>Basic Materials (31 July 2018: 6.98%)</b>	<b>10,810</b>	<b>9.35</b>
231,679	Antofagasta	2,015	1.74
87,893	Croda International	4,236	3.66
1,609,193	South32	3,120	2.70
401,776	Synthomer	1,439	1.25
	<b>Consumer Goods (31 July 2018: 12.36%)</b>	<b>21,849</b>	<b>18.90</b>
140,482	Burberry	2,530	2.19
833,725	Cairn Homes	929	0.80
151,002	Coca-Cola	3,861	3.34
1,000,193	Countryside Properties	3,073	2.66
59,715	Cranswick	1,721	1.49
143,000	Diageo	4,148	3.59
239,703	Hilton Food	2,220	1.92
1,098,619	Hotel Chocolat Group	3,367	2.91
	<b>Consumer Services (31 July 2018: 19.67%)</b>	<b>18,274</b>	<b>15.81</b>
969,641	Entertainment One	3,820	3.30
1,850,951	Huntsworth	2,008	1.74
488,301	Just Eat	3,399	2.94
276,827	RELX	4,667	4.04
1,064,379	S4 Capital	1,431	1.24
1,259,349	Wm Morrison Supermarkets	2,949	2.55
	<b>Financials (31 July 2018: 19.19%)</b>	<b>14,998</b>	<b>12.97</b>
61,814	IG	392	0.34
1,073,211	John Laing	3,808	3.29
2,080,866	Just	2,108	1.82
57,127	London Stock Exchange	2,615	2.26
201,243	Prudential	2,989	2.59
775,456	Secure Income REIT	3,086	2.67
	<b>Health Care (31 July 2018: 6.85%)</b>	<b>14,536</b>	<b>12.58</b>
83,013	AstraZeneca	4,592	3.97
190,888	Dechra Pharmaceuticals	4,513	3.91
249,936	GlaxoSmithKline	3,692	3.19
300,000	UDG Healthcare	1,739	1.51
	<b>Industrials (31 July 2018: 17.58%)</b>	<b>15,658</b>	<b>13.55</b>
131,705	Ashtead	2,539	2.20
503,514	DS Smith	1,697	1.47
427,583	HomeServe	4,032	3.49
187,186	Keywords Studios	2,228	1.93
114,211	Meggitt	589	0.51
359,408	Sanne	1,794	1.55
240,609	Vitec	2,779	2.40
	<b>Oil &amp; Gas (31 July 2018: 4.30%)</b>	<b>3,240</b>	<b>2.80</b>
1,733,497	Cairn Energy	3,240	2.80

# Kames UK Opportunities Fund

## Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
	<b>Technology (31 July 2018: 10.60%)</b>	<b>10,148</b>	<b>8.78</b>
61,100	accesso Technology	871	0.75
168,398	Aveva	4,580	3.96
202,922	FDM	1,670	1.45
659,498	GB Group	3,027	2.62
	<b>Telecommunications (31 July 2018: 1.73%)</b>	<b>2,416</b>	<b>2.09</b>
295,393	Gamma Communications	2,416	2.09
	<b>Portfolio of investments</b>	<b>111,929</b>	<b>96.83</b>
	Net other assets	3,660	3.17
	<b>Total net assets attributable to shareholders</b>	<b>115,589</b>	<b>100.00</b>

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 six months ended 31 January 2019

		31 January 2019		31 January 2018
	£'000	£'000	£'000	£'000
<b>Income</b>				
Net capital (losses)/gains		(20,092)		3,095
Revenue	927		666	
Expenses	<u>(526)</u>		<u>(430)</u>	
<b>Net revenue before taxation</b>	<b>401</b>		<b>236</b>	
Taxation	<u>(2)</u>		<u>-</u>	
Net revenue after taxation		<u>399</u>		<u>236</u>
Total return before distributions		(19,693)		3,331
Distributions		<u>(2)</u>		<u>427</u>
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>(19,695)</b>		<b>3,758</b>

### Statement of Change in Net Assets Attributable to Shareholders for the six months ended 31 January 2019

		31 January 2019		31 January 2018
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders*		136,230		68,709
Amounts receivable on creation of shares	967		100,602	
Amounts payable on cancellation of shares	<u>(1,913)</u>		<u>(7,977)</u>	
		(946)		92,625
Dilution adjustment		-		8
Change in net assets attributable to shareholders from investment activities		<u>(19,695)</u>		<u>3,758</u>
<b>Closing net assets attributable to shareholders</b>		<b>115,589</b>		<b>165,100</b>

\*The opening net assets attributable to shareholders for the current period do not equal the closing net assets attributable to shareholders for the comparative period as they are not consecutive periods.

## Kames UK Opportunities Fund

### Balance Sheet as at 31 January 2019

	31 January 2019		31 July 2018	
	£'000	£'000	£'000	£'000
<b>Assets</b>				
Fixed assets:				
Investments		111,929		135,218
Current assets:				
Debtors	258		576	
Cash and cash equivalents	<u>5,010</u>		<u>811</u>	
		<u>5,268</u>		<u>1,387</u>
Total assets		117,197		136,605
<b>Liabilities</b>				
Creditors				
Other creditors	<u>1,608</u>		<u>375</u>	
Total liabilities		<u>1,608</u>		<u>375</u>
<b>Net assets attributable to shareholders</b>		<b>115,589</b>		<b>136,230</b>



## Kames UK Opportunities Fund

### Net asset value

	Net asset value of share class £'000	Net asset value per share p	Shares in issue
<b>As of 31 January 2019</b>	<b>115,589</b>		
A Accumulation shares	8,193	170.59	4,802,838
B Accumulation shares	107,186	183.79	58,320,373
D Accumulation shares	210	147.43	142,387

# Kames UK Opportunities Fund

## Ongoing charges figure

	31 January 2019	31 July 2018
<b>A Accumulation shares</b>		
ACD's periodic charge	1.50%	1.50%
Other expenses	0.05%	0.04%
<b>Ongoing charges figure</b>	<b>1.55%</b>	<b>1.54%</b>
<b>B Accumulation shares</b>		
ACD's periodic charge	0.75%	0.75%
Other expenses	0.05%	0.05%
<b>Ongoing charges figure</b>	<b>0.80%</b>	<b>0.80%</b>
<b>D Accumulation shares</b>		
ACD's periodic charge	1.00%	1.00%
Other expenses	0.05%	0.05%
<b>Ongoing charges figure</b>	<b>1.05%</b>	<b>1.05%</b>

The ongoing charges figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the sub-fund over the period. The OCF is made up of the ACD's periodic charge and other operating costs deducted from the assets of the sub-fund during the period, except for those payments that are explicitly excluded by regulations.

## Total purchases and sales

	Total purchases £'000	Total sales £'000
6 months to 31.01.2018	148,713	55,952
6 months to 31.01.2019	63,715	67,066

## Kames UK Opportunities Fund

### Revenue record

	Accounting year	Net revenue per share p
A Accumulation shares (pence)	2017	1.96
	2018	1.53
	2019	-
B Accumulation shares (pence)	2017	3.52
	2018	3.19
	2019	-
D Accumulation shares (pence)	2017	2.45
	2018	2.15
	2019	-

# Kames Strategic Bond Fund

## Fund description

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 Fund will be invested in sterling and other currency denominated bonds hedged back to sterling. The Fund may also invest in deposits, money market instruments, derivative instruments and forward transactions.

## Risk profile

The 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 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 Fund should be viewed as a longer term investment.

The 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](http://www.kamescapital.com).

## Performance

The Kames Strategic Bond Fund returned 0.08% compared to the peer group median return of 0.27%. The peer group is the Investment Association Sterling Strategic Bond sector.

## Strategy review

It was a volatile period in bond markets. In September, a hawkish Federal Reserve hiked rates for the third time in 2018. This, along with growing concerns from trade wars, a slowing global economy, and idiosyncratic turmoil in certain markets drove markets to knee-jerk reactions over otherwise innocuous headlines. Eventually, these fears proved too much to bear and culminated in a sudden and unexpected correction in the fourth quarter. A December rate increase from the Federal Reserve only added to the difficulty. 90% of risk assets finished 2018 in the red, and fixed income markets were not immune, though sovereign debt performed relatively well as money flowed into 'safe havens'. However, by January sentiment turned sharply yet again, driving a 'risk-on' rally across assets and especially in the high yield sector, supported by a dovish tone from the Fed.

In terms of interest rate risk, we maintained a short bias for most of the period. While this was successful during the first half of the period, 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, reducing the short bias. Positions in Australian bonds and a short in French OATs against bunds added to performance.

In terms of yield curve positioning, performance was mixed. 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.

Within asset allocation, we maintained a balance between spread products and sovereign bonds. The underlying bond position is cautious in EM, investment grade corporates (particularly long tenors) and low quality high yield (C and below). In sovereigns we have been allocating to inflation-linked securities in the US, where valuations are compelling in the medium term. Our cautious positioning was positive for relative performance during the final quarter of 2018, protecting the fund somewhat as spreads widened markedly – however absolute performance was negative in the difficult period. In January, risk assets rebounded from the December lows. We increased exposure to high yield at the start of the month by c.10%, which contributed very strongly to performance.

Within sector and stock selection, we maintain preference for financials versus non-financials. In non-financials we retain a cautious approach. Our high yield risk is concentrated in BB and B, avoiding CCC-rated credits. We see a deterioration of fundamentals across corporate issuers (e.g. telecom, autos), and therefore maintain a cautious approach in these sectors. Our overweight to financials detracted from performance in the early months, but during the sell-off seen in November and December it helped the fund on a relative basis. Stock selection was mixed, but a positive contributor overall. Exposure to high yield retailer Dia and General Electric detracted from performance.

## Kames Strategic Bond Fund

### Material portfolio changes

<b>Top ten purchases</b>	<b>31 January 2019</b>	<b>Top ten sales</b>	<b>31 January 2019</b>
	<b>£'000</b>		<b>£'000</b>
United Kingdom Gilt 1.625% 22/10/2028	24,761	United Kingdom Gilt 1.625% 22/10/2028	30,442
United Kingdom Gilt Inflation Linked 1.875% 22/11/2022	16,865	US Treasury Inflation Indexed Bond 0.5% 15/01/2028	19,834
US Treasury Inflation Indexed Bond 0.5% 15/01/2028	16,589	US Treasury Inflation Indexed Bond 0.125% 15/04/2019	17,067
Italy Buoni Poliennali Del Tesoro 2.7% 01/03/2047	8,347	United Kingdom Gilt 2% 22/07/2020	11,408
US Treasury Inflation Indexed Bond 1% 15/02/2048	7,931	United Kingdom Gilt Inflation Linked 2.5% 16/04/2020	10,803
US Treasury Bond 2.875% 31/10/2023	7,789	United Kingdom Gilt 1.75% 22/07/2019	10,084
General Electric 2.125% 17/05/2037	6,272	Italy Buoni Poliennali Del Tesoro 1.45% 15/05/2025	9,879
GE Capital UK Funding Unlimited 5.875% 18/01/2033	5,658	US Treasury Bond 2.875% 15/05/2028	9,620
United Kingdom Gilt 1.5% 22/07/2047	5,462	United Kingdom Gilt 1.5% 22/07/2047	8,431
Takeda Pharmaceutical 0.784% 21/11/2022	5,400	GE Capital UK Funding Unlimited 5.875% 18/01/2033	7,923

<b>Top ten holdings</b>	<b>31 January 2019</b>	<b>Top ten holdings</b>	<b>31 July 2018</b>
	<b>%</b>		<b>%</b>
US Treasury Bond 2.875% 15/05/2028	5.69	US Treasury Bond 2.875% 15/05/2028	8.35
Japan Government Two Year Bond 0.1% 15/02/2019	5.35	US Treasury Inflation Indexed Bond 0.125% 15/04/2019	5.37
United Kingdom Gilt Inflation Linked 1.875% 22/11/2022	3.50	Japan Government Two Year Bond 0.1% 15/02/2019	4.94
United Kingdom Gilt 1.625% 22/10/2028	3.45	United Kingdom Gilt 1.625% 22/10/2028	4.80
Italy Buoni Poliennali Del Tesoro 2.7% 01/03/2047	2.73	United Kingdom Gilt 2% 22/07/2020	3.61
US Treasury Bond 2.875% 31/10/2023	2.58	United Kingdom Gilt Inflation Linked 2.5% 16/04/2020	3.41
US Treasury Inflation Indexed Bond 0.5% 15/01/2028	2.52	US Treasury Inflation Indexed Bond 0.5% 15/01/2028	3.31
US Treasury Inflation Indexed Bond 1% 15/02/2048	1.49	United Kingdom Gilt 1.75% 22/07/2019	3.18
Australia Government Bond 1% 21/02/2050	1.45	United Kingdom Gilt 1.25% 22/07/2027	2.50
HSBC Capital 5.844% Perpetual	1.11	Italy Buoni Poliennali Del Tesoro 1.45% 15/05/2025	2.06

# Kames Strategic Bond Fund

## Portfolio Statement

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

Holding	Investment	Market valuation £'000	Total net assets %
	<b>Australian Dollar Denominated Bonds (31 July 2018: 0.00%)</b>	<b>4,342</b>	<b>1.45</b>
	<b>Government Bonds (31 July 2018: 0.00%)</b>	<b>4,342</b>	<b>1.45</b>
7,500,000	Australia Government Bond 1% 21/02/2050	4,342	1.45
	<b>Credit Default Swaps (31 July 2018: (0.23)%)</b>	<b>340</b>	<b>0.11</b>
70,000,000	JP Morgan Sell Protection Itraxx EUR Main S30 5-yr December 2023	874	0.29
35,000,000	Barclays Buy Protection Itraxx EUR SNRFIN S30 5-yr September 2023	(285)	(0.09)
18,000,000	Barclays Sell Protection CDX EUR Main S30 10-yr December 2028	(249)	(0.09)
	<b>Euro Denominated Bonds (31 July 2018: 20.09%)</b>	<b>75,598</b>	<b>25.20</b>
	<b>Corporate Bonds (31 July 2018: 16.86%)</b>	<b>67,400</b>	<b>22.47</b>
1,800,000	ABN AMRO Bank 5.75% Perpetual	1,631	0.54
1,500,000	Algeco Global Finance 6.5% 15/02/2023	1,318	0.44
2,300,000	Argentum Netherlands 3.5% 01/10/2046	2,160	0.72
1,600,000	Aviva 6.125% 05/07/2043	1,592	0.53
1,800,000	Banco Santander 6.25% Perpetual	1,537	0.51
1,200,000	Banco Santander 6.75% Perpetual	1,103	0.37
2,400,000	Bankia 6.375% Perpetual	2,066	0.69
2,800,000	Bankinter 2.5% 06/04/2027	2,439	0.81
2,600,000	BNP Paribas 6.125% Perpetual	2,428	0.81
2,000,000	Caixa Geral de Depositos 5.75% 28/06/2028	1,828	0.61
2,200,000	CaixaBank 6.75% Perpetual	2,002	0.67
2,550,000	Catalent Pharma Solutions 4.75% 15/12/2024	2,310	0.77
1,200,000	Danske Bank 5.75% Perpetual	1,037	0.35
2,100,000	DKT Finance 7% 17/06/2023	1,979	0.66
2,160,000	El Corte Ingles 3% 15/03/2024	1,915	0.64
2,900,000	Energizer Gamma Acquisition 4.625% 15/07/2026	2,487	0.83
1,700,000	Engie 3.25% Perpetual	1,500	0.50
2,600,000	Equinix 2.875% 01/10/2025	2,251	0.75
1,800,000	Erste 6.5% Perpetual	1,671	0.56
3,400,000	General Electric 1.875% 28/05/2027	2,814	0.94
2,600,000	HBOS 4.5% 18/03/2030	2,424	0.81
1,600,000	HSBC 6% Perpetual	1,542	0.51
3,300,000	InterXion 4.75% 15/06/2025	3,009	1.00
2,600,000	LHC3 4.125% 15/08/2024	2,247	0.75
2,400,000	Mapfre 4.375% 31/03/2047	2,216	0.74
2,100,000	NN 4.375% Perpetual	1,901	0.63
2,200,000	Platin 1426 5.375% 15/06/2023	1,784	0.60
1,800,000	Societe Generale 6.75% Perpetual	1,650	0.55
1,900,000	Solvay Finance 5.425% Perpetual	1,812	0.60
1,900,000	Southern Power 1.85% 20/06/2026	1,706	0.57
3,100,000	Takeda Pharmaceutical 0.784% 21/11/2022	2,703	0.90
2,300,000	UniCredit 9.25% Perpetual	2,198	0.73
2,500,000	Volkswagen Bank 1.164% 01/08/2022	2,192	0.73
2,300,000	Volkswagen International Finance 2.7% Perpetual	1,948	0.65
	<b>Government Bonds (31 July 2018: 3.23%)</b>	<b>8,198</b>	<b>2.73</b>
10,500,000	Italy Buoni Poliennali Del Tesoro 2.7% 01/03/2047	8,198	2.73
	<b>Forward Foreign Exchange Contracts (31 July 2018: (0.85)%)</b>	<b>5,551</b>	<b>1.85</b>
	Bought GBP 3,993,079 Sold AUD 7,000,000	120	0.04
	Bought GBP 50,194,200 Sold EUR 55,500,000	1,715	0.57
	Bought GBP 6,186,742 Sold EUR 6,900,000	160	0.05
	Bought GBP 4,505,617 Sold EUR 5,000,000	138	0.05
	Bought GBP 1,814,190 Sold EUR 2,000,000	67	0.02

# Kames Strategic Bond Fund

## Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
	<b>Forward Foreign Exchange Contracts (continued)</b>		
	Bought GBP 2,687,367 Sold EUR 3,000,000	67	0.02
	Bought GBP 3,175,507 Sold EUR 3,600,000	31	0.01
	Bought GBP 631,259 Sold EUR 700,000	20	0.01
	Bought GBP 660,499 Sold EUR 750,000	5	-
	Bought GBP 7,379,035 Sold EUR 8,500,000	(46)	(0.02)
	Bought GBP 15,394,038 Sold JPY 2,257,000,000	(378)	(0.13)
	Bought GBP 86,796,993 Sold USD 110,000,000	3,349	1.13
	Bought GBP 9,096,871 Sold USD 11,700,000	221	0.07
	Bought GBP 1,942,906 Sold USD 2,500,000	46	0.02
	Bought GBP 1,146,416 Sold USD 1,500,000	8	-
	Bought JPY 285,000,000 Sold GBP 1,976,575	15	0.01
	Bought USD 13,000,000 Sold GBP 9,854,083	8	-
	Bought USD 22,000,000 Sold GBP 16,684,443	5	-
	<b>Futures Contracts (31 July 2018: 0.01%)</b>	<b>(942)</b>	<b>(0.31)</b>
(187)	Australia 10 Year Bond Future Contract March 2019	1	-
110	EURO Bond Future Contract March 2019	93	0.03
(40)	EURO BUXL 30 Year Bond Future Contract March 2019	(242)	(0.08)
(180)	EURO-BTP Bond Future Contract March 2019	(485)	(0.16)
(50)	EURO-OAT Future contract March 2019	(79)	(0.03)
(200)	Long Gilt Future Contract March 2019	(122)	(0.04)
(400)	US 5 Year Note Future Contract March 2019	(11)	-
(75)	US 10 Year Ultra Future Contract March 2019	(34)	(0.01)
70	US Ultra Bond (CBT) Future Contract March 2019	(63)	(0.02)
	<b>Japanese Yen Denominated Bonds (31 July 2018: 4.94%)</b>	<b>16,067</b>	<b>5.35</b>
	<b>Government Bonds (31 July 2018: 4.94%)</b>	<b>16,067</b>	<b>5.35</b>
2,300,000,000	Japan Government Two Year Bond 0.1% 15/02/2019	16,067	5.35
	<b>Sterling Denominated Bonds (31 July 2018: 47.63%)</b>	<b>122,751</b>	<b>40.92</b>
	<b>Asset Backed Security (31 July 2018: 2.66%)</b>	<b>8,828</b>	<b>2.94</b>
3,110,000	BL Superstores Finance 5.27% 04/10/2025	749	0.25
1,200,000	Dignity Finance 4.6956% 31/12/2049	1,067	0.36
1,200,000	Income Contingent Student Loans 2 2007-2009 2.5% 24/07/2058	1,059	0.35
3,100,000	Telereal Secured Finance 4.01% 10/12/2031	2,535	0.84
3,850,000	THPA Finance 7.127% 15/03/2024	2,098	0.70
3,600,000	Unique Pub Finance 6.542% 30/03/2021	1,320	0.44
	<b>Corporate Bonds (31 July 2018: 24.32%)</b>	<b>93,070</b>	<b>31.03</b>
1,100,000	Annington Funding 3.935% 12/07/2047	1,111	0.37
2,800,000	Arqiva Broadcast Finance 6.75% 30/09/2023	2,907	0.97
2,000,000	Arqiva Financing 5.34% 30/06/2030	2,327	0.78
1,700,000	AXA 5.453% Perpetual	1,774	0.59
2,100,000	Barclays 3.25% 12/02/2027	2,056	0.69
2,300,000	BNP Paribas 3.375% 23/01/2026	2,338	0.78
2,400,000	British Telecommunications 5.75% 07/12/2028	2,945	0.98
1,500,000	BUPA Finance 5% 25/04/2023	1,622	0.54
1,246,000	Channel Link Enterprises Finance 3.043% 30/06/2050	1,226	0.41
500,000	Close Brothers 2.75% 26/04/2023	499	0.17
1,900,000	Compass 2% 05/09/2025	1,911	0.64
2,100,000	Cooperatieve Rabobank 4.625% 23/05/2029	2,317	0.77
2,102,000	Cooperatieve Rabobank 6.91% Perpetual	2,871	0.96
2,000,000	CPUK Finance 4.25% 28/08/2022	1,948	0.65
2,000,000	Digital Stout 2.75% 19/07/2024	1,990	0.66
1,000,000	Digital Stout 3.75% 17/10/2030	1,007	0.34
2,000,000	Drax Finco 4.25% 01/05/2022	1,993	0.66
2,000,000	El Group 7.5% 15/03/2024	2,026	0.67
1,900,000	Electricite de France 5.5% 27/03/2037	2,404	0.80

# Kames Strategic Bond Fund

## Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
<b>Corporate Bonds (continued)</b>			
2,200,000	Goldman Sachs 6.875% 18/01/2038	2,989	1.00
1,585,000	HBOS Sterling Finance Jersey 7.881% Perpetual	2,206	0.74
1,900,000	Heathrow Funding 7.125% 14/02/2024	2,288	0.76
2,700,000	HSBC Capital 5.844% Perpetual	3,336	1.11
2,100,000	Kelda Finance No.3 5.75% 17/02/2020	2,099	0.70
1,500,000	Legal & General 5.125% 14/11/2048	1,555	0.52
2,400,000	Legal & General 5.5% 27/06/2064	2,459	0.82
2,500,000	Mclaren Finance 5% 01/08/2022	2,317	0.77
2,300,000	Miller Homes 5.5% 15/10/2024	2,173	0.72
900,000	National Grid Electricity Transmission 2.75% 06/02/2035	907	0.30
2,100,000	Pennon 2.875% Perpetual	2,099	0.70
900,000	Phoenix 6.625% 18/12/2025	942	0.31
2,900,000	Pinnacle Bidco 6.375% 15/02/2025	2,914	0.97
1,800,000	Prudential 5% 20/07/2055	1,889	0.63
1,700,000	Prudential 5.625% 20/10/2051	1,773	0.59
2,200,000	RSA Insurance 5.125% 10/10/2045	2,350	0.78
1,700,000	Sainsbury's Bank 6% 23/11/2027	1,696	0.57
1,600,000	Santander UK 6.75% Perpetual	1,615	0.54
1,900,000	SP Manweb 4.875% 20/09/2027	2,245	0.75
2,700,000	SSE 3.875% Perpetual	2,697	0.90
1,800,000	SSE 6.25% 27/08/2038	2,541	0.85
1,200,000	Thames Water Kemble Finance 7.75% 01/04/2019	1,205	0.40
1,900,000	Virgin Money 3.375% 24/04/2026	1,785	0.60
1,300,000	Wellcome Trust 2.517% 07/02/2118	1,235	0.41
1,200,000	Wells Fargo 5.25% 01/08/2023	1,351	0.45
2,400,000	Welltower 4.8% 20/11/2028	2,706	0.90
2,400,000	Western Power Distribution 3.5% 16/10/2026	2,426	0.81
<b>Government Bonds (31 July 2018: 20.65%)</b>		<b>20,853</b>	<b>6.95</b>
10,000,000	United Kingdom Gilt 1.625% 22/10/2028	10,366	3.45
6,500,000	United Kingdom Gilt Inflation Linked 1.875% 22/11/2022	10,487	3.50
<b>United States Dollar Denominated Bonds (31 July 2018: 22.57%)</b>		<b>71,848</b>	<b>23.95</b>
<b>Asset Backed Security (31 July 2018: 0.36%)</b>		<b>966</b>	<b>0.32</b>
2,100,000	Odebrecht Drilling Norbe VIII 6.35% 01/12/2021	966	0.32
<b>Corporate Bonds (31 July 2018: 5.18%)</b>		<b>34,035</b>	<b>11.35</b>
2,300,000	AT&T 3.95594% 12/06/2024	1,729	0.58
1,500,000	Barclays 7.625% 21/11/2022	1,221	0.41
2,100,000	BP Capital Markets America 3.79% 06/02/2024	1,628	0.54
1,400,000	Coty 6.5% 15/04/2026	958	0.32
1,900,000	Credit Suisse 7.5% Perpetual	1,466	0.49
2,400,000	Danske Bank 5.375% 12/01/2024	1,851	0.62
3,300,000	Dell International 5.45% 15/06/2023	2,625	0.87
3,400,000	FMG Resources August 2006 4.75% 15/05/2022	2,572	0.86
4,165,000	JPMorgan Chase 6.2205% Perpetual	3,166	1.05
3,100,000	MGM Resorts International 4.625% 01/09/2026	2,214	0.74
2,700,000	Park Aerospace Holdings 5.25% 15/08/2022	2,084	0.69
2,500,000	Royal Bank of Scotland 7.648% Perpetual	2,338	0.78
2,600,000	Royal Bank of Scotland 8.625% Perpetual	2,103	0.70
3,000,000	Tullow Oil 7% 01/03/2025	2,221	0.74
4,000,000	UniCredit 6.572% 14/01/2022	3,108	1.04
3,500,000	Unitymedia 6.125% 15/01/2025	2,751	0.92



# Kames Strategic Bond Fund

## Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
	<b>Government Bonds (31 July 2018: 17.03%)</b>	<b>36,847</b>	<b>12.28</b>
10,000,000	US Treasury Bond 2.875% 31/10/2023	7,748	2.58
22,000,000	US Treasury Bond 2.875% 15/05/2028	17,065	5.69
10,000,000	US Treasury Inflation Indexed Bond 0.5% 15/01/2028	7,572	2.52
5,900,000	US Treasury Inflation Indexed Bond 1% 15/02/2048	4,462	1.49
	<b>Portfolio of investments*</b>	<b>295,555</b>	<b>98.52</b>
	Net other assets	4,445	1.48
	<b>Total net assets attributable to shareholders</b>	<b>300,000</b>	<b>100.00</b>

### Analysis of investments by asset class

	Market value £'000	Value of investment %
Bonds	290,606	96.87
Derivatives	4,949	1.65
<b>Portfolio of investments*</b>	<b>295,555</b>	<b>98.52</b>
Net other assets	4,445	1.48
<b>Total net assets attributable to shareholders</b>	<b>300,000</b>	<b>100.00</b>

### Analysis of underlying exposure futures and options

	Market value £'000
Futures contracts	(942)
	<b>(942)</b>

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 six months ended 31 January 2019

	31 January 2019		31 January 2018	
	£'000	£'000	£'000	£'000
<b>Income</b>				
Net capital (losses)/gains		(3,251)		3,825
Revenue	5,374		5,770	
Expenses	(1,363)		(1,496)	
Interest payable and similar charges	(581)		(741)	
<b>Net revenue before taxation</b>	<b>3,430</b>		<b>3,533</b>	
Taxation	(19)		-	
Net revenue after taxation		3,411		3,533
Total return before distributions		160		7,358
Distributions		(3,413)		(3,533)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>(3,253)</b>		<b>3,825</b>

### Statement of Change in Net Assets Attributable to Shareholders for the six months ended 31 January 2019

	31 January 2019		31 January 2018	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders*		317,370		369,147
Amounts receivable on creation of shares	52,551		24,525	
Amounts payable on cancellation of shares	(68,834)		(105,198)	
		(16,283)		(80,673)
Dilution adjustment		-		240
Change in net assets attributable to shareholders from investment activities		(3,253)		3,825
Retained distribution on accumulation shares		2,166		2,270
<b>Closing net assets attributable to shareholders</b>		<b>300,000</b>		<b>294,809</b>

\*The opening net assets attributable to shareholders for the current period do not equal the closing net assets attributable to shareholders for the comparative period as they are not consecutive periods.

# Kames Strategic Bond Fund

## Balance Sheet as at 31 January 2019

	31 January 2019		31 July 2018	
	£'000	£'000	£'000	£'000
<b>Assets</b>				
Fixed assets:				
Investments		297,549		302,703
Current assets:				
Debtors	3,914		4,404	
Cash and cash equivalents	12,090		16,922	
		<u>16,004</u>		<u>21,326</u>
Total assets		313,553		324,029
<b>Liabilities</b>				
Investment liabilities		1,994		3,874
Creditors				
Bank overdrafts	2,668		25	
Distribution payable	575		475	
Other creditors	8,316		2,285	
		<u>13,553</u>		<u>6,659</u>
Total liabilities		13,553		6,659
<b>Net assets attributable to shareholders</b>		<b>300,000</b>		<b>317,370</b>

# Kames Strategic Bond Fund

## Distribution Tables

### Share Class A Accumulation

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017/8 Net Distribution
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				

### Share Class A Income

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017/8 Net Distribution
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				

### Share Class B Accumulation

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017/8 Net Distribution
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				

### Share Class B Income

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017/8 Net Distribution
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				

### Share Class D Accumulation

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017/8 Net Distribution
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				

### Share Class D Income

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017/8 Net Distribution
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				

\*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 S Accumulation\*\*

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017/8 Net Distribution
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				

### Share Class S Income\*\*

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017/8 Net Distribution
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				

\*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 Strategic Bond Fund

### Net asset value

	Net asset value of share class £'000	Net asset value per share p	Shares in issue
<b>As of 31 January 2019</b>	<b>300,000</b>		
A Accumulation shares	54,178	192.32	28,170,345
A Income shares	1,514	120.14	1,260,202
B Accumulation shares	124,137	122.46	101,370,959
B Income shares	76,968	118.87	64,750,721
D Accumulation shares	919	117.08	784,615
D Income shares	433	103.63	417,770
S Accumulation shares	22,665	100.54	22,543,693
S Income shares	19,186	98.95	19,389,597

# Kames Strategic Bond Fund

## Ongoing charges figure

	31 January 2019	31 July 2018
<b>A Accumulation shares</b>		
ACD's periodic charge	1.25%	1.25%
Other expenses	0.05%	0.05%
<b>Ongoing charges figure</b>	<b>1.30%</b>	<b>1.30%</b>
<b>A Income shares</b>		
ACD's periodic charge	1.25%	1.25%
Other expenses	0.05%	0.05%
<b>Ongoing charges figure</b>	<b>1.30%</b>	<b>1.30%</b>
<b>B Accumulation shares</b>		
ACD's periodic charge	0.75%	0.75%
Other expenses	0.05%	0.05%
<b>Ongoing charges figure</b>	<b>0.80%</b>	<b>0.80%</b>
<b>B Income shares</b>		
ACD's periodic charge	0.75%	0.75%
Other expenses	0.05%	0.05%
<b>Ongoing charges figure</b>	<b>0.80%</b>	<b>0.80%</b>
<b>D Accumulation shares</b>		
ACD's periodic charge	1.00%	1.00%
Other expenses	0.05%	0.05%
<b>Ongoing charges figure</b>	<b>1.05%</b>	<b>1.05%</b>
<b>D Income shares</b>		
ACD's periodic charge	1.00%	1.00%
Other expenses	0.05%	0.05%
<b>Ongoing charges figure</b>	<b>1.05%</b>	<b>1.05%</b>
<b>S Accumulation shares</b>		
ACD's periodic charge	0.50%	0.50%
Other expenses	0.05%	0.05%
<b>Ongoing charges figure</b>	<b>0.55%</b>	<b>0.55%</b>
<b>S Income shares</b>		
ACD's periodic charge	0.50%	0.50%
Other expenses	0.05%	0.05%
<b>Ongoing charges figure</b>	<b>0.55%</b>	<b>0.55%</b>

The ongoing charges figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the sub-fund over the period. The OCF is made up of the ACD's periodic charge and other operating costs deducted from the assets of the sub-fund during the period, except for those payments that are explicitly excluded by regulations.

## Total purchases and sales

	Total purchases £'000	Total sales £'000
6 months to 31.01.2018	412,203	483,134
6 months to 31.01.2019	344,596	352,850

# Kames Strategic Bond Fund

## Revenue record

	Accounting year	Net revenue per share p
A Accumulation shares (pence)	2017	3.46
	2018	3.21
	2019	1.69
A Income shares (pence)	2017	2.24
	2018	2.05
	2019	1.06
B Accumulation shares (pence)	2017	2.71
	2018	2.64
	2019	1.38
B Income shares (pence)	2017	2.76
	2018	2.63
	2019	1.35
D Accumulation shares (pence)	2017	2.35
	2018	2.25
	2019	1.17
D Income shares (pence)	2017	2.17
	2018	2.03
	2019	1.04
S Accumulation shares (pence)*	2017	-
	2018	0.33
	2019	1.26
S Income shares (pence)*	2017	-
	2018	0.33
	2019	1.25

\* Share class launched on 22 May 2018.



# Kames Global Equity Fund

## Fund description

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 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 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 Fund should be viewed as a longer term investment.

The 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](http://www.kamescapital.com).

## Performance

The Kames Global Equity Fund returned (13.26)% compared to the peer group median return of (6.00)%. The peer group is the Investment Association Global sector.

## Strategy review

Global equity markets came under significant pressure over the period. Volatility levels were elevated, due mainly to the potential escalation of the US-China trade tensions, 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. Oil prices fell from sanction-induced highs. Many of the more defensive sectors performed well for much of the period while cyclical and growth sectors underperformed. While the market fell heavily towards the end of 2018 it subsequently recovered sharply in January as investors judged the sharp sell-off in the final quarter of 2018 as overdone.

Stock selection accounted for the majority of the Fund's underperformance over the period. The largest detractors came from growth stocks towards the smaller end of the market-cap spectrum. Hearing aid retailer Amplifon de-rated significantly, despite sales growth accelerating. 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. Companies exposed to the growth in OLED displays have suffered of late due to softer demand and a pushing out of the OLED growth story to 2021.

BRP gave back its gains from earlier in the year and continued to de-rate 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.

A number of stocks we held managed to navigate the volatility and make positive contributions. Top performer was Burlington Stores, which delivered a strong numbers and raised guidance for 2019. Same-store sales continue to accelerate and margins, a key strand of our investment thesis, were also well ahead of previous levels.

Anta Sports Products was another strong performer. Latest results showed solid growth for its main Anta brand and continued exponential growth for the smaller Fila brand. In addition, Anta confirmed its acquisition of Finnish sporting goods company Amer Sports, via a joint venture, which will count Tencent and Chip Wilson (founder of the phenomenally successful Lululemon brand) as stakeholders.

Other stocks that gained ground were Badger Daylighting (non-destructive excavation) and Salmar (fish farming), both of which have used innovation in their respective markets to gain a strong competitive advantage and build revenues and earnings.

While it was a difficult period for global equities and the Fund, our strong conviction in the investment cases of the stocks we invest in remained unchanged. The recovery seen in January, and the subsequent positive performance of many of our holdings, confirmed our belief that the market had over-reacted to fears of recession and of a central bank policy error. We therefore believe that the Fund's holdings are well positioned for the year in prospect.

## Kames Global Equity Fund

### Material portfolio changes

<b>Top ten purchases</b>	<b>31 January 2019</b>	<b>Top ten sales</b>	<b>31 January 2019</b>
	<b>£'000</b>		<b>£'000</b>
Burberry	2,995	T Rowe Price	3,288
Hoya	2,789	Evercore	2,230
Royal Unibrew	2,538	Novanta	2,223
Nasdaq	2,426	Nucor	2,166
ICON	2,319	Coherent	2,058
Uni-President China	2,181	Grupo Aeroportuario del Centro Norte	1,844
Japan Airport Terminal	2,035	Hua Hong Semiconductor	1,750
ESCO Technologies	1,953	BRP	1,709
Sandfire Resources	1,950	Continental Building Products	1,599
Teradyne	1,933	TechnoPro Holdings	1,563

<b>Top ten holdings</b>	<b>31 January 2019</b>	<b>Top ten holdings</b>	<b>31 July 2018</b>
	<b>%</b>		<b>%</b>
Insperty	5.33	Insperty	4.92
Burlington Stores	5.18	Green Dot	4.66
Green Dot	4.38	SKC Kolon PI	4.56
Ansys	4.09	T Rowe Price	4.53
Anta Sports Products	3.85	Burlington Stores	4.14
Amplifon	3.75	Ubisoft Entertainment	3.74
MarketAxess	3.36	Amplifon	3.67
Hoya	3.28	Hua Hong Semiconductor	3.49
DNA	3.25	Ansys	3.25
PTT	3.25	BRP	3.10

# Kames Global Equity Fund

## Portfolio Statement

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

Holding	Investment	Market valuation £'000	Total net assets %
	<b>Equities (31 July 2018: 99.69%)</b>	<b>74,078</b>	<b>97.04</b>
	<b>Australia (31 July 2018: 0.00%)</b>	<b>1,279</b>	<b>1.68</b>
332,982	Sandfire Resources	1,279	1.68
	<b>Belgium (31 July 2018: 1.05%)</b>	<b>-</b>	<b>-</b>
	<b>Canada (31 July 2018: 6.45%)</b>	<b>2,215</b>	<b>2.90</b>
109,911	Badger Daylighting	2,215	2.90
	<b>China (31 July 2018: 7.54%)</b>	<b>5,713</b>	<b>7.48</b>
750,000	Anta Sports Products	2,939	3.85
3,240,683	Lonking	823	1.08
2,898,000	Uni-President China	1,951	2.55
	<b>Denmark (31 July 2018: 0.00%)</b>	<b>2,402</b>	<b>3.15</b>
41,949	Royal Unibrew	2,402	3.15
	<b>Finland (31 July 2018: 1.62%)</b>	<b>2,484</b>	<b>3.25</b>
154,925	DNA	2,484	3.25
	<b>France (31 July 2018: 3.74%)</b>	<b>2,190</b>	<b>2.87</b>
32,398	Ubisoft Entertainment	2,190	2.87
	<b>Hong Kong (31 July 2018: 0.00%)</b>	<b>-</b>	<b>-</b>
128,000	China High Precision Automation	-	-
	<b>Ireland (31 July 2018: 0.00%)</b>	<b>2,300</b>	<b>3.01</b>
21,648	ICON	2,300	3.01
	<b>Italy (31 July 2018: 3.67%)</b>	<b>2,865</b>	<b>3.75</b>
210,006	Amplifon	2,865	3.75
	<b>Japan (31 July 2018: 6.61%)</b>	<b>7,420</b>	<b>9.72</b>
56,900	Hoya	2,502	3.28
66,900	Japan Airport Terminal	1,942	2.54
216,800	Systema	1,816	2.38
60,426	Zenrin	1,160	1.52
	<b>Mexico (31 July 2018: 4.19%)</b>	<b>1,881</b>	<b>2.46</b>
1,231,071	Bolsa Mexicana de Valores	1,881	2.46
	<b>Norway (31 July 2018: 2.29%)</b>	<b>1,798</b>	<b>2.36</b>
45,180	Salmar	1,798	2.36
	<b>South Korea (31 July 2018: 4.56%)</b>	<b>1,210</b>	<b>1.59</b>
51,412	SKC Kolon PI	1,210	1.59
	<b>Spain (31 July 2018: 2.88%)</b>	<b>1,257</b>	<b>1.65</b>
58,855	CIE Automotive	1,257	1.65
	<b>Sweden (31 July 2018: 1.40%)</b>	<b>-</b>	<b>-</b>
	<b>Switzerland (31 July 2018: 2.20%)</b>	<b>-</b>	<b>-</b>
	<b>Taiwan (31 July 2018: 0.62%)</b>	<b>713</b>	<b>0.93</b>
240,000	Chroma ATE	713	0.93
	<b>Thailand (31 July 2018: 2.36%)</b>	<b>2,481</b>	<b>3.25</b>
2,102,600	PTT	2,481	3.25

# Kames Global Equity Fund

## Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
	<b>United Kingdom (31 July 2018: 5.11%)</b>	<b>3,524</b>	<b>4.62</b>
96,627	Burberry	1,740	2.28
404,342	Senior	914	1.20
242,852	Synthomer	870	1.14
68,000	TMO Renewables*	-	-
	<b>United States (31 July 2018: 43.40%)</b>	<b>32,346</b>	<b>42.37</b>
24,987	Ansys	3,122	4.09
3,135	Atrion	1,785	2.34
30,299	Burlington Stores	3,955	5.18
38,282	ESCO Technologies	1,894	2.48
59,403	Green Dot	3,342	4.38
50,185	Insperty	4,067	5.33
15,721	MarketAxess	2,566	3.36
87,760	Marten Transport	1,290	1.69
35,032	Nasdaq	2,344	3.07
75,557	Natural Grocers	784	1.03
80,739	Perficient	1,565	2.05
200,315	Photronics	1,625	2.13
61,472	Raven Industries	1,728	2.26
6,288	SVB Financial	1,116	1.46
42,518	Teradyne	1,163	1.52
	<b>Portfolio of investments</b>	<b>74,078</b>	<b>97.04</b>
	Net other assets	2,259	2.96
	<b>Total net assets attributable to shareholders</b>	<b>76,337</b>	<b>100.00</b>

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 COLL.

# Kames Global Equity Fund

## Statement of Total Return for the six months ended 31 January 2019

		31 January 2019		31 January 2018
	£'000	£'000	£'000	£'000
<b>Income</b>				
Net capital (losses)/gains		(12,068)		7,972
Revenue	312		523	
Expenses	(368)		(347)	
Interest payable and similar charges	(3)		(1)	
<b>Net (expense)/revenue before taxation</b>	<b>(59)</b>		<b>175</b>	
Taxation	(26)		(60)	
Net (expense)/revenue after taxation		(85)		115
Total return before distributions		(12,153)		8,087
Distributions		-		4
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>(12,153)</b>		<b>8,091</b>

## Statement of Change in Net Assets Attributable to Shareholders for the six months ended 31 January 2019

		31 January 2019		31 January 2018
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders*		85,304		70,152
Amounts receivable on creation of shares	14,677		6,737	
Amounts payable on cancellation of shares	(11,516)		(4,814)	
		3,161		1,923
Dilution adjustment		25		-
Change in net assets attributable to shareholders from investment activities		(12,153)		8,091
<b>Closing net assets attributable to shareholders</b>		<b>76,337</b>		<b>80,166</b>

\*The opening net assets attributable to shareholders for the current period do not equal the closing net assets attributable to shareholders for the comparative period as they are not consecutive periods.

# Kames Global Equity Fund

## Balance Sheet as at 31 January 2019

		31 January 2019		31 July 2018
	£'000	£'000	£'000	£'000
<b>Assets</b>				
Fixed assets:				
Investments		74,078		85,037
Current assets:				
Debtors	100		700	
Cash and cash equivalents	2,248		449	
		<u>2,348</u>		<u>1,149</u>
Total assets		76,426		86,186
<b>Liabilities</b>				
Creditors				
Other creditors		<u>89</u>		<u>882</u>
Total liabilities		<u>89</u>		<u>882</u>
<b>Net assets attributable to shareholders</b>		<b>76,337</b>		<b>85,304</b>

## Kames Global Equity Fund

### Net asset value

	Net asset value of share class £'000	Net asset value per share p	Shares in issue
<b>As of 31 January 2019</b>	<b>76,337</b>		
A Accumulation shares	6,914	182.64	3,785,707
B Accumulation shares	67,865	211.46	32,094,122
D Accumulation shares	70	200.30	34,938
E Accumulation shares	77	103.03	74,358
S Accumulation shares	1,411	92.71	1,522,500

# Kames Global Equity Fund

## Ongoing charges figure

	31 January 2019	31 July 2018
<b>A Accumulation shares</b>		
ACD's periodic charge	1.50%	1.50%
Other expenses	0.09%	0.09%
<b>Ongoing charges figure</b>	<b>1.59%</b>	<b>1.59%</b>
<b>B Accumulation shares</b>		
ACD's periodic charge	0.75%	0.75%
Other expenses	0.09%	0.09%
<b>Ongoing charges figure</b>	<b>0.84%</b>	<b>0.84%</b>
<b>D Accumulation shares</b>		
ACD's periodic charge	1.00%	1.00%
Other expenses	0.09%	0.08%
<b>Ongoing charges figure</b>	<b>1.09%</b>	<b>1.08%</b>
<b>E Accumulation shares</b>		
ACD's periodic charge	1.50%	1.50%
Other expenses	0.09%	0.08%
<b>Ongoing charges figure</b>	<b>1.59%</b>	<b>1.58%</b>
<b>S Accumulation shares</b>		
ACD's periodic charge	0.40%	0.40%
Other expenses	0.09%	0.09%
<b>Ongoing charges figure</b>	<b>0.49%</b>	<b>0.49%</b>

The ongoing charges figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the sub-fund over the period. The OCF is made up of the ACD's periodic charge and other operating costs deducted from the assets of the sub-fund during the period, except for those payments that are explicitly excluded by regulations.

## Total purchases and sales

	Total purchases £'000	Total sales £'000
6 months to 31.01.2018	25,401	25,119
6 months to 31.01.2019	42,665	41,639



# Kames Global Equity Fund

## Revenue record

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	Accounting year	Net revenue per share p
A Accumulation shares (pence)	2017	-
	2018	-
	2019	-
B Accumulation shares (pence)	2017	0.90
	2018	1.67
	2019	-
D Accumulation shares (pence)	2017	0.42
	2018	1.05
	2019	-
E Accumulation shares (pence)	2017	-
	2018	-
	2019	-
S Accumulation shares (pence)*	2017	-
	2018	0.76
	2019	-

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\*Share class launched on 19 December 2017.

# Kames High Yield Bond Fund

## Fund description

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 Fund may hold sterling and other currency denominated bonds hedged back to sterling. The Fund may also invest in deposits, money market instruments, derivative instruments and forward transactions.

## Risk profile

The 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 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 Fund should be viewed as a longer term investment.

The 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](http://www.kamescapital.com).

## Performance

The Kames High Yield Bond Fund returned 0.69% compared to the peer group median return of (0.55)%. The peer group is the Investment Association Sterling High Yield sector.

## Strategy review

From an asset allocation perspective, a key cause of the outperformance was our relatively defensive positioning. Our very light exposure to emerging market debt and CCC-rated bonds meant the Fund was insulated somewhat from the worst moves during a highly volatile period in bond markets. When credit markets sold off in the last months of 2018, CCC-rated debt and below took a beating that we were glad to avoid.

The opening months of the period were broadly 'risk-on'. The Fund saw good performance from aircraft lessor Avolon, industrial manufacturer Schenck, and US equipment rental firm BlueLine Rental. In September, the Fund added new positions in EI Group, Arqiva, Guala Closure, and Spanish department store operator El Corte Inglés.

October had a notable risk-off tone, especially compared to the preceding months, which would mark the beginning of a challenging final quarter of 2018 across markets. 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 Fund. Another new position was in Dia, the Spanish retailer, after they posted a profit warning and bond prices fell. We expected volatility in the name and it struggled as CCC bonds saw indiscriminate sell-offs at the end of 2018, but we believe it will perform in the long run.

In December, the Fund's defensive positioning continued to help relative performance, as quality led the market while distressed debt faced serious difficulties. 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.

January saw a sharp contrast to the preceding months, as high yield bonds led the reversal in fixed income and performed well. Hilcorp, the largest independent onshore producer of oil & gas in North America, performed very strongly, as did a number of our other energy-focused names. We also saw very strong performance from our position in First Data, the payment processing company. On the negative side of the ledger, our position in Superior industries – the global producer of car wheels – underperformed.

## Kames High Yield Bond Fund

### Material portfolio changes

<b>Top ten purchases</b>	<b>31 January 2019</b>	<b>Top ten sales</b>	<b>31 January 2019</b>
	<b>£'000</b>		<b>£'000</b>
El Corte Ingles 3% 15/03/2024	11,115	BlueLine Rental 9.25% 15/03/2024	13,769
Arqiva Broadcast Finance 6.75% 30/09/2023	9,384	TalkTalk Telecom 5.375% 15/01/2022	11,635
El Group 7.5% 15/03/2024	8,736	HCA 5.375% 01/02/2025	9,388
Banco Bilbao Vizcaya Argentaria 8.875% Perpetual	7,910	Bank of America 5.125% Perpetual	9,113
Hilcorp Energy 6.25% 01/11/2028	6,998	Iron Mountain 3% 15/01/2025	8,629
Intertrust Group 3.375% 15/11/2025	5,761	Catalent Pharma Solutions 4.75% 15/12/2024	8,316
Prudential 5.625% 20/10/2051	4,679	Banco Bilbao Vizcaya Argentaria 5.875% Perpetual	7,898
Smurfit Kappa Acquisitions 2.875% 15/01/2026	4,342	Genesis Energy 5.625% 15/06/2024	7,731
Banff Merger 8.375% 01/09/2026	4,047	Stichting AK Rabobank Certificaten 6.5% Perpetual	7,547
Coty 6.5% 15/04/2026	3,693	Coty 6.5% 15/04/2026	7,203

<b>Top ten holdings</b>	<b>31 January 2019</b>	<b>Top ten holdings</b>	<b>31 July 2018</b>
	<b>%</b>		<b>%</b>
Park Aerospace Holdings 5.25% 15/08/2022	1.99	HCA 5.375% 01/02/2025	2.00
Unitymedia 6.125% 15/01/2025	1.99	Park Aerospace Holdings 5.25% 15/08/2022	1.95
Teva Pharmaceutical Finance 2.95% 18/12/2022	1.88	Unitymedia 6.125% 15/01/2025	1.94
Pinnacle Bidco 6.375% 15/02/2025	1.87	Catalent Pharma Solutions 4.75% 15/12/2024	1.93
Nassa Topco 2.875% 06/04/2024	1.65	Stichting AK Rabobank Certificaten 6.5% Perpetual	1.86
Catalent Pharma Solutions 4.75% 15/12/2024	1.62	BlueLine Rental 9.25% 15/03/2024	1.78
Arqiva Broadcast Finance 6.75% 30/09/2023	1.58	International Game Technology 6.25% 15/02/2022	1.74
First Data 5% 15/01/2024	1.55	Equinix 2.875% 01/10/2025	1.69
Neptune Energy 6.625% 15/05/2025	1.51	UniCredit 9.25% Perpetual	1.59
LHC3 4.125% 15/08/2024	1.50	Pinnacle Bidco 6.375% 15/02/2025	1.57

# Kames High Yield Bond Fund

## Portfolio Statement

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

Holding	Investment	Market valuation £'000	Total net assets %
	<b>Canadian Dollar Denominated Bonds (31 July 2018: 0.87%)</b>	<b>6,601</b>	<b>1.16</b>
	<b>Corporate Bonds (31 July 2018: 0.87%)</b>	<b>6,601</b>	<b>1.16</b>
10,800,000	Quebecor Media 6.625% 15/01/2023	6,601	1.16
	<b>Credit Default Swaps (31 July 2018: 0.30%)</b>	<b>1,131</b>	<b>0.20</b>
15,000,000	BNP Paribas Sell Protection Itraxx EUR Xover S30 5-yr December 2023	1,131	0.20
	<b>Euro Denominated Bonds (31 July 2018: 34.36%)</b>	<b>204,470</b>	<b>35.84</b>
	<b>Corporate Bonds (31 July 2018: 34.36%)</b>	<b>204,470</b>	<b>35.84</b>
7,900,000	Algeco Global Finance 6.5% 15/02/2023	6,943	1.22
8,000,000	Banco Bilbao Vizcaya Argentaria 8.875% Perpetual	7,784	1.36
4,500,000	Banff Merger 8.375% 01/09/2026	3,697	0.65
4,000,000	BNP Paribas 6.125% Perpetual	3,735	0.65
10,200,000	Catalent Pharma Solutions 4.75% 15/12/2024	9,239	1.62
8,700,000	CBR Fashion Finance 5.125% 01/10/2022	6,486	1.14
4,400,000	Crown European 2.25% 01/02/2023	3,921	0.69
4,200,000	DEA Finance 7.5% 15/10/2022	3,838	0.67
2,900,000	Distribuidora Internacional de Alimentacion 0.875% 06/04/2023	1,446	0.25
4,200,000	Distribuidora Internacional de Alimentacion 1.5% 22/07/2019	2,714	0.48
5,750,000	DKT Finance 7% 17/06/2023	5,419	0.95
9,000,000	El Corte Ingles 3% 15/03/2024	7,977	1.40
9,800,000	Energizer Gamma Acquisition 4.625% 15/07/2026	8,405	1.47
9,400,000	Equinix 2.875% 01/10/2025	8,140	1.43
5,400,000	Erste 8.875% Perpetual	5,391	0.94
5,100,000	Grifols 3.2% 01/05/2025	4,434	0.78
4,100,000	Guala Closures 3.5% 15/04/2024	3,578	0.63
6,600,000	Intertrust Group 3.375% 15/11/2025	5,755	1.01
7,000,000	InterXion 4.75% 15/06/2025	6,383	1.12
7,500,000	Intrum 2.75% 15/07/2022	6,341	1.11
5,600,000	IQVIA 3.25% 15/03/2025	4,946	0.87
1,600,000	James Hardie International Finance 3.625% 01/10/2026	1,370	0.24
9,900,000	LHC3 4.125% 15/08/2024	8,558	1.50
8,200,000	LKQ European 3.625% 01/04/2026	7,022	1.23
7,500,000	MPT Operating Partnership 4% 19/08/2022	7,047	1.24
10,500,000	Nassa Topco 2.875% 06/04/2024	9,423	1.65
6,800,000	Paprec 4% 31/03/2025	5,040	0.88
8,400,000	Platin 1426 5.375% 15/06/2023	6,813	1.19
3,300,000	Residomo SRO 3.375% 15/10/2024	2,872	0.50
4,900,000	Smurfit Kappa Acquisitions 2.875% 15/01/2026	4,263	0.75
6,100,000	Stichting AK Rabobank Certificaten 6.5% Perpetual	6,036	1.06
8,750,000	Superior Industries International 6% 15/06/2025	6,183	1.08
7,000,000	Tenneco 4.875% 15/04/2022	6,255	1.10
8,800,000	UniCredit 9.25% Perpetual	8,410	1.47
6,200,000	Verisure Midholding 5.75% 01/12/2023	5,392	0.95
3,800,000	Volkswagen International Finance 4.625% Perpetual	3,214	0.56

# Kames High Yield Bond Fund

## Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
	<b>Forward Foreign Exchange Contracts (31 July 2018: (1.48)%)</b>	<b>17,348</b>	<b>3.04</b>
	Bought GBP 6,795,834 Sold CAD 11,500,000	146	0.03
	Bought GBP 209,549,480 Sold EUR 231,700,000	7,161	1.26
	Bought GBP 2,898,244 Sold EUR 3,200,000	103	0.02
	Bought GBP 2,879,210 Sold EUR 3,200,000	84	0.01
	Bought GBP 308,129,328 Sold USD 390,500,000	11,891	2.08
	Bought GBP 4,297,409 Sold USD 5,500,000	125	0.02
	Bought USD 800,000 Sold GBP 630,333	(23)	-
	Bought USD 1,000,000 Sold GBP 786,778	(29)	(0.01)
	Bought USD 1,800,000 Sold GBP 1,415,456	(50)	(0.01)
	Bought USD 18,000,000 Sold GBP 14,295,795	(641)	(0.11)
	Bought USD 20,000,000 Sold GBP 15,851,718	(679)	(0.12)
	Bought USD 22,400,000 Sold GBP 17,732,881	(740)	(0.13)
	<b>Sterling Denominated Bonds (31 July 2018: 14.66%)</b>	<b>79,318</b>	<b>13.90</b>
	<b>Asset Backed Security (31 July 2018: 2.07%)</b>	<b>9,491</b>	<b>1.66</b>
3,700,000	THPA Finance 8.241% 15/03/2028	4,174	0.73
14,500,000	Unique Pub Finance 6.542% 30/03/2021	5,317	0.93
	<b>Corporate Bonds (31 July 2018: 12.59%)</b>	<b>69,827</b>	<b>12.24</b>
8,700,000	Arqiva Broadcast Finance 6.75% 30/09/2023	9,033	1.58
4,000,000	CPUK Finance 4.25% 28/08/2022	3,897	0.68
7,450,000	Drax Finco 4.25% 01/05/2022	7,425	1.30
7,900,000	EI Group 7.5% 15/03/2024	8,001	1.40
6,600,000	Mclaren Finance 5% 01/08/2022	6,118	1.07
7,900,000	Miller Homes 5.5% 15/10/2024	7,463	1.31
38,000	Nationwide Building Society 10.25% Perpetual	5,414	0.95
3,700,000	Ocado 4% 15/06/2024	3,684	0.65
10,600,000	Pinnacle Bidco 6.375% 15/02/2025	10,650	1.87
8,450,000	Vantiv / Vantiv Issuer 3.875% 15/11/2025	8,142	1.43
	<b>United States Dollar Denominated Bonds (31 July 2018: 44.51%)</b>	<b>240,389</b>	<b>42.13</b>
	<b>Asset Backed Security (31 July 2018: 0.81%)</b>	<b>3,818</b>	<b>0.67</b>
8,300,000	Odebrecht Drilling Norbe VIII 6.35% 01/12/2021	3,818	0.67
	<b>Corporate Bonds (31 July 2018: 43.70%)</b>	<b>236,571</b>	<b>41.46</b>
7,800,000	1011778 BC / New Red Finance 4.25% 15/05/2024	5,765	1.01
8,700,000	Aker 5.875% 31/03/2025	6,755	1.18
2,000,000	Algeco Global Finance 2 10% 15/08/2023	1,463	0.26
5,300,000	Ashtead Capital 4.125% 15/08/2025	3,858	0.68
1,700,000	Banff Merger 9.75% 01/09/2026	1,231	0.22
6,100,000	Centene 4.75% 15/01/2025	4,701	0.82
8,900,000	Cheniere Energy Partners 5.25% 01/10/2025	6,793	1.19
6,100,000	CSC Holdings 10.125% 15/01/2023	5,013	0.88
3,000,000	Drax Finco 6.625% 01/11/2025	2,279	0.40
1,900,000	Energizer Holdings 6.375% 15/07/2026	1,405	0.25
11,400,000	First Data 5% 15/01/2024	8,872	1.55
5,400,000	FMG Resources August 2006 4.75% 15/05/2022	4,085	0.72
6,000,000	Frontier Communications 8.5% 01/04/2026	4,138	0.73
5,900,000	Genesis Energy 5.625% 15/06/2024	4,117	0.72
1,450,000	GLP Capital 4.375% 15/04/2021	1,103	0.19
10,100,000	GLP Capital 4.875% 01/11/2020	7,769	1.36
1,800,000	GLP Capital 5.375% 01/11/2023	1,406	0.25

# Kames High Yield Bond Fund

## Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
<b>Corporate Bonds (continued)</b>			
5,700,000	Goodyear Tire & Rubber 5.125% 15/11/2023	4,334	0.76
3,800,000	Greif 6.5% 01/03/2027	2,900	0.51
5,400,000	Greystar Real Estate Partners 5.75% 01/12/2025	4,064	0.71
8,000,000	HCA 5.375% 01/02/2025	6,289	1.10
7,800,000	Hilcorp Energy 6.25% 01/11/2028	5,811	1.02
8,150,000	International Game Technology 6.25% 15/02/2022	6,412	1.12
2,400,000	Intesa Sanpaolo 5.017% 26/06/2024	1,679	0.29
800,000	James Hardie International Finance 4.75% 15/01/2025	579	0.10
5,450,000	KFC / Pizza Hut / Taco Bell 5% 01/06/2024	4,152	0.73
8,400,000	Live Nation Entertainment 4.875% 01/11/2024	6,319	1.11
7,600,000	MGM Resorts International 4.625% 01/09/2026	5,429	0.95
5,100,000	MGM Resorts International 6% 15/03/2023	4,022	0.70
4,000,000	MGM Resorts International 6.625% 15/12/2021	3,217	0.56
3,300,000	MPT Operating Partnership 5.25% 01/08/2026	2,521	0.44
11,700,000	Neptune Energy 6.625% 15/05/2025	8,616	1.51
7,800,000	Owens-Brockway Glass Container 5.875% 15/08/2023	6,173	1.08
10,500,000	Par Petroleum / Petroleum Finance 7.75% 15/12/2025	7,383	1.29
14,700,000	Park Aerospace Holdings 5.25% 15/08/2022	11,345	1.99
7,100,000	Pilgrim's Pride 5.75% 15/03/2025	5,289	0.93
5,200,000	Prime Security Services Borrower 9.25% 15/05/2023	4,179	0.73
4,200,000	SBA Communications 4.875% 15/07/2022	3,230	0.57
6,100,000	Service International 4.5% 15/11/2020	4,634	0.81
3,000,000	Service International 5.375% 15/01/2022	2,305	0.40
5,400,000	Sirius XM Radio 5.375% 15/04/2025	4,156	0.73
15,100,000	Teva Pharmaceutical Finance 2.95% 18/12/2022	10,737	1.88
9,000,000	Tullow Oil 7% 01/03/2025	6,664	1.17
14,415,000	Unitymedia 6.125% 15/01/2025	11,328	1.99
11,000,000	Vermilion Energy 5.625% 15/03/2025	7,965	1.40
6,000,000	Williams Scotsman International 7.875% 15/12/2022	4,610	0.81
5,100,000	Wyndham Destinations 3.9% 01/03/2023	3,641	0.64
7,600,000	XPO Logistics 6.125% 01/09/2023	5,835	1.02
	<b>Portfolio of investments*</b>	<b>549,257</b>	<b>96.27</b>
	Net other assets	21,290	3.73
	<b>Total net assets attributable to shareholders</b>	<b>570,547</b>	<b>100.00</b>

### Analysis of investments by asset class

	Market value £'000	Value of investments %
Bonds	530,778	93.03
Derivatives	18,479	3.24
<b>Portfolio of investments*</b>	<b>549,257</b>	<b>96.27</b>
Net other assets	21,290	3.73
<b>Total net assets attributable to shareholders</b>	<b>570,547</b>	<b>100.00</b>

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 High Yield Bond Fund

### Statement of Total Return for the six months ended 31 January 2019

	31 January 2019		31 January 2018	
	£'000	£'000	£'000	£'000
<b>Income</b>				
Net capital losses		(11,591)		(5,022)
Revenue	18,173		20,613	
Expenses	(2,961)		(3,967)	
Interest payable and similar charges	(46)		(28)	
<b>Net revenue before taxation</b>	<b>15,166</b>		<b>16,618</b>	
Taxation	-		(95)	
Net revenue after taxation		15,166		16,523
Total return before distributions		3,575		11,501
Distributions		(18,173)		(20,518)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>(14,598)</b>		<b>(9,017)</b>

### Statement of Change in Net Assets Attributable to Shareholders for the six months ended 31 January 2019

	31 January 2019		31 January 2018	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders*		771,414		989,679
Amounts receivable on creation of shares	35,796		83,011	
Amounts payable on cancellation of shares	(233,924)		(197,406)	
		(198,128)		(114,395)
Dilution adjustment		693		325
Change in net assets attributable to shareholders from investment activities		(14,598)		(9,017)
Retained distribution on accumulation shares		11,166		11,685
<b>Closing net assets attributable to shareholders</b>		<b>570,547</b>		<b>878,277</b>

\*The opening net assets attributable to shareholders for the current period do not equal the closing net assets attributable to shareholders for the comparative period as they are not consecutive periods.

# Kames High Yield Bond Fund

## Balance Sheet as at 31 January 2019

	31 January 2019		31 July 2018	
	£'000	£'000	£'000	£'000
<b>Assets</b>				
Fixed assets:				
Investments		551,419		730,941
Current assets:				
Debtors	13,093		34,648	
Cash and cash equivalents	35,591		41,817	
		<u>48,684</u>	<u>76,465</u>	
Total assets		600,103		807,406
<b>Liabilities</b>				
Investment liabilities		2,162		11,833
Creditors				
Bank overdrafts	15,180		914	
Distribution payable	697		1,343	
Other creditors	11,517		21,902	
		<u>29,556</u>	<u>35,992</u>	
Total liabilities		29,556		35,992
<b>Net assets attributable to shareholders</b>		<b>570,547</b>		<b>771,414</b>



# Kames High Yield Bond Fund

## Distribution Tables

### Share Class A Accumulation

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017/8 Net Distribution
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				

### Share Class A Income

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017/8 Net Distribution
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				

### Share Class B Accumulation

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017/8 Net Distribution
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				

\*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 Income

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017/8 Net Distribution
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				

### Share Class D Accumulation

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017/8 Net Distribution
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				

### Share Class D Income

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017/8 Net Distribution
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				

\*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 S Accumulation\*\*

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017/8 Net Distribution
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				

### Share Class S Income\*\*

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017/8 Net Distribution
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				

\*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 High Yield Bond Fund

### Net asset value

	Net asset value of share class £'000	Net asset value per share p	Shares in issue
<b>As of 31 January 2019</b>	<b>570,547</b>		
A Accumulation shares	75,443	127.05	59,381,859
A Income shares	12,816	49.50	25,890,264
B Accumulation shares	322,405	275.44	117,052,621
B Income shares	148,012	94.64	156,393,867
D Accumulation shares	1,481	123.18	1,202,433
D Income shares	2,521	92.47	2,725,989
S Accumulation shares	1,254	101.34	1,237,642
S Income shares	6,615	95.77	6,907,772

# Kames High Yield Bond Fund

## Ongoing charges figure

	31 January 2019	31 July 2018
<b>A Accumulation shares</b>		
ACD's periodic charge	1.25%	1.25%
Other expenses	0.04%	0.03%
<b>Ongoing charges figure</b>	<b>1.29%</b>	<b>1.28%</b>
<b>A Income shares</b>		
ACD's periodic charge	1.25%	1.25%
Other expenses	0.04%	0.03%
<b>Ongoing charges figure</b>	<b>1.29%</b>	<b>1.28%</b>
<b>B Accumulation shares</b>		
ACD's periodic charge	0.75%	0.75%
Other expenses	0.04%	0.03%
<b>Ongoing charges figure</b>	<b>0.79%</b>	<b>0.78%</b>
<b>B Income shares</b>		
ACD's periodic charge	0.75%	0.75%
Other expenses	0.04%	0.03%
<b>Ongoing charges figure</b>	<b>0.79%</b>	<b>0.78%</b>
<b>D Accumulation shares</b>		
ACD's periodic charge	1.00%	1.00%
Other expenses	0.04%	0.03%
<b>Ongoing charges figure</b>	<b>1.04%</b>	<b>1.03%</b>
<b>D Income shares</b>		
ACD's periodic charge	1.00%	1.00%
Other expenses	0.04%	0.03%
<b>Ongoing charges figure</b>	<b>1.04%</b>	<b>1.03%</b>
<b>S Accumulation shares*</b>		
ACD's periodic charge	0.50%	0.50%
Other expenses	0.04%	0.03%
<b>Ongoing charges figure</b>	<b>0.54%</b>	<b>0.53%</b>
<b>S Income shares*</b>		
ACD's periodic charge	0.50%	0.50%
Other expenses	0.04%	0.03%
<b>Ongoing charges figure</b>	<b>0.54%</b>	<b>0.53%</b>

The ongoing charges figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the sub-fund over the period. The OCF is made up of the ACD's periodic charge and other operating costs deducted from the assets of the sub-fund during the period, except for those payments that are explicitly excluded by regulations.

\*The S share class expense changed from 0.55% to 0.50% on 1 July 2018.

## Total purchases and sales

	Total purchases £'000	Total sales £'000
6 months to 31.01.2018	255,714	304,573
6 months to 31.01.2019	110,941	294,872

# Kames High Yield Bond Fund

## Revenue record

	Accounting year	Net revenue per share p
A Accumulation shares (pence)	2017	5.58
	2018	5.96
	2019	3.38
A Income shares (pence)	2017	2.40
	2018	2.45
	2019	1.34
B Accumulation shares (pence)	2017	11.98
	2018	12.86
	2019	7.32
B Income shares (pence)	2017	4.54
	2018	4.66
	2019	2.56
D Accumulation shares (pence)	2017	5.38
	2018	5.77
	2019	3.28
D Income shares (pence)	2017	4.47
	2018	4.56
	2019	2.50
S Accumulation shares (pence)*	2017	-
	2018	2.98
	2019	2.69
S Income shares (pence)*	2017	-
	2018	2.95
	2019	2.59

\*Share class launched on 19 December 2017.

# Kames Investment Grade Bond Fund

## Fund description

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 Fund may hold a maximum of 20% in high yield bonds and may hold cash. A minimum of 80% of the Fund will be hedged back to sterling. The Fund may also invest in deposits, money market instruments, derivative instruments and forward transactions.

## Risk profile

The 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 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 Fund should be viewed as a longer-term investment.

The 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](http://www.kamescapital.com).

## Performance

The Kames Investment Grade Bond Fund returned (0.66)% compared to the peer group median return of 0.76%. The peer group is the Investment Association Sterling Corporate Bond sector.

During the period, the pricing basis of the 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 period but generally 'risk-on', and an abundance of new supply was well received by the market. Having raised the Fund's cash balance to over 10% at the end of the second quarter of 2018, the Fund was active in the primary market in the opening stages of the period. The insurance and banking sectors did not perform well in August and September, which was an early headwind for the 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. Credit spreads moved markedly wider against this backdrop, with both financial and non-financial names bearing the brunt. Financial credit – UK-domiciled banks especially – traded poorly as fears grew over the possibility of a no-deal Brexit, and investors worried how detrimental this would be for the UK economy. With generic risk assets moving lower in price, non-financial credit spreads were inevitably pushed wider as well.

While we had raised the 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 the year; the overall exposure to banks and other financials was reduced from c. 45% at the end of the third quarter to 36% at year-end, reflecting our increasing caution on the near-term outlook for credit spreads. Stock selection in aggregate represented a headwind to portfolio performance, with holdings in GE and RBS detrimental. The portfolio's duration was generally run between 7 and 7.5 years during the later months, which was a small drag on relative performance given the path of gilt yields. We trimmed portfolio duration under 7 years as we approached year-end, seeking to oppose some of the more extreme moves witnessed in what were thin markets.

In January, markets once again sharply reversed, and underwent a strong rally in credit. Having positioned the portfolio defensively at the start of the new year, the fund lagged the median as it was less exposed to the full extent of the rally.

## Kames Investment Grade Bond Fund

### Material portfolio changes

<b>Top ten purchases</b>	<b>31 January 2019</b>	<b>Top ten sales</b>	<b>31 January 2019</b>
	<b>£'000</b>		<b>£'000</b>
United Kingdom Gilt 1.5% 22/07/2047	57,658	United Kingdom Gilt 1.5% 22/07/2047	55,744
Takeda Pharmaceutical 3% 21/11/2030	19,988	SMFG Preferred Capital GBP 2 10.231% Perpetual	24,164
KFW 0.375% 15/12/2020	19,722	HSBC Capital 5.844% Perpetual	22,699
AT&T 2.9% 04/12/2026	18,043	European Investment Bank 1.5% 01/02/2019	20,004
European Investment Bank 1.125% 07/09/2021	14,992	Citigroup 6.8% 25/06/2038	19,037
KFW 1.25% 29/12/2023	14,933	GE Capital UK Funding Unlimited 5.875% 18/01/2033	18,837
European Investment Bank 0.875% 15/03/2021	14,929	Cooperatieve Rabobank 6.91% Perpetual	18,561
European Investment Bank 2.5% 31/10/2022	14,640	Anheuser-Busch InBev 2.85% 25/05/2037	16,486
KFW 5.75% 07/06/2032	14,629	Goldman Sachs 6.875% 18/01/2038	16,440
Compass 2% 05/09/2025	14,452	CPUK Finance 7.239% 28/02/2024	15,093

<b>Top ten holdings</b>	<b>31 January 2019</b>	<b>Top ten holdings</b>	<b>31 July 2018</b>
	<b>%</b>		<b>%</b>
KFW 0.375% 15/12/2020	2.01	HSBC Capital 5.844% Perpetual	1.78
European Investment Bank 1.125% 07/09/2021	1.53	Cooperatieve Rabobank UA 6.91% Perpetual	1.77
KFW 1.25% 29/12/2023	1.53	Goldman Sachs 6.875% 18/01/2038	1.68
European Investment Bank 0.875% 15/03/2021	1.52	SMFG Preferred Capital GBP 2 10.231% Perpetual	1.50
KFW 5.75% 07/06/2032	1.50	GE Capital UK Funding Unlimited 5.875% 18/01/2033	1.45
European Investment Bank 2.5% 31/10/2022	1.49	Aviva 4.375% 12/09/2049	1.43
American International 2.61138% 15/03/2067	1.33	Citigroup 6.8% 25/06/2038	1.31
Canary Wharf Finance II 6.8% 22/04/2030	1.33	Bank of America 8.125% 02/06/2028	1.18
Royal Bank of Scotland 7.648% Perpetual	1.24	Welltower 4.8% 20/11/2028	1.17
Western Power Distribution 3.5% 16/10/2026	1.17	Anheuser-Busch InBev 2.85% 25/05/2037	1.16



# Kames Investment Grade Bond Fund

## Portfolio Statement

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

Holding	Investment	Market valuation £'000	Total net assets %
	<b>Euro Denominated Bonds (31 July 2018: 2.50%)</b>	<b>41,869</b>	<b>4.26</b>
	<b>Corporate Bonds (31 July 2018: 2.50%)</b>	<b>41,869</b>	<b>4.26</b>
4,400,000	Allergan Funding 2.625% 15/11/2028	3,924	0.40
4,200,000	Credit Agricole 6.5% Perpetual	3,915	0.40
8,400,000	General Electric 1.875% 28/05/2027	6,953	0.71
6,800,000	Global Switch Holdings 2.25% 31/05/2027	5,793	0.59
10,000,000	Santander UK 1.125% 08/09/2023	8,580	0.87
7,700,000	Takeda Pharmaceutical 3% 21/11/2030	7,133	0.72
6,600,000	Volkswagen Bank 0.75% 15/06/2023	5,571	0.57
	<b>Forward Foreign Exchange Contracts (31 July 2018: (0.10%))</b>	<b>2,078</b>	<b>0.21</b>
	Bought EUR 6,000,000 Sold GBP 5,401,194	(160)	(0.02)
	Bought GBP 23,062,200 Sold EUR 25,500,000	788	0.08
	Bought GBP 10,679,377 Sold EUR 12,000,000	197	0.03
	Bought GBP 3,888,739 Sold EUR 4,400,000	45	-
	Bought GBP 9,541,494 Sold EUR 11,000,000	(67)	(0.01)
	Bought GBP 48,527,410 Sold USD 61,500,000	1,873	0.19
	Bought USD 3,000,000 Sold GBP 2,372,631	(97)	(0.01)
	Bought USD 17,700,000 Sold GBP 13,928,782	(501)	(0.05)
	<b>Futures (31 July 2018: 0.01%)</b>	<b>559</b>	<b>0.06</b>
730	Long Gilt Future Contract March 2019	559	0.06
	<b>Sterling Denominated Bonds (31 July 2018: 86.09%)</b>	<b>819,597</b>	<b>83.43</b>
	<b>Asset Backed Security (31 July 2018: 9.12%)</b>	<b>120,228</b>	<b>12.24</b>
8,000,000	Arqiva Financing 4.882% 31/12/2032	8,285	0.84
9,000,000	Bishopsgate Asset Finance 4.808% 14/08/2044	7,975	0.81
13,500,000	BL Superstores Finance 5.27% 04/10/2025	3,249	0.33
17,000,000	Canary Wharf Finance II 6.8% 22/04/2030	13,023	1.33
6,000,000	Connect M77/GSO 5.404% 31/03/2034	4,920	0.50
8,000,000	Dignity Finance 4.6956% 31/12/2049	7,116	0.73
3,300,000	Income Contingent Student Loans 2 2007-2009 2.5% 24/07/2058	2,911	0.30
8,700,000	Longstone Finance 4.791% 19/04/2030	5,843	0.60
10,160,000	Meadowhall Finance 4.986% 12/01/2032	9,040	0.92
6,700,000	Mitchells & Butlers Finance 5.574% 15/12/2030	3,226	0.33
13,600,000	Nats En Route 5.25% 31/03/2026	9,249	0.94
11,800,000	Telereal Securitisation 4.01% 10/12/2033	9,649	0.98
5,100,000	Telereal Securitisation 5.9478% 10/12/2031	4,842	0.49
8,500,000	Tesco Property Finance No.2 6.0517% 13/10/2039	8,699	0.89
3,300,000	THPA Finance 7.127% 15/03/2024	1,798	0.18
5,900,000	Trafford Centre Finance 6.5% 28/07/2033	6,486	0.66
12,100,000	Unique Pub Finance 6.542% 30/03/2021	4,437	0.45
8,625,000	White City Property Finance 5.1202% 17/04/2035	9,480	0.96
	<b>Corporate Bonds (31 July 2018: 76.97%)</b>	<b>643,761</b>	<b>65.53</b>
14,800,000	American International 2.61138% 15/03/2067	13,073	1.33
3,000,000	AMP Group Finance Services 6.875% 23/08/2022	3,242	0.33
7,000,000	Anglian Water Services Financing 1.625% 10/08/2025	6,778	0.69
6,000,000	Anglian Water Services Financing 2.625% 15/06/2027	5,662	0.58
4,800,000	Anglian Water Services Financing 4.5% 22/02/2026	5,163	0.53
2,800,000	Anheuser-Busch InBev 2.25% 24/05/2029	2,626	0.27
5,400,000	Annington Funding 3.184% 12/07/2029	5,332	0.54
6,400,000	APT Pipelines 3.5% 22/03/2030	6,624	0.67
7,200,000	Aroundtown 3.25% 18/07/2027	7,011	0.71
2,300,000	Arqiva Financing 5.34% 30/06/2030	2,676	0.27
3,800,000	AT&T 2.9% 04/12/2026	3,754	0.38
6,700,000	Aviva 4.375% 12/09/2049	6,502	0.66
5,000,000	Bank of America 8.125% 02/06/2028	6,838	0.70
9,500,000	Bank of Scotland Capital Funding 7.754% Perpetual	10,509	1.07

# Kames Investment Grade Bond Fund

## Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
	<b>Corporate Bonds (continued)</b>		
10,000,000	Barclays 7.125% Perpetual	10,515	1.07
8,000,000	Bazalgette Finance 2.375% 29/11/2027	7,902	0.80
8,000,000	Becton Dickinson 3.02% 24/05/2025	8,046	0.82
8,200,000	BG Energy Capital 5.125% 01/12/2025	9,925	1.01
7,300,000	BNP Paribas 3.375% 23/01/2026	7,421	0.76
3,750,000	BP Capital Markets 2.274% 03/07/2026	3,758	0.38
7,500,000	BUPA Finance 5% 08/12/2026	8,141	0.83
9,000,000	Cadent Finance 2.625% 22/09/2038	8,359	0.85
5,000,000	Centrica 7% 19/09/2033	7,119	0.73
3,355,000	Channel Link Enterprises Finance 3.043% 30/06/2050	3,301	0.34
2,200,000	Close Brothers 2.75% 26/04/2023	2,197	0.22
9,500,000	Compass 2% 05/09/2025	9,557	0.97
5,195,000	Cooperatieve Rabobank 6.91% Perpetual	7,095	0.72
8,600,000	Credit Agricole 7.589 % Perpetual	8,954	0.91
5,100,000	Deutsche Bank 1.875% 28/02/2020	5,051	0.51
8,620,000	Deutsche Telekom International Finance 2.5% 10/10/2025	8,667	0.88
7,000,000	Deutsche Telekom International Finance 7.375% 04/12/2019	7,332	0.75
9,000,000	Digital Stout 3.75% 17/10/2030	9,061	0.92
5,000,000	DS Smith 2.875% 26/07/2029	4,757	0.48
4,000,000	E.ON International Finance 5.875% 30/10/2037	5,395	0.55
2,000,000	E.ON International Finance 6.375% 07/06/2032	2,711	0.28
3,500,000	EE Finance 4.375% 28/03/2019	3,514	0.36
5,000,000	ELM 6.3024% Perpetual	5,052	0.51
6,700,000	Esure 6.75% 19/12/2024	6,874	0.70
5,500,000	Experian Finance 2.125% 27/09/2024	5,537	0.56
7,000,000	FCE 2.727% 03/06/2022	6,851	0.70
9,000,000	Firstgroup 6.875% 18/09/2024	10,350	1.05
4,800,000	Goldman Sachs 6.875% 18/01/2038	6,521	0.66
5,700,000	HBOS Sterling Finance Jersey 7.881% Perpetual	7,933	0.81
8,000,000	HSBC Capital 5.844% Perpetual	9,885	1.01
9,600,000	Informa 3.125% 05/07/2026	9,709	0.99
5,800,000	InterContinental Hotels 2.125% 24/08/2026	5,440	0.55
8,500,000	Intu Metrocentre Finance 4.125% 06/12/2023	8,280	0.84
5,900,000	Investec 4.25% 24/07/2028	5,732	0.58
6,500,000	Juneau Investments 5.9% 22/02/2021	6,782	0.69
10,000,000	KBC 6.202% Perpetual	10,244	1.04
20,000,000	KFW 0.375% 15/12/2020	19,753	2.01
10,000,000	KFW 0.875% 15/03/2022	9,903	1.01
15,000,000	KFW 1.25% 29/12/2023	14,977	1.53
10,000,000	KFW 5.75% 07/06/2032	14,767	1.50
5,000,000	LafargeHolcim Sterling Finance Netherlands 3% 12/05/2032	4,578	0.47
4,000,000	Legal & General 5.125% 14/11/2048	4,147	0.42
3,300,000	Lunar Funding I 5.494% 29/07/2020	3,458	0.35
5,900,000	Motability Operations 2.375% 14/03/2032	5,820	0.59
9,300,000	National Express 2.5% 11/11/2023	9,169	0.93
2,400,000	National Grid Electricity Transmission 2.75% 06/02/2035	2,419	0.25
4,650,000	Nationwide Building Society 5.769% Perpetual	4,852	0.49
3,000,000	Nationwide Building Society 7.859% Perpetual	3,607	0.37
7,000,000	Natwest Markets 6.2% Perpetual	7,070	0.72
5,000,000	NIE Finance 2.5% 27/10/2025	5,058	0.52
6,400,000	Pennon 2.875% Perpetual	6,397	0.65
7,000,000	Pension Insurance 8% 23/11/2026	8,096	0.82
7,000,000	Phoenix 6.625% 18/12/2025	7,325	0.75
2,200,000	Places for People Homes 3.625% 22/11/2028	2,215	0.23
4,900,000	Provident Financial 7% 04/06/2023	4,839	0.49
10,300,000	Prudential 5% 20/07/2055	10,809	1.10
8,800,000	Prudential 6.25% 20/10/2068	9,319	0.95
3,800,000	RAC Bond 4.87% 06/05/2026	3,606	0.37
7,900,000	Sainsbury's Bank 6% 23/11/2027	7,881	0.80
8,500,000	Severn Trent Utilities Finance 2.75% 05/12/2031	8,439	0.86
8,800,000	Society of Lloyd's 4.75% 30/10/2024	9,405	0.96
7,000,000	Southern Gas Networks 2.5% 03/02/2025	7,089	0.72

# Kames Investment Grade Bond Fund

## Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
	<b>Corporate Bonds (continued)</b>		
4,000,000	SSE 6.25% 27/08/2038	5,646	0.58
1,400,000	Stagecoach 4% 29/09/2025	1,435	0.15
7,500,000	Swedbank 1.625% 28/12/2022	7,451	0.76
5,800,000	Telereal Securitisation 4.0902% 10/12/2033	6,012	0.61
2,000,000	Thames Water Utilities Finance 2.625% 24/01/2032	1,882	0.19
8,400,000	Thames Water Utilities Finance 5.05% 30/06/2020	8,769	0.89
6,900,000	Total Capital International 1.75% 07/07/2025	6,901	0.70
5,000,000	Transport for London 4% 07/04/2064	6,846	0.70
5,000,000	UBS Jersey 8.75% 18/12/2025	6,829	0.70
7,600,000	UNITE Group 3.5% 15/10/2028	7,679	0.78
6,700,000	Virgin Money 3.375% 24/04/2026	6,295	0.64
6,900,000	Walgreens Boots Alliance 2.875% 20/11/2020	7,025	0.73
7,600,000	Wellcome Trust 2.517% 07/02/2118	7,220	0.73
4,000,000	Welltower 4.8% 20/11/2028	4,509	0.46
11,400,000	Western Power Distribution 3.5% 16/10/2026	11,523	1.17
7,000,000	Yorkshire Building Society 3.375% 13/09/2028	6,294	0.64
6,500,000	Yorkshire Water Finance 3.75% 22/03/2046	6,689	0.68
	<b>Government Bonds (31 July 2018: 0.00%)</b>	<b>55,608</b>	<b>5.66</b>
15,000,000	European Investment Bank 0.875% 15/03/2021	14,959	1.52
15,000,000	European Investment Bank 1.125% 07/09/2021	15,005	1.53
14,000,000	European Investment Bank 2.5% 31/10/2022	14,662	1.49
10,000,000	European Investment Bank 5.375% 07/06/2021	10,982	1.12
	<b>United States Dollar Denominated Bonds (31 July 2018: 2.13%)</b>	<b>31,741</b>	<b>3.23</b>
	<b>Corporate Bonds (31 July 2018: 2.13%)</b>	<b>31,741</b>	<b>3.23</b>
6,900,000	BP Capital Markets America 4.234% 06/11/2028	5,555	0.57
11,167,000	JPMorgan Chase 6.2205% Perpetual	8,489	0.86
13,000,000	Royal Bank of Scotland 7.648% Perpetual	12,160	1.24
7,100,000	United Technologies 4.125% 16/11/2028	5,537	0.56
	<b>Portfolio of investments*</b>	<b>895,844</b>	<b>91.19</b>
	Net other assets	86,549	8.81
	<b>Total net assets attributable to shareholders</b>	<b>982,393</b>	<b>100.00</b>

### Analysis of investments by asset class

	Market value £'000	Value of investment %
Bonds	893,207	90.92
Derivatives	2,637	0.27
<b>Portfolio of investments*</b>	<b>895,844</b>	<b>91.19</b>
Net other assets	86,549	8.81
<b>Total net assets attributable to shareholders</b>	<b>982,393</b>	<b>100.00</b>

### Analysis of underlying exposure futures and options

	Market value £'000
Futures contracts	559
	<b>559</b>

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 Investment Grade Bond Fund

### Statement of Total Return for the six months ended 31 January 2019

	31 January 2019		31 January 2018	
	£'000	£'000	£'000	£'000
<b>Income</b>				
Net capital (losses)/gains		(22,631)		9,063
Revenue	22,747		25,671	
Expenses	(5,496)		(6,174)	
Interest payable and similar charges	(14)		(184)	
<b>Net revenue before taxation</b>	<b>17,237</b>		<b>19,313</b>	
Taxation	(54)		-	
Net revenue after taxation		17,183		19,313
Total return before distributions		(5,448)		28,376
Distributions		(17,196)		(19,073)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>(22,644)</b>		<b>9,303</b>

### Statement of Change in Net Assets Attributable to Shareholders for the six months ended 31 January 2019

	31 January 2019		31 January 2018	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders*		1,487,017		1,460,156
Amounts receivable on creation of shares	123,789		252,820	
Amounts payable on cancellation of shares	(615,989)		(263,192)	
		(492,200)		(10,372)
Dilution adjustment		1,261		847
Change in net assets attributable to shareholders from investment activities		(22,644)		9,303
Retained distribution on accumulation shares		8,959		10,391
<b>Closing net assets attributable to shareholders</b>		<b>982,393</b>		<b>1,470,325</b>

\*The opening net assets attributable to shareholders for the current period do not equal the closing net assets attributable to shareholders for the comparative period as they are not consecutive periods.

## Kames Investment Grade Bond Fund

### Balance Sheet as at 31 January 2019

	31 January 2019		31 July 2018	
	£'000	£'000	£'000	£'000
<b>Assets</b>				
Fixed assets:				
Investments		896,669		1,349,073
Current assets:				
Debtors	32,814		39,150	
Cash and cash equivalents	66,233		112,453	
		<u>99,047</u>		<u>151,603</u>
Total assets		995,716		1,500,676
<b>Liabilities</b>				
Investment liabilities				
		825		1,456
Creditors				
Bank overdrafts	-		14	
Distribution payable	1,883		4,684	
Other creditors	10,615		7,505	
		<u>13,323</u>		<u>13,659</u>
Total liabilities		13,323		13,659
<b>Net assets attributable to shareholders</b>		<b>982,393</b>		<b>1,487,017</b>

# Kames Investment Grade Bond Fund

## Distribution Tables

### Share Class A Accumulation

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017/8 Net Distribution
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				

### Share Class A Income

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017/8 Net Distribution
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				

### Share Class B Accumulation

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017/8 Net Distribution
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				

### Share Class B Income

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017/8 Net Distribution
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				

### Share Class D Accumulation

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017/8 Net Distribution
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				

### Share Class D Income

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017/8 Net Distribution
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				

\*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 S Accumulation\*\*

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017/8 Net Distribution
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				

### Share Class S Income\*\*

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017/8 Net Distribution
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				

\*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 Investment Grade Bond Fund

### Net asset value

	Net asset value of share class £'000	Net asset value per share p	Shares in issue
<b>As of 31 January 2019</b>	<b>982,393</b>		
A Accumulation shares	144,409	176.36	81,883,434
A Income shares	18,277	119.64	15,277,289
B Accumulation shares	519,181	186.24	278,775,136
B Income shares	127,268	119.74	106,286,892
D Accumulation shares	4,128	129.67	3,183,989
D Income shares	689	110.45	624,121
S Accumulation shares	23,548	98.31	23,953,870
S Income shares	144,893	95.26	152,095,171



## Kames Investment Grade Bond Fund

### Ongoing charges figure

	31 January 2019	31 July 2018
<b>A Accumulation shares</b>		
ACD's periodic charge	1.25%	1.25%
Other expenses	0.03%	0.02%
<b>Ongoing charges figure</b>	<b>1.28%</b>	<b>1.27%</b>
<b>A Income shares</b>		
ACD's periodic charge	1.25%	1.25%
Other expenses	0.03%	0.02%
<b>Ongoing charges figure</b>	<b>1.28%</b>	<b>1.27%</b>
<b>B Accumulation shares</b>		
ACD's periodic charge	0.75%	0.75%
Other expenses	0.03%	0.02%
<b>Ongoing charges figure</b>	<b>0.78%</b>	<b>0.77%</b>
<b>B Income shares</b>		
ACD's periodic charge	0.75%	0.75%
Other expenses	0.03%	0.02%
<b>Ongoing charges figure</b>	<b>0.78%</b>	<b>0.77%</b>
<b>D Accumulation shares</b>		
ACD's periodic charge	1.00%	1.00%
Other expenses	0.03%	0.02%
<b>Ongoing charges figure</b>	<b>1.03%</b>	<b>1.02%</b>
<b>D Income shares</b>		
ACD's periodic charge	1.00%	1.00%
Other expenses	0.03%	0.02%
<b>Ongoing charges figure</b>	<b>1.03%</b>	<b>1.02%</b>
<b>S Accumulation shares*</b>		
ACD's periodic charge	0.50%	0.50%
Other expenses	0.03%	0.02%
<b>Ongoing charges figure</b>	<b>0.53%</b>	<b>0.52%</b>
<b>S Income shares*</b>		
ACD's periodic charge	0.50%	0.50%
Other expenses	0.03%	0.02%
<b>Ongoing charges figure</b>	<b>0.53%</b>	<b>0.52%</b>

The ongoing charges figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the sub-fund over the period. The OCF is made up of the ACD's periodic charge and other operating costs deducted from the assets of the sub-fund during the period, except for those payments that are explicitly excluded by regulations.

\*The S share class expense change from 0.55% to 0.50% on 1 July 2018.

### Total purchases and sales

	Total purchases £'000	Total sales £'000
6 months to 31.01.2018	587,682	577,540
6 months to 31.01.2019	523,008	948,580

## Kames Investment Grade Bond Fund

### Revenue record

	Accounting year	Net revenue per share p
A Accumulation shares (pence)	2017	3.71
	2018	3.85
	2019	1.80
A Income shares (pence)	2017	2.64
	2018	2.67
	2019	1.23
B Accumulation shares (pence)	2017	4.69
	2018	4.98
	2019	2.37
B Income shares (pence)	2017	3.19
	2018	3.30
	2019	1.54
D Accumulation shares (pence)	2017	3.00
	2018	3.15
	2019	1.49
D Income shares (pence)	2017	2.69
	2018	2.75
	2019	1.28
S Accumulation shares (pence)*	2017	-
	2018	1.71
	2019	1.37
S Income shares (pence)*	2017	-
	2018	1.70
	2019	1.34

\*Share class launched on 19 December 2017.

# Kames Ethical Corporate Bond Fund

## Fund description

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 Funds predefined ethical criteria. Investments may encompass investment grade bonds, cash and higher yield bonds up to 10% of the Fund.

## Risk profile

The 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 Fund should be comfortable with a medium level of investment risk. In most cases, we expect the 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 Fund should be viewed as a longer term investment.

The 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](http://www.kamescapital.com).

## Performance

The Kames Ethical Corporate Bond Fund returned 0.77% compared to the peer group median return of 0.76%. The peer group is the Investment Association Sterling Corporate Bond sector.

## Strategy review

As the 6 months to 31 January 2019 progressed there was a marked increase in risk aversion across all markets. Fears over the enduring health of the US economy, deteriorating relations between the US and China, and the increasing threat of a no-deal Brexit all contributed to a sell-off in risk assets. Our defensive stance – in part aided by the ethical screen- aided performance as this sell-off took hold of the market.

Credit spreads widened against this backdrop, with financial and non-financials both bearing the brunt. Financial credit traded poorly, specifically UK-domiciled banks, as fears grew around political instability. New issuance accelerated the pace of widening at the end of 2018, with companies issuing new bonds at significant discount, but with investor appetite still failing, existing deals were forced to trade down in price.

Although our exposure to interest rate risk remained relatively stable, with duration at around 7 years, the influence Brexit negotiations have on gilts meant we were reluctant to take any meaningful duration position.

This backdrop also led to our decision at the start of the period to reduce the size of the Fund's exposure to aggregate credit. However, we used the relatively heavy supply calendar in September to reinvest some of the sale proceeds in attractively priced new issuance. Names added included Blend Funding (Housing Association), and Prudential. The Prudential deal offered investors a credit spread of 400bps. The quantum of the new issue premium being offered to investors in this deal was largely a reflection of the poor market technicals in the insurance sector, with a buyer-base and sell-side seemingly already long paper. We were prepared to overlook the potentially shorter-term challenges as we believe the valuation on offer to investors was too compelling to pass on for this particular deal.

Our decision to increase the portfolio's weighting to cash at the end of 2018 (the fund doubled its weighting to over 7%) supported performance, however the fund was still hit by the disproportionate impact that Brexit uncertainty had on UK-domiciled assets.

At the end of the period, we were relatively active- especially in the new issue market. We purchased new positions in Orange and National Grid, as well as increasing the size of the holding in subordinated bonds from Pennon. The Fund benefited from good absolute and relative returns from a number of its subordinated insurance positions including bonds from Axa, Aviva, and Legal & General. However, these were broadly offset by the poor performance of a small number of bonds. The main culprit was subordinated bonds from Metro Bank, whose price fell after they issued a profit warning. The position was subsequently sold.

We continue to manage our exposure to interest rate risk in accordance with market conditions. A measure of volatility has returned to corporate bond markets, which allows active managers the opportunity to add value as the market backdrop changes.

## Kames Ethical Corporate Bond Fund

### Material portfolio changes

<b>Top ten purchases</b>	<b>31 January 2019</b>	<b>Top ten sales</b>	<b>31 January 2019</b>
	<b>£'000</b>		<b>£'000</b>
LCR Finance 5.1% 07/03/2051	11,702	South East Water Finance Inflation Linked 2.5329% 03/06/2041	4,177
Network Rail Infrastructure Finance 4.75% 29/11/2035	9,278	CYBG 3.125% 22/06/2025	4,140
Virgin Money 3.375% 24/04/2026	4,019	Vodafone 3% 12/08/2056	3,788
Digital Stout 3.75% 17/10/2030	3,504	ABN AMRO Bank 2.5% 18/12/2018	3,500
Aroundtown 3.25% 18/07/2027	3,407	Scentre Management 2.375% 08/04/2022	3,266
Prudential 5.625% 20/10/2051	3,186	Santander 10.0625% Perpetual	3,240
Blend Funding 3.459% 21/09/2047	3,100	Whitbread 3.375% 16/10/2025	3,077
Grainger 3.375% 24/04/2028	2,955	Direct Line Insurance 4.75% Perpetual	3,045
Telereal Securitisation 4.01% 10/12/2033	2,892	Vodafone 8.125% 26/11/2018	2,500
TC Dudgeon Ofto 3.158% 12/11/2038	2,419	Metro Bank 5.5% 26/06/2028	2,432

<b>Top ten holdings</b>	<b>31 January 2019</b>	<b>Top ten holdings</b>	<b>31 July 2018</b>
	<b>%</b>		<b>%</b>
Network Rail Infrastructure Finance 4.75% 29/11/2035	2.62	LCR Finance 4.5% 07/12/2028	2.34
LCR Finance 5.1% 07/03/2051	2.43	KFW 6% 07/12/2028	1.87
LCR Finance 4.5% 07/12/2028	2.22	KFW 5.5% 18/06/2025	1.52
KFW 6% 07/12/2028	1.76	Transport for London 5% 31/03/2035	1.49
KFW 5.5% 18/06/2025	1.42	Aviva 4.375% 12/09/2049	1.27
Transport for London 5% 31/03/2035	1.41	Royal Bank of Scotland 2.875% 19/09/2026	1.25
Aviva 4.375% 12/09/2049	1.18	Dignity Finance 4.6956% 31/12/2049	1.24
Royal Bank of Scotland 2.875% 19/09/2026	1.16	Transport for London 3.875% 23/07/2042	1.22
Transport for London 3.875% 23/07/2042	1.13	NGG Finance 5.625% 18/06/2073	1.20
KFW 5.75% 07/06/2032	1.13	KFW 5.75% 07/06/2032	1.20

# Kames Ethical Corporate Bond Fund

## Portfolio Statement

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

Holding	Investment	Market valuation £'000	Total net assets %
	<b>Sterling Denominated Bonds (31 July 2018: 96.20%)</b>	<b>452,864</b>	<b>93.48</b>
	<b>Asset Backed Security (31 July 2018: 12.87%)</b>	<b>65,482</b>	<b>13.52</b>
2,900,000	Alpha Schools Highland Project 4.792% 31/01/2036	2,614	0.54
3,250,000	Arqiva Financing 4.882% 31/12/2032	3,366	0.70
5,910,000	BL Superstores Finance 5.27% 04/10/2025	1,422	0.29
5,500,000	Canary Wharf Finance II 6.8% 22/04/2030	4,213	0.87
3,400,000	Channel Link Enterprises Finance 3.848% 30/06/2050	3,531	0.73
4,700,000	Dignity Finance 4.6956% 31/12/2049	4,181	0.86
2,400,000	Great Rolling Stock 6.875% 27/07/2035	2,267	0.47
1,500,000	Greater Gabbard 4.137% 29/11/2032	1,464	0.30
2,000,000	High Speed Rail Finance No.1 4.375% 01/11/2038	2,410	0.50
2,100,000	Income Contingent Student Loans 2 2007-2009 2.5% 24/07/2058	1,853	0.38
2,500,000	Meadowhall Finance 4.986% 12/01/2032	2,224	0.46
1,000,000	Paragon 3.625% 21/01/2047	1,051	0.22
2,500,000	Premier Transmission Financing 5.2022% 31/03/2030	1,763	0.36
2,000,000	Sustainable Communities for Leeds Finance 5.069% 30/09/2032	2,202	0.45
4,900,000	Telereal Securitisation 4.01% 10/12/2033	4,007	0.83
2,250,000	Telereal Securitisation 5.9478% 10/12/2031	2,136	0.44
2,800,000	Telereal Securitisation 6.1645% 10/12/2031	3,149	0.65
4,089,000	THPA Finance 8.241% 15/03/2028	4,612	0.95
3,000,000	Trafford Centre Finance 6.5% 28/07/2033	3,298	0.68
1,200,000	Trafford Centre Finance 7.03% 28/01/2029	810	0.17
5,300,000	Transport for London 5% 31/03/2035	6,844	1.41
4,300,000	White City Property Finance 5.1202% 17/04/2035	4,726	0.98
1,400,000	Wods Transmission 3.446% 24/08/2034	1,339	0.28
	<b>Corporate Bonds (31 July 2018: 82.71%)</b>	<b>384,530</b>	<b>79.37</b>
1,000,000	ABN AMRO Bank 1% 30/06/2020	992	0.21
4,000,000	ABP Finance 6.25% 14/12/2026	4,819	0.99
900,000	Affinity Water Programme Finance 4.5% 31/03/2036	1,123	0.23
3,600,000	American International 2.61138% 15/03/2067	3,180	0.66
4,000,000	American International 5% 26/04/2023	4,419	0.91
2,500,000	AMP Group Finance Services 6.875% 23/08/2022	2,702	0.56
4,000,000	Anglian Water Osprey Financing 5% 30/04/2023	3,867	0.80
3,000,000	Anglian Water Services Financing 1.625% 10/08/2025	2,905	0.60
1,200,000	Anglian Water Services Financing 2.75% 26/10/2029	1,218	0.25
1,200,000	APT Pipelines 3.5% 22/03/2030	1,242	0.26
4,000,000	APT Pipelines 4.25% 26/11/2024	4,338	0.90
3,500,000	Aroundtown 3.25% 18/07/2027	3,408	0.70
1,500,000	Arqiva Financing 5.34% 30/06/2030	1,745	0.36
5,900,000	Aviva 4.375% 12/09/2049	5,726	1.18
950,000	Aviva 6.875% 20/05/2058	1,150	0.24
3,000,000	AXA 5.625% 16/01/2054	3,297	0.68
1,800,000	AXA 7.125% 15/12/2020	1,979	0.41
3,500,000	Bank of Montreal 1.625% 21/06/2022	3,494	0.72
3,500,000	Bank of Nova Scotia 0.75% 14/09/2021	3,439	0.71
4,600,000	Bank of Nova Scotia 1.75% 23/12/2022	4,598	0.95
3,000,000	Bank of Scotland Capital Funding 7.754% Perpetual	3,319	0.69
3,500,000	Bazalgette Finance 2.375% 29/11/2027	3,457	0.71
3,100,000	Blend Funding 3.459% 21/09/2047	3,192	0.66
2,400,000	BPCE 5.25% 16/04/2029	2,781	0.57
2,500,000	British Land 5.357% 31/03/2028	3,006	0.62
600,000	Cadent Finance 2.125% 22/09/2028	574	0.12
3,000,000	Cadent Finance 2.625% 22/09/2038	2,786	0.58
1,400,000	Circle Anglia Social Housing 7.25% 12/11/2038	2,268	0.47
800,000	Close Brothers 2.75% 26/04/2023	799	0.17
1,000,000	Close Brothers Finance 2.75% 19/10/2026	986	0.20
1,800,000	Cooperatieve Rabobank 4% 19/09/2022	1,946	0.40
2,500,000	Cooperatieve Rabobank 5.25% 14/09/2027	2,863	0.59

# Kames Ethical Corporate Bond Fund

## Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
<b>Corporate Bonds (continued)</b>			
1,629,000	Cooperatieve Rabobank 6.91% Perpetual	2,225	0.46
3,400,000	Coventry Building Society 1.875% 24/10/2023	3,317	0.68
1,675,000	Coventry Building Society 5.875% 28/09/2022	1,894	0.39
1,200,000	CPUK Finance 4.25% 28/08/2022	1,169	0.24
3,700,000	CPUK Finance 7.239% 28/02/2024	4,479	0.92
2,500,000	CRH Finance 4.125% 02/12/2029	2,771	0.57
1,500,000	Deutsche Bahn Finance 2.75% 20/06/2022	1,563	0.32
2,300,000	Deutsche Telekom International Finance 7.625% 15/06/2030	3,338	0.69
3,500,000	Digital Stout 3.75% 17/10/2030	3,524	0.73
2,400,000	DS Smith 2.875% 26/07/2029	2,283	0.47
1,900,000	Esure 6.75% 19/12/2024	1,949	0.40
1,645,000	Firstgroup 8.75% 08/04/2021	1,844	0.38
3,000,000	Freshwater Finance 4.607% 17/10/2036	3,716	0.77
1,500,000	GLH Hotels 7.875% 20/06/2022	1,646	0.34
3,000,000	Grainger 3.375% 24/04/2028	2,973	0.61
2,000,000	Great Places Housing 4.75% 22/10/2042	2,495	0.52
1,300,000	Grosvenor UK Finance 6.5% 29/09/2026	1,657	0.34
1,300,000	HBOS Sterling Finance Jersey 7.881% Perpetual	1,809	0.37
3,600,000	Intu Metrocentre Finance 4.125% 06/12/2023	3,507	0.72
3,900,000	Investec 4.25% 24/07/2028	3,789	0.78
4,000,000	Kelda Finance No.3 5.75% 17/02/2020	3,998	0.83
5,500,000	KFW 5.5% 18/06/2025	6,874	1.42
3,700,000	KFW 5.75% 07/06/2032	5,464	1.13
6,100,000	KFW 6% 07/12/2028	8,524	1.76
3,600,000	Land Securities Capital Markets 1.974% 08/02/2024	3,606	0.74
8,500,000	LCR Finance 4.5% 07/12/2028	10,735	2.22
6,800,000	LCR Finance 5.1% 07/03/2051	11,792	2.43
2,400,000	Legal & General 5.125% 14/11/2048	2,488	0.51
2,500,000	Legal & General 5.5% 27/06/2064	2,561	0.53
3,500,000	Legal & General 10% 23/07/2041	4,129	0.85
2,600,000	Liberty Living Finance 3.375% 28/11/2029	2,546	0.53
1,600,000	Lloyds Bank 6.5% 17/09/2040	2,452	0.51
3,100,000	Lloyds Banking 2.25% 16/10/2024	3,004	0.62
2,300,000	Lunar Funding I 5.75% 18/10/2033	3,143	0.65
1,100,000	Motability Operations 2.375% 14/03/2032	1,085	0.22
2,030,000	Motability Operations 3.625% 10/03/2036	2,300	0.47
2,000,000	Muenchener Rueckversicherungs 6.625% 26/05/2042	2,274	0.47
1,800,000	National Express 2.5% 11/11/2023	1,775	0.37
1,200,000	National Grid Electricity Transmission 2.75% 06/02/2035	1,210	0.25
2,200,000	Nationwide Building Society 3% 06/05/2026	2,299	0.47
2,500,000	Nationwide Building Society 5.769% Perpetual	2,609	0.54
3,300,000	Nationwide Building Society 6.875% Perpetual	3,332	0.69
2,600,000	NatWest Markets 6.875% 17/05/2025	3,219	0.66
9,000,000	Network Rail Infrastructure Finance 4.75% 29/11/2035	12,705	2.62
5,000,000	NGG Finance 5.625% 18/06/2073	5,350	1.10
4,100,000	Northern Powergrid Yorkshire 4.375% 05/07/2032	4,874	1.01
1,700,000	Northern Powergrid Yorkshire 9.25% 17/01/2020	1,821	0.38
1,900,000	Notting Hill Housing Trust 3.75% 20/12/2032	2,034	0.42
2,400,000	OP Corporate Bank 2.5% 20/05/2022	2,464	0.51
1,600,000	Orange 3.25% 15/01/2032	1,639	0.34
1,400,000	Orange 5.75% Perpetual	1,487	0.31
2,500,000	Orsted 4.875% 12/01/2032	3,072	0.63
1,300,000	Penarian Housing Finance 3.212% 07/06/2052	1,263	0.26
2,700,000	Pennon 2.875% Perpetual	2,699	0.56
3,000,000	Phoenix 4.125% 20/07/2022	3,035	0.63
2,800,000	Phoenix Life 7.25% Perpetual	2,896	0.60
2,100,000	Places for People Homes 3.625% 22/11/2028	2,114	0.44
2,400,000	Porterbrook Rail Finance 6.5% 20/10/2020	2,582	0.53
3,200,000	Prudential 5.625% 20/10/2051	3,338	0.69

# Kames Ethical Corporate Bond Fund

## Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
<b>Corporate Bonds (continued)</b>			
3,434,000	Prudential 11.375% 29/05/2039	3,539	0.73
1,400,000	RAC Bond 4.87% 06/05/2026	1,328	0.27
1,400,000	RL Finance No.2 6.125% 30/11/2043	1,550	0.32
5,800,000	Royal Bank of Scotland 2.875% 19/09/2026	5,638	1.16
1,325,000	RSA Insurance 9.375% 20/05/2039	1,353	0.28
4,500,000	Sainsbury's Bank 6% 23/11/2027	4,489	0.93
2,500,000	Santander 3.625% 14/01/2026	2,561	0.53
3,300,000	Santander UK 5.875% 14/08/2031	3,848	0.79
2,300,000	Segro 2.875% 11/10/2037	2,172	0.45
2,500,000	Severn Trent Utilities Finance 1.125% 07/09/2021	2,469	0.51
3,000,000	Severn Trent Utilities Finance 3.625% 16/01/2026	3,214	0.66
4,300,000	Skandinaviska Enskilda Banken 1.25% 05/08/2022	4,238	0.88
3,100,000	Skipton Building Society 1.75% 30/06/2022	2,988	0.62
1,000,000	South East Water Finance 5.6577% 30/09/2019	1,025	0.21
600,000	Southern Gas Networks 2.5% 03/02/2025	608	0.13
3,000,000	Southern Gas Networks 4.875% 05/10/2023	3,400	0.70
4,000,000	SSE 3.875% Perpetual	3,995	0.82
4,000,000	Stagecoach 4% 29/09/2025	4,099	0.85
1,800,000	Swan Housing Capital 3.625% 05/03/2048	1,854	0.38
2,300,000	Swedbank 1.625% 15/04/2019	2,302	0.48
2,400,000	TC Dudgeon Ofto 3.158% 12/11/2038	2,486	0.51
1,600,000	Thames Water Utilities Finance 2.625% 24/01/2032	1,506	0.31
1,400,000	Thames Water Utilities Finance 3.5% 25/02/2028	1,467	0.30
4,500,000	Transport for London 3.875% 23/07/2042	5,480	1.13
2,400,000	UNITE Group 3.5% 15/10/2028	2,425	0.50
1,700,000	UNITE USAF II 3.921% 30/06/2025	1,864	0.39
2,400,000	Vantiv / Vantiv Issuer 3.875% 15/11/2025	2,312	0.48
3,000,000	Vicinity Centres 3.375% 07/04/2026	3,117	0.64
1,900,000	Virgin Money 2.25% 21/04/2020	1,901	0.39
4,300,000	Virgin Money 3.375% 24/04/2026	4,040	0.83
1,100,000	Wales & West Utilities Finance 3% 03/08/2038	1,114	0.23
1,250,000	Wales & West Utilities Finance 4.625% 13/12/2023	1,417	0.29
111,000	Wales & West Utilities Finance 6.25% 30/11/2021	125	0.03
2,700,000	Welltower 4.8% 20/11/2028	3,044	0.63
2,000,000	Wessex Water Services Finance 4% 24/09/2021	2,121	0.44
1,000,000	WM Treasury 4.625% 03/12/2042	1,234	0.25
3,400,000	Yorkshire Building Society 3.5% 21/04/2026	3,496	0.72
1,250,000	Yorkshire Water Finance 3.625% 01/08/2029	1,369	0.28
2,900,000	Yorkshire Water Finance 3.75% 22/03/2046	2,984	0.62
<b>Government Bonds (31 July 2018: 0.62%)</b>		<b>2,852</b>	<b>0.59</b>
2,900,000	International Bank for Reconstruction & Development 0.375% 15/06/2021	2,852	0.59
<b>Portfolio of investments</b>		<b>452,864</b>	<b>93.48</b>
Net other assets		31,586	6.52
<b>Total net assets attributable to shareholders</b>		<b>484,450</b>	<b>100.00</b>

### Analysis of investments by asset class

	Market value £'000	Value of investments %
Bonds	452,864	93.48
<b>Portfolio of investments</b>	<b>452,864</b>	<b>93.48</b>
Net other assets	31,586	6.52
<b>Total net assets attributable to shareholders</b>	<b>484,450</b>	<b>100.00</b>

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 six months ended 31 January 2019

	31 January 2019		31 January 2018	
	£'000	£'000	£'000	£'000
<b>Income</b>				
Net capital losses		(3,357)		(2,641)
Revenue	8,263		8,389	
Expenses	<u>(1,557)</u>		<u>(1,553)</u>	
<b>Net revenue before taxation</b>	<b>6,706</b>		<b>6,836</b>	
Taxation	<u>-</u>		<u>-</u>	
Net revenue after taxation		<u>6,706</u>		<u>6,836</u>
Total return before distributions		3,349		4,195
Distributions		<u>(6,706)</u>		<u>(6,837)</u>
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>(3,357)</b>		<b>(2,642)</b>

### Statement of Change in Net Assets Attributable to Shareholders for the six months ended 31 January 2019

	31 January 2019		31 January 2018	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders*		457,424		470,767
Amounts receivable on creation of shares	69,569		53,965	
Amounts payable on cancellation of shares	<u>(43,350)</u>		<u>(66,055)</u>	
		26,219		(12,090)
Dilution adjustment		-		11
Change in net assets attributable to shareholders from investment activities		(3,357)		(2,642)
Retained distribution on accumulation shares		<u>4,164</u>		<u>4,258</u>
<b>Closing net assets attributable to shareholders</b>		<b>484,450</b>		<b>460,304</b>

\*The opening net assets attributable to shareholders for the current period do not equal the closing net assets attributable to shareholders for the comparative period as they are not consecutive periods.



# Kames Ethical Corporate Bond Fund

## Balance Sheet as at 31 January 2019

	31 January 2019		31 July 2018	
	£'000	£'000	£'000	£'000
<b>Assets</b>				
Fixed assets:				
Investments		452,864		440,030
Current assets:				
Debtors	6,781		8,939	
Cash and cash equivalents	29,786		12,033	
		<u>36,567</u>	<u>20,972</u>	
Total assets		489,431		461,002
<b>Liabilities</b>				
Creditors				
Distribution payable	1,333		1,286	
Other creditors	3,648		2,292	
		<u>4,981</u>	<u>3,578</u>	
Total liabilities		4,981		3,578
<b>Net assets attributable to shareholders</b>		<b>484,450</b>		<b>457,424</b>

# Kames Ethical Corporate Bond Fund

## Distribution Tables

### Share Class A Accumulation

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017/8 Net Distribution
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				

### Share Class A Income

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017/8 Net Distribution
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				

### Share Class B Accumulation

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017/8 Net Distribution
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				

### Share Class B Income

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017/8 Net Distribution
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				

### Share Class D Accumulation

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017/8 Net Distribution
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				

### Share Class D Income

Period end	Pay date	Group	Gross Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017/8 Net Distribution
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				

\*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

### Net asset value

	Net asset value of share class £'000	Net asset value per share p	Shares in issue
<b>As of 31 January 2019</b>	<b>484,450</b>		
A Accumulation shares	104,960	214.67	48,892,664
A Income shares	4,102	111.82	3,668,521
B Accumulation shares	195,385	189.13	103,305,076
B Income shares	176,767	100.29	176,252,343
D Accumulation shares	2,141	124.05	1,725,494
D Income shares	1,095	104.32	1,049,786

# Kames Ethical Corporate Bond Fund

## Ongoing charges figure

	31 January 2019	31 July 2018
<b>A Accumulation shares</b>		
ACD's periodic charge	1.00%	1.00%
Other expenses	0.04%	0.04%
<b>Ongoing charges figure</b>	<b>1.04%</b>	<b>1.04%</b>
<b>A Income shares</b>		
ACD's periodic charge	1.00%	1.00%
Other expenses	0.04%	0.04%
<b>Ongoing charges figure</b>	<b>1.04%</b>	<b>1.04%</b>
<b>B Accumulation shares</b>		
ACD's periodic charge	0.50%	0.50%
Other expenses	0.04%	0.04%
<b>Ongoing charges figure</b>	<b>0.54%</b>	<b>0.54%</b>
<b>B Income shares</b>		
ACD's periodic charge	0.50%	0.50%
Other expenses	0.04%	0.04%
<b>Ongoing charges figure</b>	<b>0.54%</b>	<b>0.54%</b>
<b>D Accumulation shares</b>		
ACD's periodic charge	0.75%	0.75%
Other expenses	0.04%	0.04%
<b>Ongoing charges figure</b>	<b>0.79%</b>	<b>0.79%</b>
<b>D Income shares</b>		
ACD's periodic charge	0.75%	0.75%
Other expenses	0.04%	0.04%
<b>Ongoing charges figure</b>	<b>0.79%</b>	<b>0.79%</b>

The ongoing charges figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the sub-fund over the period. The OCF is made up of the ACD's periodic charge and other operating costs deducted from the assets of the sub-fund during the period, except for those payments that are explicitly excluded by regulations.

## Total purchases and sales

	Total purchases £'000	Total sales £'000
6 months to 31.01.2018	60,717	69,876
6 months to 31.01.2019	66,767	49,579

# Kames Ethical Corporate Bond Fund

## Revenue record

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	Accounting year	Net revenue per share p
A Accumulation shares (pence)	2017	4.97
	2018	5.46
	2019	2.64
A Income shares (pence)	2017	2.73
	2018	2.93
	2019	1.39
B Accumulation shares (pence)	2017	5.17
	2018	5.73
	2019	2.79
B Income shares (pence)	2017	2.92
	2018	3.14
	2019	1.50
D Accumulation shares (pence)	2017	3.13
	2018	3.46
	2019	1.68
D Income shares (pence)	2017	2.79
	2018	3.00
	2019	1.43

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# Kames Ethical Equity Fund

## Fund description

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 Fund's predefined ethical criteria.

## Risk profile

The 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 Fund should be comfortable with a higher level of investment risk. In most cases, we expect the 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 Fund should be viewed as a longer term investment.

The 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](http://www.kamescapital.com).

## Performance

The Kames Ethical Equity Fund returned (11.61)% compared to the peer group median return of (8.81)%. The peer group is the Investment Association UK All Companies sector.

## Strategy review

Global equity markets came under significant pressure over the period. 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. Oil prices fell from sanction-induced highs. We recognised these challenges and moderated our exposure to global cyclicals and selective financials and added to businesses which have characteristics of quality and earnings resilience characteristics which tend to be better rewarded towards the latter part of the economic cycle.

Many of the generally more defensive sectors performed well for much of the period while many cyclical sectors and growth names underperformed. While the market fell heavily towards the end of 2018 it subsequently recovered sharply in January as investors judged the sharp sell-off in the final quarter of 2018 as overdone.

Stock selection accounted for the majority of the underperformance, while sector selection detracted marginally. The Fund benefited both from its overweight stance in media and its underweight in banks. Our lack of exposure to pharmaceuticals was detrimental, but this was offset to some degree by having no exposure to tobacco which underperformed. Performance was also impacted by the overweight in life insurance, and support services, as well as having no exposure to mining.

Among the best performing stocks was a global leader in engineering and industrial software, Aveva, as well as internationally diverse companies such as Relx and John Laing group. Within the domestically focused names, Autotrader, the UK's largest digital automotive marketplace, delivered a positive return, as did, Unite and Derwent London.

Stocks held that fared less well included some of the more cyclical stocks and selective growth-related plays held in the fund. Within the more cyclical names Victrex, the global high performance polymer solutions business, DS Smith, and Robert Walters all proved a relative performance headwind towards the end of 2018. Keywords Studios and Accesso Technologies were among the highly rated growth plays that lagged. Resources (oil & gas producers and mining), banks, consumer goods and traditional defensive sectors remain the most notable underweight positions, driven in part by the Fund's ethical preferences. The Fund is currently overweight media, software and computer services, support services and life insurance.

While it was a difficult period for UK equities and the Fund, our strong conviction in the investment cases for our stock selection remained unchanged. The recovery seen in January, and the subsequent positive performance of many holdings, confirmed our belief that the market had over-reacted to fears of recession and of a central bank policy error. We therefore believe that the Fund's holdings are well positioned for the year ahead.

## Kames Ethical Equity Fund

### Material portfolio changes

<b>Top ten purchases</b>	<b>31 January 2019</b>	<b>Top ten sales</b>	<b>31 January 2019</b>
	<b>£'000</b>		<b>£'000</b>
BT	13,633	Ferguson	10,552
Howden Joinery	9,677	Wood (John)	8,531
Just Eat	9,434	Vodafone	8,342
Tate & Lyle	9,179	easyJet	8,048
Pennon	7,328	Victrex	7,711
HomeServe	6,337	DS Smith	7,633
Sage	5,395	CRH	7,535
Diploma	5,189	RSA Insurance	6,907
Wood (John)	4,582	Just Eat	5,856
Ashtead	4,429	Forterra	5,299

<b>Top ten holdings</b>	<b>31 January 2019</b>	<b>Top ten holdings</b>	<b>31 July 2018</b>
	<b>%</b>		<b>%</b>
RELX	4.39	Prudential	4.11
Prudential	3.77	Ferguson	3.51
Aveva	3.52	RELX	3.36
Coca-Cola	3.10	DS Smith	3.00
Just Eat	2.34	Victrex	2.97
BT	2.34	Aveva	2.87
John Laing	2.28	Coca-Cola	2.59
Unite	2.21	Hargreaves Lansdown	2.13
Entertainment One	2.14	Robert Walters	2.06
SSE	2.14	Mondi	1.94

# Kames Ethical Equity Fund

## Portfolio Statement

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

Holding	Investment	Market valuation £'000	Total net assets %
	<b>Equities (31 July 2018: 97.13%)</b>	<b>497,355</b>	<b>94.63</b>
	<b>Basic Materials (31 July 2018: 4.91%)</b>	<b>14,781</b>	<b>2.81</b>
438,000	Mondi	8,055	1.53
294,470	Victrex	6,726	1.28
	<b>Consumer Goods (31 July 2018: 6.76%)</b>	<b>50,007</b>	<b>9.51</b>
652,674	A.G. Barr	4,915	0.93
313,178	Bellway	8,882	1.69
4,050,000	Cairn Homes	4,515	0.86
638,000	Coca-Cola	16,314	3.10
2,119,554	Countryside Properties	6,511	1.24
1,290,000	Tate & Lyle	8,870	1.69
	<b>Consumer Services (31 July 2018: 13.48%)</b>	<b>76,569</b>	<b>14.57</b>
1,753,141	Ascential	6,658	1.27
1,839,554	AutoTrader	8,405	1.60
2,855,000	Entertainment One	11,249	2.14
4,960,725	Huntsworth	5,382	1.03
1,173,506	Informa	7,935	1.51
1,769,880	Just Eat	12,318	2.34
317,690	Millennium & Copthorne Hotels	1,539	0.29
1,369,076	RELX	23,083	4.39
	<b>Electronic &amp; Electrical Equipment (31 July 2018: 0.39%)</b>	<b>1,993</b>	<b>0.38</b>
1,415,469	Strix	1,993	0.38
	<b>Financials (31 July 2018: 28.11%)</b>	<b>143,301</b>	<b>27.27</b>
2,134,381	Aviva	8,836	1.68
1,914,881	Brewin Dolphin	5,722	1.09
302,606	Derwent London	9,798	1.87
3,277,181	Hansteen	3,018	0.57
657,402	Hargreaves Lansdown	10,732	2.04
1,573,731	Impax Environmental Markets	4,202	0.80
3,375,000	John Laing	11,975	2.28
6,926,349	Just	7,016	1.34
2,830,142	Legal & General	7,339	1.40
9,100,000	Lloyds Banking	5,268	1.00
1,017,720	Phoenix	6,459	1.23
1,332,862	Prudential	19,793	3.77
180,129	Rathbone Brothers	4,165	0.79
2,590,000	Royal Bank of Scotland	6,237	1.19
131,705	Schroders	3,438	0.65
1,929,155	Secure Income REIT	7,678	1.46
398,454	St James's Place	3,737	0.71
2,493,750	Standard Life Aberdeen	6,274	1.19
1,276,291	Unite	11,614	2.21
	<b>Health Care (31 July 2018: 1.62%)</b>	<b>5,732</b>	<b>1.09</b>
1,885,576	Advanced Medical Solutions	5,732	1.09



# Kames Ethical Equity Fund

## Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
	<b>Industrials (31 July 2018: 23.78%)</b>	<b>102,160</b>	<b>19.44</b>
360,000	Ashtead	6,941	1.32
239,325	Clarkson	6,115	1.16
725,000	Diploma	9,200	1.75
1,594,509	DS Smith	5,375	1.02
139,888	Ferguson	7,125	1.36
1,025,000	Grafton	7,524	1.43
1,061,237	HomeServe	10,007	1.91
2,080,000	Howden Joinery	10,508	2.00
427,994	Keywords Studios	5,093	0.97
336,718	Oxford Instruments	3,024	0.58
363,188	PayPoint	3,083	0.59
1,295,411	Polypipe	5,119	0.97
68,858	Renishaw	3,214	0.61
1,467,989	Robert Walters	7,692	1.46
1,442,828	Sanne	7,200	1.37
190,000	Spectris	4,940	0.94
710,400	TMO Fund Raising*	-	-
	<b>Oil &amp; Gas (31 July 2018: 3.32%)</b>	<b>11,012</b>	<b>2.10</b>
4,430,000	Cairn Energy	8,280	1.58
382,322	Great Eastern Energy GDR	256	0.05
3,350,000	Premier Oil	2,476	0.47
	<b>Technology (31 July 2018: 10.62%)</b>	<b>52,151</b>	<b>9.92</b>
209,753	accesso Technology	2,989	0.57
680,000	Aveva	18,496	3.52
166,090	Blue Prism	2,325	0.44
958,733	FDM	7,890	1.50
2,223,930	GB Group	10,208	1.94
1,032,522	NCC	1,326	0.25
850,000	Sage	5,319	1.01
518,458	Softcat	3,598	0.69
	<b>Telecommunications (31 July 2018: 2.72%)</b>	<b>20,668</b>	<b>3.93</b>
5,300,000	BT	12,315	2.34
1,021,136	Gamma Communications	8,353	1.59
	<b>Utilities (31 July 2018: 1.42%)</b>	<b>18,981</b>	<b>3.61</b>
1,016,560	Pennon	7,752	1.47
960,146	SSE	11,229	2.14
	<b>Portfolio of investments</b>	<b>497,355</b>	<b>94.63</b>
	Net other assets	28,224	5.37
	<b>Total net assets attributable to shareholders</b>	<b>525,579</b>	<b>100.00</b>

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 COLL.

# Kames Ethical Equity Fund

## Statement of Total Return for the six months ended 31 January 2019

		31 January 2019		31 January 2018
	£'000	£'000	£'000	£'000
<b>Income</b>				
Net capital (losses)/gains		(77,174)		22,703
Revenue	6,986		6,587	
Expenses	(2,611)		(2,883)	
<b>Net revenue before taxation</b>	<b>4,375</b>		<b>3,704</b>	
Taxation	(5)		-	
Net revenue after taxation		4,370		3,704
Total return before distributions		(72,804)		26,407
Distributions		(61)		(48)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>(72,865)</b>		<b>26,359</b>

## Statement of Change in Net Assets Attributable to Shareholders for the six months ended 31 January 2019

		31 January 2019		31 January 2018
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders*		607,857		591,398
Amounts receivable on creation of shares	39,443		47,893	
Amounts payable on cancellation of shares	(48,856)		(56,098)	
		(9,413)		(8,205)
Change in net assets attributable to shareholders from investment activities		(72,865)		26,359
<b>Closing net assets attributable to shareholders</b>		<b>525,579</b>		<b>609,552</b>

\*The opening net assets attributable to shareholders for the current period do not equal the closing net assets attributable to shareholders for the comparative period as they are not consecutive periods.

# Kames Ethical Equity Fund

## Balance Sheet as at 31 January 2019

		31 January 2019		31 July 2018
	£'000	£'000	£'000	£'000
<b>Assets</b>				
Fixed assets:				
Investments		497,355		590,382
Current assets:				
Debtors	2,329		2,914	
Cash and cash equivalents	28,205		17,210	
		<u>30,534</u>	<u>17,210</u>	<u>20,124</u>
Total assets		527,889		610,506
<b>Liabilities</b>				
Creditors				
Bank overdrafts	-		5	
Distribution payable	-		1,032	
Other creditors	2,310		1,612	
		<u>2,310</u>	<u>1,612</u>	<u>2,649</u>
Total liabilities		2,310		2,649
<b>Net assets attributable to shareholders</b>		<b>525,579</b>		<b>607,857</b>

## Kames Ethical Equity Fund

### Net asset value

	Net asset value of share class £'000	Net asset value per share p	Shares in issue
<b>As of 31 January 2019</b>	<b>525,579</b>		
A Accumulation shares	107,608	177.71	60,551,486
B Accumulation shares	368,669	205.31	179,569,644
B Income shares	46,244	144.58	31,985,733
D Accumulation shares	3,058	156.82	1,949,852

# Kames Ethical Equity Fund

## Ongoing charges figure

	31 January 2019	31 July 2018
<b>A Accumulation shares</b>		
ACD's periodic charge	1.50%	1.50%
Other expenses	0.03%	0.03%
<b>Ongoing charges figure</b>	<b>1.53%</b>	<b>1.53%</b>
<b>B Accumulation shares</b>		
ACD's periodic charge	0.75%	0.75%
Other expenses	0.03%	0.03%
<b>Ongoing charges figure</b>	<b>0.78%</b>	<b>0.78%</b>
<b>B Income shares</b>		
ACD's periodic charge	0.75%	0.75%
Other expenses	0.03%	0.03%
<b>Ongoing charges figure</b>	<b>0.78%</b>	<b>0.78%</b>
<b>D Accumulation shares</b>		
ACD's periodic charge	1.00%	1.00%
Other expenses	0.03%	0.03%
<b>Ongoing charges figure</b>	<b>1.03%</b>	<b>1.03%</b>

The ongoing charges figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the sub-fund over the period. The OCF is made up of the ACD's periodic charge and other operating costs deducted from the assets of the sub-fund during the period, except for those payments that are explicitly excluded by regulations.

## Total purchases and sales

	Total purchases £'000	Total sales £'000
6 months to 31.01.2018	108,367	113,927
6 months to 31.01.2019	126,543	142,400

## Kames Ethical Equity Fund

### Revenue record

	Accounting year	Net revenue per share p
A Accumulation shares (pence)	2017	2.67
	2018	2.62
	2019	-
B Accumulation shares (pence)	2017	4.59
	2018	4.72
	2019	-
B Income shares (pence)	2017	3.37
	2018	3.39
	2019	-
D Accumulation shares (pence)	2017	3.13
	2018	3.18
	2019	-

# Kames Ethical Cautious Managed Fund

## Fund description

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 Fund's predefined ethical criteria. Equities will be limited to a maximum of 60% of the portfolio value at all times.

## Risk profile

The 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 Fund should be comfortable with a higher level of investment risk. In most cases, we expect the 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 Fund should be viewed as a longer term investment.

The 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](http://www.kamescapital.com).

## Performance

The Kames Ethical Cautious Managed Fund returned (6.31)% compared to the peer group median return of (3.25)%. The peer group is the Investment Association Mixed Investment 20-60% Shares sector.

## Strategy review

This period was a turbulent time across most asset classes, though equity performance was generally good until the end of September. Brexit concerns were a substantial headwind in the UK. Within the equities portfolio stock selection challenged performance as the period went on. The Fund's exposure to the more cyclical areas impacted relative performance. Our ethical screen restricts our opportunity in the mining sector, which proved a challenge to relative performance, as did having no exposure to the pharmaceutical sector. This was offset to some degree by having no exposure to tobacco and aerospace & defence which both underperformed.

Within stock selection international growth plays Aveva and Victrex added value. As did internationally diverse companies such as RELX, John Laing Group and Coca Cola. Domestically, digital automotive company, Autotrader, delivered a positive return, as did, A.G. Barr, and Derwent London. An improving outlook for oil and gas capex and an inflection in earnings meant Wood (John) added value at the start of the period, but by the end of 2018 joined Victrex, DS Smith and other cyclical names to create headwind. The Fund suffered from its exposure to highly-rated growth plays that lagged including Keywords Studios and Accesso Technologies.

Within the bonds portfolio we began the period with a stable exposure to interest rate risk but there was a marked increase in risk aversion particularly into the fourth quarter of 2018. This reflected a number of developments, including concerns about the US economy; deteriorating relations between the US and China; the apparent impasse between the EU and Italy over the new government's spending plans, and of course the looming threat of a no-deal Brexit. The result was a decline in government bond yields and a material widening in credit spreads.

From an asset allocation perspective, the decision to increase the portfolio's weighting to high quality fixed income assets through the late part of the summer was supportive to performance given the weakness in riskier assets.

From the start of this period we began to react to the potential for increased volatility and decided to lower risk levels in the Fund by gradually increasing our bond allocation. While it was a challenging backdrop for bonds our decision to increase our allocation to the asset class was beneficial, given bond markets performed better than their equity counterparts over the period. At the end of the period, we had increased our position in fixed income to 46%.

## Kames Ethical Cautious Managed Fund

### Material portfolio changes

Top ten purchases	31 January 2019	Top ten sales	31 January 2019
	£'000		£'000
KFW 5.5% 18/06/2025	8,241	Wolseley	6,647
Nordic Bank 0.625% 02/11/2021	8,159	Victrex	4,555
International Bank for Reconstruction & Development 1% 19/12/2022	8,088	Vodafone	4,243
BT	5,689	DS Smith	4,171
KFW 0.875% 15/03/2022	4,068	RSA Insurance	4,005
Deutsche Bahn Finance 2.75% 20/06/2022	3,976	Easyjet	3,934
Howden Joinery	3,854	CRH	3,758
Tate & Lyle	3,806	Wood (John)	3,679
Just Eat	3,248	Schroders	3,270
Pennon	3,190	White City Property Finance 5.1202% 17/04/2035	2,858

Top ten holdings	31 January 2019	Top ten holdings	31 July 2018
	%		%
RELX	2.15	Prudential	2.23
Prudential	1.88	Ferguson	2.13
Network Rail Infrastructure Finance 3% 07/09/2023	1.83	RELX	1.89
KFW 0.875% 15/03/2022	1.73	Victrex	1.65
Nordic Bank 0.625% 02/11/2021	1.73	DS Smith	1.63
International Bank for Reconstruction & Development 1% 19/12/2022	1.72	Network Rail Infrastructure Finance 3% 07/09/2023	1.57
KFW 5.5% 18/06/2025	1.71	Aveva	1.55
Aveva	1.65	Coca-Cola	1.43
Coca-Cola	1.56	Hargreaves Lansdown	1.24
Transport for London 2.125% 24/04/2025	1.34	Robert Walters	1.19



# Kames Ethical Cautious Managed Fund

## Portfolio Statement

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

Holding	Investment	Market valuation £'000	Total net assets %
	<b>Sterling Denominated Bonds (31 July 2018: 38.74%)</b>	<b>220,690</b>	<b>46.56</b>
	<b>Asset Backed Security (31 July 2018: 4.16%)</b>	<b>17,620</b>	<b>3.72</b>
240,000	Alpha Schools Highland Project 4.792% 31/01/2036	216	0.05
1,700,000	Arqiva Financing 4.882% 31/12/2032	1,760	0.37
1,370,000	Bishopsgate Asset Finance 4.808% 14/08/2044	1,214	0.26
2,410,000	BL Superstores Finance 5.27% 04/10/2025	580	0.12
152,000	Dignity Finance 3.5456% 31/12/2034	134	0.03
1,700,000	Dignity Finance 4.6956% 31/12/2049	1,512	0.32
1,350,000	Greater Gabbard 4.137% 29/11/2032	1,317	0.28
1,500,000	High Speed Rail Finance No.1 4.375% 01/11/2038	1,807	0.38
400,000	Paragon 3.625% 21/01/2047	420	0.09
240,000	Places for People Homes 8.625% 26/09/2020	256	0.05
1,800,000	Quadrant Housing Finance 7.93% 10/02/2033	2,440	0.52
400,000	Sustainable Communities for Leeds Finance 5.069% 30/09/2032	440	0.09
1,500,000	Telereal Securitisation 4.01% 10/12/2033	1,227	0.26
800,000	Telereal Securitisation 4.9741% 10/09/2027	582	0.12
160,000	Telereal Securitisation 6.1645% 10/12/2031	180	0.04
1,900,000	THPA Finance 7.127% 15/03/2024	1,035	0.22
700,000	Trafford Centre Finance 6.5% 28/07/2033	770	0.16
720,000	Trafford Centre Finance 7.03% 28/01/2029	486	0.10
1,300,000	Wods Transmission 3.446% 24/08/2034	1,244	0.26
	<b>Corporate Bonds (31 July 2018: 34.58%)</b>	<b>203,070</b>	<b>42.84</b>
900,000	ABN AMRO Bank 1% 30/06/2020	893	0.19
1,800,000	ABN AMRO Bank 2.375% 07/12/2021	1,834	0.39
2,100,000	ABP Finance 6.25% 14/12/2026	2,530	0.53
1,200,000	American International 2.61138% 15/03/2067	1,060	0.22
1,000,000	American International 5% 26/04/2023	1,105	0.23
650,000	AMP Group Finance Services 6.875% 23/08/2022	702	0.15
700,000	APT Pipelines 3.5% 22/03/2030	725	0.15
800,000	APT Pipelines 4.25% 26/11/2024	868	0.18
1,700,000	Aroundtown 3.25% 18/07/2027	1,655	0.35
600,000	ASIF II 6.375% 05/10/2020	646	0.14
600,000	Aviva 4.375% 12/09/2049	582	0.12
150,000	Aviva 5.9021% Perpetual	155	0.03
1,000,000	Aviva 6.125% Perpetual	1,057	0.22
300,000	Aviva 6.875% 20/05/2058	363	0.08
1,600,000	AXA 5.625% 16/01/2054	1,758	0.37
2,800,000	Bank of Montreal 1.625% 21/06/2022	2,795	0.59
1,000,000	Bank of Scotland Capital Funding 7.754% Perpetual	1,106	0.23
1,000,000	Bazalgette Finance 2.375% 29/11/2027	988	0.21
1,800,000	Blend Funding 3.459% 21/09/2047	1,854	0.39
1,700,000	BPCE 5.25% 16/04/2029	1,970	0.42
1,490,000	BPHA Finance 4.816% 11/04/2044	1,897	0.40
400,000	British Land 5.264% 24/09/2035	510	0.11
488,000	British Land 5.357% 31/03/2028	587	0.12
1,200,000	Cadent Finance 2.625% 22/09/2038	1,115	0.23
800,000	Close Brothers Finance 2.75% 19/10/2026	789	0.17
800,000	CNP Assurances 7.375% 30/09/2041	888	0.19
300,000	Cooperatieve Rabobank 4.625% 13/01/2021	318	0.07
900,000	Cooperatieve Rabobank 5.25% 14/09/2027	1,031	0.22
500,000	Cooperatieve Rabobank 6.91% Perpetual	683	0.14
900,000	Coventry Building Society 1.875% 24/10/2023	878	0.18
1,400,000	CPUK Finance 7.239% 28/02/2024	1,695	0.36
700,000	CRH Finance 4.125% 02/12/2029	776	0.16
6,100,000	Deutsche Bahn Finance 2.75% 20/06/2022	6,356	1.34
4,100,000	Deutsche Bahn Finance 3.125% 24/07/2026	4,483	0.95
650,000	Deutsche Telekom International Finance 6.5% 08/04/2022	743	0.16
656,000	Deutsche Telekom International Finance 7.625% 15/06/2030	952	0.20
2,400,000	Digital Stout 4.75% 13/10/2023	2,616	0.55

# Kames Ethical Cautious Managed Fund

## Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
<b>Corporate Bonds (continued)</b>			
246,000	Direct Line Insurance 9.25% 27/04/2042	291	0.06
800,000	Electricity North West 8.875% 25/03/2026	1,132	0.24
2,000,000	EMH Treasury 4.5% 29/01/2044	2,401	0.51
800,000	Esure 6.75% 19/12/2024	821	0.17
1,200,000	Freshwater Finance 4.607% 17/10/2036	1,486	0.31
550,000	GLH Hotels 7.875% 20/06/2022	604	0.13
1,800,000	Great Places Housing 4.75% 22/10/2042	2,245	0.47
1,800,000	Hammerson 3.5% 27/10/2025	1,785	0.38
8,200,000	International Bank for Reconstruction & Development 1% 19/12/2022	8,137	1.72
2,000,000	International Bank for Reconstruction & Development 5.4% 07/06/2021	2,198	0.46
200,000	International Bank for Reconstruction & Development 5.75% 07/06/2032	295	0.06
2,200,000	Intu Metrocentre Finance 4.125% 06/12/2023	2,143	0.45
1,200,000	Investec 4.25% 24/07/2028	1,166	0.25
1,000,000	Kelda Finance No.3 5.75% 17/02/2020	999	0.21
8,300,000	KFW 0.875% 15/03/2022	8,220	1.73
200,000	KFW 4.875% 15/03/2037	293	0.06
1,000,000	KFW 5% 10/09/2024	1,196	0.25
6,500,000	KFW 5.5% 18/06/2025	8,124	1.71
3,000,000	KFW 5.55% 07/06/2021	3,307	0.70
2,500,000	KFW 6% 07/12/2028	3,493	0.74
1,800,000	Land Securities Capital Markets 1.974% 08/02/2024	1,803	0.38
1,000,000	Legal & General 5.5% 27/06/2064	1,025	0.22
700,000	Legal & General 10% 23/07/2041	826	0.17
1,300,000	Liberty Living Finance 3.375% 28/11/2029	1,273	0.27
2,200,000	Lloyds Banking 2.25% 16/10/2024	2,132	0.45
812,000	Lunar Funding I 5.75% 18/10/2033	1,109	0.23
900,000	Martlet Homes 3% 09/05/2052	853	0.18
700,000	Motability Operations 3.625% 10/03/2036	793	0.17
1,200,000	Motability Operations 5.375% 28/06/2022	1,354	0.29
600,000	Myriad Capital 4.75% 20/12/2043	760	0.16
1,100,000	National Express 2.5% 11/11/2023	1,085	0.23
2,100,000	Nationwide Building Society 6.875% Perpetual	2,120	0.45
8,000,000	Network Rail Infrastructure Finance 3% 07/09/2023	8,658	1.83
4,900,000	Network Rail Infrastructure Finance 4.625% 21/07/2020	5,158	1.09
8,300,000	Nordic Bank 0.625% 02/11/2021	8,185	1.73
400,000	Northern Powergrid Yorkshire 4.375% 05/07/2032	475	0.10
600,000	OP Corporate Bank 2.5% 20/05/2022	616	0.13
1,600,000	Orange 5.75% Perpetual	1,700	0.36
700,000	Orsted 4.875% 12/01/2032	860	0.18
1,000,000	Orsted 5.75% 09/04/2040	1,424	0.30
800,000	Pennon 2.875% Perpetual	800	0.17
3,000,000	Phoenix 4.125% 20/07/2022	3,035	0.64
800,000	Places for People Homes 3.625% 22/11/2028	805	0.17
400,000	Porterbrook Rail Finance 4.625% 04/04/2029	443	0.09
500,000	Porterbrook Rail Finance 6.5% 20/10/2020	538	0.11
300,000	Prudential 5% 20/07/2055	315	0.07
500,000	Prudential 5.7% 19/12/2063	578	0.12
150,000	Rabobank Capital Funding Trust IV 5.556% Perpetual	154	0.03
1,000,000	RAC Bond 4.87% 06/05/2026	949	0.20
900,000	RL Finance No.2 6.125% 30/11/2043	996	0.21
2,800,000	Royal Bank of Scotland 2.875% 19/09/2026	2,722	0.57
1,500,000	Sainsbury's Bank 6% 23/11/2027	1,496	0.32
2,000,000	Santander 3.625% 14/01/2026	2,049	0.43
1,700,000	Severn Trent Utilities Finance 3.625% 16/01/2026	1,821	0.38
1,900,000	Skipton Building Society 1.75% 30/06/2022	1,831	0.39
600,000	South East Water Finance 5.6577% 30/09/2019	615	0.13
800,000	Southern Gas Networks 2.5% 03/02/2025	810	0.17
900,000	Southern Gas Networks 4.875% 05/10/2023	1,020	0.21
1,800,000	SSE 3.875% Perpetual	1,798	0.38
2,000,000	Stagecoach 4% 29/09/2025	2,049	0.43
1,900,000	Swedbank 1.625% 15/04/2019	1,902	0.40
500,000	TC Dudgeon Ofte 3.158% 12/11/2038	518	0.11

# Kames Ethical Cautious Managed Fund

## Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
<b>Corporate Bonds (continued)</b>			
1,200,000	Thames Water Kemble Finance 5.875% 15/07/2022	1,222	0.26
600,000	Thames Water Utilities Finance 3.5% 25/02/2028	629	0.13
1,000,000	THFC Funding No.3 5.2% 11/10/2043	1,318	0.28
6,200,000	Transport for London 2.125% 24/04/2025	6,341	1.34
4,500,000	Transport for London 2.25% 09/08/2022	4,614	0.97
1,900,000	Transport for London 3.875% 23/07/2042	2,314	0.49
600,000	UNITE USAF II 3.921% 30/06/2025	658	0.14
2,100,000	Vicinity Centres 3.375% 07/04/2026	2,182	0.46
2,400,000	Virgin Money 2.25% 21/04/2020	2,401	0.51
2,200,000	Virgin Money 3.375% 24/04/2026	2,067	0.44
500,000	Wales & West Utilities Finance 3% 03/08/2038	507	0.11
800,000	Wales & West Utilities Finance 4.625% 13/12/2023	907	0.19
59,000	Wales & West Utilities Finance 6.25% 30/11/2021	67	0.01
1,500,000	Welltower 4.8% 20/11/2028	1,691	0.36
1,600,000	Wessex Water Services Finance 4% 24/09/2021	1,697	0.36
2,100,000	Yorkshire Building Society 3.5% 21/04/2026	2,159	0.46
1,500,000	Yorkshire Water Finance 3.75% 22/03/2046	1,544	0.33
<b>Equities (31 July 2018: 55.05%)</b>		<b>222,751</b>	<b>47.00</b>
<b>Basic Materials (31 July 2018: 2.79%)</b>		<b>6,535</b>	<b>1.38</b>
200,000	Mondi	3,678	0.78
125,087	Victrex	2,857	0.60
<b>Consumer Goods (31 July 2018: 3.73%)</b>		<b>21,849</b>	<b>4.61</b>
301,155	A.G. Barr	2,268	0.48
127,512	Bellway	3,616	0.76
1,900,000	Cairn Homes	2,118	0.45
290,000	Coca-Cola	7,415	1.56
896,023	Countryside Properties	2,753	0.58
535,000	Tate & Lyle	3,679	0.78
<b>Consumer Services (31 July 2018: 7.51%)</b>		<b>34,033</b>	<b>7.18</b>
767,578	Ascential	2,915	0.62
832,968	Auto Trader	3,806	0.80
1,250,000	Entertainment One	4,925	1.04
2,136,750	Huntsworth	2,318	0.49
639,521	Informa	4,324	0.91
737,270	Just Eat	5,131	1.08
92,240	Millennium & Copthorne Hotels	447	0.09
602,998	RELX	10,167	2.15
<b>Electronic &amp; Electrical Equipment (31 July 2018: 0.35%)</b>		<b>1,630</b>	<b>0.34</b>
1,157,379	Strix	1,630	0.34
<b>Financials (31 July 2018: 16.55%)</b>		<b>68,045</b>	<b>14.36</b>
1,153,855	Aviva	4,777	1.01
713,532	Brewin Dolphin	2,132	0.45
140,894	Derwent London	4,562	0.96
1,629,535	Hansteen	1,501	0.32
329,503	Hargreaves Lansdown	5,379	1.14
324,843	Impax Environmental Markets	867	0.18
1,525,000	John Laing	5,411	1.14
3,124,142	Just	3,165	0.67
1,194,094	Legal & General	3,096	0.65
3,800,000	Lloyds Banking	2,200	0.46
492,078	Phoenix	3,123	0.66
599,198	Prudential	8,898	1.88
107,941	Rathbone Brothers	2,496	0.53
1,175,000	Royal Bank of Scotland	2,829	0.60
61,342	Schroders	1,601	0.34
933,788	Secure Income REIT	3,716	0.78

# Kames Ethical Cautious Managed Fund

## Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
	<b>Financials (continued)</b>		
192,651	St James's Place	1,807	0.38
1,334,375	Standard Life Aberdeen	3,357	0.71
1,209,166	Tatton Asset Management	2,328	0.49
527,516	Unite	4,800	1.01
	<b>Health Care (31 July 2018: 0.88%)</b>	<b>2,341</b>	<b>0.50</b>
770,169	Advanced Medical Solutions	2,341	0.50
	<b>Industrials (31 July 2018: 13.63%)</b>	<b>43,848</b>	<b>9.25</b>
150,000	Ashtead	2,892	0.61
87,494	Clarkson	2,235	0.47
290,000	Diploma	3,680	0.78
676,218	DS Smith	2,280	0.48
60,830	Ferguson	3,098	0.65
510,000	Grafton	3,743	0.79
475,148	HomeServe	4,481	0.95
820,000	Howden Joinery	4,143	0.87
167,481	Keywords Studios	1,993	0.42
165,928	Oxford Instruments	1,490	0.32
225,620	PayPoint	1,916	0.40
566,580	Polypipe	2,239	0.47
30,495	Renishaw	1,424	0.30
666,969	Robert Walters	3,495	0.74
600,595	Sanne	2,997	0.63
67,000	Spectris	1,742	0.37
22,000	TMO Renewables*	-	-
	<b>Oil &amp; Gas (31 July 2018: 1.90%)</b>	<b>4,791</b>	<b>1.01</b>
2,020,000	Cairn Energy	3,775	0.80
1,375,000	Premier Oil	1,016	0.21
	<b>Technology (31 July 2018: 5.50%)</b>	<b>22,610</b>	<b>4.77</b>
113,617	accesso Technology	1,619	0.34
287,000	Aveva	7,806	1.65
68,464	Blue Prism	959	0.20
411,415	FDM	3,386	0.72
961,069	GB Group	4,411	0.93
496,075	NCC	637	0.13
350,000	Sage	2,190	0.46
230,769	Softcat	1,602	0.34
	<b>Telecommunications (31 July 2018: 1.48%)</b>	<b>8,816</b>	<b>1.86</b>
2,210,000	BT	5,135	1.08
450,000	Gamma Communications	3,681	0.78
	<b>Utilities (31 July 2018: 0.73%)</b>	<b>8,253</b>	<b>1.74</b>
443,703	Pennon	3,384	0.71
416,295	SSE	4,869	1.03
	<b>Portfolio of investments</b>	<b>443,441</b>	<b>93.56</b>
	Net other assets	30,506	6.44
	<b>Total net assets attributable to shareholders</b>	<b>473,947</b>	<b>100.00</b>

# Kames Ethical Cautious Managed Fund

## Portfolio Statement (continued)

### Analysis of investments by asset class

	Market value £'000	Value of investment %
Bonds	220,690	46.56
Equities	222,751	47.00
<b>Portfolio of investments</b>	<b>443,441</b>	<b>93.56</b>
Net other assets	30,506	6.44
<b>Total net assets attributable to shareholders</b>	<b>473,947</b>	<b>100.00</b>

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 COLL.

## Kames Ethical Cautious Managed Fund

### Statement of Total Return for the six months ended 31 January 2019

		31 January 2019		31 January 2018
	£'000	£'000	£'000	£'000
<b>Income</b>				
Net capital (losses)/gains		(39,985)		10,625
Revenue	6,808		7,347	
Expenses	(2,115)		(2,398)	
<b>Net revenue before taxation</b>	<b>4,693</b>		<b>4,949</b>	
Taxation	(305)		(264)	
Net revenue after taxation		4,388		4,685
Total return before distributions		(35,597)		15,310
Distributions		(4,388)		(4,685)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>(39,985)</b>		<b>10,625</b>

### Statement of Change in Net Assets Attributable to Shareholders for the six months ended 31 January 2019

		31 January 2019		31 January 2018
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders*		552,470		584,352
Amounts receivable on creation of shares	32,280		40,074	
Amounts payable on cancellation of shares	(74,633)		(71,108)	
		(42,353)		(31,034)
Dilution adjustment		129		90
Change in net assets attributable to shareholders from investment activities		(39,985)		10,625
Retained distribution on accumulation shares		3,686		3,956
<b>Closing net assets attributable to shareholders</b>		<b>473,947</b>		<b>567,989</b>

\*The opening net assets attributable to shareholders for the current period do not equal the closing net assets attributable to shareholders for the comparative period as they are not consecutive periods.

## Kames Ethical Cautious Managed Fund

### Balance Sheet as at 31 January 2019

	31 January 2019		31 July 2018	
	£'000	£'000	£'000	£'000
<b>Assets</b>				
Fixed assets:				
Investments		443,441		518,172
Current assets:				
Debtors	3,916		4,421	
Cash and cash equivalents	29,236		32,706	
		<u>33,152</u>	<u>37,127</u>	
Total assets		476,593		555,299
<b>Liabilities</b>				
Creditors				
Bank overdrafts	-		4	
Distribution payable	232		381	
Other creditors	2,414		2,444	
		<u>2,646</u>	<u>2,829</u>	
Total liabilities		2,646		2,829
<b>Net assets attributable to shareholders</b>		<b>473,947</b>		<b>552,470</b>

# Kames Ethical Cautious Managed Fund

## Distribution Tables

### Share Class A Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017/8 Net Distribution
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				

### Share Class A Income

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017/8 Net Distribution
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				

### Share Class B Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017/8 Net Distribution
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				

### Share Class B Income

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017/8 Net Distribution
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				

### Share Class D Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017/8 Net Distribution
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				

### Share Class D Income

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Streaming Franked	Streaming Unfranked	2017/8 Net Distribution
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				

\*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

### Net asset value

	Net asset value of share class £'000	Net asset value per share p	Shares in issue
<b>As of 31 January 2019</b>	<b>473,947</b>		
A Accumulation shares	28,829	172.79	16,684,430
A Income shares	2,252	135.25	1,665,002
B Accumulation shares	372,884	128.10	291,084,440
B Income shares	65,171	113.89	57,221,511
D Accumulation shares	3,846	142.12	2,706,015
D Income shares	965	126.68	762,036

## Kames Ethical Cautious Managed Fund

### Ongoing charges figure

	31 January 2019	31 July 2018
<b>A Accumulation shares</b>		
ACD's periodic charge	1.25%	1.25%
Other expenses	0.04%	0.03%
<b>Ongoing charges figure</b>	<b>1.29%</b>	<b>1.28%</b>
<b>A Income shares</b>		
ACD's periodic charge	1.25%	1.25%
Other expenses	0.04%	0.03%
<b>Ongoing charges figure</b>	<b>1.29%</b>	<b>1.28%</b>
<b>B Accumulation shares</b>		
ACD's periodic charge	0.75%	0.75%
Other expenses	0.04%	0.03%
<b>Ongoing charges figure</b>	<b>0.79%</b>	<b>0.78%</b>
<b>B Income shares</b>		
ACD's periodic charge	0.75%	0.75%
Other expenses	0.04%	0.03%
<b>Ongoing charges figure</b>	<b>0.79%</b>	<b>0.78%</b>
<b>D Accumulation shares</b>		
ACD's periodic charge	1.00%	1.00%
Other expenses	0.04%	0.03%
<b>Ongoing charges figure</b>	<b>1.04%</b>	<b>1.03%</b>
<b>D Income shares</b>		
ACD's periodic charge	1.00%	1.00%
Other expenses	0.04%	0.03%
<b>Ongoing charges figure</b>	<b>1.04%</b>	<b>1.03%</b>

The ongoing charges figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the sub-fund over the period. The OCF is made up of the ACD's periodic charge and other operating costs deducted from the assets of the sub-fund during the period, except for those payments that are explicitly excluded by regulations.

### Total purchases and sales

	Total purchases	Total sales
	£'000	£'000
6 months to 31.01.2018	66,120	94,483
6 months to 31.01.2019	79,019	113,008

# Kames Ethical Cautious Managed Fund

## Revenue record

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	Accounting year	Net revenue per share p
A Accumulation shares (pence)	2017	2.77
	2018	2.99
	2019	1.18
A Income shares (pence)	2017	2.24
	2018	2.38
	2019	0.93
B Accumulation shares (pence)	2017	2.55
	2018	2.75
	2019	1.14
B Income shares (pence)	2017	2.36
	2018	2.50
	2019	1.02
D Accumulation shares (pence)	2017	2.56
	2018	2.75
	2019	1.12
D Income shares (pence)	2017	2.37
	2018	2.50
	2019	1.00

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# Kames Diversified Growth Fund

## Fund description

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 Fund, capital is at risk. There is no guarantee that the Fund will deliver positive returns over this, or any, time period.

## Risk profile

The 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 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 Fund should be viewed as a longer term investment.

The 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](http://www.kamescapital.com).

## Performance

The Kames Diversified Growth Fund returned (5.28)% (based on net and noon prices) compared to the benchmark return of 3.41%. The benchmark is the UK Retail Price Index + 4%.

## Strategy review

Global equity markets came under significant pressure over the period. Volatility levels were elevated, due mainly to the potential escalation of the US-China trade tensions, 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. Oil prices fell from sanction-induced highs. Many of the more defensive sectors performed well for much of the period while cyclical and growth sectors underperformed. While the market fell heavily towards the end of 2018 it subsequently recovered sharply in January as investors judged the sharp sell-off in the final quarter of 2018 as overdone.

The equity allocation was responsible for the bulk of the Fund's negative return. The credit allocation, which consists of bank credit and emerging market debt, also slightly detracted from performance. Investors demanded a slightly higher yield on these bonds as risk appetite deteriorated.

On the positive side, the government bond exposure, active currency tilt and equity options each delivered positive contributions. Government bonds benefited from the risk-off sentiment which dominated markets towards the end of 2018. 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 and Blue Field Solar boosted the Fund's exposure to renewables. Insurance-linked investments detracted from performance due to California wildfires.

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 toward mid-cap stocks and a sharp momentum reversal that occurred within markets towards the end 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.

The Fund's performance improved sharply in January due to equity markets recovering some of their late-2018 losses and ongoing strong performance from the infrastructure allocation.

## Kames Diversified Growth Fund

### Material portfolio changes

<b>Top ten purchases</b>	<b>31 January 2019</b>	<b>Top ten sales</b>	<b>31 January 2019</b>
	<b>£'000</b>		<b>£'000</b>
US Treasury Bond 2.75% 15/02/2028	19,066	US Treasury Bond 2.75% 15/02/2019	19,634
US Treasury Bond 5.25% 15/02/2029	18,818	US Treasury Bond 1.25% 30/04/2019	19,226
US Treasury Bond 2.875% 15/05/2028	18,394	iShare EM Local Government Bond	14,885
US Treasury Bond 6.25% 15/05/2030	18,323	Lyxor Brazil Ibovespa	6,522
iShare EM Local Government Bond	16,860	US Treasury Bond 2.625% 15/11/2020	5,681
US Treasury Bond 2.75% 15/02/2019	9,924	Republic of South Africa Government Bond 8.75% 28/02/2048	4,755
US Treasury Bond 1.25% 30/04/2019	9,233	Stichting AK Rabobank Certificaten 6.5% Perpetual	3,430
US Treasury Bond 2.625% 15/11/2020	9,144	Unibail-Rodamco-Westfield	3,403
TPG RE Finance Trust	4,820	Everest	3,284
DMG Mori	3,456	Swire Pacific 'A'	3,260

<b>Top ten holdings</b>	<b>31 January 2019</b>	<b>Top ten holdings</b>	<b>31 July 2018</b>
	<b>%</b>		<b>%</b>
US Treasury Bond 2.75% 15/02/2028	4.97	iShare EM Local Government Bond	4.03
US Treasury Bond 5.25% 15/02/2029	4.90	US Treasury Bond 2.625% 15/11/2020	2.51
US Treasury Bond 2.875% 15/05/2028	4.65	US Treasury Bond 1.25% 30/04/2019	2.50
US Treasury Bond 6.25% 15/05/2030	4.61	US Treasury Bond 2.75% 15/02/2019	2.46
iShare EM Local Government Bond	4.24	Greencoat UK Wind	2.23
US Treasury Bond 2.625% 15/11/2020	3.33	3i Infrastructure	2.21
Greencoat UK Wind	2.52	John Laing	1.89
John Laing	2.48	Lyxor Brazil Ibovespa	1.88
3i Infrastructure	2.47	New Residential Investment	1.80
Syncona	2.10	Syncona	1.80

# Kames Diversified Growth Fund

## Portfolio Statement

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

Holding	Investment	Market valuation £'000	Total net assets %
	<b>Euro Denominated Bonds (31 July 2018: 3.18%)</b>	<b>13,885</b>	<b>3.59</b>
	<b>Corporate Bonds (31 July 2018: 3.18%)</b>	<b>13,885</b>	<b>3.59</b>
3,600,000	Banco Bilbao Vizcaya Argentaria 6.75% Perpetual	3,217	0.83
3,200,000	Bankia 6.375% Perpetual	2,755	0.71
1,600,000	CaixaBank 6.75% Perpetual	1,456	0.38
1,600,000	Erste 6.5% Perpetual	1,485	0.39
2,000,000	KBC 4.25% Perpetual	1,556	0.40
1,900,000	UBS 5.75% Perpetual	1,791	0.46
1,700,000	UniCredit 9.25% Perpetual	1,625	0.42
	<b>Mexican Peso Denominated Bonds (31 July 2018: 1.19%)</b>	<b>4,069</b>	<b>1.05</b>
	<b>Government Bonds (31 July 2018: 1.19%)</b>	<b>4,069</b>	<b>1.05</b>
113,000,000	Mexican Bonos 7.75% 13/11/2042	4,069	1.05
	<b>Sterling Denominated Bonds (31 July 2018: 0.94%)</b>	<b>2,282</b>	<b>0.59</b>
	<b>Corporate Bonds (31 July 2018: 0.94%)</b>	<b>2,282</b>	<b>0.59</b>
2,300,000	HSBC 5.875% Perpetual	2,282	0.59
	<b>South African Rand Denominated (31 July 2018: 1.42%)</b>	-	-
	<b>Government Bonds (31 July 2018: 1.42%)</b>	-	-
	<b>United States Dollar Denominated Bonds (31 July 2018: 13.69%)</b>	<b>94,269</b>	<b>24.40</b>
	<b>Corporate Bonds (31 July 2018: 5.08%)</b>	<b>7,490</b>	<b>1.94</b>
3,600,000	Credit Agricole 8.125% Perpetual	2,974	0.77
2,300,000	Credit Suisse 7.5% Perpetual	1,851	0.48
1,300,000	HSBC 6.875% Perpetual	1,030	0.27
1,800,000	RBS Capital Trust II 6.425% Perpetual	1,635	0.42
	<b>Government Bonds (31 July 2018: 8.61%)</b>	<b>86,779</b>	<b>22.46</b>
16,900,000	US Treasury Bond 2.625% 15/11/2020	12,876	3.33
25,000,000	US Treasury Bond 2.75% 15/02/2028	19,202	4.97
23,144,500	US Treasury Bond 2.875% 15/05/2028	17,953	4.65
20,300,000	US Treasury Bond 5.25% 15/02/2029	18,944	4.90
17,400,000	US Treasury Bond 6.25% 15/05/2030	17,804	4.61
	<b>Equities (31 July 2018: 69.22%)</b>	<b>230,733</b>	<b>59.73</b>
	<b>Basic Materials (31 July 2018: 3.04%)</b>	<b>4,287</b>	<b>1.11</b>
17,083	Nucor	795	0.21
20,669	Rio Tinto	865	0.22
161,498	Sandfire Resources	620	0.16
13,900	Shin-Etsu Chemical	890	0.23
25,778	SKCKOLONPI	607	0.16
142,449	Synthomer	510	0.13
	<b>Consumer Goods (31 July 2018: 6.38%)</b>	<b>12,124</b>	<b>3.14</b>
405,000	Anta Sports Products	1,587	0.41
47,621	Burberry	858	0.22
30,132	CIE Automotive	643	0.17
2,082,000	Guangzhou Automobile	1,708	0.44
34,997	Molson Coors Brewing	1,772	0.46
21,012	Royal Unibrew	1,203	0.31
24,847	Salmar	989	0.26
768,798	Taylor Wimpey	1,269	0.33
16,454	Ubisoft Entertainment	1,112	0.29
1,460,000	Uni-President China	983	0.25

# Kames Diversified Growth Fund

## Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
	<b>Consumer Services (31 July 2018: 1.32%)</b>	<b>8,572</b>	<b>2.22</b>
17,604	Burlington Stores	2,298	0.59
5,800	Central Japan Railway	950	0.25
20,838	Copa Holdings	1,503	0.39
74,115	MSG Networks	1,264	0.33
40,303	Natural Grocers	418	0.11
69,060	Viacom	1,545	0.40
30,961	Zenrin	594	0.15
	<b>Financials (31 July 2018: 43.18%)</b>	<b>142,024</b>	<b>36.77</b>
3,595,290	3i Infrastructure	9,528	2.47
7,867	Allianz	1,265	0.33
316,504	Arbor Realty Trust	2,878	0.75
2,700,000	Banco Espirito Santo	-	-
5,104,566	Bilfinger Berger Global Infrastructure SICAV	7,836	2.03
2,012,524	Bluefield Solar Income Fund	2,566	0.66
692,995	Bolsa Mexicana de Valores	1,059	0.27
235,534	Burford Capital	4,320	1.12
674,000	China Overseas Land & Investment	1,923	0.50
3,590,031	Civitas Social Housing	3,698	0.96
142,700	DBS	1,930	0.50
466,068	Dragon Capital - Vietnam Enterprise Investments	2,093	0.54
2,104,471	Foresight Solar Fund	2,389	0.62
2,501,303	GCP Infrastructure Investments	3,147	0.81
194,385	Granite Point Mortgage Trust	2,882	0.75
29,679	Green Dot	1,670	0.43
2,080,592	Greencoat Renewables	1,906	0.49
7,288,997	Greencoat UK Wind	9,738	2.52
2,927,088	HICL Infrastructure	4,856	1.26
3,780,471	International Public Partnerships	5,822	1.51
93,084	Invesco Mortgage Capital Series 'C' Preferred Shares	1,705	0.44
2,704,195	John Laing	9,594	2.48
2,580,257	John Laing Environmental Assets	2,800	0.72
1,429,767	Lloyds Banking	828	0.21
819,089	Macquarie Korea Infrastructure Fund	5,524	1.43
7,855	Marketaxess	1,282	0.33
19,193	Nasdaq	1,284	0.33
304,042	New Residential Investment	3,922	1.02
3,733,593	NextEnergy Solar Fund	4,256	1.10
4,031,484	Nimrod Sea Assets	12	-
263,586	Nuveen Preferred Income Opportunities Fund	1,841	0.48
18,628	Prudential Financial	1,304	0.34
5,571,523	Renewables Infrastructure	6,563	1.70
2,169,022	Sequoia Economic Infrastructure Income Fund	2,408	0.62
232,573	Starwood Property Trust	3,902	1.01
30,937	Sumitomo Realty & Development	897	0.23
3,367,000	Supalai	1,581	0.41
3,219	SVB Financial	571	0.15
3,023,509	Syncona	8,118	2.10
191,651	TPG RE Finance Trust	2,886	0.75
2,659,590	Triple Point Social Housing REIT	2,766	0.72
2,617,149	Tritax Big Box REIT	3,654	0.95
341,367	Tritax Big Box REIT (subscription shares)	33	0.01
251,474	Two Harbors Investment	2,787	0.72

# Kames Diversified Growth Fund

## Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
	<b>Health Care (31 July 2018: 0.66%)</b>	<b>10,526</b>	<b>2.72</b>
108,698	Amplifon	1,483	0.38
1,553	Atrion	884	0.23
136,658	GlaxoSmithKline	2,018	0.52
31,100	Hoya	1,368	0.36
11,655	ICON	1,238	0.32
10,336	Novartis	685	0.18
6,760	Roche	1,367	0.35
48,400	Takeda Pharmaceutical	1,483	0.38
	<b>Industrials (31 July 2018: 9.08%)</b>	<b>28,963</b>	<b>7.50</b>
128,454	Atlantia	2,312	0.60
604,500	BOC Aviation	3,871	1.00
120,000	Chroma ATE	356	0.09
3,401,461	Doric Nimrod Air Three	3,486	0.90
2,019,130	DP Aircraft I	1,535	0.40
19,473	ESCO Technologies	964	0.25
113,164	Ferrovial	1,927	0.50
25,286	Insperty	2,049	0.53
34,300	Japan Airport Terminal	996	0.26
50,832	Johnson Controls International	1,304	0.34
3,987	Lockheed Martin	878	0.23
1,815,027	Lonking	461	0.12
41,685	Marten Transport	613	0.16
31,134	Raven Industries	875	0.23
40,219	Ryder System	1,769	0.46
181,403	Senior	410	0.10
42,247	Vinci	2,832	0.73
2,992,140	Zhejiang Expressway	2,325	0.60
	<b>Oil &amp; Gas (31 July 2018: 1.29%)</b>	<b>5,870</b>	<b>1.52</b>
61,854	Badger Daylighting	1,247	0.32
92,713	Baker Hughes	1,660	0.43
1,157,900	PTT	1,366	0.36
38,172	TOTAL	1,597	0.41
	<b>Technology (31 July 2018: 2.69%)</b>	<b>10,011</b>	<b>2.59</b>
14,055	Ansys	1,756	0.45
9,314	Broadcom	1,898	0.49
16,700	Cisco Systems	600	0.16
40,496	Perficient	785	0.20
101,359	Photronics	822	0.21
56,738	Samsung Electronics	1,789	0.46
118,100	Systema	989	0.26
50,162	Teradyne	1,372	0.36
	<b>Telecommunications (31 July 2018: 0.27%)</b>	<b>4,213</b>	<b>1.09</b>
39,945	AT&T	912	0.24
167,595	Deutsche Telekom	2,066	0.53
77,045	DNA	1,235	0.32
	<b>Utilities (31 July 2018: 1.31%)</b>	<b>4,143</b>	<b>1.07</b>
186,849	Enagas	4,143	1.07



# Kames Diversified Growth Fund

## Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
	<b>Forward Foreign Exchange Contracts (31 July 2018: (0.92)%</b>	<b>7,019</b>	<b>1.82</b>
	Bought AUD 18,391,000 Sold GBP 10,374,043	(183)	(0.05)
	Bought BRL 10,990,000 Sold GBP 2,270,192	16	-
	Bought BRL 26,500,000 Sold GBP 5,562,552	(49)	(0.01)
	Bought CAD 3,130,000 Sold GBP 1,825,931	(15)	-
	Bought CHF 1,800,000 Sold GBP 1,450,489	(71)	(0.02)
	Bought CHF 12,760,000 Sold GBP 10,192,344	(412)	(0.11)
	Bought CHF 13,900,000 Sold GBP 11,174,513	(520)	(0.13)
	Bought EUR 1,630,000 Sold GBP 1,472,571	(51)	(0.01)
	Bought EUR 3,250,000 Sold GBP 2,943,518	(108)	(0.03)
	Bought GBP 11,240,596 Sold AUD 20,300,000	(8)	-
	Bought GBP 3,318,350 Sold CAD 5,700,000	20	0.01
	Bought GBP 24,099,437 Sold CHF 30,440,000	767	0.20
	Bought GBP 1,556,565 Sold DKK 13,000,000	37	0.01
	Bought GBP 47,538,402 Sold EUR 53,200,000	1,120	0.29
	Bought GBP 12,485,550 Sold EUR 13,800,000	445	0.12
	Bought GBP 1,875,795 Sold EUR 2,090,000	52	0.01
	Bought GBP 1,495,208 Sold EUR 1,660,000	47	0.01
	Bought GBP 1,508,910 Sold EUR 1,710,000	17	-
	Bought GBP 1,139,503 Sold EUR 1,300,000	5	-
	Bought GBP 19,373,699 Sold HKD 193,800,000	599	0.15
	Bought GBP 779,216 Sold HKD 8,000,000	4	-
	Bought GBP 18,404,907 Sold KRW 26,400,000,000	369	0.10
	Bought GBP 1,153,441 Sold KRW 1,700,000,000	(8)	-
	Bought GBP 1,431,782 Sold NOK 15,600,000	24	0.01
	Bought GBP 7,800,983 Sold SGD 13,500,000	171	0.04
	Bought GBP 1,413,830 Sold SGD 2,480,000	12	-
	Bought GBP 774,875 Sold SGD 1,370,000	1	-
	Bought GBP 3,521,262 Sold THB 147,724,000	(72)	(0.02)
	Bought GBP 5,605,577 Sold TWD 220,700,000	131	0.03
	Bought GBP 137,725,344 Sold USD 176,630,000	3,506	0.91
	Bought GBP 25,241,609 Sold USD 32,000,000	925	0.24
	Bought GBP 11,038,049 Sold USD 14,000,000	400	0.10
	Bought GBP 11,900,446 Sold USD 15,200,000	350	0.09
	Bought GBP 3,015,892 Sold USD 3,800,000	128	0.03
	Bought GBP 1,491,568 Sold USD 1,900,000	48	0.01
	Bought GBP 1,510,336 Sold USD 1,950,000	29	0.01
	Bought GBP 12,253,903 Sold USD 16,100,000	20	0.01
	Bought GBP 1,138,535 Sold USD 1,500,000	(1)	-
	Bought GBP 12,837,809 Sold USD 16,900,000	(4)	-
	Bought IDR 42,132,000,000 Sold GBP 2,299,154	(4)	-
	Bought IDR 100,460,000,000 Sold GBP 5,556,415	(83)	(0.02)
	Bought JPY 128,800,000 Sold GBP 899,507	-	-
	Bought JPY 210,000,000 Sold GBP 1,476,362	(9)	-
	Bought JPY 216,000,000 Sold GBP 1,523,379	(14)	-
	Bought JPY 662,000,000 Sold GBP 4,643,199	(18)	-
	Bought JPY 1,350,000,000 Sold GBP 9,611,960	(179)	(0.05)
	Bought JPY 1,780,000,000 Sold GBP 12,654,448	(217)	(0.06)
	Bought MXN 16,600,000 Sold GBP 622,561	40	0.01
	Bought MXN 38,500,000 Sold GBP 1,532,356	3	-
	Bought TRY 38,500,000 Sold GBP 5,408,926	218	0.06
	Bought TRY 14,600,000 Sold GBP 2,128,994	5	-
	Bought USD 1,871,000 Sold GBP 1,475,812	(54)	(0.01)
	Bought USD 1,860,000 Sold GBP 1,472,357	(59)	(0.02)
	Bought USD 3,350,000 Sold GBP 2,621,757	(76)	(0.02)
	Bought USD 8,800,000 Sold GBP 6,961,419	(275)	(0.07)
	<b>Futures Contracts (31 July 2018: 0.11%)</b>	<b>-</b>	<b>-</b>

# Kames Diversified Growth Fund

## Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
	<b>Collective Investment Schemes (31 July 2018: 4.03%)</b>	<b>16,357</b>	<b>4.24</b>
356,840	iShare EM Local Government Bond	16,357	4.24
	<b>Options (31 July 2018: 0.05%)</b>	<b>58</b>	<b>0.02</b>
12,199	Call Option IMM EURO\$ December 2019 UBS	58	0.02
	<b>Portfolio of investments*</b>	<b>368,672</b>	<b>95.44</b>
	Net other assets	17,629	4.56
	<b>Total net assets attributable to shareholders</b>	<b>386,301</b>	<b>100.00</b>

### Analysis of investments by asset class

	Market value £'000	Value of investments %
Equities	230,733	59.73
Bonds	114,505	29.63
Collective Investment Schemes	16,357	4.24
Derivatives	7,077	1.84
<b>Portfolio of investments*</b>	<b>368,672</b>	<b>95.44</b>
Net other assets	17,629	4.56
<b>Total net assets attributable to shareholders</b>	<b>386,301</b>	<b>100.00</b>

### Analysis of underlying exposure futures and options

	Market value £'000
Options	58
	<b>58</b>

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 Diversified Growth Fund

### Statement of Total Return for the six months ended 31 January 2019

	31 January 2019		31 January 2018	
	£'000	£'000	£'000	£'000
<b>Income</b>				
Net capital (losses)/gains		(24,062)		8,839
Revenue	6,670		5,532	
Expenses	(1,127)		(990)	
Interest payable and similar charges	(19)		(9)	
<b>Net revenue before taxation</b>	<b>5,524</b>		<b>4,533</b>	
Taxation	(558)		(463)	
Net revenue after taxation		4,966		4,070
Total return before distributions		(19,096)		12,909
Distributions		(4,966)		(4,070)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>(24,062)</b>		<b>8,839</b>

### Statement of Change in Net Assets Attributable to Shareholders for the six months ended 31 January 2019

	31 January 2019		31 January 2018	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders*		381,290		317,912
Amounts receivable on creation of shares	26,302		7,215	
Amounts payable on cancellation of shares	(2,410)		(757)	
		23,892		6,458
Dilution adjustment		91		-
Change in net assets attributable to shareholders from investment activities		(24,062)		8,839
Retained distribution on accumulation shares		5,090		4,099
<b>Closing net assets attributable to shareholders</b>		<b>386,301</b>		<b>337,308</b>

\*The opening net assets attributable to shareholders for the current period do not equal the closing net assets attributable to shareholders for the comparative period as they are not consecutive periods.

## Kames Diversified Growth Fund

### Balance Sheet as at 31 January 2019

	31 January 2019		31 July 2018	
	£'000	£'000	£'000	£'000
<b>Assets</b>				
Fixed assets:				
Investments		371,162		357,853
Current assets:				
Debtors	3,473		23,670	
Cash and cash equivalents	19,972		25,666	
		<u>23,445</u>		<u>49,336</u>
Total assets		394,607		407,189
<b>Liabilities</b>				
Investment liabilities				
		2,490		3,594
Creditors				
Bank overdrafts	5,320		1	
Other creditors	496		22,304	
		<u>8,306</u>		<u>25,899</u>
Total liabilities		8,306		25,899
<b>Net assets attributable to shareholders</b>		<b>386,301</b>		<b>381,290</b>

# Kames Diversified Growth Fund

## Distribution Tables

### Share Class A Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Franked	Streaming Unfranked Non-Foreign	Unfranked Foreign	2017/8 Net Distribution
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					

### Share Class B Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Franked	Streaming Unfranked Non-Foreign	Unfranked Foreign	2017/8 Net Distribution
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					

### Share Class D Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Franked	Streaming Unfranked Non-Foreign	Unfranked Foreign	2017/8 Net Distribution
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					

\*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

### Net asset value

	Net asset value of share class £'000	Net asset value per share p	Shares in issue
<b>As of 31 January 2019</b>	<b>386,301</b>		
A Accumulation shares	785	146.59	535,080
B Accumulation shares	385,444	157.54	244,659,529
D Accumulation shares	72	123.97	58,342

## Kames Diversified Growth Fund

### Ongoing charges figure

	31 January 2019	31 July 2018
<b>A Accumulation shares</b>		
ACD's periodic charge	1.00%	1.00%
Other expenses	0.05%	0.04%
<b>Ongoing charges figure</b>	<b>1.05%</b>	<b>1.04%</b>
<b>B Accumulation shares</b>		
ACD's periodic charge	0.55%	0.55%
Other expenses	0.05%	0.04%
<b>Ongoing charges figure</b>	<b>0.60%</b>	<b>0.59%</b>
<b>D Accumulation shares</b>		
ACD's periodic charge	0.75%	0.75%
Other expenses	0.05%	0.04%
<b>Ongoing charges figure</b>	<b>0.80%</b>	<b>0.79%</b>

The ongoing charges figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the sub-fund over the period. The OCF is made up of the ACD's periodic charge and other operating costs deducted from the assets of the sub-fund during the period, except for those payments that are explicitly excluded by regulations.

### Total purchases and sales

	Total purchases £'000	Total sales £'000
6 months to 31.01.2018	152,794	148,577
6 months to 31.01.2019	276,810	249,996

## Kames Diversified Growth Fund

### Revenue record

	Accounting year	Net revenue per share p
A Accumulation shares (pence)	2017	3.45
	2018	3.91
	2019	1.67
B Accumulation shares (pence)	2017	4.23
	2018	4.74
	2019	2.08
D Accumulation shares (pence)	2017	3.13
	2018	3.59
	2019	1.54



# Kames Diversified Monthly Income Fund

## Fund Description

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 Fund's value at all times.

The 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 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 Fund may have indirect exposure to property.

## Risk profile

The 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 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 Fund should be viewed as a longer term investment.

The 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](http://www.kamescapital.com).

## Performance

The Kames Diversified Monthly Income Fund produced a total return of 0.76% over the six months to the end of January 2019.

The average monthly pence-per-share distribution over the most recent 12 months was 0.452 pence. The historic yield, based on the 12 most recent monthly distributions, was 5.1%.

## Strategy review

Most markets experienced a very volatile six-month period, with risk assets in particular coming under significant pressure. There were a number of issues that kept volatility levels elevated, including political uncertainty, principally the potential escalation of the US-China trade tensions, Brexit negotiations and Italy's budget plans. At the same time, the US Federal Reserve's rate-rising policy began to have an impact in cooling a very strong US economy. Oil prices fell from sanction-induced highs.

Both equities and the riskier assets within fixed income sold-off sharply towards the end of 2018, as investors took fright over the potential for a central bank policy error as well as signs that the global economy might be slowing. The market recovered some of this lost ground in January, however, as the level of concern in the market seemed to be overdone.

Given the difficult backdrop, the Fund's exposure to equity markets (both through global equity income and high dividend equities) detracted from performance. The largest negatives included Aviva (UK insurance), ING (Dutch bank), and Taiwan Semiconductor Manufacturing Company (TSMC). US tech stock Cisco Systems, Clorox (cleaning products), and CME Group (US financial) were among the holdings that managed to buck the trend.

The 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 Enagas (Spanish gas distribution), 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. Within our asset leasing portfolio, the holdings in Doric Nimrod and BOC aviation (both aircraft leasing) were also positive.

Our exposure to fixed income markets was volatile. The Fund's exposure to bonds was 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 while the weighting in investment grade bonds also struggled. In contrast, 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 was volatile although overall these areas made a positive contribution. 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.

## Kames Diversified Monthly Income Fund

### Material portfolio changes

<b>Top ten purchases</b>	<b>31 January 2019</b>	<b>Top ten sales</b>	<b>31 January 2019</b>
	<b>£'000</b>		<b>£'000</b>
Japan Hotel REIT	6,288	US Treasury Bond 2.75% 15/02/2019	11,433
Lockheed Martin	6,041	US Treasury Bond 1.25% 30/04/2019	10,223
HSBC 5.875% Perpetual	5,900	US Treasury Bond 1.625% 31/08/2019	7,627
US Treasury Bond 2.75% 15/02/2019	5,124	Welltower	5,808
Transurban	4,853	US Treasury Bond 2.625% 15/11/2020	5,421
Aena	4,806	Imperial Brands	4,424
ING Groep	4,677	Mirvac	4,393
Sydney Airport	4,472	Mexican Bonos 8.5% 13/12/2018	3,642
Air Products & Chemicals	4,218	UBS 6.875% Perpetual	3,463
US Treasury Bond 1.25% 30/04/2019	4,090	Taiwan Semiconductor Manufacturing	3,336

<b>Top ten holdings</b>	<b>31 January 2019</b>	<b>Top ten holdings</b>	<b>31 July 2018</b>
	<b>%</b>		<b>%</b>
Greencoat UK Wind	2.09	Phoenix	1.91
Broadcom	1.59	Greencoat UK Wind	1.72
Phoenix	1.47	Taiwan Semiconductor Manufacturing	1.63
ING Groep	1.41	US Treasury Bond 1% 15/10/2019	1.46
Royal Dutch Shell 'A'	1.32	US Treasury Bond 1.625% 31/08/2019	1.46
Infratil	1.19	US Treasury Bond 2.625% 15/11/2020	1.46
Japan Hotel REIT	1.13	Merlin Properties Socimi	1.28
US Treasury Bond 1% 15/10/2019	1.13	Stichting AK Rabobank Certificaten 6.5% Perpetual	1.23
Bilfinger Berger Global Infrastructure SICAV	1.04	US Treasury Bond 1.25% 30/04/2019	1.22
Mondi	1.02	HICL Infrastructure	1.20

# Kames Diversified Monthly Income Fund

## Portfolio Statement

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

Holding	Investment	Market valuation £'000	Total net assets %
	<b>Euro Denominated Bonds (31 July 2018: 6.08%)</b>	<b>35,304</b>	<b>6.01</b>
	<b>Corporate Bonds (31 July 2018: 6.08%)</b>	<b>35,304</b>	<b>6.01</b>
1,600,000	Algeco Global Finance 6.5% 15/02/2023	1,406	0.24
2,400,000	Banco Bilbao Vizcaya Argentaria 5.875% Perpetual	2,053	0.35
2,000,000	Banco Bilbao Vizcaya Argentaria 6.75% Perpetual	1,787	0.30
4,400,000	Bankia 6.375% Perpetual	3,788	0.64
3,400,000	CaixaBank 6.75% Perpetual	3,094	0.53
900,000	DKT Finance 7% 17/06/2023	848	0.14
2,100,000	Energizer Gamma Acquisition 4.625% 15/07/2026	1,801	0.31
4,000,000	Erste 6.5% Perpetual	3,712	0.63
1,300,000	Ethias 5% 14/01/2026	1,231	0.21
1,500,000	Eurofins Scientific 3.25% Perpetual	1,139	0.19
3,400,000	KBC 4.25% Perpetual	2,645	0.45
2,600,000	Platin 1426 5.375% 15/06/2023	2,109	0.36
5,796,475	Stichting AK Rabobank Certificaten 6.5% Perpetual	5,736	0.98
2,000,000	Takeda Pharmaceutical 3% 21/11/2030	1,853	0.32
2,200,000	UniCredit 9.25% Perpetual	2,102	0.36
	<b>Indonesian Rupiah Denominated Bonds (31 July 2018: 0.76%)</b>	<b>3,968</b>	<b>0.68</b>
	<b>Government Bonds (31 July 2018: 0.76%)</b>	<b>3,968</b>	<b>0.68</b>
71,587,000,000	Indonesia Government Bond 8.375% 15/03/2024	3,968	0.68
	<b>Mexican Nuevo Peso Denominated Bonds (31 July 2018: 0.74%)</b>	<b>6,489</b>	<b>1.10</b>
	<b>Government Bonds (31 July 2018: 0.74%)</b>	<b>6,489</b>	<b>1.10</b>
80,000,000	Mexican Bonos 5% 11/12/2019	3,103	0.53
85,000,000	Mexican Bonos 8% 11/06/2020	3,386	0.57
	<b>South African Rand Denominated Bonds 0.32% (31 July 2018: 0.76%)</b>	<b>3,778</b>	<b>0.64</b>
	<b>Government Bonds (31 July 2018: 0.76%)</b>	<b>3,778</b>	<b>0.64</b>
59,526,570	Republic of South Africa Government Bond 10.5% 21/12/2026	3,778	0.64
	<b>Sterling Denominated Bonds (31 July 2018: 7.44%)</b>	<b>34,411</b>	<b>5.86</b>
	<b>Asset Backed Security (31 July 2018: 0.15%)</b>	<b>736</b>	<b>0.13</b>
900,000	Telereal Secured Finance 4.01% 10/12/2031	736	0.13
	<b>Corporate Bonds (31 July 2018: 7.29%)</b>	<b>33,675</b>	<b>5.73</b>
1,800,000	Annington Funding 3.935% 12/07/2047	1,818	0.31
2,100,000	Arqiva Broadcast Finance 6.75% 30/09/2023	2,180	0.37
1,200,000	Becton Dickinson 3.02% 24/05/2025	1,207	0.20
1,400,000	BUPA Finance 5% 08/12/2026	1,520	0.26
1,200,000	Digital Stout 3.75% 17/10/2030	1,208	0.21
1,200,000	DS Smith 2.875% 26/07/2029	1,142	0.19
3,000,000	HSBC 5.875% Perpetual	2,976	0.51
2,538,000	HSBC Capital 5.844% Perpetual	3,136	0.53
1,200,000	Informa 3.125% 05/07/2026	1,214	0.21
1,000,000	LafargeHolcim Sterling Finance Netherlands 3% 12/05/2032	916	0.16
700,000	Legal & General 5.5% 27/06/2064	717	0.12
2,100,000	Mclaren Finance 5% 01/08/2022	1,946	0.33
18,000	Nationwide Building Society 10.25% Perpetual	2,565	0.44
800,000	Pension Insurance 8% 23/11/2026	925	0.16

# Kames Diversified Monthly Income Fund

## Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
<b>Corporate Bonds (continued)</b>			
1,600,000	Pinnacle Bidco 6.375% 15/02/2025	1,608	0.27
1,400,000	Prudential 5% 20/07/2055	1,469	0.25
1,700,000	Prudential 5.625% 20/10/2051	1,773	0.30
500,000	RAC Bond 4.87% 06/05/2026	474	0.08
1,700,000	Vantiv / Vantiv Issuer 3.875% 15/11/2025	1,638	0.28
2,300,000	Volkswagen International Finance 4.125% 17/11/2031	2,341	0.40
800,000	Welltower 4.8% 20/11/2028	902	0.15
<b>United States Dollar Denominated Bonds (31 July 2018: 17.76%)</b>		<b>82,972</b>	<b>14.13</b>
<b>Corporate Bonds (31 July 2018: 10.01%)</b>		<b>66,198</b>	<b>11.27</b>
2,500,000	1011778 BC / New Red Finance 4.25% 15/05/2024	1,848	0.32
22,000	Anheuser-Busch InBev 3.65% 01/02/2026	16	-
1,626,000	APT Pipelines 4.25% 15/07/2027	1,223	0.21
2,600,000	Ashtead Capital 4.125% 15/08/2025	1,893	0.32
1,201,000	AT&T 5.15% 15/03/2042	902	0.15
2,200,000	Ball Corporaton 4.375% 15/12/2020	1,695	0.29
4,065,000	Bank of America 5.875% Perpetual	3,009	0.51
3,800,000	BNP Paribas 6.75% Perpetual	2,939	0.50
2,100,000	CNAC HK Finbridge 4.625% 14/03/2023	1,638	0.28
3,500,000	Credit Agricole 8.125% Perpetual	2,892	0.49
3,200,000	Credit Suisse 7.5% Perpetual	2,576	0.44
22,000	Digital Realty Trust 3.7% 15/08/2027	16	-
2,800,000	DP World 6.85% 02/07/2037	2,492	0.42
2,000,000	Drax Finco 6.625% 01/11/2025	1,519	0.26
2,700,000	First Data 5% 15/01/2024	2,101	0.36
2,000,000	HCA 6.5% 15/02/2020	1,566	0.27
200,000	James Hardie International Finance 4.75% 15/01/2025	145	0.02
2,793,000	Live Nation Entertainment 4.875% 01/11/2024	2,101	0.36
2,100,000	MAF Global Securities 5.5% Perpetual	1,536	0.26
1,850,000	MARB BondCo 6.875% 19/01/2025	1,340	0.23
3,700,000	MGM Resorts International 4.625% 01/09/2026	2,643	0.45
1,462,000	MPT Operating Partnership 5.25% 01/08/2026	1,117	0.19
2,900,000	Neptune Energy 6.625% 15/05/2025	2,136	0.36
1,655,000	Par Petroleum / Petroleum Finance 7.75% 15/12/2025	1,164	0.20
3,000,000	Pilgrim's Pride 5.75% 15/03/2025	2,235	0.38
2,074,000	Reynolds American 5.7% 15/08/2035	1,595	0.27
5,000,000	Royal Bank of Scotland 8% Perpetual	3,991	0.68
2,100,000	Sealed Air 6.5% 01/12/2020	1,664	0.28
2,800,000	Sirius XM Radio 5.375% 15/04/2025	2,155	0.37
3,600,000	Swedbank 6% Perpetual	2,741	0.47
1,700,000	Syngenta Finance 5.182% 24/04/2028	1,236	0.21
3,000,000	Tullow Oil 7% 01/03/2025	2,221	0.38
4,000,000	UBS Group Funding Switzerland 7% Perpetual	3,213	0.55
1,800,000	Unitymedia 6.125% 15/01/2025	1,415	0.24
1,179,000	Vermilion Energy 5.625% 15/03/2025	854	0.15
1,200,000	Williams Scotsman International 6.875% 15/08/2023	891	0.15
1,927,000	Williams Scotsman International 7.875% 15/12/2022	1,480	0.25
<b>Government Bonds (31 July 2018: 7.75%)</b>		<b>16,774</b>	<b>2.86</b>
2,000,000	Egypt Government International Bond 5.577% 21/02/2023	1,479	0.25
4,500,000	Sri Lanka Government International Bond 5.75% 18/04/2023	3,313	0.57
8,797,200	US Treasury Bond 1% 15/10/2019	6,616	1.13
7,043,000	US Treasury Bond 2.625% 15/11/2020	5,366	0.91

# Kames Diversified Monthly Income Fund

## Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
	<b>Equities 61.56% (31 July 2018: 63.74%)</b>	<b>369,845</b>	<b>62.99</b>
	<b>Basic Materials (31 July 2018: 1.63%)</b>	<b>16,844</b>	<b>2.87</b>
34,755	Air Products & Chemicals	4,342	0.74
326,127	Mondi	5,997	1.02
92,630	Rio Tinto	3,878	0.66
41,000	Shin-Etsu Chemical	2,627	0.45
	<b>Consumer Goods (31 July 2018: 5.33%)</b>	<b>16,125</b>	<b>2.75</b>
857,836	Anta Sports Products	3,362	0.57
83,800	Asahi Group	2,657	0.45
119,002	Bridgestone	3,475	0.59
2,287,873	Taylor Wimpey	3,777	0.65
70,152	Unilever	2,854	0.49
	<b>Consumer Services (31 July 2018: 0.93%)</b>	<b>3,538</b>	<b>0.60</b>
980,360	Sands China	3,538	0.60
	<b>Financials (31 July 2018: 33.73%)</b>	<b>183,685</b>	<b>31.28</b>
1,046,998	3i Infrastructure	2,775	0.47
25,447	Allianz	4,091	0.70
16,067	Altaera	2,534	0.43
3,724,714	Ascendas Real Estate Investment Trust	5,749	0.98
7,107,673	Ascott Residence Trust	4,742	0.81
1,270,728	Aviva	5,261	0.90
3,987,462	Bilfinger Berger Global Infrastructure SICAV	6,121	1.04
394,461	CK Asset	2,511	0.43
13,888	CME	1,924	0.33
400,516	DBS	5,416	0.92
908,114	Direct Line Insurance	3,057	0.52
3,955	GLP J-REIT	3,188	0.54
281,452	Granite Point Mortgage Trust	4,172	0.71
9,166,722	Greencoat UK Wind	12,247	2.09
3,378,723	HICL Infrastructure	5,605	0.95
251,389	Host Hotels & Resorts	3,451	0.59
918,224	ING Groep	8,258	1.41
1,800,807	International Public Partnerships	2,773	0.47
11,374	Japan Hotel REIT	6,618	1.13
3,044,562	John Laing Environmental Assets Group	3,303	0.56
37,750	JPMorgan Chase	2,970	0.51
10,589,000	Land & Houses	2,731	0.46
1,692,759	Legal & General	4,389	0.75
643,443	Londonmetric Property	1,207	0.21
71,361	Macquarie	4,602	0.78
265,779	Macquarie Korea Infrastructure Fund	1,792	0.30
4,338,854	Mapletree Logistics Trust	3,336	0.57
452,847	Merlin Properties Socimi	4,612	0.79
2,774,002	Mirvac	3,675	0.63
14,337	Muenchener Rueckversicherungs	2,426	0.41
414,680	Natixis	1,617	0.27
400,094	New Residential Investment	5,161	0.88
3,763,661	NextEnergy Solar Fund	4,291	0.73
2,968,516	Nimrod Sea Assets	9	-
305,517	ORIX	3,498	0.60
1,364,908	Phoenix	8,663	1.47

# Kames Diversified Monthly Income Fund

## Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
<b>Financials (continued)</b>			
4,600,349	Renewables Infrastructure	5,419	0.92
752,996	Resilient REIT	2,787	0.47
1,272,048	Secure Income REIT	5,063	0.86
59,614	Shurgard Self Storage	1,405	0.24
314,981	Skandinaviska Enskilda Banken	2,513	0.43
189,295	SQN Asset Finance Income Fund	180	0.03
97,062	Starwood Property Trust	1,628	0.28
138,492	Swedbank	2,379	0.40
182,322	TPG RE Finance Trust	2,746	0.47
4,043,446	Tritax Big Box REIT	5,645	0.96
487,563	Tritax Big Box REIT (Subscription Shares)	47	0.01
459,990	Two Harbors Investment	5,098	0.87
<b>Health Care (31 July 2018: 3.03%)</b>		<b>17,473</b>	<b>2.98</b>
45,304	AbbVie	2,765	0.47
312,252	GlaxoSmithKline	4,612	0.79
52,606	Johnson & Johnson	5,361	0.91
93,056	Pfizer	3,004	0.51
56,500	Takeda Pharmaceutical	1,731	0.30
<b>Industrials (31 July 2018: 8.21%)</b>		<b>67,533</b>	<b>11.50</b>
37,702	Aena	4,958	0.84
175,479	Atlantia	3,158	0.54
299,000	BOC Aviation	1,915	0.33
72,089	Distribucion Integral Logista	1,417	0.24
3,663,454	Doric Nimrod Air Three	3,755	0.64
5,345,764	DP Aircraft I	4,064	0.69
72,666	Eaton	4,210	0.72
49,686	Eiffage	3,550	0.60
336,639	Ferrovial	5,733	0.98
3,505,138	Infratil	6,968	1.19
25,091	Lockheed Martin	5,525	0.94
350,389	Swire Pacific 'A'	3,145	0.54
1,770,611	Swire Pacific 'B'	2,398	0.41
1,164,723	Sydney Airport	4,229	0.72
797,478	Transurban	5,375	0.91
69,658	Vinci	4,670	0.79
3,169,386	Zhejiang Expressway	2,463	0.42
<b>Oil &amp; Gas (31 July 2018: 2.38%)</b>		<b>14,769</b>	<b>2.52</b>
16,072	Chevron	1,400	0.24
5,677,368	China Petroleum & Chemical	3,614	0.62
1,702,571	PTT	2,009	0.34
328,026	Royal Dutch Shell 'A'	7,746	1.32
<b>Technology (31 July 2018: 5.45%)</b>		<b>27,613</b>	<b>4.70</b>
45,888	Broadcom	9,351	1.59
112,172	Cisco Systems	4,029	0.69
43,871	Maxim Integrated Products	1,810	0.31
35,857	Microsoft	2,846	0.48
205,145	Taiwan Semiconductor Manufacturing	5,868	1.00
33,992	Tokyo Electron	3,709	0.63
<b>Telecommunications (31 July 2018: 0.00%)</b>		<b>6,536</b>	<b>1.11</b>
198,400	KDDI	3,770	0.64
1,625,400	Singapore Telecommunications	2,766	0.47

# Kames Diversified Monthly Income Fund

## Portfolio Statement (continued)

Holding	Investment	Market valuation £'000	Total net assets %
	<b>Utilities (31 July 2018: 3.05%)</b>	<b>15,729</b>	<b>2.68</b>
119,342	Enagas	2,646	0.45
180,536	Endesa	3,431	0.59
407,133	National Grid	3,359	0.57
21,628	NextEra Energy	2,942	0.50
220,924	SSE	2,584	0.44
632,369	Tilt Renewables	767	0.13
	<b>Forward Foreign Exchange Contracts (31 July 2018: (0.78)%)</b>	<b>4,929</b>	<b>0.84</b>
	Bought EUR 4,650,000 Sold GBP 4,058,659	2	-
	Bought GBP 15,447,025 Sold AUD 27,900,000	(1)	-
	Bought GBP 1,150,449 Sold CHF 1,500,000	(1)	-
	Bought GBP 64,324,116 Sold EUR 72,934,798	635	0.11
	Bought GBP 5,415,140 Sold EUR 6,170,000	27	-
	Bought GBP 1,180,587 Sold EUR 1,350,000	2	-
	Bought GBP 21,272,816 Sold HKD 215,600,000	389	0.07
	Bought GBP 1,754,033 Sold HKD 18,010,000	9	-
	Bought GBP 1,760,121 Sold JPY 252,000,000	(2)	-
	Bought GBP 12,495,673 Sold KRW 18,050,000,000	169	0.03
	Bought GBP 6,956,640 Sold MXN 173,100,000	86	0.01
	Bought GBP 7,372,619 Sold NZD 14,160,000	(87)	(0.01)
	Bought GBP 4,254,041 Sold SEK 49,600,000	83	0.01
	Bought GBP 22,014,011 Sold SGD 38,650,000	184	0.03
	Bought GBP 4,968,472 Sold THB 204,000,000	9	-
	Bought GBP 7,118,217 Sold TWD 282,700,000	105	0.02
	Bought GBP 221,069,784 Sold USD 286,250,000	3,822	0.65
	Bought GBP 4,062,236 Sold USD 5,300,000	40	0.01
	Bought GBP 2,302,022 Sold USD 2,990,000	33	0.01
	Bought GBP 2,342,227 Sold USD 3,070,000	12	-
	Bought GBP 6,125,710 Sold ZAR 110,000,000	(142)	(0.02)
	Bought JPY 451,000,000 Sold GBP 3,202,306	(49)	(0.01)
	Bought MXN 209,000,000 Sold CHF 10,766,647	23	-
	Bought TRY 59,800,000 Sold EUR 9,740,308	79	0.01
	Bought USD 60,400,000 Sold EUR 53,042,338	(498)	(0.08)
	<b>Futures Contracts (31 July 2018: 0.02%)</b>	<b>(67)</b>	<b>(0.01)</b>
(236)	Long Gilt Future Contract March 2019	(368)	(0.06)
54	US 5 Year Note Future Contract March 2019	83	0.01
82	US 10 Year Note Future Contract March 2019	218	0.04
	<b>Portfolio of investments*</b>	<b>541,629</b>	<b>92.24</b>
	Net other assets	45,593	7.76
	<b>Total net assets attributable to shareholders</b>	<b>587,222</b>	<b>100.00</b>

# Kames Diversified Monthly Income Fund

## Portfolio Statement (continued)

### Analysis of investments by asset class

	Market value £'000	Value of investment %
Equities	369,845	62.99
Bonds	166,922	28.42
Derivatives	4,862	0.83
<b>Portfolio of investments*</b>	<b>541,629</b>	<b>92.24</b>
Net other assets	45,593	7.76
<b>Total net assets attributable to shareholders</b>	<b>587,222</b>	<b>100.00</b>

### Analysis of underlying exposure futures and options

	Market value £'000
Futures contracts	(67)
	<b>(67)</b>

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 Diversified Monthly Income Fund

### Statement of Total Return for the six months ended 31 January 2019

		31 January 2019		31 January 2018
	£'000	£'000	£'000	£'000
<b>Income</b>				
Net capital (losses)/gains		(5,751)		2,708
Revenue	13,387		9,655	
Expenses	(1,613)		(1,245)	
Interest payable and similar charges	(6)		(9)	
<b>Net revenue before taxation</b>	<b>11,768</b>		<b>8,401</b>	
Taxation	(1,432)		(1,022)	
Net revenue after taxation		10,336		7,379
Total return before distributions		4,585		10,087
Distributions		(10,784)		(8,194)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>(6,199)</b>		<b>1,893</b>

### Statement of Change in Net Assets Attributable to Shareholders for the six months ended 31 January 2019

		31 January 2019		31 January 2018
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders*		508,932		371,806
Amounts receivable on creation of shares	109,577		96,074	
Amounts payable on cancellation of shares	(32,867)		(17,707)	
		76,710		78,367
Dilution adjustment		307		349
Change in net assets attributable to shareholders from investment activities		(6,199)		1,893
Retained distribution on accumulation shares		7,472		6,845
<b>Closing net assets attributable to shareholders</b>		<b>587,222</b>		<b>459,260</b>

\*The opening net assets attributable to shareholders for the current period do not equal the closing net assets attributable to shareholders for the comparative period as they are not consecutive periods.

## Kames Diversified Monthly Income Fund

### Balance Sheet as at 31 January 2019

		31 January 2019		31 July 2018
	£'000	£'000	£'000	£'000
<b>Assets</b>				
Fixed assets:				
Investments		542,777		495,559
Current assets:				
Debtors	11,295		7,500	
Cash and cash equivalents	42,697		13,079	
		<u>53,992</u>		<u>20,579</u>
Total assets		596,769		516,138
<b>Liabilities</b>				
Investment liabilities		1,148		4,323
Creditors				
Bank overdrafts	4,573		4	
Distribution payable	890		807	
Other creditors	2,936		2,072	
		<u>9,547</u>		<u>7,206</u>
Total liabilities		9,547		7,206
<b>Net assets attributable to shareholders</b>		<b>587,222</b>		<b>508,932</b>

# Kames Diversified Monthly Income Fund

## Distribution Tables

### Share Class A Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Franked	Streaming Unfranked Non-Foreign	Unfranked Foreign	2017/8 Net Distribution
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					
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					
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					
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					
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					
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					

### Share Class A Income

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Franked	Streaming Unfranked Non-Foreign	Unfranked Foreign	2017/8 Net Distribution
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					
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					
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					
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					
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					
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					

### Share Class B Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Franked	Streaming Unfranked Non-Foreign	Unfranked Foreign	2017/8 Net Distribution
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					

\*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 Income

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Franked	Streaming Unfranked Non-Foreign	Unfranked Foreign	2017/8 Net Distribution
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					

### Share Class D Accumulation

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Franked	Streaming Unfranked Non-Foreign	Unfranked Foreign	2017/8 Net Distribution
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					

### Share Class D Income

Period end	Pay date	Group	Net Revenue	Equalisation*	Net Distribution	Franked	Streaming Unfranked Non-Foreign	Unfranked Foreign	2017/8 Net Distribution
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					

\*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

### Net asset value

	Net asset value of share class £'000	Net asset value per share p	Shares in issue
<b>As of 31 January 2019</b>	<b>587,222</b>		
A Accumulation shares	1,118	133.16	839,619
A Income shares	606	102.91	588,522
B Accumulation shares	374,297	136.67	273,862,268
B Income shares	210,760	105.95	198,915,706
D Accumulation shares	41	135.55	30,376
D Income shares	400	104.89	381,604

## Kames Diversified Monthly Income Fund

### Ongoing charges figure

	31 January 2019	31 July 2018
<b>A Accumulation shares</b>		
ACD's periodic charge	1.25%	1.25%
Other expenses	0.05%	0.05%
<b>Ongoing charges figure</b>	<b>1.30%</b>	<b>1.30%</b>
<b>A Income shares</b>		
ACD's periodic charge	1.25%	1.25%
Other expenses	0.05%	0.05%
<b>Ongoing charges figure</b>	<b>1.30%</b>	<b>1.30%</b>
<b>B Accumulation shares</b>		
ACD's periodic charge	0.55%	0.55%
Other expenses	0.05%	0.05%
<b>Ongoing charges figure</b>	<b>0.60%</b>	<b>0.60%</b>
<b>B Income shares</b>		
ACD's periodic charge	0.55%	0.55%
Other expenses	0.05%	0.05%
<b>Ongoing charges figure</b>	<b>0.60%</b>	<b>0.60%</b>
<b>D Accumulation shares</b>		
ACD's periodic charge	0.80%	0.80%
Other expenses	0.05%	0.05%
<b>Ongoing charges figure</b>	<b>0.85%</b>	<b>0.85%</b>
<b>D Income shares</b>		
ACD's periodic charge	0.80%	0.80%
Other expenses	0.05%	0.05%
<b>Ongoing charges figure</b>	<b>0.85%</b>	<b>0.85%</b>

The ongoing charges figure (OCF) is calculated as the ratio of the total ongoing charges to the average net asset value of the sub-fund over the period. The OCF is made up of the ACD's periodic charge and other operating costs deducted from the assets of the sub-fund during the period, except for those payments that are explicitly excluded by regulations.

### Total purchases and sales

	Total purchases £'000	Total sales £'000
6 months to 31.01.2018	238,991	148,172
6 months to 31.01.2019	248,433	198,560

## Kames Diversified Monthly Income Fund

### Revenue record

	Accounting year	Net revenue per share p
A Accumulation shares (pence)	2017	6.87
	2018	7.08
	2019	2.64
A Income shares (pence)	2017	5.72
	2018	5.53
	2019	2.06
B Accumulation shares (pence)	2017	6.63
	2018	6.84
	2019	2.70
B Income shares (pence)	2017	5.70
	2018	5.55
	2019	2.12
D Accumulation shares (pence)	2017	6.66
	2018	6.88
	2019	2.68
D Income shares (pence)	2017	5.71
	2018	5.61
	2019	2.10

## Further Information

### Base currency

The Company's base currency is Sterling.

### Shares

Each sub-fund may have up to seven share classes, 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 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.

Kames Capital ICVC 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 counted 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.



## Who to contact

### Investors

**email: [kames@ntrs.com](mailto: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](http://www.kamescapital.com)**